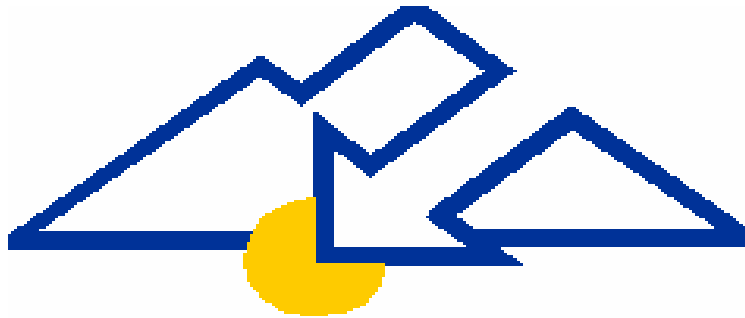


ANNUAL REPORT

MARCH 31, 2007



CANADIAN GOLD HUNTER CORP.

To our Shareholders:

The Company continued to advance the GJ/Kinaskan copper/gold project during fiscal 2007. A successful drill campaign resulted in a significant increase in resources. Work will continue on this growing deposit during the summer of 2007 including a preliminary scoping study on the potential future development of the project.

In line with the Company's growth strategy to become a leading gold explorer, Canadian Gold Hunter reviewed a number of additional projects for possible acquisition. Subsequent to year end, the Company signed a formal option agreement to earn a 70% interest in the Caballo Blanco gold project in Mexico. Caballo Blanco is an exciting new project for the Company, encompassing a large, high-sulphidation epithermal gold system that has seen limited work to date.

Caballo Blanco Gold Project, Mexico

The Company signed a formal option agreement with Almaden Minerals Ltd. to acquire a 70% interest in the Caballo Blanco gold property in Veracruz State, Mexico. Caballo Blanco is a large, high-sulphidation epithermal gold system that has seen limited work. The property is located on the Gulf of Mexico roughly 60 kilometres north of the port city of Veracruz. Infrastructure is excellent as the prospective areas are all located within 10 kilometres of the Panamerican highway and a power plant.

The property covers three large mineralized areas known as the Northern Zone, the Highway Zone and the Central Grid Zone. Extensive alteration typical of high sulphidation gold systems is associated with the Northern and Highway Zones. Limited drilling by a previous operator (from one drill site) in the Northern Zone intersected 108 metres grading 1.14 g/t gold in drill hole CB-05-03, 92.7 metres grading 1.0 g/t gold in CB-06-01 and 76 metres grading 1.70 g/t gold in CB-06-03. This mineralization is hosted in explosive breccias with several events of superimposed brecciation, silicification and alteration.

Examples of bulk tonnage, high-sulphidation gold deposits are Yanacocha in Peru and Veladero in Argentina.

The Central Grid Zone is a gold-rich porphyry target, in which hole CB-04-01, drilled by a previous operator, intersected 56 metres grading 0.84 g/t gold and 0.34% copper.

Under the terms of the option agreement, the Company can earn a 70% interest in the project by expending US\$12.0 million over a period of six years, of which US\$1.5 million is a firm commitment in the first year. In addition, Canadian Gold Hunter has issued 1.0 million common shares and has made a cash payment of US\$500,000 to Almaden pursuant to the option agreement. The Company will fund all costs required for the completion of a bankable feasibility study; after such time the two parties shall each fund their pro-rata share of all costs required in connection with development and mining operations.

During the summer months, the Company's work program on the project will include further drill-road building, geophysics, sampling and mapping, leading to an extensive drill campaign in the fall.

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

During the 2006 summer program, the Company drilled a total of 18,133 meters of core in 62 holes. Final assay results were received in November. Highlights include a number of near-surface, high-grade intervals from the Donnelly Zone: hole CGH-06-125 grades 0.50% copper and 0.61g/t gold over 82.3 metres; hole 06-127 grades 0.79% copper and 0.97g/t gold over 30.6 metres and hole 06-128 grades 1.49% copper and 1.80g/t gold over 39.3 metres.

The high-grade, near-surface portion of the Donnelly Zone is 30 to 100 metres wide and extends for the entire 1500-metre strike length of the Donnelly Zone. This high-grade material grades in excess of 0.5% copper and 0.5 g/t gold and would be easily accessible in the early days of an open-pit mining operation. It is generally part of a thicker, lower-grade zone that is up to 300 metres wide and averages about 0.3% copper and 0.3 g/t gold.

An updated independent resource estimate on the Donnelly and North Donnelly Zones was commissioned following completion of the summer drill program.

The Donnelly resource estimate is based on results from 78 diamond drill holes over a strike length of 1.5 kilometres. The indicated resource, at a cut-off of 0.15% copper, is 172.15 million tonnes grading 0.274% copper and 0.312 g/t gold. In addition, an inferred resource for the newly discovered North Donnelly Zone, at the same cutoff, consists of 22.67 million tonnes grading 0.254% copper and 0.362 g/t gold.

Donnelly Indicated Resources

Cut-off Cu (%)	Tonnes (000,000)	Cu (%)	Au (g/t)	Contained Cu (million lbs)	Contained Au (million ozs)
0.10	217.82	0.243	0.283	1,167	1.98
0.15	172.15	0.274	0.312	1,040	1.73
0.20	123.09	0.314	0.352	852	1.39
0.25	83.29	0.357	0.391	656	1.05
0.30	52.19	0.406	0.437	467	0.73

Donnelly Inferred Resources

Cut-off Cu (%)	Tonnes (000,000)	Cu (%)	Au (g/t)	Contained Cu (million lbs)	Contained Au (million ozs)
0.10	36.94	0.207	0.236	169	0.28
0.15	25.72	0.244	0.262	138	0.22
0.20	16.05	0.286	0.291	101	0.15
0.25	9.18	0.332	0.321	67	0.09
0.30	4.70	0.390	0.356	40	0.05

North Donnelly Inferred Resources

Cut-off Cu (%)	Tonnes (000,000)	Cu (%)	Au (g/t)	Contained Cu (million lbs)	Contained Au (million ozs)
0.10	44.81	0.187	0.274	185	0.39
0.15	22.67	0.245	0.362	122	0.26
0.20	13.75	0.294	0.462	89	0.20
0.25	9.76	0.324	0.533	70	0.17
0.30	5.29	0.360	0.589	42	0.10

The updated resource estimate allowed a substantial portion of the 2006 inferred resource category to be upgraded to the indicated category. For comparison purposes to the 2006 estimate, if all of the current resources at a cut-off grade of 0.15% copper were still categorized as inferred, it would represent an approximate 62% increase in tonnage.

