

FORM 52-109F1

CERTIFICATION OF ANNUAL FILINGS

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

1. I have reviewed the annual filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings*) of Cangold Limited (the issuer) for the period ending June 30, 2007;
2. Based on my knowledge, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the annual filings;
3. Based on my knowledge, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the annual filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
 - (a) 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 subsidiary, is made known to us by others within those entities, particularly during the period in which the annual filings are being prepared;
 - (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
 - (c) evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by the annual filings and have caused the issuer to disclose in the annual MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings based on such evaluation; and
5. I have caused the issuer to disclose in the annual MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: October 19, 2007

"Robert A. Archer"

Robert A. Archer
President and Chief Executive Officer

FORM 52-109F1

CERTIFICATION OF ANNUAL FILINGS

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

1. I have reviewed the annual filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings*) of Cangold Limited (the issuer) for the period ending June 30, 2007;
2. Based on my knowledge, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the annual filings;
3. Based on my knowledge, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the annual filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
 - (a) 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 subsidiary, is made known to us by others within those entities, particularly during the period in which the annual filings are being prepared;
 - (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
 - (c) evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by the annual filings and have caused the issuer to disclose in the annual MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings based on such evaluation; and
5. I have caused the issuer to disclose in the annual MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: October 19, 2007

"Kaare G. foy"

Kaare G. Foy
Chief Financial Officer

Consolidated Financial Statements
(Expressed in Canadian dollars)

CANGOLD LIMITED

Years ended June 30, 2007 and 2006



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

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Cangold Limited as at June 30, 2007 and 2006 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP (signed)

Chartered Accountants

Vancouver, Canada

August 17, 2007, except as to note 9
which is as of October 11, 2007

CANGOLD LIMITED

Consolidated Balance Sheets
(Expressed in Canadian dollars)

June 30, 2007 and 2006

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 710,753	\$ 1,064,147
Short-term investments, market value \$17,000 (2006 - \$18,750)	17,000	18,750
Amounts receivable	9,094	6,287
Prepaid expenses and advances	9,301	4,013
	<u>746,148</u>	<u>1,093,197</u>
Reclamation deposit (note 3(b))	25,800	32,800
Equipment (note 4)	30,866	2,709
	<u>\$ 802,814</u>	<u>\$ 1,128,706</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 53,804	\$ 24,917
Due to related parties (note 6)	2,862	20,266
	<u>56,666</u>	<u>45,183</u>
Shareholders' equity:		
Capital stock (note 5)	8,539,254	8,529,254
Contributed surplus (note 5(c))	882,299	836,738
Deficit	(8,675,405)	(8,282,469)
	<u>746,148</u>	<u>1,083,523</u>
Going concern (note 1)		
Subsequent events (note 9)		
	<u>\$ 802,814</u>	<u>\$ 1,128,706</u>

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Robert A. Archer" Director

"Kaare G. Foy" Director

CANGOLD LIMITED

Consolidated Statements of Operations and Deficit
(Expressed in Canadian dollars)

Years ended June 30, 2007 and 2006

	2007	2006
Expenses:		
Amortization	\$ 1,669	\$ 1,161
Consulting:		
Incurred	74,132	34,990
Stock-based compensation	40,476	87,184
Director fees:		
Incurred	60,000	60,000
Stock-based compensation	-	143,992
Filing fees	21,801	15,783
Foreign exchange loss (gain)	438	(44)
Investor relations:		
Incurred	50,920	28,586
Stock-based compensation	5,085	-
Mineral property exploration expenditures (notes 2(f) and 3)	3,355	394,928
Office and miscellaneous	21,651	24,600
Printing	4,398	3,050
Professional fees	97,332	83,113
Rent	17,068	26,247
Transfer agent fees	4,400	7,863
Travel	22,778	4,355
	425,503	915,808
Loss before undernoted	(425,503)	(915,808)
Interest income	34,317	8,331
Write-down of short-term investments	(1,750)	(10,750)
	32,567	(2,419)
Net loss for the year	(392,936)	(918,227)
Deficit, beginning of year	(8,282,469)	(7,364,242)
Deficit, end of year	\$ (8,675,405)	\$ (8,282,469)
Loss per share (note 2(l)), basic and diluted	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding, basic and diluted	62,707,113	54,896,324

See accompanying notes to consolidated financial statements.

