

ANNUAL REPORT

MARCH 31, 2008



CANADIAN GOLD HUNTER CORP.

To our Shareholders:

Canadian Gold Hunter Corp. ("CGH" or the "Company") has completed its first full year of exploration on its Caballo Blanco gold project in Mexico. The highlight of the program has been the delineation of the Cerro la Paila gold target in the Northern Zone. This target has been defined by geophysical surveys and has been only partially explored by drilling with very encouraging results.

In addition, the Company completed an 80-hole, 15,834-metre drill program on the GJ/Kinaskan copper/gold project located in northern British Columbia. A new resource estimate is underway and an economic evaluation will follow.

Subsequent to year end the Company optioned the Zymo copper/gold property located near Smithers British Columbia from Eastfield Resources Ltd. The Company can earn up to a 75% interest in this promising new project.

Caballo Blanco Gold Project, Mexico

The Company has completed its first full year of exploration work on the Caballo Blanco gold project located on the Gulf of Mexico roughly 60 kilometres north of the port city of Veracruz. Work included extensive geochemical sampling, geophysical surveying, permitting, road construction and preliminary diamond drilling. The focus of the diamond drilling is the Cerro la Paila gold target in the Northern Zone, which has been tested by 17 drill holes with encouraging results as high as 2.09 grams per tonne gold (g/t Au) over 94.5 metres. Drilling is still underway at the time of writing.

Caballo Blanco is a large, high-sulphidation epithermal gold system that had seen limited work by previous exploration companies. Infrastructure is excellent as the prospective areas are all located within 10 kilometres of the Panamerican highway and a power plant.

The primary target at Caballo Blanco is the Northern Zone, a high-sulphidation gold system identified and only partly explored by a previous operator. The Northern Zone alteration system comprises strong vuggy silica, quartz-alunite and various clay minerals extending over 20 square kilometers. Road access to key areas within the Northern Zone has been completed.

The focus of the current drill program in the Northern Zone is the Cerro la Paila target. Two core rigs currently are operating at Cerro la Paila, a zone of very high resistivity defined by detailed I.P. The resistivity anomaly extends over a N-S distance of 800 metres with widths up to 450 metres and substantial, but as yet undetermined, depth extent. In places, the resistivity anomaly is buried below low-resistivity volcanic rocks. Where the resistivity high extends to surface, iron-rich silica breccias are exposed and gold soil and rock geochemical anomalies are extensive.

The initial drill program at Cerro la Paila is designed to test the entire resistivity anomaly on 100-metre spaced lines to outline the gold distribution. To this end, 28 core holes amounting to about 7,000 metres are planned. Eighteen core holes have been completed to date. Most holes drilled at Cerro la Paila have intersected wide intervals of low-grade gold mineralization. Core hole 08CBN-004, which intersected 94.5 meters grading 2.09 g/t Au, including 39.62 metres grading 3.93 g/t gold, is the best hole drilled to date and confirms the high-grade potential of the Cerro la Paila target. The hole was abandoned due to difficult drilling conditions in massive silica breccia at 203.61 metres. The bulk of the buried resistivity anomaly lies to the south of the section line on which CBN-004 occurs and is the focus of much of the remaining drilling.

A second high sulphidation gold system, referred to as the Highway Zone, occurs four km. south of the Northern Zone. It is also defined by extensive vuggy silica/alunite/clay alteration. A geochemical survey outlined strong gold soil anomalies (up to 350 ppb Au) over an N-S distance of three km. Some of these anomalies remain open and require additional sampling prior to drilling.

The Central Grid Zone, a porphyry copper-gold target some 10 kilometres SW of the Northern Zone, encompasses a broad area of 16 square kilometers exhibiting extensive strong Cu-Au-Mo soil, magnetic and IP anomalies. One core hole, DDH-04CB01 drilled by a previous operator intersected 0.34% Cu and 0.84 g/t Au over 56 meters in altered monzodiorite. The hole was drilled within the limits of a magnetic anomaly that reflects hydrothermal magnetite associated with copper sulphides, mainly chalcopyrite. Five other significant magnetic anomalies in the Central Grid Zone have not been explored. Extensive soil sampling and geophysical IP and magnetic surveys have been carried out over the winter and early spring to define drill targets. Road access has also been established. Drilling commenced on June 20th and will amount to approximately 3,000 metres in ten holes.