The Donnelly Zone has been drilled to an average depth of about 300 metres. It is 1500 metres in strike length and up to 340 metres wide. The newly discovered North Donnelly Zone has only been tested by 25 drill holes and is poorly understood.

The 2007 drilling program, commencing in June, will consist of 15,000 metres of diamond drilling, some of which will be used to infill and upgrade the higher-grade portions of the Donnelly Zone. Additional drilling will be undertaken to expand and better define the newly discovered North Donnelly Zone. An updated resource estimate will be completed following the 2007 program.

The Donnelly Zone resource estimate was prepared by independent qualified person Mr. Gary Giroux, P.Eng. using a computer-generated block model based on approximately 24,300 metres of diamond drilling in 78 drill holes. A total of 5,002 assayed samples were used to define the Zone. The North Donnelly Zone resource estimate was prepared by independent qualified person Dr. Giles Peatfield, P.Eng. using a manual sectional method, based on approximately 5,770 metres of diamond drilling in 25 holes with 1,468 sample assays used in the estimate.

The 2006 drill program and sampling were supervised by qualified person David Mehner, P.Geo., Project Geologist for Canadian Gold Hunter. Appropriate quality control and quality assurance protocols were utilized on the program. Standard reference samples, blanks and duplicates were inserted in each batch of samples for assay. The Canadian Gold Hunter drill samples were analyzed for gold by fire assay and for copper by atomic absorption, by ALS Chemex in North Vancouver, B. C., Canada. All assay results were examined by independent engineer Dr. Peatfield prior to release, in order to verify that QC protocols were honoured.

The GJ/Kinaskan Property is located in northern British Columbia about 10 kilometres west of the Stewart Cassiar highway. The claims underlie an area of about 150 square kilometres, which contains 21 significant mineral showings, including the Donnelly, North Donnelly, GJ and North zones.

Canadian Gold Hunter has a 100% working interest in the GJ/Kinaskan property.

Manson Creek Gold Project, BC

The Company's fall, 2006 drill program amounted to 1,529 meters in eight NQ holes (QCM-06-015 to 022) drilled on the main QCM gold zone and on several reconnaissance targets defined by geophysics.

Three holes (674 m) were drilled to intercept the south-west extension of the QCM Zone, a strongly pyritic, carbonate-altered and quartz-veined body exposed over an area of at least 600 x 200 meters. The zone is interpreted to be slab-like in shape with a gentle (30°) SW dip and thickness of about 40 meters or so. The mineralized zone coincides broadly with a well developed gold soil anomaly, strong resistivity anomaly and weak-to-moderate chargeability anomaly. The best assays were in hole 06-022, which intersected 1.53 metres grading 135 g/t gold at 101.2 metres depth and 76.20 metres grading 0.39 g/t gold at 185.0 metres depth. All gold assays were carried out by Atomic Absorption Spectrography (AAS) at ALS Chemex, North Vancouver.

As in previous QCM drill programs, significant "nugget" effects were experienced by the assay lab with high AAS assays of 135 g/t Au over 1.53 meters and 5.39 g/t Au over 1.53 meters in QCM-022.

In addition to the holes drilled on the QCM gold zone, drill holes QCM-06-017 to 021 were targeted principally on resistivity anomalies 1,000-2,500 meters north and east of the main QCM zone. Significant carbonate-altered rocks were encountered locally associated with pyrite but gold assays were not encouraging.

The primary target at Manson creek is a large, low-grade gold system. Drill programs carried out in the fall of 2004 and 2005 produced encouraging results over an area about 600 by 200 metres. Fourteen drill holes 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).

The Company's qualified persons for the Manson Creek project are Jan Christoffersen P.Eng. (Vice President of the Company) and Richard Bailes P.Geol. (President of the Company). Historic drill results were reported by previous owners on the Manson Creek project prior to implementation of NI 43-101. The historic assay results 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.

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 is reviewing plans for a fall-2007 drill campaign.

The Company has a 100% working interest in the Property.

Assean Lake Gold Project, Manitoba

The Company continues to look for a partner to take on further exploration at the Assean Lake Project located in northern Manitoba and the Bob Creek Project in British Columbia.

Other Events

During the fiscal year ended March 31, 2007 the Company raised gross proceeds of Cdn \$7.3 million by way of private placement of common and flow-through shares.

Subsequent to year end, the Company raised Cdn \$6.75 million by way of private placement of common shares.

On behalf of the Board,

(signed) Richard J. Bailes
President

June 12, 2007

CANADIAN GOLD HUNTER CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2007

Management's discussion and analysis ("MD&A") focuses on significant factors that have affected Canadian Gold Hunter Corp. ("the Company") and its subsidiaries and such factors that may affect its future performance. In order to better understand the MD&A, it should be read in conjunction with the consolidated financial statements for the years ended March 31, 2007 and 2006 and the related notes therein. The financial information in this MD&A is derived from the Company's consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles. The effective date of this MD&A is June 12, 2007.

Additional information about the Company and its business activities is available on SEDAR at www.sedar.com.

OVERVIEW

The Company is principally engaged in the acquisition, exploration and development of precious and base metal properties located in Canada and Mexico.

2006/2007 HIGHLIGHTS

CABALLO BLANCO PROJECT

On April 16, 2007, the Company signed a letter of intent with Almaden Minerals Ltd. ("Almaden") to acquire a 70% interest in the Caballo Blanco gold property in Veracruz State, Mexico.

Caballo Blanco is a large, high-sulphidation epithermal gold system that has seen limited work. The property is located on the Gulf of Mexico roughly 60 kilometres north of the port city of Veracruz. Infrastructure is excellent as the prospective areas are all located within 10 kilometres of the Panamerican highway and a power plant.

On May 31, 2007 the Company entered into an option agreement to acquire a 70% interest in the Caballo Blanco Property in exchange for issuing 1.0 million common shares to Almaden, making a cash payment of US\$500,000 to a subsidiary of Almaden and expending a total of US\$12 million in minimum annual tranches through May, 2013, of which US\$1.5 million is a firm commitment in the first year. The Company has agreed to fund all costs required for the completion of a Bankable Feasibility Study in connection with the Property, and is entitled to receive on a preferential basis, out of the proceeds of production, all the expenditures it has incurred to exercise the option and to complete the feasibility study. Upon completion of the minimum expenditures, the two parties will enter into a joint venture agreement which will result in the company holding an initial 70% participating interest in the joint venture.

The property covers three large areas of mineralization known as the Northern Zone, the Highway Zone and the Central Grid Zone. Extensive alteration typical of high-sulphidation gold systems is associated with the Northern and Highway Zones. Limited drilling (from one drill site) in the Northern Zone has intersected 108 metres grading 1.14 g/t gold in drill hole CB-05-03, 92.7 metres grading 1.0 g/t gold in CB-06-01 and 76 metres grading 1.70 g/t gold in CB-06-03. This mineralization is hosted in explosive breccias with several events of superimposed silicification and alteration.