CANGOLD LIMITED

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Years ended June 30, 2007 and 2006

	2007	2006
Cash flows used in operating activities:		
Net loss for the year	\$ (392,936)	\$ (918,227)
Adjustment to reconcile net loss to cash provided by operating activities:		
Amortization	1,669	1,161
Stock-based compensation	45,561	231,176
Issuance of shares for mineral property exploration expenditures	-	1,500
Write-down of short-term investments	1,750	10,750
Changes in non-cash operating working capital:		
Amounts receivable	(2,807)	12,725
Prepaid expenses and advances	(5,288)	241,559
Accounts payable and accrued liabilities	28,887	(118,016)
Net cash used in operating activities	(323,164)	(537,373)
Cash flows from (used in) investing activities:		
Purchase of equipment	(29,826)	-
Reclamation deposit	7,000	(7,000)
Net cash used in investing activities	(22,826)	(7,000)
Cash flows from (used in) financing activities:		
Issuance of shares for cash, net of costs	10,000	1,117,156
Decrease in due to related parties	(17,404)	(6,565)
Net cash from (used in) financing activities	(7,404)	1,110,591
Increase (decrease) in cash and cash equivalents	(353,394)	566,219
Cash and cash equivalents, beginning of year	1,064,147	497,928
Cash and cash equivalents, end of year	\$ 710,753	\$ 1,064,147
Supplementary information:		
Interest paid	\$ -	\$ -
Taxes paid	-	-

See accompanying notes to consolidated financial statements.

CANGOLD LIMITED

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2007 and 2006

1. Going concern:

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

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

During the year ended June 30, 2007 the Company incurred a loss of approximately \$393,000 (2006 - \$918,000) and used cash for operations of approximately \$323,000 (2006 - \$537,000). In addition, as at June 30, 2007 the Company has a deficit of approximately \$8,675,000.

Notwithstanding these continued losses and operating cash flow deficiencies, these consolidated 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.

2. Significant accounting policies:

(a) Basis of consolidation:

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The consolidated statements include the accounts of the Company and its wholly-owned subsidiary, Coboro Minerales de Mexico, S.A. de C.V.

Significant inter-company balances and transactions have been eliminated on consolidation.

CANGOLD LIMITED

Notes to Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2007 and 2006

2. Significant accounting policies (continued):

(b) Use of estimates:

The preparation of the consolidated 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.

(c) Cash and cash equivalents:

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

(d) Short-term investments:

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

(e) Reclamation deposit:

Reclamation deposits are recorded at cost.

(f) Mineral properties:

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

Mineral property 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 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.

CANGOLD LIMITED

Notes to Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2007 and 2006

2. Significant accounting policies (continued):

(g) Equipment:

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

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

(h) Stock-based compensation:

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

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.

Stock-based payments to employees are accounted for using the fair value based method.

(i) Foreign currency translation:

The functional currency of the Company and its subsidiary 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.

(j) Income taxes:

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

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

CANGOLD LIMITED

Notes to Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2007 and 2006

2. Significant accounting policies (continued):

(k) Asset retirement obligations:

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

(l) Loss per share:

Basic loss per share is computed by dividing the loss by the weighted average number of common shares outstanding during the reporting period. Diluted loss 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.

