

**Form 52-109F2**  
***Certification of Interim Filings***

I, **Robert A. Archer, Chief Executive Officer of Cangold Limited**, certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Cangold Limited (the issuer) for the interim period ending **September 30, 2006**;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings; and
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the issuer, and we have designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared.

Date: November 24, 2006

**Cangold Limited**

“Robert A. Archer”  
**Robert A. Archer**  
Chief Executive Officer

**Form 52-109F2**  
***Certification of Interim Filings***

I, **Kaare G. Foy, Chief Financial Officer of Cangold Limited**, certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Cangold Limited (the issuer) for the interim period ending **September 30, 2006**;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings; and
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the issuer, and we have designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared.

Date: November 24, 2006

**Cangold Limited**

“Kaare G. Foy”  
**Kaare G. Foy**  
Chief Financial Officer

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

**CANGOLD LIMITED**

Three months ended September 30, 2006

## **MANAGEMENT'S COMMENTS ON UNAUDITED INTERIM FINANCIAL STATEMENTS**

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

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

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

# CANGOLD LIMITED

Balance Sheets  
(Unaudited – Prepared by Management)

	September 30, 2006	June 30, 2006
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 971,161	\$ 1,064,147
Short-term investments, market value \$18,750 (2005 - \$29,500)	18,750	18,750
Amounts receivable	9,965	6,287
Prepaid expenses and advances	1,605	4,013
	<u>1,001,481</u>	<u>1,093,197</u>
Reclamation deposit (notes 3(d) and 3(e))	32,800	32,800
Equipment (note 4)	2,550	2,709
	<u>\$ 1,036,831</u>	<u>\$ 1,128,706</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 28,086	\$ 24,917
Due to related parties (note 6)	-	20,266
	<u>28,086</u>	<u>45,183</u>
Shareholders' equity:		
Capital stock (note 5)	8,529,254	8,529,254
Contributed surplus (note 5(c))	842,338	836,738
Deficit	(8,362,847)	(8,282,469)
	<u>1,008,745</u>	<u>1,083,523</u>
	<u>\$ 1,036,831</u>	<u>\$ 1,128,706</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

"Robert A. Archer" Director

"Kaare G. Foy" Director

# CANGOLD LIMITED

Statements of Operations and Deficit  
(Unaudited – Prepared by Management)

Three months ended September 30, 2006 and 2005

	September 30, 2006	September 30, 2005
		(Restated - note 2(e))
Expenses:		
Amortization	\$ 159	\$ 290
Consulting	13,800	3,237
Director fees	15,000	15,000
Filing fees	3,343	17,513
Investor relations:		
Incurred	15,513	12,116
Stock-based compensation	5,600	-
Management fees	4,900	7,320
Mineral property exploration expenditures (notes 2(e) and 3)	432	252,202
Office and miscellaneous	6,519	6,911
Printing	-	239
Professional fees	9,710	16,218
Rent	5,102	7,152
Transfer agent fees	2,143	1,317
Travel	4,559	-
	<u>86,780</u>	<u>322,002</u>
Loss before undemoted	(86,780)	(322,002)
Interest income	6,402	859
	<u>Net loss for the period</u>	<u>(80,378)</u>
		<u>(321,143)</u>
Deficit, beginning of period		
As previously stated	(8,282,469)	(3,752,757)
Adjustment for retroactive change in accounting policy (note 2(e))	-	(2,638,812)
As restated	<u>(8,282,469)</u>	<u>(6,391,569)</u>
Deficit, end of the period	<u>\$ (8,282,467)</u>	<u>\$ (6,712,712)</u>
Loss per share (note 2(k)), basic and diluted	\$ (0.00)	\$ (0.01)

See accompanying notes to financial statements.