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

GJ/KINASKAN PROJECT

The Company completed an 80-hole, 15,834-metre diamond drill program on the GJ/Kinaskan Project, located in northwestern British Columbia on September 23rd 2007. The final tranche of assay results was received in March, 2008.

In the most recent results on the Donnelly Zone, highlights include drill hole 07-197, which intersected 64.0 metres grading 0.49% copper and 1.06 g/t gold, drill hole 07-203, which intersected 72.5 metres grading 0.75% copper and 1.03 g/t gold and drill hole 07-212, which intersected 219.5 metres grading 0.47% copper and 0.49 g/t gold, including 64.0 metres grading 0.84% copper and 0.87 g/t gold.

The Donnelly Zone is by far the most advanced of the four mineralized zones at GJ. It has been delineated by 50-metre spaced diamond drill holes over a strike length of 1.5 kilometres to a depth of approximately 300 metres and up to a maximum width of 300 metres. An updated resource is scheduled to be completed in June of this year followed by an economic analysis.

The focus of the 2007 drilling program was porphyry-style, copper-gold mineralization associated with the Groat stock, a poorly exposed elongated stock of monzodiorite, which intruded andesite and volcanoclastic sediments. Four mineralized zones have been discovered associated with the Groat stock: the Donnelly Zone, the North Donnelly Zone, the GJ Zone and the North Zone.

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 approximately 150 square kilometres, which contains 21 significant mineral showings, including the Donnelly, GJ and North zones.

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

ZYMO PROJECT

On May 16, 2008, CGH signed an option agreement with Eastfield Resources Ltd. ("Eastfield") to earn up to a 75% interest in the Zymo Property, located 40 km west of Smithers, BC. The 10,250 hectare property is accessed by good quality logging roads from Smithers.

The Company can earn an initial 60% interest in the property by making cash payments totaling \$350,000, issuing 50,000 common shares and completing exploration expenditures of \$4 million

over five years. A further 10% interest may be earned by completing a feasibility study and a further 5% by arranging mine financing for Eastfield. A minimum exploration expenditure of \$800,000 must be completed in calendar 2008. The program will include extensive geochemical sampling, IP geophysical surveying and diamond drilling.

The Zymo property hosts at least two large copper-gold porphyry, or intrusion-related, mineralized zones. Historical work, dating primarily from pre-2000, outlined a large geochemical anomaly measuring approximately 1 km by 1km, within which numerous mineral occurrences have been located. This area is now referred to as the main zone.

In the main zone area recent chip sampling by Eastfield along a creek exposure returned 0.13% copper and 0.26 g/t gold. Grab samples in this area returned up to 1.0% copper. Prospecting, 800 m southeast of the main showing, located a grab sample, which graded 0.92% copper, 0.26 g/t gold and 4.5 g/t silver.

A recent discovery of porphyry style mineralization called the Hobbes zone was made by prospecting approximately 4.5 km west of the main showing. Grab samples from this area returned copper grades to 0.33% and gold grades to 1.13 g/t indicating a significant copper-gold system associated with a magnetic high that measures 1.0 km in length. The host rocks are intensely altered intrusives.

The summer program at Zymo will include extensive geochemical sampling, geological mapping, IP geophysical surveying and diamond drilling.

MANSON CREEK PROJECT

The Company completed a drill program on the Manson Creek gold property in the fall of 2007. Five holes (QCM-07-023 to 025 & 027 to 028) were drilled to test the south-west and south-east extensions of the QCM Zone, a strongly pyritic, carbonate-altered and quartz-veined body extending over an area of some 750 x 400 meters. The best hole from the fall program was hole 07-028, which intersected 96.0 meters grading 0.53 g/t gold. The zone is interpreted to be slab-like in shape with a gentle (30°) SW dip and thickness of 40 meters or more. The mineralized zone coincides broadly with a well-developed gold soil anomaly, strong resistivity anomaly and weak-to-moderate chargeability anomaly.