The Central Grid Zone is a gold-rich porphyry target, in which drill hole CB-04-01 intersected 56 metres grading 0.84 g/t gold and 0.34% copper.

Ongoing work at Caballo Blanco consists of mapping, geochemical sampling and IP surveying.

GJ/KINASKAN PROJECT

The drilling program at the GJ/Kinaskan project in northern British Columbia was completed in late September 2006, and consisted of 18,133 meters of core drilling in 62 holes.

The highlight of this program was the discovery of a new mineralized zone. The new zone, which lies directly north of the west end of the Donnelly Zone and is referred to as the North Donnelly Zone, is coincident with a large IP anomaly that is about 1,100 metres by 500 metres in area.

An updated independent resource estimate on the Donnelly and North Donnelly Zones was commissioned following completion of the summer drill program.

The Donnelly Zone resource estimate was prepared by independent qualified person Mr. Gary Giroux, P.Eng., using a computer-generated block model based on approximately 24,300 metres of diamond drilling in 78 drill holes. A total of 5,002 assayed samples was used to define the zone. The indicated resource, at a cut-off of 0.15% copper, is 172.15 million tonnes grading 0.274% copper and 0.312 g/t gold.

The North Donnelly Zone resource estimate was prepared by independent qualified person Dr. Giles Peatfield, P.Eng., using a manual sectional method, based on approximately 5,770 metres of diamond drilling in 25 holes with 1,468 sample assays used in the estimate. The inferred resource for the North Donnelly Zone, at a cut-off of 0.15% copper is 22.67 million tonnes grading 0.254% copper and 0.362 g/t gold.

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Cut-off Cu (%)	Tonnes (000,000)	Cu (%)	Au (g/t)	Contained Cu (million lbs)	Contained Au (million ozs)
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0.20	123.09	0.314	0.352	852	1.39
0.25	83.29	0.357	0.391	656	1.05
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0.25	9.18	0.332	0.321	67	0.09
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Cut-off Cu (%)	Tonnes (000,000)	Cu (%)	Au (g/t)	Contained Cu (million lbs)	Contained Au (million ozs)
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0.20	13.75	0.294	0.462	89	0.20
0.25	9.76	0.324	0.533	70	0.17
0.30	5.29	0.360	0.589	42	0.10

The Donnelly Zone has been drilled to an average depth of about 300 metres. It is 1500 metres in strike length and up to 340 metres wide. The newly discovered North Donnelly Zone has only been tested by 25 drill holes.

A National Instrument 43-101 compliant technical report was completed by Mehner, Giroux and Peatfield on April 30, 2007.

The GJ/Kinaskan Property is located in northern British Columbia about 10 kilometres west of the Stewart Cassiar highway. The claims underlie an area of about 150 square kilometres, which contains 21 significant mineral showings, including the Donnelly, GJ and North zones.

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

MANSON CREEK PROJECT

The Company completed drilling its Manson Creek property on October 21, 2006. The program amounted to 1,529 meters in eight NQ holes (QCM-06-015 to 022) drilled on the main QCM gold zone and on several reconnaissance targets defined by geophysics. The target at Manson Creek is a large, low-grade gold system that could be the source of placer gold, which has been mined historically in the area.

Three holes (674 m) were drilled to intercept the south-west extension of the QCM Zone, a strongly pyritic, carbonate-altered and quartz-veined body exposed over an area of at least 600 x 200 meters. The zone is interpreted to be slab-like in shape with a gentle (30°) SW dip and thickness of about 40 meters or so. The best hole intercepted a broad interval of 76.20 metres grading 0.39 g/t gold and a separate high grade interval of 1.53 metres grading 84.6 g/t gold. The reconnaissance holes intersected pyritic carbonate-altered rocks locally but gold assays were uniformly very low.

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

OTHER PROJECTS

The Company continued to look for joint venture partners for both the Assean Lake and Bob Creek projects in the 2007 fiscal year. The Company determined to write-off its expenditures totaling \$2.2 million on the Assean Lake project for the year ending March 31, 2007.

FINANCING

During the quarter ended December 31, 2006, the Company completed a private placement of 2 million flow-through common shares at a price of \$1.50 per flow-through share and 1 million common shares (non flow-through) at a price of \$1.30 per common share for total gross proceeds of \$4.3 million.

On May 17, 2007, the Company completed a non-brokered private placement of 3.0 million common shares of the Company at a price of \$2.25 per share for gross proceeds of \$6.75 million.

SELECTED ANNUAL INFORMATION

	Year ended March 31, 2007	Year ended March 31, 2006	Year ended March 31, 2005
Statement of Operations Data (\$000's)			
Total Revenue *	\$ 84	\$ 28	\$ 39
Net Income (Loss)	\$ (1,169)	\$ 233	\$ (1,732)
Data per Common Share (\$)			
Basic and Diluted Net Income (Loss)	\$ (0.03)	\$ 0.01	\$ (0.05)
Balance Sheet Data (\$000's)			
Total Assets	\$ 13,854	\$ 12,975	\$ 6,281
Long Term Liabilities	\$ NIL	\$ NIL	\$ NIL

SELECTED QUARTERLY INFORMATION

Financial Data for 8 Quarters								
Three Months Ended	Mar-07	Dec-06	Sep-06	Jun-06	Mar-06	Dec-05	Sep-05	Jun-05
2. Total revenues (\$000's) *	28	17	15	24	11	6	7	4
3. Earnings (loss) before extraordinary items (\$000's)	(503)	(150)	(348)	(145)	708	(146)	(137)	(192)
4. Net earnings (loss) (\$000's)	(503)	(150)	(348)	(145)	708	(146)	(137)	(192)
5. Basic and diluted earnings (loss) per share (\$)	(0.01)	0.00	(0.01)	(0.00)	0.01	(0.00)	(0.00)	(0.01)

* Consists of interest income and joint venture project overhead fees.

QUARTERLY ANALYSIS

The increase in the Company's loss for the fourth quarter ending March 31, 2007 is primarily due to the write off mineral property expenditures of \$2.2 million on the Assean Lake, which was offset by a recovery of \$1.9 million of future income taxes related to renounced mineral property expenditures on flow-through share agreements.

The increase in the Company's loss for the second quarter ending September 30, 2006 as compared to 2005 is mainly due to increased general administrative expenses, which includes increased project investigation costs with respect to two resource projects that were considered, located in Southeast Asia.

The income for the fourth quarter ending March 31, 2006 is primarily attributed to the recovery of \$1.36 million of future income taxes related to renounced mineral property expenditures on flow-through share agreements.