(m) Comparative figures:

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

3. Mineral property exploration expenditures:

The continuity of mineral property exploration expenditures for 2007 is as follows:

	Casummit (a)	Thorn (b)	Birch (c)	WALP	Lakeview (d)	2007
Exploration expenditures:						
Project administration	\$ -	\$ 6,390	\$ -	\$ -	\$ -	\$ 6,390
Cost recoveries	-	(3,035)	-	-	-	(3,035)
Net expenditures during the year	-	3,355	-	-	-	3,355
Cumulative expenditures, beginning of year	1,176,657	2,238,269	110,570	183,092	124,717	3,833,305
Cumulative expenditures, end of year	\$ 1,176,657	\$ 2,241,624	\$ 110,570	\$ 183,092	\$ 124,717	\$ 3,836,660

CANGOLD LIMITED

Notes to Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2007 and 2006

3. Mineral property exploration expenditures (continued):

The continuity of mineral property exploration expenditures for 2006 is as follows:

	Casummit (a)	Thorn (b)	Birch (c)	WALP	Lakeview (d)	2006
Exploration expenditures:						
Option payments:						
Cash consideration	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
Common shares	-	-	-	-	1,500	1,500
Drilling	-	38,367	-	-	91,304	129,671
Analysis	-	13,760	-	-	3,462	17,222
Field costs	-	183,098	-	-	1,081	184,179
Project administration	-	33,728	-	-	11,170	44,898
Geology	-	25,611	-	-	-	25,611
Geophysics	-	16,501	-	-	-	16,501
Linecutting	-	3,918	-	-	11,200	15,118
	-	314,983	-	-	124,717	439,700
Cost recoveries	-	(29,772)	-	-	-	(29,772)
Consideration for area of interest provision	-	(15,000)	-	-	-	(15,000)
Net expenditures during the year	-	270,211	-	-	124,717	394,928
Cumulative expenditures, beginning of year	1,176,657	1,968,058	110,570	183,092	-	3,438,377
Cumulative expenditures, end of year	\$ 1,176,657	\$ 2,238,269	\$ 110,570	\$ 183,092	\$ 124,717	\$ 3,833,305

(a) Casummit Lake property:

On 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 claims; 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 claims.

CANGOLD LIMITED

Notes to Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2007 and 2006

3. Mineral property exploration expenditures (continued):

(a) Casummit Lake property (continued):

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%.

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 June 30, 2007, the Company continues to hold a 51% interest in the Casummit Lake property. The cumulative 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;

CANGOLD LIMITED

Notes to Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2007 and 2006

3. Mineral property exploration expenditures (continued):

(b) Thorn property (continued):

- (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 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.

CANGOLD LIMITED

Notes to Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2007 and 2006

3. Mineral property exploration expenditures (continued):

(b) Thorn property (continued):

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 June 30, 2007, 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 (2006 - \$25,800).

(c) Birch Lake property:

During the year ended June 30, 2002, the Company acquired by staking 240 claim units comprising the Birch Lake property situated in the Red Lake Mining Division, Northwestern Ontario. During the year ended June 30, 2004, the Company incurred in excess of \$143,000 on exploration and development of the property.

During the year ended June 30, 2005, the Company entered into an option agreement which grants Trade Winds Ventures Inc. ("Trade Winds") the exclusive working right and option, for a period of three years, to purchase up to an undivided 70% interest, in the Birch Lake mining claims. In consideration for the working right and purchase option the Company received from Trade Winds \$10,000 and 50,000 common shares upon acceptance of the agreement by the TSX Venture Exchange. In order to maintain in force the working right and purchase option to earn a 60% interest, Trade Winds must issue to the Company a further 25,000 shares on each of the first and second anniversary dates and incur expenditures in respect of the mining claims of \$1 million over four years. The Company will retain a 1% Net Smelter Return. Trade Winds may then elect to acquire a further 10% interest by incurring an additional \$600,000 in expenditures in respect of the mining claims.

During the year ended June 30, 2006, Trade Winds notified the Company that it elected to terminate the option agreement.

