

**CANADIAN
GOLD HUNTER
CORP.**



**ANNUAL
REPORT**

For the year ended March 31, 2005

To our shareholders:

It was another busy year for Canadian Gold Hunter with 14,081 metres of drilling completed in five programs on the Company's key exploration projects. The drill results on the GJ/Kinaskan copper/gold project in northern B.C. exceeded expectations and brought the property to a new level in its exploration history resulting in the first resource estimate for the Donnelly Zone.

GJ/Kinaskan Copper/Gold Project, B.C.

During the summer of 2004 the Company completed a 4,267 metre diamond drill program on the GJ/Kinaskan copper/gold project located in northern B.C. The drilling was focused on the Groat porphyry where copper/gold mineralization is associated with a poorly exposed elongated stock of monzodiorite which intrudes andesite and volcanoclastic sediments. Three gold-rich porphyry zones have been discovered to date on the Groat porphyry: the Donnelly Zone, the GJ Zone and the North Zone. These three zones have been traced for strike lengths of 1,100, 800 and 500 metres respectively. All three zones are open in all directions and at depth.

The 2004 program successfully tested the Donnelly and North Zones. At the Donnelly Zone, the limits of copper-gold mineralization were significantly expanded. The Donnelly Zone has been drilled to date to an average depth of about 200 metres and is open in both directions on strike east-west and at depth. It is at least 1,100 metres in strike length and up to at least 340 metres wide.

As a result of the success of the summer 2004 program, the Company commissioned a technical review and resource estimate for the zone. An independent consultant was retained to review the Donnelly zone data, estimate a resource based on the historic and 2004 drill results, and recommend a drill program that would be sufficient to bring as much as possible of the resources presently defined as inferred up to the indicated category for a pre-feasibility study beginning in the fall of 2005, as well as to explore for additional material that could be added to the resource base. The resource estimate was based on 23 drill holes and all material is considered at this time to be in the inferred resource category.

Donnelly Zone Inferred Resources

Cut off Cu (%)	Tonnes (000,000)	Cu (%)	Au (g/t)	Contained Cu (million lbs)	Contained Au (million ozs)
0.10	105.1	0.32	0.32	741	1.1
0.20*	71.2	0.40	0.40	628	0.9
0.30	41.5	0.50	0.52	457	0.7
0.40	24.5	0.61	0.66	329	0.5

*base case

The 0.20% copper cut-off grade has been chosen as the "base case" scenario based on Red Chris (bcMetals Corporation), the nearest analogy to the deposit. Material below this cut-off has questionable economic expectation at this point, but at least some of it, if mined as a consequence of gaining access to the higher grade material, might well be segregated in a low-grade stockpile in case of exceptional metal prices. The 43-101 technical report by David T. Mehner, M.Sc., P.Geol. and Giles R. Peatfield, Ph.D., P.Eng., dated May 15, 2005, is available on Sedar (www.sedar.com) as well as the Company's website (www.canadiangoldhunter.com).

The Donnelly Zone resource estimate was carried out by qualified person, Dr. Giles Peatfield, Ph.D., P.Eng. using a manual sectional method. The geological model was based on 5,256 metres of diamond drilling in 23 core holes with some 1,500 assays. Thirteen of the core holes were drilled by Texasgulf Canada Ltd. ("Tg") in 1977 and 1980; this drilling was supervised by Dr. Peatfield. The other ten holes were drilled by the Company in 2004. The assay results from the recent diamond drill program were consistent with, and corroborated, the earlier work by Tg.

The 2004 drill program and sampling protocol were supervised by qualified person David Mehner, P.Geol., Project Geologist for Canadian Gold Hunter. Appropriate quality control and quality assurance protocols were utilized on the program. Standard reference samples were inserted in each batch of assays. The Canadian Gold Hunter drill samples were analyzed for gold by fire assay and for copper by atomic absorption at ALS Chemex in North Vancouver, B. C., Canada.

Based on recommendations by Mehner and Peatfield, the Company has scheduled 15,000 metres of diamond drilling starting in June, 2005 to test the Donnelly Zone with a further 40 diamond drill holes to as deep as 500 metres and an additional 15 holes to test other targets. The main goal of the 2005 program is to double the Donnelly Zone resource (within the area drilled to date) and bring much of it into the drill indicated category. In addition, the Company expects to add to the resources by extending the Donnelly Zone on strike. Further potential exists on strike and down dip on the North and GJ Zones. An updated resource estimate will be completed following the 2005 program.

The Company has a 100% working interest in the GJ/Kinaskan project.

Assean Lake Gold Project, Manitoba

During fiscal 2004, the Company carried out two drill programs on the Assean Lake gold project in Manitoba for a total of 7,190 metres. The drilling targeted the Hunt Zone, a shear-hosted deposit that has been traced to date by drilling for 650 metres along strike and to a depth of over 300 metres with gold grades up to 27.2 g/t over 4.27 metres. The Hunt Zone is displaced by a steep fault that cuts the zone at an acute angle and produces a fault window between 250 and 350 m depth. Several deep holes drilled to test for offset continuation of the Hunt Zone at depth were not successful. Four shallower holes tested the westerly strike extent of the Hunt Zone. Two holes were low grade, however the gold grades increased in the two most westerly holes, which could be indicating the presence of a high grade shoot further to the west or down dip.