# CANGOLD LIMITED

Statements of Cash Flows  
(Expressed in Canadian dollars)

Three months ended September 30, 2006 and 2005

	September 30, 2006	September 30, 2005
		(Restated - note 2(e))
Cash flows used in operating activities:		
Net loss for the period	\$ (80,378)	\$ (321,143)
Adjustment to reconcile net loss to cash provided by operating activities:		
Amortization	159	290
Stock-based compensation	5,600	-
Changes in non-cash operating working capital:		
Accounts receivable	(3,678)	(32,008)
Prepaid expenses and advances	2,408	245,572
Accounts payable and accrued liabilities	3,168	(78,832)
Net cash used in operating activities	(72,720)	(186,121)
Cash flows from financing activities:		
Decrease in due to related parties	(20,266)	(7,283)
Net cash from financing activities	(20,266)	(7,283)
Increase (decrease) in cash and cash equivalents	(92,986)	(193,404)
Cash and cash equivalents, beginning of period	1,064,147	497,928
Cash and cash equivalents, end of period	\$ 971,161	\$ 304,524

See accompanying notes to financial statements.

# CANGOLD LIMITED

Notes to Financial Statements  
(Expressed in Canadian dollars)  
Three months ended September 30, 2006

---

## 1. BASIS OF PRESENTATION

Certain information and footnote disclosures normally included in financial statements prepared in accordance with Canadian generally accepted accounting principles has been condensed or omitted in these interim period financial statements and therefore should be read in conjunction with the audited financial statements and the accompanying notes included in the Company's latest annual filing. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the previous year where applicable. In the opinion of the Company, these interim period financial statements contain all adjustments in order to present a fair statement of the results of the interim period.

The interim period financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles on a basis consistent with those followed in recent annual financial statements.

## 2. NATURE AND CONTINUANCE OF OPERATIONS

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

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

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

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

---

	September 30, 2006	June 30, 2006
Deficit	\$ (8,362,847)	\$ (8,282,469)
Working capital	\$ 973,395	\$ 1,048,014

---

# CANGOLD LIMITED

Notes to Financial Statements  
(Expressed in Canadian dollars)  
Three months ended September 30, 2006

---

## 2. Significant accounting policies:

### (a) Use of estimates:

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

### (b) Cash and cash equivalents:

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

### (c) Short-term investments:

Short-term investments include investments in marketable securities which are recorded at the lower of cost and market.

### (d) Reclamation deposit:

Reclamation deposits are recorded at cost.

### (e) Mineral properties:

The Company changed its accounting policy for mineral property exploration expenditures in its fourth quarter of 2006. Prior to March 31, 2006, all acquisition costs and exploration expenditures were capitalized on a property-by-property basis. The Company changed its policy, on a retroactive basis, to expense, as incurred, acquisition costs, periodic option payments related to mineral properties, exploration expenditures and administrative and land use costs incurred prior to commercial feasibility of mining operations being established. Mineral property acquisition costs include the cash consideration paid and the fair value of common shares issued for mineral property interests, pursuant to the terms of the relevant agreement. If the Company owns an interest in a mineral property, exploration expenditures are recognized for only the Company's proportionate interest in the property. This policy change has been applied retroactively and has reduced mineral properties by \$3,255,285, increased capital stock by \$356,200 and increased beginning deficit by \$2,638,812 as at June 30, 2005 and increased the net loss for the year ended June 30, 2005 by \$972,673 thereby increasing the deficit to \$7,364,242 as at June 30, 2005. This policy change has also increased the loss per share by \$0.01 for the year ended June 30, 2005 to \$0.03.

Mineral property acquisition costs and exploration and development expenditures incurred subsequent to the determination of the feasibility of mining operations are capitalized until the property to which they relate is placed into production, sold, abandoned or the exploration rights are allowed to lapse. Mineral property sales proceeds or option payments received for exploration rights are treated as cost recoveries. Once commercial production has

# CANGOLD LIMITED

Notes to Financial Statements  
(Expressed in Canadian dollars)  
Three months ended September 30, 2006

---

## 2. Significant accounting policies (continued):

### (e) Mineral properties (continued):

commenced, these accumulated costs will be amortized to operations by unit-of-production depletion based on proven and probable reserves. If a mineral property is abandoned or the mineral deposit proves to be uneconomical or it is determined otherwise that its carrying value cannot be supported by future production or sale, then previously capitalized costs are written down and charged against operations in the year of abandonment or in the year such determination of impairment is made.

### (f) Equipment:

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

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

### (g) Stock-based compensation:

The Company grants stock options in accordance with the TSX Venture Exchange ("TSX-V") policies (note 5(e)).

