

# SECOND QUARTER REPORT

September 30, 2006



**CANADIAN GOLD HUNTER CORP.**

Notice: The accompanying unaudited interim financial statements of Canadian Gold Hunter Corp. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

To our shareholders:

*The second quarter of 2006 saw the completion of a very successful and extensive drill program on the GJ/Kinaskan copper/gold project in northern B.C. The highlight of this program was the discovery of a new zone called the Donnelly North Zone. The Company also started a significant work program on its Manson Creek gold project in B.C.*

### **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. To date, assay results have been received and released for 28 drill holes. The assay lab is backlogged and final results for all holes are not expected until mid November.

A new zone, referred to as the Donnelly North Zone, was discovered during this program. The Donnelly North Zone, which lies directly north of the west end of the Donnelly Zone, is underlain by a large IP anomaly that is about 1,100 metres by 500 metres in area. Highlights of drilling in this new zone are hole CGH-06-099, which intersected 189 metres grading 0.220% copper and 0.416 g/t gold, including 82.3 metres grading 0.334% copper and 0.627 g/t gold and CGH-06-103, which intersected 126.9 metres grading 0.264% copper and 0.331 g/t gold, including 91.4 metres grading 0.300% copper and 0.401 g/t gold.

In addition, deep drilling on the west end of the Donnelly Zone was very encouraging. Hole CGH-095 intersected 192.0 metres grading 0.302% copper and 0.463 g/t gold. Hole CGH-06-100, which was drilled entirely within the hangingwall rocks, south of the high grade portion of the Donnelly Zone intersected the thickest interval of mineralization to date, 568.9 metres grading 0.214% copper and 0.242 g/t gold, with several higher-grade intervals contained within.

Donnelly Zone copper-gold mineralization has now been traced for 1670 metres in an east-west direction from hole 06-104 in the west to hole 05-080 in the east. The Donnelly North mineralization expands the north-south extent of the mineralization to about 700 metres and the deep mineralization in hole CGH-06-100 expands the vertical extent of the zone to 600 metres.

The Company will complete a new resource estimate in early 2007. The last resource estimate, which was completed in March 2006, was 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 from the March 2006 estimate, is 91.73 million tonnes grading 0.373% copper and 0.381 g/t gold containing 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. The new mineralized zone and the deep drilling on the main part of the Donnelly will clearly add significantly to this resource base. Much work is needed on the new zone in order to understand ore controls and delineate additional high-grade areas. The newly discovered mineralization is gold rich, having about twice the gold-to-copper ratio of the main Donnelly Zone.

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 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 Company completed drilling its Manson Creek property on October 21st. A total of 1532 metres were drilled in 8 diamond drill holes. The holes were designed to follow up encouraging results from the 2004 and 2005 programs, which include 141 metres grading 0.78 g/t gold in hole 04-003, 70 metres grading 0.69 g/t gold in hole 04-005 and 137 metres grading 0.58 g/t gold in hole 05-007.

The Manson Creek property is underlain by a broad soil and rock gold geochemical anomaly and partly coincident IP chargeability anomaly. These anomalies occur within strongly pyritic, carbonate-altered and quartz-veined greywackes, which crop out over a large area. The primary target at Manson Creek is a large, low-grade gold system. The geology is similar to the Spanish Mountain property being explored by Skygold Ventures and Wildrose Resources.

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

It is anticipated that the backlog in the assay lab will continue and final assay results are not expected until December.

### **Assean Lake**

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

### **Other Work**

In addition to working on its projects in BC, the Company investigated two possible resource properties in Southeast Asia, neither of which met the Company's criteria and negotiations have been terminated. Management continues to evaluate new projects for acquisition.

### **Qualified Persons**

The 2005 and 2006 GJ/Kinaskan drill programs and sampling protocol were supervised by qualified person David Mehner, P.Geo. Project Geologist for Canadian Gold Hunter. The qualified person for the GJ/Kinaskan project is Dr. Giles Peatfield, Ph.D., P.Eng. Dr. Peatfield is independent of the Company. The Company's qualified person for the Manson Creek project is Jan Christoffersen P.Eng. (Vice President of the Company). Appropriate quality control and quality assurance protocols were utilized on the programs. 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.