The Company is reviewing further exploration plans on the project.

The Company holds a 60% interest in the project and is the operator.

Manson Creek, BC

Drilling on the Manson Creek property was completed in early October, 2004. Five NQ holes totaling 1,190 meters were drilled to test a broad soil and rock gold geochemical anomaly and partly coincident IP chargeability anomaly. These anomalies had been drill tested by Anaconda in 1983 with encouraging results (Hole 83-14 intersected 76.2 metres grading 1.21 g/t gold). The anomalies occur within strongly pyritic, carbonate-altered and quartz-veined greywackes, which crop out over a large area.

The primary target at Manson creek is a large, low-grade gold system. In this regard, holes 04-002, 003 and 005, which were drilled about 100 metres apart, are very encouraging in that they intersected wide intervals with grades approaching one gram per tonne gold (110.95 metres grading 0.658 g/t gold, 141.0 metres grading 0.783 g/t gold and 187.5 metres grading 0.447 g/t gold respectively).

An unexpected bonanza grade intercept occurs in drill Hole 04-002, which intersected 1.5 metres grading 173 g/t gold at a down-hole depth of 63.00 metres. The economic significance of this interval must be downplayed until further drilling is completed in the area. Hole 04-002 is the most northwesterly hole drilled on the property. The mineralization is open to the northwest and southeast. A 2,500-metre diamond drill program is planned for the fall of 2005.

The Manson Creek Property is located in one of British Columbia's oldest placer gold camps, the source of which could be the large low grade lode gold system on the Property. The Company has a 100% working interest in the Property.

Bob Creek, B.C.

Drilling at Bob Creek commenced in mid October, 2005. Five NQ holes totaling 1,434 metres were drilled in the program. The primary target is the Canyon Zone, a large, low-grade gold-silver-zinc system.

Hole 04-001 was drilled in the Canyon Zone as a follow up to historic hole 89-2, which is reported to have intersected 156.1 metres grading 0.79 g/t gold, 5.4 g/t silver and 0.54% zinc. Drill hole 04-001 intersected 228.6 metres grading 0.55 g/t gold, 2.6 g/t silver and 0.28% zinc at a down-hole depth of 75.28 metres.

Holes 04-002 to 005 were drilled in the South Zone to follow up on historic Hole 89-8, which intersected 3.0 metres grading 23.7 g/t gold. These last four holes did not intersect any significant mineralized intervals.

The mineralization at Bob Creek is associated with a strong 3,000 by 500 metre IP chargeability anomaly caused by a large sulphide system. The rocks in the area are poorly exposed and the mineral distribution is not well understood. Further compilation work will be undertaken before additional field work is contemplated.

The Company has a 100% working interest in Bob Creek.

Nunavut Gold Projects

The Company has elected to drop its options on the Noomut and Nowyak properties in Nunavut.

MacVicar Lake Gold Project, Manitoba

The Company carried out a two-week prospecting program on the MacVicar gold project in the Superior Geological Province of Manitoba to follow up on anomalous gold samples and altered shear zones that were outlined by the Manitoba Geological Survey. Additional encouraging samples were collected and a four week program consisting of more detailed follow up work is planned for the summer of 2005.

The Company can earn a 100% working interest in the MacVicar Project subject to a 2% NSR.

Qualified Persons

The Company's qualified persons for the Assean Lake, Manson Creek, Bob Creek and MacVicar Lake projects are Jan Christoffersen P.Eng. and Richard Bailes P.Geol. Historic drill results were reported by previous owners on the Assean Lake, Bob Creek and Manson Creek projects prior to implementation of NI 43-101. The historic assay results reported are believed to be accurate but have not been verified by the Company's Qualified Persons and therefore should not be regarded with undue reliance until further corroborative work has been performed by the Company on the properties.

Corporate

During the fiscal year, the Company raised by way of private placement gross proceeds of Cdn \$3,925,000.

The Company looks forward to another exciting and busy year ahead as work continues on its key projects.

On behalf of the Board,
(signed) Richard J. Bailes
President
June 16, 2005

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Canadian Gold Hunter Corp. and its subsidiaries and all information in the annual report are the responsibility of management and have been approved by the Board of Directors. The financial statements include some amounts that are based on management's best estimates, which have been made using careful judgment.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial and operating data elsewhere in the annual report are consistent with the information contained in the financial statements.

In fulfilling their responsibilities, management of Canadian Gold Hunter Corp. and its subsidiaries have developed and continue to maintain systems of internal accounting controls that are appropriate in the circumstances. Although no cost effective system of internal controls will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded and the financial records are reliable for preparing the financial statements.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its audit committee, comprising management and outside directors. The audit committee reviews the Company's annual consolidated financial statements and recommends their approval to the Board of Directors. The Company's auditors have full access to the audit committee, with and without management being present.

