

**CANADIAN GOLD HUNTER CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
THREE MONTHS ENDED JUNE 30, 2006**

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 unaudited interim consolidated financial statements for the three months ended June 30, 2006 and the March 31, 2006 year end audited consolidated financial statements and related notes thereto.

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 significant accounting policies are outlined within Note 2 to the consolidated financial statements of the Company's for the year ended March 31, 2006. These accounting policies have been applied consistently for the three months ended June 30, 2006.

The effective date of this MD&A is August 10, 2006.

Additional information about the Company and its business activities is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## GENERAL

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

## QUARTERLY HIGHLIGHTS

During the quarter ended June 30, 2006, the Company commenced drilling its GJ/Kinaskan project in northern British Columbia. Diamond drilling commenced on June 20th using a core rig that had been stored on the property over the winter. A second rig was mobilized from Smithers to the property and commenced drilling on June 22nd. A total of 15,000 meters of core drilling in approximately 40 holes was planned for the 2006 summer program. On the effective date of this MD&A approximately 11,000 meters of diamond drilling had been completed; however due to a severe backlog of samples at the lab, only a few assays results have been received.

The bulk of the drilling is focused on expanding resources in the Donnelly Zone, which has been defined over an E-W length of 1,500 meters and remains open at both extremities and at depth. A limited amount of in-fill drilling will be undertaken on the zone to convert all remaining inferred resources to the indicated status. In addition, several reconnaissance holes will be drilled on I.P. targets north and west of the Donnelly Zone.

## SELECTED QUARTERLY INFORMATION

| Financial Data for 8 Quarters                           |        |        |        |        |        |        |         |        |
|---------------------------------------------------------|--------|--------|--------|--------|--------|--------|---------|--------|
| Three Months Ended                                      | Jun-06 | Mar-06 | Dec-05 | Sep-05 | Jun-05 | Mar-05 | Dec-04  | Sep-04 |
| A. Total revenues (\$000's) *                           | 24     | 11     | 6      | 7      | 4      | 15     | 4       | 17     |
| B. Earnings (loss) before extraordinary items (\$000's) | (145)  | 708    | (146)  | (137)  | (192)  | 70     | (1,540) | (83)   |
| C. Net earning (loss) (\$000's)                         | (145)  | 708    | (146)  | (137)  | (192)  | 70     | (1,540) | (83)   |
| D. Basis and diluted earnings (loss) per share (\$)     | (0.00) | 0.01   | (0.00) | (0.00) | (0.01) | (0.00) | (0.04)  | (0.00) |

\* Consists of interest income and project overhead fee.

The income for the fourth quarter ending March 31, 2006 and 2005 is primarily attributed to the recovery of \$1.36 million and \$1.31 million, respectively, of future income taxes related to renounced mineral property expenditures on flow-through share agreements. The income for the fourth quarter ending March 31, 2005 was offset by stock-based compensation expenses, representing the estimated fair value of stock options granted.

The decrease in loss for the third quarter ending December 31, 2005 as compared to 2004 is primarily due to stock based compensation expenses in respect of options granted during 2004 and the write-off of expenditures on the Nunavut properties.

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

## **RESULTS OF OPERATIONS**

The Company's loss for the three months ended June 30, 2006 was \$145,000, a decrease of \$47,000 as compared to a loss of \$192,000 for the three months ended June 30, 2005. The decrease in loss is primarily attributed to a decrease in general and administrative expenses, receipt of a British Columbia mining exploration tax credit and an increase in interest income from cash on hand.

General and administrative expenses decreased by \$17,000 to \$179,000 for the three months ended June 30, 2006 from 2005 as a result of a decrease in the level of activity during the quarter. In particular, promotion and public relations, stock exchange and transfer agent expenses all have decreased. General exploration and project investigation expenses have increased by \$32,000 to \$34,000 as the Company reviews various projects for possible acquisition or joint venture.

The 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 June 30, 2006, the Company had cash of \$3.4 million and working capital of \$3.9 million as compared to cash of \$4.2 million and working capital of \$4.3 million at March 31, 2006.

Net cash used for operating activities was \$477,000 for the three months ended June 30, 2006 and consisted mainly of the net loss from operations of \$145,000 offset by an increase in prepaid expenses and other assets. The main increase in prepaid expenses and other assets relates to an advance in respect of the GJ property.