Effective July 1, 2002, stock-based payments to non-employees are accounted for using the fair value based method. Under the fair value based method, compensation cost is measured at fair value as the awards are earned and services performed and charged to operations over the service period which normally is the period during which the options vest. The adoption of this new standard resulted in no changes to amounts previously reported. No compensation cost was recognized for stock-based employee compensation awards.

Effective July 1, 2005, stock-based payments to employees are accounted for using the fair value based method. Previously, the Company provided note disclosure of the pro-forma effect of accounting for stock options granted to employees and directors under the fair value method. The amended standard has been applied retroactively, without restatement of prior periods. The restatement at June 30, 2004 resulted in an increase to contributed surplus and an increase in the deficit of \$318,843. The adjustments represent the compensation expense which would have been recorded had a fair value based method been used for stock options granted to employees and directors after July 1, 2002.

For options granted prior to July 1, 2002, no stock-based compensation expense was recorded or required to be considered for pro forma disclosure purposes for any stock options granted to employees, directors, or non-employees.

# CANGOLD LIMITED

Notes to Financial Statements  
(Expressed in Canadian dollars)  
Three months ended September 30, 2006

---

## 2. Significant accounting policies (continued):

### (h) Foreign currency translation:

The reporting and functional currency of the Company is the Canadian dollar.

Monetary items denominated in foreign currencies are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenue and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in operations.

### (i) Income taxes:

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

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

### (j) Asset retirement obligations:

The Company recognizes statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset.

### (k) Loss per share:

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

# CANGOLD LIMITED

Notes to Financial Statements  
(Expressed in Canadian dollars)  
Three months ended September 30, 2006

## 3. Mineral property exploration expenditures:

	Casummit (a)	Thorn (b)	Total	
			September 30, 2006	June 30, 2006
Balance, beginning of period	\$ 1,176,657	\$ 2,238,269	\$ 3,414,926	\$ 3,144,715
Exploration expenditures:				
Option payments:				
Cash consideration	\$ -	\$ -	\$ -	\$ -
Common shares	-	-	-	-
Drilling	-	-	-	38,367
Analysis	-	-	-	13,760
Field costs	-	-	-	183,098
Project administration	-	432	432	33,728
Geology	-	-	-	25,611
Geophysics	-	-	-	16,501
Line cutting	-	-	-	3,918
	-	432	432	314,983
Cost recoveries	-	-	-	(29,772)
Consideration for area of interest provision	-	-	-	(15,000)
Net expenditures during the period	-	432	432	270,211
Cumulative expenditures, beginning of period	1,176,657	2,238,269	-	3,144,715
Cumulative expenditures, end of period	\$ 1,176,657	\$ 2,238,701	\$ 3,415,358	\$ 3,414,926

### (a) Casummit Lake property:

Effective October 31, 2001, the Company entered into an option agreement which granted the Company the exclusive working rights and the option, for a period of two years, to purchase a 51% interest in the Casummit Lake mining claims located in the Red Lake Mining Division, Northwestern Ontario. In consideration for the working right and purchase option, the Company paid \$10,000 cash and issued 100,000 common shares. In order to maintain in force the working right and purchase option, the Company was to make payments and issue shares as follows:

- (i) On or before October 31, 2002, the Company was to pay \$10,000 cash and issue 50,000 common shares and incur expenditures of at least \$250,000 on mining operations in respect of the mining claim; and
- (ii) On or before October 31, 2003, the Company was to pay \$20,000 cash and issue 50,000 common shares and incur cumulative expenditures of at least \$650,000 in respect of the mining claim.

The option agreement provided for the Company to terminate the agreement at any time or let it lapse by failing to pay any or all of the payments and/or make any or all of the share issuances referred to above. Upon exercising the option, the Company will then participate in a joint venture for the further exploration and development of the mining claims, with its initial participating interest being 51%.

# CANGOLD LIMITED

Notes to Financial Statements  
(Expressed in Canadian dollars)  
Three months ended September 30, 2006

---

During the year ended June 30, 2003, the Company made a cash payment of \$10,000, issued 50,000 common shares, and incurred in excess of \$250,000 in respect of mining claims, in accordance with (i) above.