These financial statements have been audited by Staley, Okada and Partners, Chartered Accountants, and their report follows.

"LUKAS H. LUNDIN"

Lukas H. Lundin
Chairman

"RICHARD J. BAILES"

Richard J. Bailes
President

Vancouver, British Columbia
June 7, 2005

AUDITORS' REPORT

To the Shareholders of Canadian Gold Hunter Corp.:

We have audited the consolidated balance sheets of Canadian Gold Hunter Corp. as at March 31, 2005 and 2004 and the consolidated statements of loss and deficit, mineral properties and related expenditures and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 March 31, 2005 and 2004 and the results of its operations, exploration activities and the changes in its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Vancouver, BC
June 7, 2005, except for Note 10, which is
effective June 24, 2005

STALEY, OKADA & PARTNERS
CHARTERED ACCOUNTANTS

**CANADIAN GOLD HUNTER CORP.
CONSOLIDATED BALANCE SHEETS
(in Canadian Dollars)**

	<u>March 31, 2005</u>	<u>March 31, 2004</u>
ASSETS		
Current assets		
Cash (Note 6(a)(ii))	\$ 767,894	\$ 721,950
Accounts receivable	268,859	116,055
Due from joint venturer (Note 5(a))	80,306	39,939
Prepaid expenses	9,923	-
	<u>1,126,982</u>	<u>877,944</u>
Investments (Note 4)	35,899	35,899
Equipment, net	3,466	1,814
Mineral properties and related expenditures (Note 5)	5,053,981	2,425,427
Other assets	<u>60,717</u>	<u>52,217</u>
	<u>\$ 6,281,045</u>	<u>\$ 3,393,301</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 53,746	\$ 400,757
Due to related parties (Note 7)	9,248	6,226
	<u>62,994</u>	<u>406,983</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 6)		
36,385,253 shares (March 31, 2004 - 30,504,553 shares)	86,835,709	83,278,696
Reserved for issuance 20,380 shares (2004 - 42,380 shares)	1,292	2,688
Contributed surplus - stock options	1,421,372	13,389
Deficit	<u>(82,040,322)</u>	<u>(80,308,455)</u>
	<u>6,218,051</u>	<u>2,986,318</u>
Subsequent event (Note 10)	<u>\$ 6,281,045</u>	<u>\$ 3,393,301</u>

ON BEHALF OF THE BOARD:

"LUKAS. H. LUNDIN"
Director

"RICHARD J. BAILES"
Director

**CANADIAN GOLD HUNTER CORP.
CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT**

	Year ended March 31, 2005	Year ended March 31, 2004
Expenses		
Amortization	\$ 1,293	\$ 11,768
Consulting and wages	150,108	89,410
Foreign exchange loss (gain)	1,498	(202)
General exploration and project investigation	-	686
Interest and financing expenses	-	7,336
Management fees	194,000	183,000
Office and general	23,979	31,152
Professional fees	26,960	51,119
Promotion and public relations	68,701	82,237
Stock based compensation expense	1,247,879	-
Stock exchange and filing fees	23,595	73,083
Telephone and facsimile	4,211	2,958
Transfer agent and shareholder information	42,213	54,940
Travel	1,135	3,740
	1,785,572	591,227
Loss before the undernoted items		
Other (income) expenses		
Interest income	(9,572)	(6,174)
Project overhead fees	(29,082)	(19,243)
BC capital tax	105,928	-
Write-off of mineral property interests	1,188,056	157,717
Acquisition costs of subsidiary	-	256,647
	3,040,902	980,174
Loss before income taxes		
Future income tax recovery (Note 8)	(1,309,035)	-
	1,731,867	980,174
Loss for the year		
Deficit, beginning of the year	80,308,455	79,328,281
Deficit, end of the year	\$ 82,040,322	\$ 80,308,455
Basic and diluted loss per common share	\$ 0.05	\$ 0.04
Weighted average number of shares outstanding	34,531,019	26,055,947