Net cash used in investing activities was \$334,000 and consisted mainly of capitalized exploration expenditures of \$328,000 on the Company's projects.

Net cash provided by financing activities for the three months ended June 30, 2006 was \$8,000, which is primarily accrued interest on a note payable to a related party.

Based on the Company's financial position at June 30, 2006, 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.

## RELATED PARTY TRANSACTIONS

During the three months ended June 30, 2006, the Company:

- (a) incurred management fees of \$54,000 to a company controlled by the Chairman of the Company pursuant to an agreement which is renewable on July 1, 2008. At June 30, 2006, \$10,000 was due to this company and included in amounts due to related parties.
- (b) incurred legal fees of \$11,000 to a law firm of which a partner is a director of the Company. At June 30, 2006, \$11,000 was due to this law firm and included in amounts due to related parties.

## OUTSTANDING SHARE DATA

As at August 10, 2006, the Company had 45,583,766 common shares outstanding and 2,330,000 share options outstanding under its stock-based incentive plans. As at the same date, the Company had no share purchase warrants outstanding.

## 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 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.

## **OUTLOOK**

The Company plans to continue drilling the GJ/Kinaskan Property until about the first week in September. The drilling has gone much smoother than anticipated and it is expected that the existing budget will cover an additional 5,000 meters of drilling bringing the total to approximately 20,000 metres. Complete assays should be back by mid-October. The Company will complete a new mineral resource estimate in early 2007.

In addition to the GJ drilling, the Company plans a 3000-metre diamond drill program on the Manson Creek Project in the fall of 2006. The primary target at Manson Creek is a large, low-grade gold system. 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.

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.

## **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.

To our shareholders:

The new fiscal year has begun with an extensive drill program being carried out on the GJ/Kinaskan copper/gold project in northern B.C. The Company also plans a significant work program on its Manson Creek gold project in B.C. in the fall of 2006.

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

The Company mobilized field crews to the GJ project site in northwestern B.C. in mid June to prepare for the imminent start-up of the summer drill program. Diamond drilling commenced on June 20<sup>th</sup> using a core rig that had been stored on the property over the winter. A second rig was mobilized from Smithers to the property and commenced drilling on June 22nd.

A total of 15,000 meters of core drilling in approximately 40 holes is planned for the 2006 summer program on the GJ property. The bulk of the drilling will focus on expanding resources in the Donnelly Zone, which has been defined over an E-W length of 1,500 meters and remains open at both extremities and at depth. Deep drilling will start at the west end of the zone, where DDH 05-076, the last hole of the 2005 campaign, intersected 47 meters grading 0.83% Cu and 1.32 g/t Au in an intensely altered quartz-vein stockwork. A limited amount of in-fill drilling will be undertaken on the zone to convert all remaining inferred resources to the indicated status. In addition, several reconnaissance holes will be drilled on I.P. targets north and west of the Donnelly Zone.

The Company completed an updated independent resource estimate on the Donnelly Zone in March of this year. The resource estimate is based on results from 56 drill holes over a strike length of 1.5 kilometres. The base case indicated resource, at a cut off of 0.20% copper, is 91.73 million tonnes grading 0.373% copper and 0.381 g/t gold and contains 754 million pounds of copper and 1.12 million ounces of gold. In addition to the indicated resource an inferred resource at the same cutoff consists of 28.04 million tonnes grading 0.354% copper and 0.369 g/t gold, containing a further 219 million pounds of copper and 0.33 million ounces of gold.

#### **Donnelly Indicated Resources**

| <b>Cut off Cu (%)</b> | <b>Tonnes (000,000)</b> | <b>Cu (%)</b> | <b>Au (g/t)</b> | <b>Contained Cu (million lbs)</b> | <b>Contained Au (million ozs)</b> |
|-----------------------|-------------------------|---------------|-----------------|-----------------------------------|-----------------------------------|
| 0.15                  | 104.09                  | 0.349         | 0.356           | 801                               | 1.19                              |
| <b>0.20</b>           | <b>91.73</b>            | <b>0.373</b>  | <b>0.381</b>    | <b>754</b>                        | <b>1.12</b>                       |
| 0.30                  | 51.44                   | 0.473         | 0.495           | 536                               | 0.82                              |
| 0.40                  | 28.73                   | 0.575         | 0.610           | 364                               | 0.56                              |