Other than for the above mentioned, the losses were comparable for the other quarters.

COMPARISON OF THE MARCH 31, 2007 AND MARCH 31, 2006 FINANCIAL YEARS

Results of Operations

The Company's loss for the year ended March 31, 2007 was \$1.2 million as compared to an income of \$233,000 for the year ended March 31, 2006. This increase in loss of \$1.4 million is primarily due to a write-off of expenditures on the Assean Lake project of \$2.2 million in fiscal 2007. The loss for fiscal 2007 was reduced by \$1.9 million of future income taxes recovery as compared to \$1.4 million for fiscal 2006. The future income taxes recovery related to renounced mineral property expenditures on flow-through share agreements.

General and administrative expenses for the years ended March 31, 2007 and 2006 were \$1.2 million and \$668,000, respectively, representing an increase of \$537,000. The increase is mainly attributed to increased project investigation expenses of \$618,000 related to two resource projects that were considered, but abandoned, located in Southeast Asia. These costs included consultant's services on technical due diligence studies, travel and legal costs.

The annual operating losses are a reflection of the Company's status as a non-revenue producing mineral exploration company. As the Company has no main source of income, losses are expected to continue.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2007, the Company had cash and working capital of \$4.3 million and \$4.2 million, respectively, as compared to cash and working capital of \$4.2 million and \$4.3 million at March 31, 2006. During the fiscal year ended March 31, 2007, the Company completed a private placement of 2 million flow-through common shares at a price of \$1.50 per flow-through share and 1 million common shares (non flow-through) at a price of \$1.30 per common share for total gross proceeds of \$4.3 million. A 4% finders' fee totalling \$130,100 was paid on a portion of the private placement.

Subsequent to March 31, 2007, the Company completed a non-brokered private placement of 3.0 million common shares of the Company at a price of \$2.25 per share for gross proceeds of \$6.75 million. A 4% finder's fee totalling \$270,000 was paid on the private placement.

Net cash used in operating activities was \$1.1 million for the year ended March 31, 2007 and consisted mainly of the net loss from operations of \$1.2 million. Net cash used in operations also included several non-cash items including a \$1.9 million future income tax recovery and a \$2.2 million write-off of mineral property interests.

Net cash used in investing activities for the year ended March 31, 2007 was \$2.7 million and consisted mainly of capitalized exploration expenditures of \$3.6 million on the Company's projects and net of proceeds of \$884,000 from the sale of shares of bcMetals Corporation, a publicly traded company.

Net cash provided by financing activities for the year ended March 31, 2007 totaled \$3.9 million and consisted primarily of \$4.2 million in net proceeds from the issuance of 3 million common shares pursuant to the private placement mentioned above and the exercise of stock options of \$110,000. During the year ended March 31, 2007, the Company repaid a note payable of \$421,000.

Based on the Company's financial position at March 31, 2007 and including the private placement completed in May, 2007, the Company believes that existing funds should be sufficient to perform planned exploration and general corporate activities for the next 12 months. Additional funding from issuance of common shares may be required to fund further exploration and corporate expenses.

There can be no assurance that any equity financing will always be available to the Company in the amount required at any particular time or for any period or, if available, that it can be obtained on terms satisfactory to the Company.

CONTRACTUAL OBLIGATIONS

The Company has a contractual obligation relating to a services agreement with Namdo Management Services Ltd. that requires payments totaling \$345,000 for the period until June 30, 2008.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to establish accounting policies and to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgements about matters that are inherently uncertain.

Note 2 to the consolidated financial statements for the years ended March 31, 2007 and 2006 include a summary of the significant accounting policies adopted by the Company. The following policies are considered to be the critical accounting policies since they involve the use of significant estimates.

Mining Properties and Related Expenditures

The Company carries its mining properties at cost less a provision for impairment. The Company defers exploration and development costs, which are related to specific projects until the commercial feasibility of the project is determinable. The costs of each property and related expenditures will be amortised over the economic life of the property on a units-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. Exploration costs, not related to a property in which the Company has an interest, are charged to operations as incurred.

The Company undertakes a periodic review of the carrying values of mining properties and related expenditures and whenever events or changes in circumstances indicate that their carrying values may exceed their fair value. In undertaking this review, management of the Company is required to make significant estimates. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mining properties and related expenditures.

Income Taxes

Future income tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward. Future income tax assets and liabilities are measured using tax rates that are 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 recognised is limited to the amount of the benefit that is more likely than not to be realised.

Management of the Company is required to exercise judgements and make assumptions about the future performance of the Company in determining its ability to utilise loss carry-forwards and thereby realise the benefits of future income tax assets.

Stock Based Compensation

In calculating the fair value of stock options granted, management is required to make significant estimates in relation to the future volatility of the Company's share price and the period in which stock options will be exercised. The selection of the volatility factor and the estimate of the expected option life will have a significant impact on costs recognized for stock based compensation. The estimates concerning volatility are made with reference to historical volatility, which is not necessarily an accurate indicator of volatility that will be experienced in the future. Management assumes that stock options will be exercised prior to their expiry date.

RECENT ACCOUNTING PRONOUNCEMENTS

Financial Instruments – Recognition and Measurements

On January 27, 2005, the CICA issued Section 3855 of the Handbook titled Financial Instruments - Recognition and Measurement. It expands Handbook section 3860, Financial Instruments - Disclosure and Presentation, by prescribing when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented.

All financial instruments will be required to be classified into various categories. Held to maturity investments, loans and receivables are measured at amortized cost with amortization of premium or discounts and losses and impairment included in current period interest income or expense. Held for trading financial assets and liabilities are measured at fair market value with all gains and losses included in net income in the period in which they arise. All available for sale financial assets are measured at fair market value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet and losses due to impairment included in net income. All other financial liabilities are to be carried at amortized cost.

The Company adopted this standard on April 1, 2007.

At present, the Company's most significant financial instruments are cash, short term deposits, accounts receivable and accounts payable. This new section requires little difference in accounting for these financial instruments from current standards

Comprehensive Income

The new Handbook section 1530 - Comprehensive Income introduces a new requirement to temporarily present certain gains and losses outside of income. Section 1530 defines comprehensive income as a change in value of net assets that is no longer due to owner activities. Assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet.

The Company adopted the standard on April 1, 2007 with no impact on the opening equity and current period losses or comprehensive losses of the Company.

International Financial Reporting Standards

Within the next five years, Canadian generally accepted accounting principles for publicly accountable enterprises are expected to be replaced with International Financial Reporting Standards ("IFRSs"). The Company will address the impact of the adoption of IFRSs as and when the transition requirements become more clearly defined. It is possible that the adoption of IFRS will have a material impact on the Company's financial statements.