See notes to consolidated financial statements

CANADIAN GOLD HUNTER CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended March 31, 2005	Year ended March 31, 2004
Cash flows (for) operating activities		
Loss for the year	\$ (1,731,867)	\$ (980,174)
Items not affecting cash		
Amortization	1,293	11,768
Project overhead fees	(29,082)	(19,243)
Stock based compensation expense	1,247,879	-
Write-off of mineral property interests	1,188,056	157,717
Future income tax recovery	(1,309,035)	-
	(632,756)	(829,932)
Changes in non-cash working capital items		
Accounts receivable and other current assets	(162,727)	91,611
Accounts payable and accrued liabilities	(347,011)	(74,503)
Due to/from joint venturer	(40,367)	19,881
Due to/from related parties	3,022	(176,050)
	(1,179,839)	(968,993)
Cash flows from financing activity		
Common shares issued, net	4,709,263	2,271,250
Note payable to related party	-	(60,187)
	4,709,263	2,211,063
Cash flows (for) investing activities		
Mineral properties and related expenditures	(3,472,035)	(781,798)
Cash received on acquisition of subsidiary	-	50,200
Other assets	(8,500)	(52,217)
Purchase of equipment	(2,945)	-
	(3,483,480)	(783,815)
Increase in cash	45,944	458,255
Cash, beginning of the year	721,950	263,695
Cash, end of the year	\$ 767,894	\$ 721,950
Supplementary information regarding non-cash transactions		
Investing activities		
Project overhead fees included in mineral properties	\$ 29,082	\$ 19,243
Common shares issued for mineral property acquisition	\$ 142,000	\$ 100,000
Financing activities		
Shares reserved for issuance on acquisition of subsidiary	\$ 1,396	\$ 2,688
Future income tax recovery offset against share capital on renunciation of expenditures on flow-through shares	\$ 1,309,035	\$ -

See notes to consolidated financial statements

CANADIAN GOLD HUNTER CORP.
CONSOLIDATED STATEMENTS OF MINERAL PROPERTIES
AND RELATED EXPENDITURES TO
MARCH 31, 2005

	Assean Lake	GJ and Kinaskan	Bob Creek	Manson Creek	Nunavut	MacVicar	Total
Balance, March 31, 2004	\$ 1,618,081	\$ 637,096	\$ 89,460	\$ 71,478	\$ 9,312	\$ -	\$ 2,425,427
Assaying and sampling	12,055	45,420	12,841	25,848	26,114	-	122,278
Camp costs	4,064	119,487	430	12,672	111,630	50,091	298,374
Drilling	421,768	378,265	115,756	106,539	112,602	-	1,134,930
Field supplies	1,424	31,385	-	1,183	12,910	-	46,902
Geological and geophysical	60,512	376,199	137,530	135,827	268,741	12,447	991,256
Line cutting	3,616	-	50,068	47,741	-	-	101,425
Maps and reports	13,492	4,842	17,115	4,046	40,422	-	79,917
Mobilization and demobilization	-	-	-	-	32,004	-	32,004
Office miscellaneous	1,881	29,713	3,803	618	1,238	-	37,253
Option payment	45,000	44,000	44,000	-	54,000	5,000	192,000
Stock based compensation	-	93,686	27,759	-	52,048	-	173,493
Transport and travel	8,194	146,243	2,754	3,729	467,035	4,881	632,836
Incurred during the year	572,006	1,269,240	412,056	338,203	1,178,744	72,419	3,842,668
Mineral exploration grants	(26,058)	-	-	-	-	-	(26,058)
Write-off of mineral property interests	-	-	-	-	(1,188,056)	-	(1,188,056)
Balance, March 31, 2005	\$ 2,164,029	\$ 1,906,336	\$ 501,516	\$ 409,681	\$ -	\$ 72,419	\$ 5,053,981

See notes to consolidated financial statements

**CANADIAN GOLD HUNTER CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004**

1. DESCRIPTION OF BUSINESS AND CONTINUANCE OF OPERATIONS

Canadian Gold Hunter Corp. (the "Company") was incorporated in British Columbia on February 3, 1983 to engage in acquisition, exploration and development of mineral properties.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, which require management to make assumptions and estimates that affect the reported amounts and other disclosures in these consolidated financial statements. Actual results may differ from those estimates.

The significant accounting policies used in these consolidated financial statements are as follows:

(a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary Royal County Minerals Corp. ("Royal County").

Business Combination

As at March 31, 2005, the Company issued a total of 4,813,608 (2004 – 4,791,608) (Note 6) of its common shares, with a deemed value of \$295,429 (2004 - \$294,033) as payment for the Royal County shares tendered, being over 90% of the outstanding shares of Royal County, under its takeover bid completed in the year ended March 31, 2004. The Company is in the process of acquiring the remaining shares of Royal County pursuant to the statutory acquisition provisions of the Company Act of British Columbia and has reserved for issuance 20,380 additional common shares with a deemed value of \$1,292 as at March 31, 2005. The purchase method of accounting has been applied to the acquisition. Consideration for the transaction assumes a value for the Company's shares equivalent to the net book value of the net assets acquired and that the Company acquires 100% of the outstanding Royal County shares.

The share capital and deficit of Royal County have been eliminated as of March 31, 2005 as follows:

Number of Company shares to be issued on acquisition	4,833,988	
Deemed value of Company shares	<u>\$ 0.06138</u>	\$ 296,721
Net book of Royal County		
Total assets	\$ 431,520	
Total liabilities	<u>(134,799)</u>	<u>\$ 296,721</u>
Purchase price discrepancy		<u><u>\$ -</u></u>

(b) Foreign Currency Translation

The accounts of the Company's foreign operations have been translated into Canadian dollars using the temporal method as follows:

- Monetary assets and liabilities at the rate of exchange in effect at balance sheet dates,
- Non-monetary assets and liabilities at historical rates, and
- Revenue and expense and exploration and development items at the average rates of exchange prevailing during the year.