During the year ended June 30, 2004, the Company complied with the remaining terms of the option agreement and exercised its option to acquire the majority interest in the property by exceeding the required expenditures of \$650,000, making the final payment of \$20,000 cash and issuing 50,000 common shares. The Company is the operator of the newly formed Joint Venture.

Under the terms of the Joint Venture, the operator proposes the exploration programs. If a party fails to contribute its proportionate share of funding for the exploration program, its interest is diluted by 1% for each \$50,000 shortfall in funding until it reaches 10%. The joint venture will terminate upon a party's interest falling to 10%, and 100% of the participating interest will vest in the contributory party and the defaulting party's interest will be converted automatically to a 1% net smelter return royalty, which may be purchased by the continuing party at any time for \$250,000. As at September 30, 2006, the Company continues to hold a 51% interest in the Casummit Lake property. The expenditures disclosed in the table above reflect only the Company's proportionate 51% interest in the Casummit Lake property. To date, the Company has initially incurred 100% of costs under exploration programs and recovered 49% of such costs from the 49% owner.

(b) Thorn property:

Effective March 1, 2002, the Company entered into an option agreement which granted the Company the exclusive working right and option, for a period of three years, to purchase an undivided 51% interest, in the Check-Mate, Stuart and Thorn Claims which are situated in the Atlin Mining Division, Northwestern British Columbia. In consideration for the working right and purchase option the Company paid \$15,000 cash and issued 100,000 common shares. In order to maintain in force the working right and purchase option, the Company was to make payments and issue shares as follows:

- (i) On or before March 1, 2003, the Company was to pay \$25,000 cash and issue 50,000 common shares and incur expenditures in respect of the mining claims of at least \$300,000;
- (ii) On or before March 1, 2004, the Company was to pay \$50,000 cash and issue 50,000 common shares and incur cumulative expenditures in respect of the mining claims of at least \$700,000; and
- (iii) On or before March 1, 2005, the Company was to give notice in writing of its intent to exercise the option. In order to make such an election, the Company must have incurred an additional \$500,000 in mining expenditures in respect of the mining claims for total expenditures of \$1,200,000 and make an additional payment of \$100,000 cash and issue an additional 50,000 common shares for a total consideration of \$190,000 and 250,000 shares.

The option agreement provided for the Company to terminate the agreement at any time or let it lapse by failing to pay any or all of the payments and/or make any or all of the share

# CANGOLD LIMITED

Notes to Financial Statements  
(Expressed in Canadian dollars)  
Three months ended September 30, 2006

---

issuances referred to above. Upon exercising the option, the Company will then participate in a joint venture for the further exploration and development of the mining claims, with its initial participating interest being 51%.

The interest in the Check-Mate claim is subject to a 2.0% Net Smelter Return Royalty and the interest in the Stuart claim is subject to a 3.5% Net Smelter Return Royalty from commercial operations. The Company has the right to acquire at any time, within one year of the commencement of commercial production, a 21.43% interest in the Stuart royalty (being 0.75% of the total 3.5% royalty) for consideration of \$1,000,000. The Company has the right at any time and at its option to purchase a 62.5% interest in the Check-Mate royalty (being 1.25% of the 2.0% royalty) and a 45.45% interest in the Stuart royalty (being 1.25% of the remaining 2.75% royalty) for consideration of \$2,000,000.

During the year ended June 30, 2003, the Company made a cash payment of \$25,000, issued 50,000 common shares, and incurred over \$300,000 in respect of mining claims, in accordance with (i) above. During the year ended June 30, 2004, the Company made a cash payment of \$50,000, issued 50,000 common shares, and, at June 30, 2004 had cumulatively incurred over \$948,000 in respect of mining claims, in accordance with (ii) above and issued 50,000 common shares in accordance with (iii) above.

During the year ended June 30, 2005, the Company complied with the remaining terms of the agreement and exercised its option to acquire the majority interest in the property. The Company is the operator of the newly formed Joint Venture.

Under the terms of the Joint Venture, the operator proposes the exploration programs. If a party fails to contribute its proportionate share of funding for the exploration program, its interest is diluted by 1% for each \$50,000 shortfall in funding until it reaches 10%. The joint venture will terminate upon a party's interest falling to 10%, and 100% of the participating interest will vest in the contributory party and the defaulting party's interest will be converted automatically to a 1% net smelter return royalty, which may be purchased by the continuing party at any time for \$1,500,000. As at September 30, 2006, the Company continues to hold a 51% interest in the Thorn property. The expenditures disclosed in the table above reflect only the Company's proportionate 51% interest in the Thorn property. To date, the Company has initially incurred all 100% of costs under exploration programs and recovered 49% of such costs from the 49% owner.