RELATED PARTY TRANSACTIONS

During the year ended March 31, 2007, the Company incurred:

- (a) management fees of \$225,000 (2006 - \$216,000) to a company controlled by a director pursuant to an agreement which is renewable on July 1, 2008. At March 31, 2007, \$20,178 (2006 - \$14,000) was due to this company and included in amounts due to related parties;
- (b) legal fees of \$31,000 (2006 - \$51,000) to a law firm of which a partner is a director of the Company. At March 31, 2007, \$1,700 (2006 - \$1,300) was due to this law firm and included in amounts due to related parties.

OUTSTANDING SHARE DATA

As at June 12, 2007, the Company had 53,053,766 common shares outstanding and 1,660,000 share options outstanding under its stock-based incentive plans. As at the same date, the Company had no share purchase warrants outstanding.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, other assets, accounts payable and accrued liabilities and due to related parties. The carrying value of cash, accounts receivable and accounts payable approximates fair value.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining the disclosure controls and procedures of the Company, and have so certified, as required by Multilateral Instrument 52-109. These officers have evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2007 and have concluded that the disclosure controls and procedures at the Company provide management a reasonable level of assurance that information required to be disclosed by the Company on a continuous basis and in annual and interim filings or other reports is recorded, processed, summarized, and reported or disclosed on a timely basis as required. Management engaged an independent advisor to assist with the documentation and evaluation of the design of internal controls.

It should be noted that while the CEO and CFO believe that the Company disclosure controls and internal control procedures provide a reasonable level of assurance that they are effective, they do not expect disclosure controls and internal control procedures over financial reporting will prevent all errors and fraud. A control system no matter how well conceived or operated can provide only reasonable, not absolute assurance that the objectives of the control system are met.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for certifying the design of the Company's internal control over financial reporting as required by Multilateral Instrument 52-109 – "Certification of Disclosure in Issuers' Annual and Interim Filings."

The Company's internal control over financial reporting is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable generally accepted accounting principles ("GAAP"). Internal control over financial reporting should include those policies and procedures that establish the following:

- Maintenance of records in reasonable detail that accurately and fairly reflect the transactions and dispositions of our assets;
- Reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable GAAP;
- Receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors; and
- Reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. There has been no significant change in the internal controls during the year ended March 31, 2007.

Management, including the CEO and CFO, carried out an assessment of the design of the Company's internal controls over financial reporting and has deemed them effective as at March 31, 2007. Management has also determined that there are no material weaknesses in the design of internal controls over financial reporting.

RISKS AND UNCERTAINTIES

Exploration for mineral resources involves a high degree of risk. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. The Company attempts to mitigate its exploration risk by maintaining a diversified portfolio. Beyond exploration risk, management is faced with a number of other risk factors. The more significant ones include:

Metal Price Risk: The Company's portfolios of properties and investments have exposure to predominantly copper and gold. The prices of these metals, especially copper and gold, greatly affect the value of the Company and the potential value of its properties and investments. This, in turn, greatly affects its ability to form joint ventures and the structure of any joint ventures formed. This is due, at least in part, to the underlying value of the Company's assets at different metals prices.

Financial Markets: The Company is dependent on the equity markets as its sole source of operating working capital and the Company's capital resources are largely determined by the strength of the resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

Environmental Risk: The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in Canada. Present or future laws and regulations, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of mines. Programs may also be delayed or prohibited in some areas. Although minimal at this time, site restoration costs are a component of exploration expenses.

Title Risk: The Company has investigated its right to explore and exploit its properties and, to the best of its knowledge, those rights are in good standing. However, the results of the Company's investigations should not be construed as a guarantee of title. No assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining authorizations nor that such exploration and mining authorizations will not be challenged or impugned by third parties.

OFF-BALANCE SHEET AGREEMENTS

The Company has no off-balance sheet arrangements.

OUTLOOK

At Caballo Blanco, the results of the detailed mapping, sampling and IP surveying that is being presently undertaken will be compiled and evaluated. A CSAMT survey is planned for the early fall to help locate drill targets. Depending on drill availability, drilling will commence in October of 2007.

At GJ/ Kinaskan, the 2007 drilling program will consist of 15,000 metres of diamond drilling, some of which will be used to infill and upgrade the higher-grade portions of the Donnelly Zone. Additional drilling will be undertaken to expand and better define the newly discovered North Donnelly Zone. The 2007 diamond drilling program will commence on or about June 20th. An updated resource estimate will be completed following the 2007 program.

At Manson Creek, the Company plans a modest drill program consisting of about 2,000 metres for the fall of 2007.

The Company is continuing to investigate additional resource properties for possible acquisition.

Since the Company does not expect to generate any revenue in the near future, funding requirements are expected to be satisfied through the sale of equity, debt securities or investment to meet on-going needs.

The mineral industry has remained very strong throughout 2006 driven by strong demand from China, India, Eastern Europe and Brazil. Overall, metal prices are expected to be at or above historic averages for the next several years, such that the Company's exploration and development activities should continue to receive strong investor support and wide industry recognition in the year ahead.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in the foregoing Management's Discussion and Analysis and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth above.

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 the Company 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 PricewaterhouseCoopers LLP, Chartered Accountants, and their report follows.

/s/ Lukas H. Lundin

Lukas H. Lundin
Chairman

Vancouver, British Columbia
June 12, 2007

/s/ Richard J. Bailes

Richard J. Bailes
President

AUDITORS' REPORT

To the Shareholders of
Canadian Gold Hunter Corp.:

We have audited the balance sheet of **Canadian Gold Hunter Corp.** (the "Company") as at March 31, 2007 and the statement of loss and deficit and cash flows for the year 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 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 financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at March 31, 2006, and for the year then ended, were audited by predecessor auditors who expressed an opinion without reservation on those statements in their report dated June 14, 2006.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia
June 12, 2007

**CANADIAN GOLD HUNTER CORP.
CONSOLIDATED BALANCE SHEETS**

	<u>March 31, 2007</u>	<u>March 31, 2006</u>
ASSETS		
Current assets		
Cash (Note 4)	\$ 4,275,238	\$ 4,227,119
Accounts receivable	19,793	18,289
Prepaid expenses	15,655	4,848
Investments (Note 5)	-	598,000
	<u>4,310,686</u>	<u>4,848,256</u>
Equipment, net	670	1,806
Mineral properties and related expenditures (Note 6)	9,501,827	8,074,494
Other assets	<u>41,258</u>	<u>50,858</u>
	<u>\$ 13,854,441</u>	<u>\$ 12,975,414</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 52,013	\$ 71,137
Due to related parties	21,881	15,901
Note payable (Note 7)	-	421,326
	<u>73,894</u>	<u>508,364</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 8)		
48,683,766 shares (March 31, 2006 - 45,583,766 shares)	95,315,501	92,851,342
Reserved for issuance 20,368 shares (March 31, 2006 - 20,368 shares)	1,291	1,291
Contributed surplus - stock options	1,439,887	1,421,372
Deficit	<u>(82,976,132)</u>	<u>(81,806,955)</u>
	<u>13,780,547</u>	<u>12,467,050</u>
	<u>\$ 13,854,441</u>	<u>\$ 12,975,414</u>