On behalf of the Board,  
(signed) Richard J. Bailes  
President  
October 31, 2006

**CANADIAN GOLD HUNTER CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SIX MONTHS ENDED SEPTEMBER 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 October 30, 2006.

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

The Company's auditors for the year ended March 31, 2006, Staley, Okada & Partners, have entered into a transaction with PricewaterhouseCoopers LLP under which certain assets of Staley, Okada & Partners were sold to PricewaterhouseCoopers LLP and a number of the professional staff and partners of Staley, Okada & Partners joined PricewaterhouseCoopers LLP either as employees or partners of PricewaterhouseCoopers LLP and will carry on practicing as members of PricewaterhouseCoopers LLP. The directors of the Company subsequently appointed PricewaterhouseCoopers LLP as the Company's auditors for the year ending March 31, 2007.

## **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 September 30, 2006, the Company completed its drilling program at the GJ/Kinaskan project in northern British Columbia. A total of 18,133 meters of core drilling in 62 holes was completed. On the effective date of this MD&A we have received assays from 28 holes; however, due to a severe backlog of samples at the lab, we will probably not have all the assay results until mid November 2006.

The highlight of the summer 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 Donnelly North Zone, is underlain by a large IP anomaly that is about 1,100 metres by 500 metres in area. Highlights of drilling in this new zone are hole CGH-06-099, which intersected 189 metres grading 0.220% copper and 0.416 g/t gold, including 82.3 metres grading 0.334% copper and 0.627 g/t gold and CGH-06-103, which intersected 126.9 meters grading 0.264% copper and 0.331 g/t gold, including 91.4 metres grading 0.300% copper and 0.401 g/t gold.

In addition, deep drilling on the west end of the Donnelly Zone was very encouraging. Hole CGH-095 intersected 192.0 metres grading 0.302% copper and 0.463 g/t gold. Hole CGH-06-100, which was drilled entirely within the hanging wall rocks, south of the high grade portion of the Donnelly Zone intersected the thickest interval of mineralization to date, 568.9 metres grading 0.214% copper and 0.242 g/t gold, with several higher grade intervals contained within.

The Company completed drilling its Manson Creek property on October 21st 2006. A total of 1532 metres was completed in 8 diamond drill holes. 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.

In addition to working on its projects in BC, the Company investigated two resource properties in Southeast Asia, neither of which met the Company's criteria and negotiations have been terminated.

## SELECTED QUARTERLY INFORMATION

| Financial Data for 8 Quarters                           |        |        |        |        |        |        |        |         |
|---|--------|--------|--------|--------|--------|--------|--------|---------|
| Three Months Ended                                      | Sep-06 | Jun-06 | Mar-06 | Dec-05 | Sep-05 | Jun-05 | Mar-05 | Dec-04  |
| A. Total revenues (\$000's) *                           | 15     | 24     | 11     | 6      | 7      | 4      | 15     | 4       |
| B. Earnings (loss) before extraordinary items (\$000's) | (348)  | (145)  | 708    | (146)  | (137)  | (192)  | 70     | (1,540) |
| C. Net earning (loss) (\$000's)                         | (348)  | (145)  | 708    | (146)  | (137)  | (192)  | 70     | (1,540) |
| D. Basis and diluted earnings (loss) per share (\$)     | (0.01) | (0.00) | 0.01   | (0.00) | (0.00) | (0.01) | (0.00) | (0.04)  |

\* Consists of interest income and project overhead fee.

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 properties located in Southeast Asia.

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 losses for the second quarter and the six months ended September 30, 2006 were \$348,000 and \$493,000, respectively, as compared to losses of \$137,000 and \$329,000 for the second quarter and six months ended September 30, 2005. The increase in loss of \$211,000 and \$164,000 was primarily due to increased general and administrative expenses, offset by a gain on sale of investment of \$286,000. In particular, project investigation expenses increased by \$530,000 in respect of two possible resource properties located in Southeast Asia. These costs included consultant's services on technical due diligence studies, travel and legal costs.