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

(c) Lakeview property:

Effective November 28, 2005, the Company signed a letter of intent to enter into an option agreement, for a period of three and one-half years, to purchase a 100% undivided interest in the Lakeview mining claims situated in the Omineca Mining Division, Central British Columbia, for a total consideration of \$125,000 and 275,000 common shares, plus a further 200,000 common shares if the property is placed into commercial production.

# CANGOLD LIMITED

Notes to Financial Statements

(Expressed in Canadian dollars)

Three months ended September 30, 2006

The interest in the property is subject to a 2% Net Smelter Return Royalty ("NSR") from commercial operations. The Company has the right to acquire at any time a 50% interest in the NSR for consideration of \$1,000,000.

During the year ended June 30, 2006, the Company paid \$5,000 and issued 25,000 common shares.

On July 4, 2006, the Company provided notice that it would be terminating the option agreement.

The Company is contingently liable for the site restoration of the mineral property under the regulations of the Mines Act (the "Act") of the Province of British Columbia. The required deposit under the Act is supported by a term deposit held by the Company in the amount of \$7,000.

## 4. Equipment:

September 30, 2006	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 7,803	\$ 6,922	\$ 881
Drilling equipment	6,026	4,357	1,669
	\$ 13,829	\$ 11,279	\$ 2,550

June 30, 2006	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 7,803	\$ 6,851	\$ 952
Drilling equipment	6,026	4,269	1,757
	\$ 13,829	\$ 9,959	\$ 2,709

# CANGOLD LIMITED

Notes to Financial Statements  
(Expressed in Canadian dollars)  
Three months ended September 30, 2006

## 5. Capital stock:

(a) Authorized:

Unlimited number of common shares without par value

(b) Issued:

	Number of shares	Stated value
Balance, June 30, 2005		
As previously stated	52,364,316	7,051,248
Adjustment for retroactive change in accounting policy (note 2(e))		
Flow-through shares renounced to investors		356,200
As restated	52,364,316	7,407,448
Private placement at \$0.08 per share, net of costs (i)	1,816,250	142,016
Private placement at \$0.12 per share, net of costs (ii)	6,666,667	792,515
Exercise of "L" warrants	1,716,250	171,625
Exercise of stock options at \$0.11 per share	100,000	11,000
Shares issued for mineral property interests, net of costs (iii)	25,000	1,500
Reclass from contributed surplus on exercise of stock options		3,150
Balance, June 30, 2006 and September 30, 2006(iv)	62,688,483	\$ 8,529,254

- (i) During the year ended June 30, 2006, the Company completed a private placement of 1,816,250 units, at \$0.08 per unit for net cash proceeds of \$142,016. Each unit consists of one common share and one non-transferable Series "L" share purchase warrant which entitles the holder to purchase one common share of the Company for \$0.10 per share until May 28, 2007. Two companies with directors in common participated by acquiring 1,716,250 units.
- (ii) During the year ended June 30, 2006, the Company completed a private placement of 6,666,667 units, at \$0.12 per unit for net cash proceeds of \$792,515. Each unit consists of one common share and one non-transferable Series "M" share purchase warrant which entitles the holder to purchase one common share of the Company for \$0.15 per share until April 26, 2008. Senior officers and a company with directors in common participated by acquiring 100,000 and 1,100,000 units, respectively.
- (iii) During the year ended June 30, 2006, the Company issued, pursuant to the terms of the letter of intent for one of the mineral properties (note 3(e)), 25,000 common shares with a fair value of \$0.06 per share for a total assigned value of \$1,500.
- (iv) On August 8, 2006, 39,668 common shares were released from escrow. Included in issued capital stock are the remaining 119,004 (Q1FY06 – 198,340) common shares held in escrow.