Commitments (Note 12)
Subsequent events (Note 14)

ON BEHALF OF THE BOARD:

/s/ Lukas H. Lundin
Director

/s/ Richard J. Bailes
Director

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

	<u>Year ended March 31, 2007</u>	<u>Year ended March 31, 2006</u>
Expenses		
Amortization	\$ 1,136	\$ 1,660
Consulting and wages	172,637	168,479
General exploration and project investigation	626,419	8,129
Management fees	225,000	216,000
Office and general	21,402	24,603
Professional fees	20,177	64,144
Promotion and public relations	51,138	97,371
Stock based compensation	23,271	-
Stock exchange and filing fees	30,107	34,185
Telephone and facsimile	1,638	1,842
Transfer agent and shareholder information	30,050	40,836
Travel	2,046	10,484
	<hr/>	<hr/>
Loss before the undernoted items	1,205,021	667,733
Other (income) expenses		
Interest income	(82,854)	(26,934)
Other (income) expenses	6,281	-
Interest and financing expenses	18,107	21,326
Foreign exchange loss	961	532
Project overhead fees	(1,132)	(1,025)
Gain on sale of investment (Note 5)	(286,198)	(220,765)
Write-off of mineral property interests	2,185,608	682,377
	<hr/>	<hr/>
Loss before income taxes	3,045,794	1,123,244
Future income tax recovery (Note 10)	<u>(1,876,617)</u>	<u>(1,356,611)</u>
(Loss) income for the year	(1,169,177)	233,367
Deficit, beginning of the year	<u>81,806,955</u>	<u>82,040,322</u>
Deficit, end of the year	<u>\$ 82,976,132</u>	<u>\$ 81,806,955</u>
	<hr/>	<hr/>
Basic and diluted (loss) income per common share	<u>\$ (0.03)</u>	<u>\$ 0.01</u>
	<hr/>	<hr/>
Weighted average number of shares outstanding	<u>46,701,766</u>	<u>41,217,009</u>

See notes to consolidated financial statements

CANADIAN GOLD HUNTER CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended March 31, 2007	Year ended March 31, 2006
Cash flows from (used in) operating activities		
(Loss) income for the year	\$ (1,169,177)	\$ 233,367
Items not affecting cash		
Amortization	1,136	1,660
Project overhead fees	(1,132)	(1,025)
Stock based compensation	23,271	-
Gain on sale of investment	(286,198)	(220,765)
Write-off of mineral property interests	2,185,608	682,377
Future income tax recovery	(1,876,617)	(1,356,611)
	(1,123,109)	(660,997)
Changes in non-cash working capital items		
Accounts receivable and other current assets	(12,311)	255,645
Accounts payable and accrued liabilities	(19,124)	16,227
Due to related parties	5,980	6,653
	(1,148,564)	(382,472)
Cash flows from (used in) financing activities		
Common shares issued, net	4,271,379	7,372,243
Note payable to related party	(421,326)	421,326
	3,850,053	7,793,569
Cash flows (used in) investing activities		
Mineral properties and related expenditures	(3,547,168)	(3,701,865)
Proceeds from sale of investment	884,198	256,664
Investments	-	(598,000)
Due to/from joint venturer	-	81,470
Other assets	9,600	9,859
	(2,653,370)	(3,951,872)
Increase in cash	48,119	3,459,225
Cash, beginning of the year	4,227,119	767,894
Cash, end of the year	\$ 4,275,238	\$ 4,227,119
Supplementary information regarding non-cash transactions		
Investing activities		
Project overhead fees included in mineral properties	\$ 1,132	\$ 1,025
Stock based compensation capitalized in mineral property and related expenditures	64,641	-
	\$ 65,773	\$ 1,025
Future income tax recovery offset against share capital on renunciation of expenditures on flow-through shares	\$ 1,876,617	\$ 1,356,611

See notes to consolidated financial statements

**CANADIAN GOLD HUNTER CORP.
CONSOLIDATED STATEMENTS OF MINERAL PROPERTIES
AND RELATED EXPENDITURES
MARCH 31, 2007**

	Assean Lake	GJ and Kinaskan	Manson Creek	Bob Creek and MacVicar	Total
Balance, March 31, 2005	\$ 2,164,029	\$ 1,906,336	\$ 409,681	\$ 573,935	\$ 5,053,981
Assaying and sampling	4,102	137,207	44,268	7,035	192,612
Camp costs	-	237,448	7,565	6,719	251,732
Drilling	-	1,199,020	162,436	21,382	1,382,838
Environmental	-	122,132	-	-	122,132
Expediting and project supervision	-	129,838	28,482	-	158,320
Field supplies	-	43,396	7,542	-	50,938
Field wages	-	205,922	11,908	-	217,830
Fuel	-	71,338	-	-	71,338
Geological, geophysical & geochemical	1,919	496,734	84,616	75,077	658,346
Helicopter	-	384,200	-	-	384,200
Maps and reports	3,890	37,993	12,159	2,433	56,475
Office miscellaneous	341	16,458	4,118	-	20,917
Option payment	-	-	-	7,500	7,500
Survey	-	49,332	-	-	49,332
Transport and travel	-	76,432	13,652	-	90,084
Incurred during the year	10,252	3,207,450	376,746	120,146	3,714,594
Mineral exploration grants	-	-	-	(11,704)	(11,704)
Write-off of mineral property interests	-	-	-	(682,377)	(682,377)
Balance, March 31, 2006	\$ 2,174,281	\$ 5,113,786	\$ 786,427	\$ -	\$ 8,074,494
Assaying and sampling	1,659	100,374	19,413	-	121,446
Camp costs	-	140,420	50,733	-	191,153
Drilling	-	1,313,772	181,002	-	1,494,774
Environmental	-	90,726	-	-	90,726
Expediting and project supervision	-	121,596	43,808	-	165,404
Field supplies, fuel and contract labour	-	254,963	18,956	-	273,919
Geological, geophysical & geochemical	3,295	571,147	80,154	-	654,596
Helicopter	-	370,804	-	-	370,804
Line cutting	-	-	34,025	-	34,025
Maps and reports	-	19,403	8,887	-	28,290
Office miscellaneous	6,373	12,898	175	-	19,446
Stock based compensation	-	64,641	-	-	64,641
Survey	-	10,355	-	-	10,355
Transport and travel	-	72,386	20,976	-	93,362
Incurred during the year	11,327	3,143,485	458,129	-	3,612,941
Write-off of mineral property interests	(2,185,608)	-	-	-	(2,185,608)
Balance, March 31, 2007	\$ -	\$ 8,257,271	\$ 1,244,556	\$ -	\$ 9,501,827

See notes to consolidated financial statements

CANADIAN GOLD HUNTER CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 AND 2006

1. DESCRIPTION OF BUSINESS

Canadian Gold Hunter Corp. (the "Company") was originally incorporated in British Columbia on February 3, 1983 and was continued under the Canada Business Corporations Act on August 20, 2004 to engage in acquisition, exploration and development of mineral properties.