General and administrative expenses for the second quarter and six months ending September 30, 2006 were \$620,000 and \$800,000, an increase of \$484,000 and \$468,000 compared to fiscal year 2006. As mentioned above, the increase was primarily due to increased project investigation costs.

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 September 30, 2006, the Company had cash of \$1.9 million and working capital of \$1.2 million as compared to cash of \$4.2 million and working capital of \$4.3 million at June 30, 2006.

Subsequent to September 30, 2006, the Company has agreed to sell, on a non-brokered, private placement basis, up to 2 million flow-through common shares at a price of \$1.50 per flow-through share and up to 1 million common shares (non flow-through) at a price of \$1.30 per common share for total gross proceeds of up to \$4.3 million. The private placement is subject to regulatory approval. A 4% finders' fee is payable on a portion of the private placement.

Net cash used for operating activities was \$566,000 for the six months ended September 30, 2006 and consisted mainly of the net loss from operations of \$493,000.

Net cash used in investing activities was \$1.9 million and consisted mainly of capitalized exploration expenditures of \$2.8 million on the Company's projects, net of proceeds of \$884,000 from the sale of its investment bcMetals Corporation.

Net cash provided by financing activities in the six months ended September 30, 2006 was \$127,000, which consists primarily of proceeds from the exercise of stock options.

Based on the Company's financial position at September 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 in the future to fund further exploration and corporate expenses.

There can be no assurance that equity financing will be available to the Company in the amount required at a 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 six months ended September 30, 2006, the Company:

- (a) incurred management fees in respect of office facilities and administrative services of \$111,000 to a company owned by the Chairman of the Company pursuant to an agreement which is renewable on July 1, 2008. At September 30, 2006, \$25,000 was due to this company and included in amounts due to related parties.
- (b) incurred legal fees of \$25,000 to a law firm of which a partner is a director of the Company. At September 30, 2006, \$11,000 was due to this law firm and included in amounts due to related parties.

## OUTSTANDING SHARE DATA

As at October 23, 2006, the Company had 45,683,766 common shares outstanding and 2,230,000 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 price of these metals greatly affects 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 metal 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 expects to receive complete assay results from the GJ/Kinaskan project by mid November 2006. A new mineral resource estimate will be completed in early 2007.

The Manson Creek drill program was completed by the end of October 2006. It is anticipated that the backlog in the assay lab will continue and final results are not expected until December 2006. 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.

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

|  | <b>September 30,<br/>2006<br/>(Unaudited)</b> | <b>March 31,<br/>2006</b> |
|--|---|---------------------------|
| <b>ASSETS</b>  |   |                           |
| Current assets   |   |                           |
| Cash (Note 2)  | \$ 1,910,522                                  | \$ 4,227,119              |
| Accounts receivable  | 169,538                                       | 14,589                    |
| Due from related parties   | 4,270   | 3,700                     |
| Due from joint venturer  | 6,336   | -                         |
| Prepaid expenses and other   | 46,025  | 4,848                     |
| Investments (Note 3)   | -   | 598,000                   |
|  | 2,136,691                                     | 4,848,256                 |
| Equipment, net   | 976   | 1,806                     |
| Mineral properties and related expenditures                          | 10,829,480                                    | 8,074,494                 |
| Other assets   | 50,858  | 50,858                    |
|  | \$ 13,018,005                                 | \$ 12,975,414             |
| <b>LIABILITIES</b>   |   |                           |
| Current liabilities  |   |                           |
| Accounts payable and accrued liabilities                             | \$ 459,503                                    | \$ 69,973                 |
| Due to related parties   | 35,964  | 15,901                    |
| Advances from joint venturer   | -   | 1,164                     |
| Note payable (Note 4)  | 438,305                                       | 421,326                   |
|  | 933,772                                       | 508,364                   |
| <b>SHAREHOLDERS' EQUITY</b>  |   |                           |
| Share capital (Note 5)   |   |                           |
| 45,683,766 shares (March 31, 2006 - 45,583,766 shares)               | 93,030,739                                    | 92,851,342                |
| Reserved for issuance 20,368 shares (March 31, 2006 - 20,368 shares) | 1,291   | 1,291                     |
| Contributed surplus - stock options                                  | 1,351,975                                     | 1,421,372                 |
| Deficit  | (82,299,772)                                  | (81,806,955)              |
|  | 12,084,233                                    | 12,467,050                |
|  | \$ 13,018,005                                 | \$ 12,975,414             |