# CANGOLD LIMITED

Notes to Financial Statements  
(Expressed in Canadian dollars)  
Three months ended September 30, 2006

## 5. Capital stock (continued):

### (c) Contributed surplus:

Balance, June 30, 2005	608,712
Stock-based compensation for employee awards	143,992
Stock-based compensation for non-employee awards	87,184
Reclassification to common shares on exercise of stock options	(3,150)
Balance, June 30, 2006	\$ 836,738
Stock-based compensation for non-employee awards	5,600
Balance, September 30, 2006	\$ 842,338

### (d) Warrants:

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

### (e) Stock options:

Pursuant to the policies of the TSX-V, the Company may grant incentive stock options to its officers, directors, employees and consultants. TSX-V policies permit the Company's directors to grant incentive stock options for the purchase of shares of the Company to qualified persons as incentive for their services. Pursuant to the Company's 2003 Incentive Stock Option Plan, stock options must be non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the outstanding issue of the Company at the time of granting and may not exceed 5% of the outstanding issue to any individual (maximum of 2% to any consultant) in any 12-month period. The exercise price of stock options is determined by the board of directors of the Company by reference to the market value of the shares at the date of grant. Options have expiry dates of no longer than five years from the date of grant and terminate 30 days following the termination of the participant's employment. Vesting of options is made at the time of granting of the options at the discretion of the board of directors unless otherwise specified. Once approved and vested, the options are exercisable at any time.

# CANGOLD LIMITED

Notes to Financial Statements  
(Expressed in Canadian dollars)  
Three months ended September 30, 2006

## 5. Capital stock (continued):

### (e) Stock options (continued):

Exercise price	Expiry date	June 30, 2005	Granted	Cancelled/ expired	Exercised	June 30, 2006
\$0.13	November 3, 2006	50,000	-	-	-	50,000
0.13	December 1, 2006	340,000	-	-	-	340,000
0.16	October 29, 2007	430,000	-	-	-	430,000
0.15	April 22, 2008	1,330,000	-	-	-	1,330,000
0.11	September 21, 2008	100,000	-	-	-	100,000
0.30	January 14, 2009	1,125,000	-	-	-	1,125,000
0.16	September 7, 2009	200,000	-	-	-	200,000
0.12	March 29, 2010	1,700,000	-	-	-	1,700,000
0.17	April 30, 2008	200,000	-	-	-	200,000
0.15	May 7, 2011	500,000	-	-	-	500,000
0.15	August 2, 2007	-	150,000	-	-	150,000
		5,975,000	150,000	-	-	6,125,000
Weighted average exercise price		\$0.17	0.15	-	-	0.17

As at September 30, 2006, 6,125,000 options with a weighted average exercise price of \$0.17, were exercisable.

The fair value of options granted during quarter was \$0.15. The average fair value per option was determined using the following weighted average assumptions:

	September 30, 2006	June 30, 2005
Risk-free interest rate	4.20%	4.12%
Dividend yield	0%	0%
Expected life	1 year	3 years
Volatility	77%	97%

## 6. Related party transactions:

- Included in expenses are amounts totalling \$39,502 (Q1FY06 - \$42,583) for consulting, directors fees, management fees, accounting, rent and office charged to the Company by officers, directors or companies controlled by the directors of the Company.
- Included in mineral property exploration expenditures (note 3) are amounts totalling "\$nil" (Q1FY06 - \$10,715) for geological consulting costs charged to the Company by an officer or a company controlled by a director of the Company.

This Management's Discussion and Analysis ("MD&A") prepared as of November 15, 2006, reviews the activities of Cangold Limited ("Cangold" or the "Company") for the three month financial period ending September 30, 2006 ("Q1-FY07") and other material events up to the date of this report. The following information should be read in conjunction with the accompanying interim unaudited financial statements and the accompanying notes, and the audited financial statements and the accompanying notes and the Management Discussion and Analysis contained in the Company's Annual Report for the fiscal year ended June 30, 2006.