The Company allowed the claims to lapse in May and June, 2006.

CANGOLD LIMITED

Notes to Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2007 and 2006

3. Mineral property exploration expenditures (continued):

(d) 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.

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.

4. Equipment:

2007	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 12,926	\$ 7,136	\$ 5,790
Field equipment	30,729	5,653	25,076
	\$ 43,655	\$ 12,789	\$ 30,866

2006	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 7,803	\$ 6,851	\$ 952
Field equipment	6,026	4,269	1,757
	\$ 13,829	\$ 11,120	\$ 2,709

CANGOLD LIMITED

Notes to Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2007 and 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	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	62,688,483	8,529,254
Exercise of "L" warrants	100,000	10,000
Balance, June 30, 2007 (iv)	62,788,483	\$ 8,539,254

- (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) Included in issued capital stock are 79,336 (2006 – 158,672) common shares held in escrow. The Company filed an Amendment to the Escrow Agreement dated December 21, 2001 whereby the escrow shares will be released over a 72 month time period. During the year ended June 30, 2007 79,336 (2006 - 79,366) escrow shares were released pursuant to the amendment to the escrow agreement.

CANGOLD LIMITED

Notes to Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2007 and 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	45,561
Balance, June 30, 2007	\$ 882,299

(d) Warrants:

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

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

The continuity of share purchase warrants for 2006 is as follows:

Series	Exercise price	Expiry date	June 30, 2005	Issued	Exercised	Expired	June 30, 2006
Series "I" (extended to)	0.15	Apr 5, 2005 Oct 5, 2005	5,800,000	-	-	(5,800,000)	-
Series "K"	0.22	Aug 27, 2005	750,000	-	-	(750,000)	-
Broker Warrants	0.20	Aug 27, 2005	520,000	-	-	(520,000)	-
Series "L"	0.10	May 28, 2007	-	1,816,250	(1,716,250)	-	100,000
Series "M"	0.15	Apr 26, 2008	-	6,666,667	-	-	6,666,667
			7,070,000	8,482,917	(1,716,250)	(7,070,000)	6,766,667

CANGOLD LIMITED

Notes to Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2007 and 2006

5. Capital stock (continued):

(e) Stock options:

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

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

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

As at June 30, 2007, 6,235,000 options with a weighted average exercise price of \$0.17 were exercisable.

CANGOLD LIMITED

Notes to Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2007 and 2006

5. Capital stock (continued):

(e) Stock options (continued):

The continuity of common share stock options for 2006 is as follows:

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
0.28	December 31, 2005	200,000	-	(200,000)	-	-
0.30	January 14, 2009	1,125,000	-	-	-	1,125,000
0.16	September 7, 2009	200,000	-	-	-	200,000
0.11	May 2, 2006	100,000	-	-	(100,000)	-
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
		3,875,000	2,400,000	(200,000)	(100,000)	5,975,000
Weighted average exercise price		\$0.20	0.13	0.28	0.11	0.17

The weighted average fair value of options granted during 2007 was \$0.04 (2006 - \$0.10).

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

	2007	2006
Risk-free interest rate	4.10%	4.12%
Dividend yield	0%	0%
Expected life	4 years	3 years
Volatility	83%	97%

6. Related party transactions:

- Amounts due to related parties consists of \$2,862 (2006 - \$20,266) to officers, directors, companies with directors in common or companies controlled by officers or directors of the Company. The balance is payable on demand, unsecured and without interest.
- Included in mineral property exploration expenditures (note 3) are amounts totalling nil (2006 - \$10,715) for geological consulting costs charged to the Company by an officer or a company controlled by a director of the Company.
- Included in expenses are amounts totalling \$105,643 (2006 - \$161,737) 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.