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

Geological data are verified by qualified person Jan Christoffersen, P. Eng., Vice President of the Company.

On June 25, 2008, the Company announced a private placement of 465,000 flow-through common shares at a price of \$2.30 per share and 3.5 million common shares of the Company at a price of \$2.00 per share for total gross proceeds of \$8.3 million. A 4% finder's fee may be payable on a portion of the private placement. The private placement is subject to regulatory approval.

On behalf of the Board,

(signed) Richard J. Bailes
President

June 27, 2008

CANADIAN GOLD HUNTER CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2008

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 audited consolidated financial statements for the years ended March 31, 2008 and 2007 and the related notes therein. The financial information in this MD&A is derived from the Company's consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles. All dollars amounts are expressed in Canadian dollars, unless otherwise indicated. The effective date of this MD&A is June 27, 2008.

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein.

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

OVERVIEW

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

HIGHLIGHTS

CABALLO BLANCO PROJECT

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

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

The primary target at Caballo Blanco is the Northern Zone, a high-sulphidation gold system identified and only partly explored by a previous operator. The Northern Zone alteration system comprises strong vuggy silica, quartz-alunite and various clay minerals extending over 20 square kilometers. Road access to key areas within the Northern Zone has been completed.

The focus of the current drill program is the Cerro la Paila target on the Northern Zone. Two core rigs currently are operating at Cerro la Paila, a zone of very high resistivity defined by detailed I.P. The resistivity anomaly extends over a N-S distance of 800 meters with widths up to 450 meters and substantial, but as yet undetermined, depth extent. In places, the resistivity anomaly is buried below low-resistivity volcanic rocks. Where the resistivity high extends to surface, iron-rich silica breccias are exposed and gold soil and rock geochemical anomalies are extensive.

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The Donnelly Zone is by far the most advanced of the four mineralized zones at GJ. It has been delineated by 50-metre spaced diamond drill holes over a strike length of 1.5 kilometers to a depth of about 300 meters and up to a maximum width of 300 meters. An updated resource is scheduled to be completed in June 2008 and an economic evaluation of the project will also be undertaken. No further field work will be carried out until such evaluation is completed.

The focus of the 2007 drilling program was porphyry-style, copper-gold mineralization associated with the Groat stock, a poorly exposed elongated stock of monzodiorite, which intruded andesite and volcanoclastic sediments. Four mineralized zones have been discovered associated with the Groat stock: the Donnelly Zone, the North Donnelly Zone, the GJ Zone and the North Zone.

In June 2007, the Company completed a Technical 43-101 compliant resource estimate for the Donnelly Zone. At a cut-off of 0.20% copper, the Donnelly Zone contains 123,090,000 metric tons grading 0.314% copper and 0.352 grams per metric ton gold.

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

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

ZYMO PROJECT

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The Company can earn an initial 60% interest in the property by making cash payments totaling \$350,000 over five years and completing exploration expenditures of \$4 million over five years and issuing 50,000 shares (issued). A further 10% interest may be earned by completing a feasibility study and a further 5% by arranging mine financing for Eastfield. A minimum exploration expenditure of \$800,000 must be completed in calendar 2008. The program will include extensive geochemical sampling, IP geophysical surveying and diamond drilling.

The Zymo property hosts at least two large copper-gold porphyry, or intrusion related, mineralized zones. Historical work, dating primarily from pre-2000, outlined a large geochemical anomaly measuring approximately 1 kilometer by 1 kilometer, within which numerous mineral occurrences have been located. This area is now referred to as the main zone.

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At the Zymo project, the summer program will include extensive geochemical sampling, geological mapping, IP geophysical surveying and diamond drilling.

MANSON CREEK PROJECT

The Company completed drilling the Manson Creek gold property in the fall. Five holes (QCM-07-023 to 025 & 027 to 028) were drilled to test the south-west and south-east extensions of the QCM Zone, a strongly pyritic, carbonate-altered and quartz-veined body extending over an area of some 750 x 400 meters. The best hole from the fall program was hole 07-028, which intersected 96.0 meters grading 0.53 g/t gold. The zone is interpreted to be slab-like in shape with a gentle (30°) SW dip and thickness of 40 meters or more. The mineralized zone coincides broadly with a well developed gold soil anomaly, strong resistivity anomaly and weak-to-moderate chargeability anomaly.