Exchange gains and losses arising from these transactions are reflected in income or expense in the year.

(c) Investments

The Company records portfolio investments at cost. The cost of portfolio investments is written down to market value when the decline in value is other than temporary.

(d) Mineral Properties and Related Expenditures

The Company carries its mining properties at cost. The Company also defers exploration and development costs which are related to specific projects until the commercial feasibility of the projects is determinable. The costs of each property and related expenditures will be amortized over the economic life of the property on a unit of production basis. Costs are charged to operations when a property is abandoned or when impairment in value that is other than temporary has been determined. Proceeds from the disposition of mineral deposits on the property are netted against deferred costs of the related properties.

Mineral exploration grants are deducted against the costs of the related properties.

The recovery of the amounts capitalized as mineral properties and related expenditures is dependent upon the existence of economically recoverable ore reserves, confirmation of the Company's interests in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete their development and upon future profitable production or proceeds from the disposition thereof.

Title to mineral properties involves inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently unreliable conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, all of its properties are in good standing.

(e) Equipment

Equipment, comprising of office equipment, is recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over three years.

(f) Environmental Expenditures

The operations of the Company may in the future be affected from time to time in varying degrees by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. The Company's policy is to comply with legal requirements as a minimum and go beyond these requirements where necessary to conduct its business responsibly and in accordance with the principles of environmentally sustainable development.

(g) Income Taxes

The Company accounts for income taxes using the asset and liability method. 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 losses carried forward. Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. 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 of the benefit that is more likely than not to be realized.

(h) Earnings (loss) per Share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year. For calculating diluted earnings per share, the treasury stock method is used for the purposes of determining the common share equivalents with respect to outstanding stock options and warrants to be included in the weighted average number of common shares outstanding, if dilutive.

(i) Stock-based compensation

During the year ended March 31, 2004, the Company adopted, prospectively without restatement, the revised requirements of CICA Handbook Section 3870 "Stock-based compensation and other stock-based payments" whereby stock options awarded to employees and non-employees are measured and recognized in the statement of operations and deficit at the fair value of the award. In most cases the fair value of stock based compensation is charged to the consolidated statement of operations and deficit in the period of grant. The fair value of options awarded to consultants who engage in mineral property activities is capitalized to the respective property.

(j) Asset retirement obligations

During the year ended March 31, 2005, the Company adopted the recommendations of the CICA Handbook Section 3110, "Asset Retirement Obligations", which requires that the fair value of liabilities for asset retirement obligations be recognized in the period in which they are incurred. A corresponding increase to the carrying amount of the related assets is generally recorded and depreciated over the life of the asset. The amount of the liability is subject to re-measurement at each reporting period. The effect of the change had no material impact on the Company's consolidated financial statements as the Company has no material reclamation obligation with respect to its properties.

(k) Flow-through shares

The Company has adopted, on a prospective basis, the new accounting pronouncements of Abstract EIC-146 of the Emerging Issues Committee of the CICA, relating to flow-through shares. The new accounting pronouncements are effective for all flow-through share agreements dated after March 19, 2004. Canadian income tax legislation permits an enterprise to issue securities referred to as flow-through shares whereby the flow-through shareholder may claim the tax deductions arising from the related qualifying resource expenditures incurred by the Company. On the effective date that the resource expenditures are renounced to the shareholder, the Company recognizes, as a cost of issuing the flow-through shares, a change in its future tax assets resulting from the difference between the book value and the tax value of the related resource expenditures.

If the effective date of renunciation is prior to the date of the related expenditures being incurred, the Company will recognize the timing difference if it has reasonable assurance that all qualifying expenditures will be made in accordance with the flow-through agreement.

(l) Proportionate consolidation

The Company accounts for its interests in joint ventures under the proportionate consolidation method of accounting. Accordingly, the Company records in its records its proportionate share of revenues, expenses, liabilities and assets of such joint ventures.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash, accounts receivable, due from joint venturer, investments, accounts payable and due to related parties approximates their fair value due to their short-term maturity or capacity of prompt liquidation.

4. INVESTMENTS

	March 31, <u>2005</u>	March 31, <u>2004</u>
Redback Mining Inc. , a company with directors in common, 7,580 common shares with a market value at March 31, 2005 of approximately \$13,643 (2004 – \$15,465)	\$ 10,461	\$ 10,461
Valkyries Petroleum Corp. , a company with directors in common, 33,917 common shares with a market value at March 31, 2005 of approximately \$103,447 (2004 – \$84,793)	<u>25,438</u>	<u>25,438</u>
	<u>\$ 35,899</u>	<u>\$ 35,899</u>

These investments represent less than a 5% share in the respective companies.