## **FORWARD-LOOKING STATEMENTS**

This MD&A contains certain forward-looking information. All information, other than historical facts included herein, including without limitation data regarding potential mineralization, exploration results and future plans and objectives of Cangold, is forward-looking information that involves various risks and uncertainties. There can be no assurance that such information will prove to be accurate and future events and actual results could differ materially from those anticipated in the forward-looking information. The Company expressly disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

## **DESCRIPTION AND OVERVIEW OF BUSINESS**

Cangold Limited is an active resource exploration company listed on the TSX Venture Exchange, trading under the symbol "CLD". Cangold's activities up to the present time have been focused on the exploration and development of precious and base metals in Canada, principally in northern Ontario and northwestern British Columbia. As announced in the news release dated February 12, 2006, the Company will also be concentrating on acquiring gold and copper exploration and production properties in Mexico. The management of the Company is currently evaluating several potential projects for Cangold's portfolio of properties.

Currently there are no mineral reserves delineated on the properties in which the Company has an interest. Therefore there are no producing properties, and consequently no operating income or cash flow. In the past, Cangold has accessed, and in the future will continue to access, the equities markets to raise the funds needed to continue exploration programs on its various property holdings and to meet its ongoing working capital requirements. Because of the magnitude of the expenditures needed to fund exploration programs, the Company also makes use of joint ventures to share the costs and risks associated with exploring some of its mineral properties.

## **RESULTS OF OPERATIONS**

The Company reports a loss of \$80,378 and cash outflows from operations of \$72,720 for the quarter ended September 30, 2006 compared with a loss of \$321,143 and cash outflows from operations of \$186,121 for the three months ended September 30, 2005 ("Q1-FY06"). This difference can be largely attributed to the limited exploration activity in the first quarters of the current fiscal year relative first quarter of the corresponding fiscal year. For Q1-FY07, the Company expensed \$432 in exploration activities compared to \$252,202 for Q1-FY06. This drop in exploration activity is largely a result of the Company refocusing its resources on evaluating properties in Mexico.

General and administrative expenses, excluding mineral property exploration expenditures and stock-based compensation, for the three months ended September 30, 2006 were \$80,748 compared with \$69,800 for three month period ending September 30, 2005. The marginal increase can be attributed to increased costs in consulting fees and travel expenses.

The Company is in the exploration stage and has not yet determined whether its properties contain ore reserves that are economically recoverable. The Company has no producing properties, and consequently no sales and nominal interest revenues from interest bearing cash accounts.

**EXPLORATION ACTIVITIES AND PROPERTY EXPENDITURES**

## a) Casummit Lake Property:

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

Recent Exploration Activities

No field work was conducted on the Property during the three months ended September 30, 2006. Management believes however, that the Casummit Lake Property justifies further expenditures which will be required to fully test its potential.

## b) Thorn Property:

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

Recent Exploration Activities

No field work was conducted on the Property during the three months ended September 30, 2006. Management believes that the Thorn Property justifies further expenditures which will be required to fully test its potential.

## c) Lakeview Property:

During the quarter, the Company concluded, based on its analysis of a surface diamond drilling program that began in December 2005, that there was not sufficient positive information to proceed with further work and as a result, on July 4, 2006, the Company terminated the option agreement.

**SUMMARY OF QUARTERLY RESULTS**

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

Quarter Ended	Revenue	Net income (loss) <sup>(2)</sup>	Net income (loss) per share <sup>(1)(2)</sup>
September 30, 2006	\$Nil	\$( 80,378)	\$(0.00)
June 30, 2006	\$Nil	\$(327,934)	\$(0.01)
March 31, 2006	\$Nil	\$( 73,773)	\$(0.01)
December 31, 2005	\$Nil	\$(195,377)	\$(0.01)
September 30, 2005	\$Nil	\$(321,143)	\$(0.01)
June 30, 2005	\$Nil	\$(251,375)	\$(0.01)
March 31, 2005	\$Nil	\$(133,542)	\$(0.01)
December 31, 2004	\$Nil	\$(514,634)	\$(0.01)

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

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

It is the nature of junior exploration companies that there are no sales or revenue. There can also be significant variances in the Company's reported loss from quarter to quarter arising from factors that are difficult to anticipate in advance or to predict from past results. Due to the seasonal nature of exploration and the dependency on the climate, expenditures generally exhibit a seasonal variation.

During the quarter, the Company entered into a consulting services agreement whereby the consultant will provide certain corporate communication services to the Company and in consideration the Company made a cash payment of \$10,000 and granted incentive stock options to purchase 150,000 common shares at an exercise price of \$0.15 per share expiring on August 2, 2007. The fair value of the options was determined to be \$5,600 using a Black-Scholes valuation model and was expensed during the period.