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

FINANCING

On May 17, 2007, the Company completed a non-brokered private placement of 3.0 million common shares of the Company at a price of \$2.25 per share for gross proceeds of \$6.75 million. A 4% finder's fee totalling \$270,000 was paid on a portion of the private placement.

On June 25, 2008, the Company announced a private placement of 465,000 flow-through common shares at a price of \$2.30 per share and 3.5 million common shares of the Company at a price of \$2.00 per share for total gross proceeds of \$8.3 million. A 4% finder's fee may be payable on a portion of the private placement. The private placement is subject to regulatory approval.

RESTATEMENT

As disclosed in Note 2 to the audited consolidated financial statements for the year ended March 31, 2008, the Company identified an accounting error related to an overstatement of future tax assets for the years ending March 31, 2007 and 2006. The adjustment resulted in an increase in net loss and future income tax liabilities of \$576,000 for the year ended March 31, 2007. The adjustment resulted in an increase in the deficit and an increase in future income taxes liabilities of \$387,000 at March 31, 2006.

SELECTED ANNUAL INFORMATION

	Year ended <u>March 31, 2008</u>	Year ended <u>March 31, 2007</u> (Restated)	Year ended <u>March 31, 2006</u> (Restated)
<i>Statement of Operations Data (\$000's)</i>			
Total Revenue	\$ NIL	\$ NIL	\$ NIL
Net income (loss)	\$ (1,198)	\$ (1,745)	\$ (153)
<i>Data per Common Share (\$)</i>			
Basic and Diluted Net Income (Loss)	\$ (0.02)	\$ (0.04)	\$ 0.00
<i>Balance Sheet Data (\$000's)</i>			
Total Assets	\$ 24,926	\$ 13,854	\$ 12,975
Long Term Liabilities	\$ 1,706	\$ 963	\$ 387

SELECTED QUARTERLY INFORMATION

Financial Data for 8 Quarters								
Three Months Ended	Mar-08	Dec-07	Sep-07	Jun-07	Mar-07	Dec-06	Sep-06	Jun-06
		(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
A. Total revenues (\$000's)		-	-	-	-	-	-	-
B. Net loss (\$000's)	(409)	80	(202)	(666)	(1,485)	(15)	(240)	(5)
C. Basic and diluted loss per share (\$)	(0.01)	(0.00)	(0.00)	(0.01)	(0.03)	0.00	(0.01)	(0.00)

QUARTERLY ANALYSIS

Net loss, quarter over quarter, is affected by the level of general exploration and project investigation expenses incurred and write-off of mineral properties interests and will vary accordingly. Net loss is also impacted by the recognition of stock based compensation in that quarter which will depend on options granted and vested.

The increase in net loss for the fourth quarter ended March 31, 2008 from the third quarter ended December 31, 2007 is mainly attributed to a donation of Company shares, amounting to \$252,000, made to the University of British Columbia towards the construction of a new earth science systems building and future tax expenses of \$93,000.

The decrease in loss for the third quarter ending December 31, 2007 from the quarter ended September 30, 2007 is primarily due to foreign exchange gains of \$228,000.

The increase in net loss for the first quarter ending June 30, 2007 from the quarter ended March 31, 2007 is primarily due to increased stock based compensation expenses.

The increase in net loss for the fourth quarter ending March 31, 2007 from the quarter ended December 31, 2006 is primarily due to the write off mineral property expenditures of \$2.2 million on the Assean Lake, which was offset by a recovery of \$1.3 million of future income taxes.

COMPARISON OF THE MARCH 31, 2008 AND MARCH 31, 2007 FINANCIAL YEARS

Results of Operations

The Company's loss for the year ended March 31, 2008 was \$1.2 million as compared to a loss of \$1.7 million for the year ended March 31, 2007. The decrease in loss of \$547,000 is primarily due to the write off mineral property expenditures of \$2.2 million on the Assean Lake in 2007, which was offset by a recovery of \$1.3 million of future income taxes.