#### **Donnelly Inferred Resources**

| <b>Cut off Cu (%)</b> | <b>Tonnes (000,000)</b> | <b>Cu (%)</b> | <b>Au (g/t)</b> | <b>Contained Cu (million lbs)</b> | <b>Contained Au (million ozs)</b> |
|-----------------------|-------------------------|---------------|-----------------|-----------------------------------|-----------------------------------|
| 0.15                  | 31.83                   | 0.332         | 0.346           | 233                               | 0.35                              |
| <b>0.20</b>           | <b>28.04</b>            | <b>0.354</b>  | <b>0.369</b>    | <b>219</b>                        | <b>0.33</b>                       |
| 0.30                  | 14.41                   | 0.459         | 0.496           | 146                               | 0.23                              |
| 0.40                  | 6.28                    | 0.595         | 0.655           | 82                                | 0.13                              |

This updated resource estimate was commissioned following the 2005 drill program which successfully allowed a substantial portion of the 2004 inferred resource category to be upgraded to the indicated category. For comparison purposes to the previous estimate, if all of the current resources were still categorized as inferred, it would represent an approximate 70% increase in tonnage.

The 0.20% copper cut-off grade has been chosen as the "base case" scenario based on the recently completed feasibility study for the Red Chris deposit (bcMetals Corporation), the nearest analogy to the Donnelly Zone 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. A 43-101 technical report

by David T. Mehner, M.Sc., P.Geo. and Giles Peatfield, Ph.D., P.Eng, dated April 11, 2006 is available on Sedar ([www.sedar.com](http://www.sedar.com)) as well as the Company's website ([www.canadiangoldhunter.com](http://www.canadiangoldhunter.com)).

The Donnelly Zone resource estimate was prepared by qualified person, Dr. Giles Peatfield, P.Eng. using a manual sectional method, based on approximately 15,600 metres of diamond drilling in 56 holes with more than 5,000 samples assayed. Eleven of the core holes were drilled by Texasgulf Canada Ltd. ("Tg") in 1977 and 1980; this drilling was supervised by Dr. Peatfield. Eleven holes were drilled by the Company in 2004 and a further thirty-four in 2005. The assay results from the recent diamond drill programs were consistent with, and corroborated, the earlier work by Tg.

The 2005 drill program and sampling protocol 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.

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 project.

### **Manson Creek, BC**

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. Fourteen holes, drilled over an area about 600 by 200 metres, 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 QCM Zone consists of strongly pyritic, carbonate-altered and quartz-veined greywackes poorly exposed over an area of about 600 x 200 metres. The mineralized zone coincides broadly with a well developed gold soil anomaly and strong resistivity anomaly. Similar anomalies located in overburden covered areas will be investigated in 2006. A 3000-metre diamond drill program is planned for the fall of 2006.

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.

### **Assean Lake**

The Company is looking for a partner to take on further exploration at the Assean Lake Project located in northern Manitoba.

### **Qualified Persons**

The Company's qualified persons for the Manson Creek project are Jan Christoffersen P.Eng. (Vice President of the Company) and Richard Bailes P.Geo. (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 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. The qualified person for the GJ/Kinaskan project is Dr. Giles Peatfield, Ph.D., P.Eng. Dr. Peatfield is independent of the Company.

On behalf of the Board,  
(signed) Richard J. Bailes  
President  
August 4, 2006