ON BEHALF OF THE BOARD:

/s/ Lukas H. Lundin

\_\_\_\_\_  
Director

/s/ Richard J. Bailes

\_\_\_\_\_  
Director

See notes to interim consolidated financial statements

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

|   | Three months ended<br>September 30, |                      | Six months ended<br>September 30, |                      |
|---|-------------------------------------|----------------------|-----------------------------------|----------------------|
|   | 2006                                | 2005                 | 2006                              | 2005                 |
| Expenses                                      |                                     |                      |                                   |                      |
| Amortization                                  | \$ 415                              | \$ 415               | \$ 830                            | \$ 830               |
| Consulting and wages                          | 15,532                              | 36,671               | 57,311                            | 82,590               |
| General exploration and project investigation | 530,827                             | 741                  | 574,726                           | 2,446                |
| Management fees                               | 57,000                              | 54,000               | 111,000                           | 108,000              |
| Office and general                            | 5,540                               | 2,416                | 10,936                            | 10,815               |
| Professional fees                             | (2,951)                             | 10,848               | (2,746)                           | 32,672               |
| Promotion and public relations                | 5,440                               | 5,109                | 19,180                            | 37,175               |
| Stock exchange and filing fees                | 1,612                               | 2,200                | 6,363                             | 13,715               |
| Telephone and facsimile                       | 262                                 | 342                  | 1,193                             | 907                  |
| Transfer agent and shareholder information    | 6,451                               | 13,249               | 20,781                            | 32,752               |
| Travel  | -                                   | 9,543                | -                                 | 10,072               |
| Loss before the undernoted items              | 620,128                             | 135,534              | 799,574                           | 331,974              |
| Other (income) expenses                       |                                     |                      |                                   |                      |
| Interest income                               | (14,693)                            | (6,587)              | (37,677)                          | (10,093)             |
| Other expenses                                | 20,026                              | -                    | 31                                | -                    |
| Interest and financing expenses               | 8,649                               | 6,384                | 16,979                            | 7,000                |
| Foreign exchange (gain) loss                  | (115)                               | 1,867                | 1,086                             | 734                  |
| Project overhead fees                         | (112)                               | (106)                | (978)                             | (821)                |
| Gain on sale of investment (Note 3)           | (286,198)                           | -                    | (286,198)                         | -                    |
| Write-off of mineral property interests       | -                                   | -                    | -                                 | -                    |
| Loss for the period                           | (347,685)                           | (137,092)            | (492,817)                         | (328,794)            |
| Deficit, beginning of the period              | 81,952,087                          | 82,232,024           | 81,806,955                        | 82,040,322           |
| Deficit, end of the period                    | <u>\$ 82,299,772</u>                | <u>\$ 82,369,116</u> | <u>\$ 82,299,772</u>              | <u>\$ 82,369,116</u> |
| Basic and diluted loss per common share       | <u>\$ (0.01)</u>                    | <u>\$ (0.00)</u>     | <u>\$ (0.01)</u>                  | <u>\$ (0.01)</u>     |
| Weighted average number of shares outstanding | <u>45,625,766</u>                   | <u>39,412,705</u>    | <u>45,604,766</u>                 | <u>39,346,289</u>    |