CANGOLD LIMITED

Notes to Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2007 and 2006

7. Income taxes:

Income tax recovery differs from the amount that would be computed by applying the federal and provincial statutory income tax rate of approximately 34% to the loss before income taxes. The reasons for the differences are as follows:

	2007	2006
Computed tax recovery	\$ (133,654)	\$ (313,299)
Financing costs deductible for tax purposes	(54,154)	(54,905)
Non-deductible capital items and other	16,695	82,924
Benefit of current year losses not recognized	147,663	273,376
Resource adjustment	23,450	11,904
Income tax recovery	\$ -	\$ -

The Company has incurred non-capital losses of approximately \$2,119,000 for Canadian income tax purposes which can be carried forward to reduce net income for income tax purposes in future years. This amount comprises losses expiring in the fiscal years ending June 30:

2009	\$ 197,000
2010	294,000
2011	364,000
2015	453,000
2016	382,000
2027	429,000

The Company has also incurred net capital losses of approximately \$1,827,000 for Canadian tax purposes which can be carried forward indefinitely to reduce future taxable capital gains.

As at June 30, 2007 and 2006, the tax effect of the significant components within the Company's future tax asset is as follows:

	2007	2006
Future tax assets:		
Non-capital losses carried forward	\$ 646,438	\$ 576,396
Net capital losses carried forward	557,096	566,229
Mineral properties	871,586	884,834
Foreign resource pools	191,048	194,180
Financing costs	80,286	79,984
Other	12,767	20,833
Total future tax assets	2,359,221	2,322,456
Valuation allowance	(2,359,221)	(2,322,456)
Future tax assets, net of allowance	\$ -	\$ -

CANGOLD LIMITED

Notes to Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2007 and 2006

7. Income taxes (continued):

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

8. Financial instruments:

The carrying amounts of cash and cash equivalents, short-term investments, amounts receivable and accounts payable and accrued liabilities approximate fair value due to their short-term nature. The fair value of amounts due to related parties cannot be reasonably estimated due to uncertainty as to timing and method of repayment and the lack of a ready market for such related party amounts.

9. Subsequent event:

Subsequent to June 30, 2007, the Company entered into an option agreement to acquire a 100% interest in the Los Venados property, Sonora, Mexico.

The Company can acquire a 100% interest in the Los Venados property by making staged cash payments totaling \$250,000 and issuing 500,000 common shares over a five year period of which the initial cash payment of \$25,000 was made and 150,000 common shares were issued. The acquisition is subject to a 2% Net Smelter Return Royalty, half of which can be purchased for \$500,000.

CANGOLD LIMITED
MANAGEMENT DISCUSSION & ANALYSIS

For the year ended June 30, 2007

This Management Discussion and Analysis (“MD&A”) prepared as of October 4, 2007, reviews the activities of Cangold Limited (“Cangold” or “the Company”) for the year ended June 30, 2007 and other material events up to the date of this report. The following information should be read in conjunction with the accompanying audited consolidated financial statements and the accompanying notes. The accounting policies followed by the Company are set out in Note 2 of the audited consolidated financial statements included in the Company’s 2007 Annual Report.

Forward-looking Statement

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

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

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

Description and Overview of Business

Cangold Limited is a resource exploration company listed on the TSX Venture Exchange, trading under the symbol “CLD”. During the year, the Company concentrated its efforts on the acquisition of gold and copper exploration and production properties in Mexico and subsequent to June 30, 2007 signed an option agreement to acquire a 100% interest in the Los Venados property in northern Mexico. The Company still maintains an interest in several precious and base metal exploration properties in Canada, principally in northern Ontario and northwestern British Columbia.

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.