5. MINERAL PROPERTIES AND RELATED EXPENDITURES

(a) Assean Lake Properties, Manitoba

Pursuant to sub-option agreements dated March 8, 2001 between the Company and Rare Earth Metals Corp. ("Rare Earth"), the Company was granted the exclusive right and option to acquire 70% of Rare Earth's interest in the Tex Property and 60% of Rare Earth's interest in the Hunt Property by incurring an aggregate of \$1.25 million in underlying cash payments and expenditures on the Tex and Hunt properties, or any of them, over a four (4) year period commencing March 8, 2001. The Tex and Hunt properties are located about 105 kilometres (65 miles) northeast of Thompson, Manitoba.

Effective February 15, 2002, the Company satisfied the \$1.25 million expenditure commitment under the sub-option agreements and earned its interest in Rare Earth's interest in the underlying option agreements. As a result, the Company and Rare Earth are operating the Tex property on a 70/30 joint venture basis (the "Tex JV") and the Hunt property on a 60/40 joint venture basis (the "Hunt JV"). In April 2003, the Tex Joint Venture relinquished its interest in the Tex property and accordingly, the Company wrote off expenditures of \$352,132 to operations for the year ended March 31, 2003.

On March 12, 2005, the Hunt JV earned its 100% working interest in the Hunt property by making option payments to the underlying optionor, Strider Resources Ltd. ("Strider") in the cumulative amount of \$250,000 and incurring cumulative expenditures of \$1.0 million. In addition, Rare Earth was obligated to issue an aggregate of 250,000 common shares to Strider (all of which have been issued).

The Hunt property is subject to a 3% net smelter return royalty in favour of Strider. The Hunt Joint Venture has the one time right at any time to buy-back up to fifty (50%) of this royalty, (i.e. an amount equal to a 1.5% net smelter return interest) for the purchase price of \$1,500,000. If the Hunt Joint Venture elects to exercise this right of buy-back, the Company would be responsible for 60% of such purchase price or \$900,000.

As at March 31, 2005, Rare Earth owes the Company \$80,306 (2004 - \$39,939) for their share of joint venture costs.

(b) GJ and Kinaskan Lake Properties, B.C.

GJ Property – The Company owns a 100% interest in the GJ Property, a porphyry copper-gold prospect located in northern British Columbia.

Kinaskan Lake Property – The Company has an option agreement with Spectrum Gold to acquire a 100% interest in the Kinaskan Lake mineral claims located in the Liard Mining District, British Columbia by paying \$12,000 (paid) and issuing 80,000 common shares (issued) of the Company valued at \$30,000. The claims are subject to a net smelter return royalty of 1%, one-half of which may be repurchased by the Company for \$500,000 for a term of 25 years. During the year ended March 31, 2005, the Company issued a final tranche of 80,000 (2004-80,000) common shares at a deemed price of \$0.55 (\$0.85) per share, being the market price of the share at the time of issuance to earn its 100% interest

(c) Nunavut Properties

(i) Noomut Property, Nunavut

On July 29, 2004, the Company entered into an agreement with Comaplex Minerals Corp. ("Comaplex") whereby the Company can earn a 70% interest in the Noomut gold property located in Nunavut. Pursuant to its agreement with Comaplex, the Company issued 100,000 common shares, valued at \$54,000, to Comaplex. The Company has relinquished its option on the Noomut property and accordingly \$769,936 of expenditures has been written off to operations during the year ended March 31, 2005.

(ii) Nowyak Property, Nunavut

On April 22, 2004, the Company signed a letter of intent with Strongbow Exploration Inc. whereby the Company can earn a 70% interest in the Nowyak gold property located in Nunavut. The Company has relinquished its option on the Nowyak property and accordingly \$71,907 of expenditures has been written off to operations during the year ended March 31, 2005.

(iii) Maguse and Fat Lakes Properties, Nunavut

During the year ended March 31, 2004, the Company was issued 8 prospecting permits totalling 275,173.25 acres in the Kivalliq region of Nunavut. The prospecting permits give the Company the exclusive right to prospect for minerals for a period of 3 years. During the year ended March 31, 2005, the Company decided not to pursue further work on these permits and accordingly wrote off expenditures totalling \$346,213 which includes reconnaissance work in the area.

(d) MacVicar Property, Manitoba

On July 12, 2004, the Company entered into an agreement with 4270828 Manitoba Ltd. ("4270828"), whereby the Company can earn a 100% interest in the MacVicar Property located in Manitoba. The Company can earn a 100% interest in the MacVicar Property by spending a total of \$1,000,000 and making cash payments to 4270828 totalling \$60,000 over 5 years. 4270828 will retain a 2% NSR, which the Company will have a one time option to purchase for \$1.0 million. The first year expenditure and cash required to maintain the option are \$30,000 and \$5,000 respectively. As at March 31, 2005, the Company has incurred \$72,419 of expenditures, including the cash option payment of \$5,000, on the MacVicar Property.

(e) Bob Creek Property, B.C.

The Company has earned a 100% interest in the Bob Creek mineral claims located in the Omineca Mining Division, British Columbia by issuing 40,000 common shares of the Company valued at \$17,500 during the year ended March 31, 2003 and 40,000 common shares, valued at \$44,000 during the year ended March 31, 2005.