The recoverability of the cost of mineral properties and related deferred exploration expenditures is dependent upon the discovery of economically recoverable reserves, preservation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the project, and future profitable production or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material reductions in the carrying amount of mineral properties and related fixed assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company are prepared in accordance with accounting principles generally accepted in Canada and applied on a consistent basis. A summary of the Company's significant policies is set out below:

(a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its controlled subsidiary Royal County Minerals Corp. ("Royal County"). Royal County was acquired in 2004 and substantially all shares are owned by the Company. Certain shares of Royal County have not yet been tendered to the Company; accordingly the Company has reserved 20,368 shares for issuance on the tender of the remaining shares of Royal County. Royal County has been treated for accounting purposes as a 100% wholly owned subsidiary of the Company.

(b) Investments

Short term investments are carried at the lower of cost and quoted market value.

(c) Mineral Properties and Related Expenditures

Mineral properties and related expenditures are carried at cost. If a project is unsuccessful or if exploration ceases because continuation is not economically feasible, the capitalized costs are written off.

Option payments received and cost reimbursements payable pursuant to terms of option agreements signed have been applied against project expenditures. Under the option agreements, these amounts may give rise to future claims against the assets of the Company. Mineral exploration grants are also deducted against the costs of the related properties.

Management periodically assesses the carrying value of amounts recorded for individual mineral properties. If management considers the carrying value is not recoverable, the deferred costs are written down or written off if the property is abandoned.

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 of 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 responsibility 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) Basic and diluted loss per share

Loss per common share is presented for basic and diluted loss. Basic loss per share is computed by dividing net loss by the weighted average number of outstanding common shares for the year. The Company follows the treasury stock method in the calculation of diluted loss per share. The effects of potential issuances of shares under options and warrants would be anti-dilutive, and therefore, basic and diluted losses per common share are the same.

(i) Stock-based compensation

Stock options awarded to employees and non-employees are measured and recognized in the statement of operations and deficit or added to mineral properties at the fair value of the award. The fair value of all forms of stock based compensation is charged to the consolidated statement of operations and deficit or capitalized to mineral properties over the vesting period of the options granted.

(j) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the determination of reclamation obligations, the recoverability of mineral properties, and the assumptions used in the determination of the fair value of stock based compensation. Actual results could differ from those estimates.

(k) Asset retirement obligations

The Company has applied 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.

(l) 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.

(m) Joint Venture

A portion of the Company's exploration and development activities are conducted jointly with others and accordingly these financial statements reflect only the Company's share of the expenditures for such activities.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

The fair value of the Company's financial instruments consisting of cash, accounts receivable, other assets, accounts payable and accrued liabilities and due to related parties approximate their carrying values.

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and accounts receivable. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

4. CASH

As at March 31, 2007, the Company is committed to spend \$3,274,846 (2006 - \$3,429,742) in accordance with flow through share agreements entered into during the year through a private placement (Note 8(ii)).

5. INVESTMENTS

	March 31, 2007	March 31, 2006
bcMetals Corporation	<u>\$ -</u>	<u>\$ 598,000</u>

During the year ended March 31, 2007, the Company disposed of its investment in bcMetals Corporation for proceeds of \$884,198, resulting in a gain of \$286,198.

6. 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 Hunt property on a 60/40 joint venture basis (the "Hunt JV").

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 right 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.

At March 31, 2007, Rare Earth owed the Company \$7,518 for their share of joint venture costs. As at March 31, 2006, the Company has an unexpended advance of \$1,164 from Rare Earth for their share of joint venture costs. During the year ended March 31, 2007, the Company decided to write-off its expenditures totaling \$2,185,617 in the Assean Lake properties.

(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 owns a 100% interest in the Kinaskan Lake mineral claims located in the Liard Mining District, British Columbia. 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.

(c) MacVicar Property, Manitoba

During the year ended March 31, 2006, the Company decided not to pursue further work on the MacVicar property and accordingly wrote off expenditures totaling \$177,230.

(d) Bob Creek Property, B.C.

During the year ended March 31, 2006, the Company decided not to pursue further work on the Bob Creek property and accordingly wrote off expenditures totaling \$505,147.

(e) 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.

7. NOTE PAYABLE

As at March 31, 2006, the Company had a promissory note of \$413,140, which was due on demand on or before June 22, 2006. The promissory note bore interest at Canadian Prime Interest Rate plus 2% per annum and was due to a related party of the Company. The accrued interest of the promissory note to March 31, 2006 was \$8,186. During the year ended March 31, 2007, the promissory note was repaid.

8. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares with no par value.

Issued and outstanding:

Common shares	<u>Number of Shares</u>	<u>Amount</u>
Balance, March 31, 2005	36,385,253	\$ 86,835,709
Private placements, net (i)	8,313,501	7,018,243
Warrants exercised	885,000	354,000
Takeover of Royal County	12	1
Tax cost recognized on issuance of flow-through shares on private placements (Note 10)	<u>-</u>	<u>(1,356,611)</u>
Balance, March 31, 2006	45,583,766	92,851,342
Private placements, net (ii)	3,000,000	4,161,379
Stock options exercised	100,000	110,000
Transfer of contributed surplus on exercise of stock options	-	69,397
Tax cost recognized on issuance of flow-through shares on private placements (Note 10)	<u>-</u>	<u>(1,876,617)</u>
Balance, March 31, 2007	<u>48,683,766</u>	<u>\$ 95,315,501</u>

(i) During the year ended March 31, 2006 the Company completed two private placements:

- a) 4,970,000 flow-through common shares at a price of \$0.80 per share and 407,001 common shares (non flow-through) at a price of \$0.75 per share for net proceeds totaling \$4.1 million. A finder's fee totalling \$149,878 was paid on a portion of the private placement.
- b) 2,381,000 flow-through common shares at a price of \$1.05 per flow-through share and 555,500 common shares (non flow-through) at a price of \$0.90 per common share for total net proceeds totaling \$2.9 million. A finder's fee totalling \$125,000 was paid on a portion of the private placement.