CANGOLD LIMITED
MANAGEMENT DISCUSSION & ANALYSIS

For the year ended June 30, 2007

Selected Annual Information

	2007	2006	2005⁽¹⁾
Net sales or total revenue	Nil	Nil	Nil
General and administrative expenses	\$ 376,587	\$ 289,704	\$ 502,809
Stock-based compensation	45,561	231,176	32,980
Mineral exploration expenses	3,355	394,928	799,565
Director fees	60,000	60,000	60,000
Write-down of short-term investments	1,750	10,750	32,500
Loss for the year	392,936	918,227	1,362,070
Loss per share (weighted average)	0.01	0.02	0.03
Cash and cash equivalents	710,753	1,064,147	497,928
Total assets	802,814	1,128,706	821,682
Total liabilities	56,666	45,183	169,764
Working capital	\$ 689,482	\$ 1,048,014	\$ 622,248

⁽¹⁾ The financial information has been restated to reflect the Company's change in accounting policy to expense all exploration and development expenditures incurred prior to commercial feasibility of mining operations being established.

Results of Operations

The Company reported a loss of \$392,936 and recorded cash outflows from operations of \$323,164 for the year ended June 30, 2007 compared with a loss of \$918,227 and cash outflows from operations of \$537,373 for twelve-month period in 2006. The decreased loss in the current fiscal year can be largely attributed to the fact that the Company was in the process of refocusing its efforts to finding and developing an exploration property in Mexico. This shift is a result of the Company's assessment that there exists a greater potential to secure a quality exploration project in that country. As a result of this shift, there was minimal exploration work done on the Companies' portfolio of Canadian exploration properties. During the twelve months ended June 30, 2007, the Company incurred expenses of \$3,355 compared to \$394,928 in the previous twelve months.

Consulting costs for the year were \$74,132 compared to \$34,990 in the twelve months ended June 30, 2006. This \$39,142 increase is a result of the Company conducting its due diligence work for a property in Mexico.

The Company incurred investor relations costs of \$50,920 for the twelve months ended June 30, 2007 compared to \$28,586 for the twelve months ended June 30, 2006. This increase is a result of the Company's continuing efforts to increase its profile in the investor community.

Professional fees for the year were \$97,332 compared to \$83,113 for the twelve months ended June 30, 2006. This increase is a result of additional expenses incurred to incorporate the Company's Mexican subsidiary, Coboro Minerales de Mexico, S.A. de C.V., during the year. The Company also incurred additional accounting and audit related fees as the complexity of including a Mexican operating subsidiary for financial reporting purposes, resulted in higher costs.

The Company incurred travel costs of \$22,778 for the twelve months ended June 30, 2007 compared to \$4,355 for the twelve months ended June 30, 2006. This increase is a result of travel expenses to Mexico for the due diligence work in evaluating several properties.

Interest income was \$34,317 for the year compared to \$8,331 for the previous period. This increase in interest income is a result of the additional funds held in deposit from a private placement in the previous year.

There was a substantial decrease in stock-based compensation, a non-cash charge, from \$231,176 in 2006 to \$45,561 in 2007. The limited activity in the Company during the year was the main factor in the decreased compensation awarded.

CANGOLD LIMITED
MANAGEMENT DISCUSSION & ANALYSIS

For the year ended June 30, 2007

Exploration Activities and Property Expenditures

The notes to the June 30, 2007 audited financial statements contain a schedule summarizing the total expenditures made on the properties.

a) *Birch Lake Property:*

The Birch Lake Property comprises 240 claim units (3,840 hectares) staked by Cangold and is located in the Red Lake Mining Division, Northwestern Ontario.

Exploration Activities

The primary exploration target on the Birch Lake Property is iron formation-hosted gold. Exploration will focus on areas of structural complexity that may be amenable to gold mineralization.

During the year ended June 30, 2005, the Company optioned the Birch Lake Property to Trade Winds Ventures Inc. ("Trade Winds"). In 2005, Trade Winds drilled 2,913 metres in the southeast portion of the Property, tracing a structural zone that is known to be gold-bearing further to the northwest. While Trade Winds has not furnished Cangold with results of the drilling, they terminated their option on the Property on August 31, 2005.