(f) Manson Creek / QCM Properties, B.C.

The Company has earned a 100% interest in the QCM claims located in the Manson Creek area of British Columbia for a cash payment of \$4,000 and the issuance of 40,000 common shares of the Company valued at \$17,500 during the year ended March 31, 2003 and an additional 40,000 common shares valued at \$32,000 during the year ended March 31, 2004. The claims are subject to a net smelter return royalty of 1%, one-half of which may be repurchased by the Company for \$500,000 for a term of 25 years.

6. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares with no par value.

Issued and outstanding:

Common shares	Number of Shares	Amount
Balance, March 31, 2003	19,656,745	\$ 80,611,112
Takeover of Royal County (2(a))	4,791,608	294,033
Private placement (i)	3,820,000	1,520,000
Stock options exercised	322,000	103,850
Warrants exercised	1,794,200	647,400
Mineral properties (Notes 5 (b)(f))	120,000	100,000
Transfer of contributed surplus on exercise of non-employee stock options	-	2,301
Balance, March 31, 2004	30,504,553	83,278,696
Private placements, net (ii)	3,140,000	3,651,763
Tax cost recognized on issuance of flow-through shares on private placements (Note 8)	-	(1,309,035)
Financing expense (ii)	81,000	101,250
Stock options exercised	494,000	171,400
Warrants exercised	1,923,700	784,850
Mineral properties (Note 5 (b)(c)(e))	220,000	142,000
Takeover of Royal County (2(a))	22,000	1,396
Transfer of contributed surplus on exercise of stock options	-	13,389
Balance, March 31, 2005	<u>36,385,253</u>	<u>\$ 86,835,709</u>

(i) During the year ended March 31, 2004, the Company completed a private placement of 1,970,000 units at a price of \$0.40 per unit comprising one common share and one half of a share purchase warrant for gross proceeds of \$788,000. Each whole warrant is exercisable into one common share at a price of \$0.40 per share over a period of two years. In addition, the Company completed a private placement of 1,850,000 Flow-Through Common shares at a price of \$0.40 per share for gross proceeds of \$740,000. The total gross proceeds of the private placement were \$1,528,000. At March 31, 2004, the Company had incurred the qualifying expenditures relating to its flow-through agreements.

- (ii) During the year ended March 31, 2005, the Company completed private placements of 2.5 million flow-through common shares at a price of \$1.25 per share for gross proceeds of \$3.125 million and 200,000 units (non flow-through) at a price of \$1.25 per Unit for gross proceeds of \$250,000. Each unit is comprised of one common share and one-half of a share purchase warrant. Each whole warrant is exercisable into one common share over a period of 18 months at a price of \$1.50 per share. In the event that the common shares trade at an average price above \$1.75 for a period of 10 consecutive trading days at any time after the Closing Date, then the warrants shall expire 30 days from the date the Company gives notice of such event to the warrant holders. A commission of 6% (\$202,500) comprising one-half in cash and 81,000 units was paid to the agents in connection with the private placement. The units paid to the agent have the same terms as the private placement units. In addition, the Company completed a further private placement of 440,000 flow-through common shares at a price of \$1.25 per share for gross proceeds of \$550,000. A finder's fee of \$25,500 was paid in connection with this private placement.

As at March 31, 2005, the Company is committed to spend \$296,964 to complete the flow through agreements. This balance is included in cash but is reserved to complete the qualified expenditures.

- (b) Incentive stock options issued and outstanding during 2005 and 2004 are as follows:

The Company has an incentive stock option plan in which 2.5 million common shares have been made available for the Company to grant incentive stock options to certain directors, officers, employees and consultants of the Company.

	2005		2004	
	Number of Shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price
Outstanding at beginning of year	494,000	\$0.35	540,000	\$0.35
Granted	2,335,000	\$0.95	-	-
Assumed from Royal County	-	-	345,000	\$0.31
Exercised	<u>(494,000)</u>	<u>\$0.35</u>	<u>(391,000)</u>	<u>\$0.32</u>
Outstanding at end of year	<u>2,335,000</u>	<u>\$0.95</u>	<u>494,000</u>	<u>\$0.35</u>

During the year ended March 31, 2005, the Corporation granted 2,335,000 stock options, at a price of \$1.10, \$0.68 and \$0.66 per share, to officers, employees and consultants. Accordingly, stock based compensation expenses of \$1,247,879 have been recorded in operations in respect of the stock options granted to officers and employees and \$173,493 have been recorded in mineral properties in respect of the stock options granted to project related consultants. Of the 2,335,000 stock options outstanding, 791,000 stock options may not be exercised until shareholders approval is received to the increase in the stock option plan.

The stock based compensation expenses were estimated using the Black-Scholes option-pricing model. Assumptions used in the pricing model are as follows:

Dividend Yield	:	0%
Average risk free interest rate	:	3.10% - 3.50%
Expected volatility	:	99% - 132%
Expected life of option	:	3 years

Option prices, when granted, reflect current trading values of the Corporation's shares. The options vest immediately and expire three years from the date of grant. The options outstanding have exercise prices between \$1.10 and \$0.66 and expire between April 8, 2007 and February 10, 2008 and have a weighted-average remaining contractual life of 3 years.