- (ii) During the year ended March 31, 2007, the Company completed a private placement of 2 million flow-through common shares at a price of \$1.50 per share and 1 million common shares (non flow-through) at a price of \$1.30 per share for total net proceeds of \$4.2 million. A 4% finder's fee totalling \$130,100 was paid on a portion of the private placement.

The tax cost related to the issuance of the flow-through shares on private placements is recognized in the period in which the Company files the related renunciation with the taxation authorities.

- (b) Incentive stock options issued and outstanding during 2006 and 2005 are as follows:

The Company has an incentive stock option plan in which 3,600,000 common shares have been made available for the Company to grant incentive stock options to certain directors, officers, employees and consultants of the Company.

	<u>2007</u>		<u>2006</u>	
	<u>Number of Shares</u>	<u>Weighted-average exercise price</u>	<u>Number of shares</u>	<u>Weighted-average exercise price</u>
Outstanding at beginning of year	2,330,000	\$0.95	2,335,000	\$0.95
Granted	170,000	\$1.25	-	
Cancelled	-		(5,000)	\$0.68
Exercised	<u>(100,000)</u>	\$1.10	<u>-</u>	
Outstanding at end of year	<u>2,400,000</u>	<u>\$0.97</u>	<u>2,330,000</u>	<u>\$0.95</u>

During the year ended March 31, 2007, the Corporation granted 170,000 (2006-\$Nil) stock options, exercisable at price of \$1.25 per share. Accordingly, stock based compensation expenses of \$23,271 (2006-\$Nil) have been recorded in operations in respect of the stock options granted to employees and \$64,641 (2006-\$Nil) have been recorded in mineral properties in respect of the stock options granted to project related consultants.

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

	<u>2007</u>	<u>2006</u>
Dividend Yield	: 0%	N/A
Average risk free interest rate	: 4.05%	N/A
Expected volatility	: 56.5%	N/A
Expected life of option	: 3 years	N/A

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 \$1.25 and \$0.66 and expire between April 8, 2007 and January 10, 2010 and have a weighted-average remaining contractual life of 3 years.

Subsequent to March 31, 2007, 370,000 stock options at prices of \$1.10 and \$0.66 per share were exercised for proceeds of \$402,600 and 1,084,000 stock options expired unexercised. The Company also granted 714,000 stock options at a price of \$2.10 per share, expiring May 3, 2010.

(c) As at March 31, 2007, there were no share purchase warrants outstanding.

9. RELATED PARTY TRANSACTIONS

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

- (a) incurred management fees of \$225,000 (2006 - \$216,000) to a company controlled by a director pursuant to an agreement for administration and officer services, which is renewable on July 1, 2008. At March 31, 2007, \$20,178 (2006 - \$14,409) was due to this company and included in amounts due to related parties;
- (b) incurred legal fees of \$31,275 (2006 - \$50,950) to a law firm of which a partner is a director of the Company. At March 31, 2007, \$1,703 (2006 - \$1,318) was due to this law firm and included in amounts due to related parties.

These transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. INCOME TAXES

	<u>2007</u>	<u>2006</u>
Combined Canadian Federal and Provincial statutory income tax rate	34.12%	34.12%
Expected income tax provision (recovery)	\$ (1,039,225)	\$ (383,250)
Permanent differences	63,210	(271,494)
Future income tax recovery related to flow-through shares	(1,876,617)	(1,356,611)
Change in valuation allowance	878,722	1,039,457
Other	<u>97,293</u>	<u>(384,713)</u>
Future income tax expense (recovery) for the year	<u>\$ (1,876,617)</u>	<u>\$ (1,356,611)</u>
Future income tax assets		
Canadian tax loss carry forwards	\$ 1,384,994	\$ 1,294,780
Mining properties and related expenditures	1,348,815	560,695
Equipment	2,002	1,614
	<u>2,735,811</u>	<u>1,857,089</u>
Valuation allowance	<u>(2,735,811)</u>	<u>(1,857,089)</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, 2007 the Company issued flow-through shares (Note 6(a)(ii)) and renounced \$5,500,050 (2006-\$3,976,000) 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(l)), 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, 2007, 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>
2008	273,000
2009	272,000
2010	359,000
2014	433,000
2015	629,000
2016	592,000
2026	<u>518,000</u>
	<u>\$ 3,076,000</u>

11. SEGMENTED INFORMATION

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

12. COMMITMENTS

The Company has a contractual obligation relating to a services agreement with Namdo Management Services Ltd., a related party of the Company, which requires payments totaling \$345,000 for the period until June 30, 2008.

13. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

14. SUBSEQUENT EVENTS

Subsequent to March 31, 2007, the Company:

- (a) entered into an option agreement to acquire a 70% interest in the Caballo Blanco Property in exchange for issuing 1.0 million common shares to Almaden, making a cash payment of US\$500,000 to a subsidiary of Almaden and expending a total of US\$12 million in minimum annual tranches through May, 2013, of which US\$1.5 million is a firm commitment in the first year. The Company has agreed to fund all costs required for the completion of a Bankable Feasibility Study in connection with the Property, and is entitled to receive on a preferential basis, out of the proceeds of production, all the expenditures it has incurred to exercise the option and to complete the feasibility study. Upon completion of the minimum expenditures, the two parties will enter into a joint venture agreement which will result in the company holding an initial 70% participating interest in the joint venture.

- (b) completed a non-brokered, private placement of 3.0 million common shares of the Company at a price of \$2.25 per share for gross proceeds of \$6.75 million. A 4% finder's fee totalling \$270,000 was payable on private placement.

**CANADIAN GOLD HUNTER CORP.
CORPORATE DIRECTORY
MARCH 31, 2007**

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 K. Netolitzky
Compensation Committee
Corporate Governance and
Nominating Committee
Audit Committee
Michael D. McInnis
Audit Committee
Lukas H. Lundin
Compensation Committee
William A. Rand
Compensation Committee
Corporate Governance and
Nominating Committee
Audit Committee
John H. Craig
Corporate Governance and
Nominating Committee
Richard J. Bailes

AUDITORS

PricewaterhouseCoopers LLP
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SOLICITORS

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Toronto, Ontario
Canada

McCullough O'Connor Irwin
Vancouver, British Columbia
Canada

SHARE CAPITAL

Authorized: Unlimited number of common shares
Issued and Outstanding: 48,683,766
shares

REGISTRAR AND TRANSFER AGENT

CIBC Mellon Trust Company
Vancouver, British Columbia
Toronto, Ontario

SHARE LISTING

Toronto Stock Exchange
Canadian Gold Hunter Corp. (CGH)