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

|                                                            | <b>June 30,<br/>2006<br/>(Unaudited)</b> | <b>March 31,<br/>2006</b> |
|------------------------------------------------------------|------------------------------------------|---------------------------|
| <b>ASSETS</b>                                              |                                          |                           |
| Current assets                                             |                                          |                           |
| Cash (Note 2)                                              | \$ 3,423,644                             | \$ 4,227,119              |
| Accounts receivable                                        | 42,085                                   | 14,589                    |
| Due from related parties                                   | 4,270                                    | 3,700                     |
| Due from joint venturer                                    | 5,475                                    | -                         |
| Prepaid expenses and other                                 | 473,397                                  | 4,848                     |
| Investments (Note 3)                                       | 598,000                                  | 598,000                   |
|                                                            | 4,546,871                                | 4,848,256                 |
| Equipment, net                                             | 1,391                                    | 1,806                     |
| Mineral properties and related expenditures                | 8,403,078                                | 8,074,494                 |
| Other assets                                               | 50,858                                   | 50,858                    |
|                                                            | \$ 13,002,198                            | \$ 12,975,414             |
| <b>LIABILITIES</b>                                         |                                          |                           |
| Current liabilities                                        |                                          |                           |
| Accounts payable and accrued liabilities                   | \$ 228,686                               | \$ 69,973                 |
| Due to related parties                                     | 21,938                                   | 15,901                    |
| Advances from joint venturer                               | -                                        | 1,164                     |
| Note payable (Note 4)                                      | 429,656                                  | 421,326                   |
|                                                            | 680,280                                  | 508,364                   |
| <b>SHAREHOLDERS' EQUITY</b>                                |                                          |                           |
| Share capital (Note 5)                                     |                                          |                           |
| 45,583,766 shares (March 31, 2006 - 45,583,766 shares)     | 92,851,342                               | 92,851,342                |
| Reserved for issuance 20,368 shares (2006 - 20,368 shares) | 1,291                                    | 1,291                     |
| Contributed surplus - stock options                        | 1,421,372                                | 1,421,372                 |
| Deficit                                                    | (81,952,087)                             | (81,806,955)              |
|                                                            | 12,321,918                               | 12,467,050                |
|                                                            | \$ 13,002,198                            | \$ 12,975,414             |

ON BEHALF OF THE BOARD:

/s/ Lukas H. Lundin

\_\_\_\_\_  
Director

/s/ Richard J. Bailes

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Director

See notes to interim consolidated financial statements

**CANADIAN GOLD HUNTER CORP.**  
**INTERIM CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT**  
**(Unaudited)**

|                                               | <u>Three months<br/>ended<br/>June 30,<br/>2006</u> | <u>Three months<br/>ended<br/>June 30,<br/>2005</u> |
|-----------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| Expenses                                      |                                                     |                                                     |
| Amortization                                  | \$ 415                                              | \$ 415                                              |
| Consulting and wages                          | 41,779                                              | 45,919                                              |
| General exploration and project investigation | 33,933                                              | 1,705                                               |
| Management fees                               | 54,000                                              | 54,000                                              |
| Office and general                            | 5,396                                               | 8,399                                               |
| Professional fees                             | 10,171                                              | 21,824                                              |
| Promotion and public relations                | 13,740                                              | 32,066                                              |
| Stock exchange and filing fees                | 4,751                                               | 11,515                                              |
| Telephone and facsimile                       | 931                                                 | 565                                                 |
| Transfer agent and shareholder information    | 14,330                                              | 19,503                                              |
| Travel                                        | -                                                   | 529                                                 |
|                                               | <u>179,446</u>                                      | <u>196,440</u>                                      |
| Loss before the undernoted items              |                                                     |                                                     |
| Other (income) expenses                       |                                                     |                                                     |
| Interest income                               | (22,984)                                            | (3,506)                                             |
| Other income                                  | (19,995)                                            | -                                                   |
| Interest and financing expenses               | 8,330                                               | 616                                                 |
| Foreign exchange loss (gain)                  | 1,201                                               | (1,133)                                             |
| Project overhead fees                         | (866)                                               | (715)                                               |
|                                               | <u>145,132</u>                                      | <u>191,702</u>                                      |
| Loss for the period                           |                                                     |                                                     |
| Deficit, beginning of the period              | <u>81,806,955</u>                                   | <u>82,040,322</u>                                   |
| Deficit, end of the period                    | <u>\$ 81,952,087</u>                                | <u>\$ 82,232,024</u>                                |
| Basic and diluted loss per common share       | <u>\$ 0.00</u>                                      | <u>\$ 0.01</u>                                      |
| Weighted average number of shares outstanding | <u>45,583,766</u>                                   | <u>36,797,490</u>                                   |