The Company allowed the Birch Lake claims to lapse in May and June, 2006.

b) *Casummit Lake Property:*

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

Exploration Activities

No field work was conducted on the Property during the years ended June 30, 2006 and June 30, 2007. Management believes however, that the Casummit Lake Property justifies further expenditures which will be required to fully test its potential.

c) *Thorn Property:*

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

Exploration Activities

An exploration program, which began in June, 2005 and was completed in July, 2005, consisted of a comprehensive and integrated program of reconnaissance scale mapping, rock sampling and prospecting, contour soil and silt sampling, Induced Polarization ("IP") geophysics and diamond drilling.

A significant part of the 2005 program was tailored towards the evaluation of volcanic rocks adjacent to the Thorn Stock as recent age dating has revealed that these rocks may be affected by mineralizing events at the Thorn and are therefore a prospective host for high sulphidation mineralization. Field work focused on the margins of the Thorn Stock and the volcanic units, which are thought to be the source of the quartz-barite boulder discovered in 2004. Results indicated a suite of higher temperature alteration minerals typically associated with precious metal mineralization within a high sulphidation system. The findings are important in generating targets with the greatest potential for significant mineralization within this extensive area.

Previous exploration at the Thorn has demonstrated that IP geophysical surveying is an effective tool for targeting buried sulphide mineralization in this region. Untested portions of a large airborne resistivity low were covered by IP with the goal of identifying new anomalies that have the same signature as that reflecting Talisker Zone mineralization. The 2005 IP helped to further outline and define the Talisker Zone and located two new anomalies further north, the Balvenie and Cutty Sark Zones.

CANGOLD LIMITED
MANAGEMENT DISCUSSION & ANALYSIS

For the year ended June 30, 2007

A total of five diamond drill holes were completed. Two holes tested the continuity of the Talisker Zone with results from one hole indicating a high grade section comparable to the discovery hole drilled in 2004 and numerous other mineralized zones throughout the length of the hole. Results from the other hole indicated that the Talisker may split into two zones to the southwest. Two holes tested the new IP target at the Cutty Sark Zone with results indicating lithologically controlled alteration within volcanic rocks overlying the Thorn Stock, the first noted on the Thorn property. One hole tested the far eastern extent of the Balvenie Zone and intersected a narrow interval of silver-copper mineralization with minor gold.

No field work was conducted on the Property during the fiscal year ended June 30, 2007. Management believes however, that the Thorn Property justifies further expenditures which will be required to fully test its potential.

d) Lakeview Property:

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

Exploration Activities

A surface diamond drill program was commenced and completed on the Lakeview Property in December, 2005. The program was designed to test a known mineralized horizon at 50 metre centres over a strike length of 300 metres and to give a good preliminary assessment of the potential for the property to host a significant sulphide deposit. A total of seven holes were completed, comprising 798 metres, drilled under both the northern and southern trenches. Two holes, drilled under the north trench, intersected significant mineralization. The other five holes returned no significant values. The results suggest that mineralization is intermittent at this location and/or may be zoned, as is common in volcanogenic sulphide deposits.

During the year, the Company in analyzing results of its surface drilling program that commenced in December 2005, determined that there was not sufficient positive information to proceed with further work and officially terminated the agreement in July, 2006.

e) Los Venados Property:

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

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

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

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

CANGOLD LIMITED
MANAGEMENT DISCUSSION & ANALYSIS

For the year ended June 30, 2007

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

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 (loss) ⁽²⁾	Net (loss) per share ⁽¹⁾⁽²⁾
June 30, 2007	\$Nil	\$(184,243)	\$(0.01)
March 31, 2007	\$Nil	\$(48,306)	\$(0.00)
December 31, 2006	\$Nil	\$(80,009)	\$(0.00)
September 30, 2006	\$Nil	\$(80,378)	\$(0.00)
June 30, 2006	\$Nil	\$(327,934)	\$(0.01)
March 31, 2006	\$Nil	\$(73,773)	\$(0.00)
December 31, 2005	\$Nil	\$(195,377)	\$(0.00)
September 30, 2005	\$Nil	\$(321,143)	\$(0.01)