(c) As at March 31, 2005, the following share purchase warrants were outstanding:

<u>Number of Warrants</u>	<u>Common Share Entitlement</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
885,000	885,000	\$0.40	October 2, 2005
<u>140,500</u>	<u>140,500</u>	\$1.50	November 12, 2005
<u>1,025,500</u>	<u>1,025,500</u>		

7. RELATED PARTY TRANSACTIONS

In addition to items noted elsewhere in these consolidated financial statements, the Company:

- (a) incurred management fees of \$194,000 (2004 - \$183,000) to a company controlled by a director pursuant to an agreement which is renewable on July 1, 2006. At March 31, 2005, \$9,023 (2004 - \$1,898) was due to this company and included in amounts due to related parties;
- (b) incurred legal fees of \$11,357 (2004 - \$113,612) to a law firm of which a partner is a director of the Company. At March 31, 2005, \$nil (2004 - \$4,328) was due to this law firm and included in amounts due to related parties.

8. INCOME TAXES

	<u>2005</u>	<u>2004</u>
Combined Canadian Federal and Provincial statutory income tax rate	35.62%	37.62%
Expected income tax provision (recovery)	\$ (1,083,169)	\$ (368,741)
Difference between Canadian and Foreign tax rates	-	651
Permanent differences	868,141	64,379
Losses for which no tax benefit has been recognized	<u>215,028</u>	<u>303,711</u>
Expected Income tax provision (recovery) for the year	-	-
Reversal of prior years' valuation allowance upon issuance of flow-through shares (i)	<u>(1,309,035)</u>	<u>-</u>
Future income tax expense (recovery) for the year	<u>\$ (1,309,035)</u>	<u>\$ -</u>

Future income tax assets		
Canadian tax loss carry forwards	\$ 2,394,794	\$ 2,855,802
Mining properties and related expenditures	500,658	1,583,046
Capital assets	1,094	669
	<u>2,896,546</u>	<u>4,439,517</u>
Valuation allowance	<u>(2,896,546)</u>	<u>(4,439,517)</u>
Net future income tax assets	<u>\$ NIL</u>	<u>\$ NIL</u>
Future income tax liabilities	<u>\$ NIL</u>	<u>\$ NIL</u>

- (i) During the year ended March 31, 2005 the Company issued flow-through shares (Note 6(a)(ii)) and renounced \$3,675,000 of its mineral property expenditures to flow-through shareholders. The resultant loss of future income tax assets, which is treated as a cost of issuing flow-through shares (Note 2(k)), gives rise to a future tax liability. This liability has been offset by the Company's recognition of future income tax assets that have been previously written-down by a valuation allowance.

As of March 31, 2005, the benefit of the Company's Canadian tax loss carry forwards has not been recorded in the accounts and expires as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 2,926,000
2007	1,194,000
2008	415,000
2009	447,000
2010	359,000
2014	778,000
2015	<u>604,000</u>
	<u>\$ 6,723,000</u>

9. SEGMENTED INFORMATION

The Company's only business activity is the exploration for and development of mineral reserves in Canada.

10. SUBSEQUENT EVENT

Subsequent to March 31, 2005, the Company closed on a non-brokered private placement basis, the issuance of 4,970,000 flow-through common shares at a price of \$0.80 per share for gross proceeds of \$3,976,000 and 407,001 common shares (non flow-through) at a price of \$0.75 per share for total gross proceeds of \$305,251.

**CANADIAN GOLD HUNTER CORP.
CORPORATE DIRECTORY
MARCH 31, 2005**

OFFICERS

Lukas H. Lundin,
Chairman
Richard J. Bailes,
President and Chief Executive Officer
Jan E. Christoffersen,
Vice President
Wanda Lee,
Chief Financial Officer
Kathy Love,
Corporate Secretary

DIRECTORS

Ronald Netolitzky
Michael Halvorson *
Michael McInnis *
Lukas H. Lundin
William A. Rand *
John H. Craig
Richard J. Bailes

* Audit Committee

AUDITORS

Staley Okada and Partners
Vancouver, British Columbia, Canada

BANKERS

Bank of Montreal
Vancouver, British Columbia, Canada

SUBSIDIARIES

Royal County Minerals Corp
Vancouver, British Columbia, Canada

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Vancouver, British Columbia
Canada V6C 3K4

SOLICITOR

McCullough O'Connor Irwin
Vancouver, British Columbia
Canada

SHARE CAPITAL

Authorized: Unlimited number of common shares
Issued and Outstanding: 36,385,253 shares

REGISTRAR AND TRANSFER AGENT

CIBC Mellon Trust Company
Vancouver, British Columbia
Toronto, Ontario

SHARE LISTING

Toronto Stock Exchange
Canadian Gold Hunter Corp. (CGH)