See notes to interim consolidated financial statements

**CANADIAN GOLD HUNTER CORP.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

|                                                           | <u>Three months<br/>ended<br/>June 30,<br/>2006</u> | <u>Three months<br/>ended<br/>June 30,<br/>2005</u> |
|-----------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| Cash flows (for) operating activities                     |                                                     |                                                     |
| Loss for the period                                       | \$ (145,132)                                        | \$ (191,702)                                        |
| Items not affecting cash                                  |                                                     |                                                     |
| Amortization                                              | 415                                                 | 415                                                 |
| Project overhead fees                                     | (866)                                               | (715)                                               |
|                                                           | <u>(145,583)</u>                                    | <u>(192,002)</u>                                    |
| Changes in non-cash working capital items                 |                                                     |                                                     |
| Accounts receivable and other current assets              | (496,615)                                           | 67,986                                              |
| Accounts payable and accrued liabilities                  | 158,713                                             | 141,505                                             |
| Due to related parties                                    | 6,037                                               | 26,552                                              |
|                                                           | <u>(477,448)</u>                                    | <u>44,041</u>                                       |
| Cash flows from financing activities                      |                                                     |                                                     |
| Common shares issued, net                                 | -                                                   | 4,143,242                                           |
| Note payable to related party                             | 8,330                                               | 400,616                                             |
|                                                           | <u>8,330</u>                                        | <u>4,543,858</u>                                    |
| Cash flows (for) investing activities                     |                                                     |                                                     |
| Mineral properties and related expenditures               | (327,718)                                           | (518,504)                                           |
| Investments                                               | -                                                   | (598,000)                                           |
| Due to/from joint venturer                                | (6,639)                                             | 83,848                                              |
| Other assets                                              | -                                                   | 9,859                                               |
|                                                           | <u>(334,357)</u>                                    | <u>(1,022,797)</u>                                  |
| (Decrease) increase in cash                               | (803,475)                                           | 3,565,102                                           |
| Cash, beginning of the period                             | <u>4,227,119</u>                                    | <u>767,894</u>                                      |
| Cash, end of the period                                   | <u>\$ 3,423,644</u>                                 | <u>\$ 4,332,996</u>                                 |
| Supplementary information regarding non-cash transactions |                                                     |                                                     |
| Investing activities                                      |                                                     |                                                     |
| Project overhead fees included in mineral properties      | <u>\$ 866</u>                                       | <u>\$ 715</u>                                       |
| Financing activities                                      |                                                     |                                                     |
| Shares reserved for issuance on acquisition of subsidiary | <u>\$ -</u>                                         | <u>\$ 1</u>                                         |

See notes to interim consolidated financial statements

**CANADIAN GOLD HUNTER CORP.**  
**CONSOLIDATED STATEMENTS OF MINERAL PROPERTIES**  
**AND RELATED EXPENDITURES**  
**JUNE 30, 2006**  
**(Unaudited)**

|                                         | Assean<br>Lake | GJ and<br>Kinaskan | Manson<br>Creek | Bob Creek<br>and<br>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 period              | 10,252         | 3,207,450          | 376,746         | 120,146                      | 3,714,594    |
| Mineral exploration grants              | -              | -                  | -               | (11,704)                     | (26,058)     |
| Write-off of mineral property interests | -              | -                  | -               | (682,377)                    | (1,188,056)  |
| Balance, March 31, 2006                 | \$ 2,174,281   | \$ 5,113,786       | \$ 786,427      | \$ -                         | \$ 8,074,494 |
| Assaying and sampling                   | 521            | 718                | 325             | -                            | 1,564        |
| Camp costs                              | -              | 18,919             | -               | -                            | 18,919       |
| Drilling                                | -              | 131,663            | -               | -                            | 131,663      |
| Environmental                           | -              | 16,438             | -               | -                            | 16,438       |
| Expediting and project supervision      | -              | 7,832              | 366             | -                            | 8,198        |
| Field supplies                          | -              | 3,577              | -               | -                            | 3,577        |
| Geological, geophysical & geochemical   | 2,755          | 110,320            | 2,292           | -                            | 115,367      |
| Maps and reports                        | -              | 11,156             | 1,336           | -                            | 12,492       |
| Office miscellaneous                    | 5,384          | 1,146              | -               | -                            | 6,530        |
| Survey                                  | -              | 6,992              | -               | -                            | 6,992        |
| Transport and travel                    | -              | 6,844              | -               | -                            | 6,844        |
| Incurred during the period              | 8,660          | 315,605            | 4,319           | -                            | 328,584      |
| Balance, June 30, 2006                  | \$ 2,182,941   | \$ 5,429,391       | \$ 790,746      | \$ -                         | \$ 8,403,078 |