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

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

It is the nature of junior exploration companies that there are no sales or revenue. There can also be significant variances in the Company's reported loss from quarter to quarter arising from factors that are difficult to anticipate in advance or to predict from past results. Due to the seasonal nature of exploration and the dependency on the climate, expenditures generally exhibit a seasonal variation. The granting of incentive stock options, which results in the recording of amounts for stock-based compensation can be quite large in relation to other general and administrative expenses incurred in any given quarter.

Liquidity and Capital Resources

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

In order to finance its exploration activities and corporate overhead, the Company is dependent on investor sentiment remaining positive towards the gold and silver exploration business generally, and towards Cangold in particular, so that funds can be raised through the sale of the Company's securities. Many factors have an influence on investor sentiment, including a positive climate for mineral exploration, a company's track record and the experience and calibre of a company's management. There is no certainty that equity funding will be available at the times and in the amounts required to fund the Company's activities. Note 1 to the Company's 2007 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.

CANGOLD LIMITED
MANAGEMENT DISCUSSION & ANALYSIS

For the year ended June 30, 2007

Cash and Financial Conditions

The Company's cash and cash equivalents balance was \$710,753 at June 30, 2007 as compared to \$1,064,147 at June 30, 2006. 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 \$689,482 as at June 30, 2007 compared with working capital of \$1,048,014 as at June 30, 2006. Working capital, together with limited additional financing, should be adequate to fund the Company's activities and to cover corporate overhead for the next fiscal year.

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

During the year ended June 30, 2007, the Company's cash outflows from investing activities was \$22,826 (2006 - \$7,000).

There were no material differences in the actual use of proceeds from the Company's previous disclosure in this regard.

Financing Activities

For the year ended June 30, 2007, 100,000 "L" warrants to purchase 100,000 common shares at a price of \$0.10 per share were exercised for total proceeds of \$10,000.

During the year, the Company granted options, under its stock option plan, to purchase 150,000 common shares with an exercise price of \$0.15 per share expiring August 2, 2007 and 500,000 common shares with an exercise price of \$0.15 expiring May 3, 2012.

Shares outstanding

At the date of this MD&A, the Company had 63,018,483 common shares issued and has 6,636,667 warrants and 6,035,000 options outstanding.

If the Company were to issue all 6,636,667 shares issuable upon the exercise of all warrants outstanding and all 6,035,000 shares issuable upon the exercise of all incentive stock options outstanding, it would raise approximately \$2,025,000.

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.

CANGOLD LIMITED
MANAGEMENT DISCUSSION & ANALYSIS

For the year ended June 30, 2007

Transactions with Related Parties

Included in expenses are the following transactions with related parties totalling \$105,643:

- a) Paid or accrued consulting fees totalling \$5,250 to a company with a director in common and \$6,550 to an officer of the Company.
- b) Paid or accrued directors' fees totalling \$30,000 to directors of the Company.
- c) Paid or accrued consulting fees totalling \$10,150 to a company with a director in common.
- d) Paid or accrued office rent and administration costs totalling \$29,693 to a company with a director in common and \$24,000 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, including option life and estimated future stock price volatility. Due to the inherent uncertainty involved with making such estimates, actual results reported in future years could differ from these estimates.

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.

Additional Disclosure Requirements

Evaluation of Disclosure Controls and Procedures

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, on a timely basis so that appropriate decisions can be made regarding public disclosure. The Officers of the Company certifying its Annual Filings under Multilateral Instrument 52-109 have evaluated the effectiveness of these disclosure controls and procedures for the year ending June 30, 2007. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws.

Changes in Internal Control over Financial Reporting

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Chief Executive Officer and Chief Financial Officer have 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 or on the Company's website at www.cangold.ca.