See notes to interim consolidated financial statements

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

|   | Three months ended<br>September 30, |                     | Six months ended<br>September 30, |                     |
|---|-------------------------------------|---------------------|-----------------------------------|---------------------|
|   | 2006                                | 2005                | 2006                              | 2005                |
| Cash flows (for) operating activities                     |                                     |                     |                                   |                     |
| Loss for the period                                       | \$ (347,685)                        | \$ (137,092)        | \$ (492,817)                      | \$ (328,794)        |
| Items not affecting cash                                  |                                     |                     |                                   |                     |
| Amortization  | 415                                 | 415                 | 830                               | 830                 |
| Project overhead fees                                     | (112)                               | (106)               | (978)                             | (821)               |
| Gain on sale of investment                                | (286,198)                           | -                   | (286,198)                         | -                   |
|   | <u>(633,580)</u>                    | <u>(136,783)</u>    | <u>(779,163)</u>                  | <u>(328,785)</u>    |
| Changes in non-cash working capital items                 |                                     |                     |                                   |                     |
| Accounts receivable and other current assets              | 299,919                             | (70,270)            | (196,696)                         | (2,284)             |
| Accounts payable and accrued liabilities                  | 230,817                             | (63,671)            | 389,530                           | 77,834              |
| Due to related parties                                    | 14,026                              | (24,090)            | 20,063                            | 2,462               |
|   | <u>(88,818)</u>                     | <u>(294,814)</u>    | <u>(566,266)</u>                  | <u>(250,773)</u>    |
| Cash flows from financing activities                      |                                     |                     |                                   |                     |
| Common shares issued, net                                 | 110,000                             | 354,001             | 110,000                           | 4,497,243           |
| Note payable to related party                             | 8,649                               | 6,384               | 16,979                            | 407,000             |
|   | <u>118,649</u>                      | <u>360,385</u>      | <u>126,979</u>                    | <u>4,904,243</u>    |
| Cash flows (for) investing activities                     |                                     |                     |                                   |                     |
| Mineral properties and related expenditures               | (2,426,290)                         | (2,379,526)         | (2,754,008)                       | (2,898,030)         |
| Proceeds from sale of investment                          | 884,198                             | -                   | 884,198                           | -                   |
| Investments   | -                                   | -                   | -                                 | (598,000)           |
| Due to/from joint venturer                                | (861)                               | (812)               | (7,500)                           | 83,036              |
| Other assets  | -                                   | -                   | -                                 | 9,859               |
|   | <u>(1,542,953)</u>                  | <u>(2,380,338)</u>  | <u>(1,877,310)</u>                | <u>(3,403,135)</u>  |
| (Decrease) increase in cash                               | (1,513,122)                         | (2,314,767)         | (2,316,597)                       | 1,250,335           |
| Cash, beginning of the period                             | <u>3,423,644</u>                    | <u>4,332,996</u>    | <u>4,227,119</u>                  | <u>767,894</u>      |
| Cash, end of the period                                   | <u>\$ 1,910,522</u>                 | <u>\$ 2,018,229</u> | <u>\$ 1,910,522</u>               | <u>\$ 2,018,229</u> |
| Supplementary information regarding non-cash transactions |                                     |                     |                                   |                     |
| Investing activities                                      |                                     |                     |                                   |                     |
| Project overhead fees included in mineral properties      | <u>\$ 112</u>                       | <u>\$ 106</u>       | <u>\$ 978</u>                     | <u>\$ 821</u>       |
| Financing activities                                      |                                     |                     |                                   |                     |
| Shares reserved for issuance on acquisition of subsidiary | <u>\$ -</u>                         | <u>\$ 1</u>         | <u>\$ -</u>                       | <u>\$ 1</u>         |

See notes to interim consolidated financial statements

**CANADIAN GOLD HUNTER CORP.**  
**CONSOLIDATED STATEMENTS OF MINERAL PROPERTIES**  
**AND RELATED EXPENDITURES**  
**SEPTEMBER 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                    | 656            | 46,920             | 550             | -                            | 48,126        |
| Camp costs                               | -              | 127,668            | 6,644           | -                            | 134,312       |
| Drilling                                 | -              | 1,241,779          | -               | -                            | 1,241,779     |
| Environmental                            | -              | 44,267             | -               | -                            | 44,267        |
| Expediting and project supervision       | -              | 104,447            | 12,107          | -                            | 116,554       |
| Field supplies, fuel and contract labour | -              | 216,155            | 4,042           | -                            | 220,197       |
| Geological, geophysical & geochemical    | 2,755          | 476,297            | 46,641          | -                            | 525,693       |
| Helicopter                               | -              | 299,327            | -               | -                            | 299,327       |
| Line cutting                             | -              | -                  | 34,025          | -                            | 34,025        |
| Maps and reports                         | -              | 16,070             | 2,525           | -                            | 18,595        |
| Office miscellaneous                     | 6,372          | 1,530              | 175             | -                            | 8,077         |
| Survey                                   | -              | 7,295              | -               | -                            | 7,295         |
| Transport and travel                     | -              | 53,167             | 3,572           | -                            | 56,739        |
| Incurred during the period               | 9,783          | 2,634,922          | 110,281         | -                            | 2,754,986     |
| Balance, September 30, 2006              | \$ 2,184,064   | \$ 7,748,708       | \$ 896,708      | \$ -                         | \$ 10,829,480 |