See notes to interim consolidated financial statements

**CANADIAN GOLD HUNTER CORP.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JUNE 30, 2006**  
**(Unaudited)**

**1. BASIS OF PRESENTATION**

The unaudited interim consolidated financial statements of Canadian Gold Hunter Corp. (the "Company") are prepared in accordance with accounting principles generally accepted in Canada using the same accounting policies and methods of application as those disclosed in Note 2 to the Company's audited consolidated financial statements for the year ended March 31, 2006.

These interim consolidated financial statements do not contain all of the information required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the consolidated financial statements included in the Company's 2006 Annual Report.

**2. RESTRICTED CASH**

As at June 30, 2006, the Company is committed to spend \$3,135,631 (2005 - \$296,964) in accordance with flow-through share agreements entered into during the year March 31, 2006, through two private placements (Note 5). This balance is included in cash but is reserved to complete the qualified expenditures on Canadian mineral property exploration

**3. INVESTMENTS**

|                                                                                                           | June 30,<br><u>2006</u> | March 31,<br><u>2006</u> |
|-----------------------------------------------------------------------------------------------------------|-------------------------|--------------------------|
| <b>bcMetals Corporation</b> , 1.3 million common shares with a market value at June 30, 2006 of \$962,000 | \$ <u>598,000</u>       | \$ <u>598,000</u>        |

**4. NOTE PAYABLE**

As at June 30, 2006, the Company has a promissory note of \$428,904, which is due on demand on or before December 22, 2006. The promissory note bears interest at Canadian Prime Interest Rate plus 2% per annum.

## 5. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares with no par value.

(b) Issued and outstanding:

| Common shares                                                                | <u>Number of<br/>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 | <u>-</u>                    | <u>(1,356,611)</u>   |
| Balance, March 31, 2006 and June 30, 2006                                    | <u>45,583,766</u>           | <u>\$ 92,851,342</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.
- 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 totaling \$125,000 was paid in connection with this private placement.

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

(c) As at June 30, 2006, the following stock options were outstanding:

|                                                  | <u>Number of<br/>Shares</u> | <u>Weighted-Average<br/>Exercise Price</u> |
|--------------------------------------------------|-----------------------------|--------------------------------------------|
| Outstanding at March 31 and<br>and June 30, 2006 | <u>2,330,000</u>            | <u>\$0.95</u>                              |

(d) As at June 30, 2006, there were no share purchase warrants outstanding.

## **6. RELATED PARTY TRANSACTIONS**

During the three months ended June 30, 2006, the Company:

- (a) incurred management fees of \$54,000 to a company controlled by the Chairman of the Company pursuant to an agreement which is renewable on July 1, 2008. At June 30, 2006, \$9,611 was due to this company and included in amounts due to related parties;
- (b) incurred legal fees of \$10,564 to a law firm of which a partner is a director of the Company. At June 30, 2006, \$10,564 was due to this law firm and included in amounts due to related parties.

## **7. SEGMENTED INFORMATION**

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

**CANADIAN GOLD HUNTER CORP.  
CORPORATE DIRECTORY  
AUGUST 10, 2006**

**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

Suite 2101 - 885 West Georgia Street  
Vancouver, British Columbia  
Canada V6C 3E8  
Telephone: (604) 689-7842  
Fax: (604) 689-4250

**REGISTERED AND RECORDS OFFICE**

Suite 1100 - 888 Dunsmuir Street  
Vancouver, British Columbia  
Canada V6C 3K4

**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

**SOLICITOR**

McCullough O'Connor Irwin  
Vancouver, British Columbia  
Canada

**SHARE CAPITAL**

Authorized: Unlimited number of common shares  
Issued and Outstanding: 45,583,766 shares

**REGISTRAR AND TRANSFER AGENT**

CIBC Mellon Trust Company  
Vancouver, British Columbia  
Toronto, Ontario

**SHARE LISTING**

Toronto Stock Exchange  
Canadian Gold Hunter Corp. (CGH)

**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

**COMPANY HEAD OFFICE**