## **LIQUIDITY AND CAPITAL RESOURCES**

Cangold does not have any operations that generate cash flow. The Company's financial success relies on management's ability to find economically viable mineral deposits. This process can take many years and is largely based on factors that are beyond the control of Cangold.

In order to finance its exploration activities and corporate overhead, the Company is dependent on investor sentiment remaining positive towards the gold and silver exploration business generally, and towards Cangold in particular, so that funds can be raised through the sale of the Company's securities. Many factors have an influence on investor sentiment, including a positive climate for mineral exploration, a company's track record and the experience and calibre of a company's management. There is no certainty that equity funding will be available at the times and in the amounts required to fund the Company's activities. Note 1 to the Company's 2006 audited financial statements further discusses the going concern issue. The financial statements do not include any adjustments that might result from these uncertainties.

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

### *Cash and Financial Conditions*

The Company's cash and cash equivalents balance was \$971,161 at September 30, 2006 as compared to \$304,524 at September 30, 2005. The Company's financial instruments are all fully cashable at any time so there are no restrictions on availability of funds.

The Company had working capital of \$973,395 as at September 30, 2006 compared with working capital of \$301,395 as at September 30, 2005. Working capital, together with limited additional financing, should be adequate to fund the Company's activities and to cover corporate overhead for the current fiscal year.

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

### *Investing Activities*

For the three months ended September 30, 2006, the Company's cash outflows from investing activities was "\$nil" (Q1-FY06 – "\$nil").

### *Financing Activities*

As at September 30, 2006, Cangold had 62,688,483 common shares issued and outstanding. No shares were issued for cash during the three month period.

*Outstanding Share Data as at November 15, 2006*

As at November 15, 2006, the Company has 62,688,483 common shares issued and outstanding, or 75,580,150 common shares on a fully diluted basis. If the Company were to issue all 6,766,667 shares issuable upon the exercise of all warrants outstanding and all 6,125,000 shares issuable upon the exercise of all incentive stock options outstanding, it would raise approximately \$2,045,000.

*Outlook*

It is anticipated that in the foreseeable future, Cangold will rely on the equity markets to meet its financing needs.

Management and the Board of Directors review the approved work plans and budgets for the various exploration projects at regular intervals throughout the year, and make revisions to the budgets for individual projects in response to exploration success (or the lack thereof) on such projects.

Management and the Board of Directors continuously review and examine proposals and projects for the Company and conduct their due diligence in respect of same.

**TRANSACTIONS WITH RELATED PARTIES**

Included in expenses are the following transactions with related parties totalling \$10,715:

- a) Paid or accrued consulting fees totalling \$1,050 to a company with a director in common and \$2,750 to an officer of the Company.
- b) Paid or accrued directors' fees totalling \$15,000 to directors of the Company.
- c) Paid or accrued management fees totalling \$3,200 to a company with a director in common.
- d) Paid or accrued office rent and administration costs totalling \$8,302 to a company with a director in common and \$7,500 to an officer of the Company.

**CRITICAL ACCOUNTING ESTIMATES**

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

**CHANGES IN ACCOUNTING POLICIES**

No new accounting policies were adopted during the period.

**FINANCIAL INSTRUMENTS**

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

## **OFF-BALANCE SHEET ARRANGEMENTS**

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

## **ADDITIONAL DISCLOSURE REQUIREMENTS**

The Company's management is responsible for establishing and maintaining disclosure controls and procedures for the Company. The disclosure controls and procedures have been designed, under the supervision of the Board of Directors and its Officers, so as to provide reasonable assurance that material information relating to the Company is made known to the Board of Directors and its Officers by others within the Company. The Officers of the Company certifying its Interim Filings under Multilateral Instrument 52-109 have evaluated the effectiveness of these disclosure controls and procedures for the period ended September 30, 2006 and have concluded that they are being maintained as designed.

The Officers have also concluded that there has been no change in the Company's internal control over financial reporting during the most recent interim period that has materially affected, or is reasonably likely to affect, the internal control over financial reporting.

### **Additional Sources of Information**

Additional information relating to Cangold can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.cangold.ca](http://www.cangold.ca).