See notes to interim consolidated financial statements

**CANADIAN GOLD HUNTER CORP.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED SEPTEMBER 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 September 30, 2006, the Company is committed to spend \$1,162,527 (2005 - \$296,964) in accordance with flow-through share agreements entered into during the year ended 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**

|  | September 30,<br>2006 | March 31,<br>2006 |
|--|-----------------------|-------------------|
| <b>bcMetals Corporation</b> , 1.3 million common shares with a market value at September 30, 2005 of \$572,000 | \$ _____ -            | \$ <u>598,000</u> |

During the quarter ending September 30, 2006, the Company disposed of its investment in bcMetals Corporation for proceeds of \$884,198, resulting in a gain of \$286,198.

**4. NOTE PAYABLE**

As at September 30, 2006, the Company has a promissory note of \$438,305, which includes accrued interest of \$9,401 and is due on demand on or before December 22, 2006. The promissory note bears interest at Canadian Prime Interest Rate plus 2% per annum. Subsequent to September 30, 2006, the promissory note was repaid.

## 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<br>shares on private placements | <u>-</u>                    | <u>(1,356,611)</u>   |
| Balance, March 31, 2006   | 45,583,766                  | 92,851,342           |
| Stock options exercised   | 100,000                     | 110,000              |
| Transfer of contributed surplus on exercise of stock<br>Options                 | <u>-</u>                    | <u>69,397</u>        |
| Balance, September 30, 2006   | <u>45,683,766</u>           | <u>\$ 93,030,739</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 September 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, 2006     | 2,330,000                   | \$0.95                                     |
| Exercised                         | <u>(100,000)</u>            | \$1.10                                     |
| Outstanding at September 30, 2006 | <u>2,230,000</u>            | \$0.94                                     |

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

## **6. RELATED PARTY TRANSACTIONS**

During the six months ended September 30, 2006, the Company:

- (a) incurred management fees of \$111,000 in respect of office facilities and administrative services to a company owned by the Chairman of the Company pursuant to an agreement which is renewable on July 1, 2008. At September 30, 2006, \$24,754 was due to this company and included in amounts due to related parties;
- (b) incurred legal fees of \$24,717 to a law firm of which a partner is a director of the Company. At September 30, 2006, \$11,210 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.

## **8. SUBSEQUENT EVENT**

Subsequent to September 30, 2006, the Company has agreed to sell, on a non-brokered, private placement basis, up to 2 million flow-through common shares at a price of \$1.50 per flow-through share and up to 1 million common shares (non flow-through) at a price of \$1.30 per common share for total gross proceeds of up to \$4.3 million. The private placement is subject to regulatory approval. A 4% finders' fee is payable on a portion of the private placement.

**CANADIAN GOLD HUNTER CORP.  
CORPORATE DIRECTORY  
OCTOBER 30, 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

**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  
Vancouver, British Columbia, Canada

**BANKERS**

Bank of Montreal  
Vancouver, British Columbia, Canada

**SUBSIDIARIES**

Royal County Minerals Corp  
Vancouver, British Columbia, Canada

**COMPANY HEAD OFFICE**

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

**SOLICITOR**

McCullough O'Connor Irwin  
Vancouver, British Columbia  
Canada

**SHARE CAPITAL**

Authorized: Unlimited number of common shares  
Issued and Outstanding: 45,683,766 shares

**REGISTRAR AND TRANSFER AGENT**

CIBC Mellon Trust Company  
Vancouver, British Columbia  
Toronto, Ontario

**SHARE LISTING**

Toronto Stock Exchange  
Canadian Gold Hunter Corp. (CGH)