General and administrative expenses for the years ended March 31, 2008 and 2007 were \$1.9 million and \$1.2 million, respectively, representing an increase of \$706,000. The increase is mainly attributed to a donation of \$252,000 made to the University of British Columbia towards the construction of a new earth science systems building and increased stock based compensation expenses of \$784,000 in respect of stock options granted. The Company understands the need for excellence in education and the development of human resources and technological advances related to the mining industry. The increase in general and administrative expenses for the year ended March 31, 2008 was somewhat offset by a decrease in general exploration and project investigation costs of \$16,000 as compared to \$626,000 for the year ended March 31, 2007.

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

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2008, the Company had cash and working capital of \$4.1 million and \$3.9 million, respectively, as compared to cash and working capital of \$4.3 million and \$4.2 million at March 31, 2007. During the fiscal year ended March 31, 2008, the Company completed a non-brokered private placement of 3.0 million common shares of the Company at a price of \$2.25 per share for gross proceeds of \$6.75 million. A 4% finders' fee totalling \$270,000 was paid on the private placement. As mentioned above, on June 25, 2008, the Company announced a private placement of 465,000 flow-through common shares at a price of \$2.30 per share and 3.5 million common shares of the Company at a price of \$2.0 per share for total gross proceeds of \$8.3 million. A 4% finder's fee may be payable on a portion of the private placement. The private placement is subject to regulatory approval.

Net cash used in operating activities was \$847,000 for the year ended March 21, 2008 and consisted primarily of the loss from operations of \$1.2 million adjusted for the impact of non-cash items, which included the donation of \$252,000 to the University of British Columbia and stock based compensation expenses of \$784,000 and changes in non-cash working capital items.

Net cash provided by financing activities for the year ended March 31, 2008 was \$7.4 million, which consists primarily of net proceeds of \$6.5 million from the issuance of 3 million common shares pursuant to the private placement mentioned above, net of issuance costs including finder's fees and the exercise of stock options of \$938,000.

Net cash used in investing activities was \$6.7 million and consisted mainly of capitalized exploration expenditures of \$6.5 million on the Company's projects and equipment purchase of \$223,000.

Based on the Company's financial position at March 31, 2008 and including the private placement announced subsequent to March 31, 2008, the Company believes that existing funds will 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.

CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").

a) Section 3855 – Financial Instruments-Recognition and Measurement. Section 3855 requires that all financial assets, except those classified as held to maturity and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at amortized costs.

b) Section 1530 – Comprehensive Income. Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. Other comprehensive income includes the holding gains and losses from available-for-sale securities, which are not included in net income (loss) until realized.

The adoption of Sections 3855 and 1530 had no impact on the opening equity and the current year income or comprehensive loss of the Company.

For the year ended March 31, 2008, Company early adopted the following new accounting standards issued by the CICA:

Section 3862, "Financial Instruments – Disclosures". This section describes the required disclosure to evaluate the significance of financial instruments for the entity's financial position and performance as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

Section 3863, "Financial Instruments – Presentation". This section establishes standards for presentation of financial instruments and non-financial derivatives. These sections detail the presentation of standards described in Section 3861, "Financial Instruments – Disclosure and Presentation".

Section 1535, "Capital Disclosures". This section establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section seeks to determine if the entity has complied with capital requirements and if not, the consequences of such non-compliance.

CONTRACTUAL OBLIGATIONS

The Company has a contractual obligation relating to a services agreement with Namdo Management Services Ltd. that requires payments totaling \$84,000 for the period until June 30, 2008. The Company also has commitments for rental of office spaces in Mexico, which expires in 2008. The future minimum lease payment for 2008 is \$32,000.

CRITICAL ACCOUNTING ESTIMATES

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

Note 2 to the consolidated financial statements for the years ended March 31, 2008 and 2007 include a summary of the significant accounting policies adopted by the Company. The following policies are considered to be the critical accounting policies since they involve the use of significant estimates.

Mining Properties and Related Expenditures

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

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

Income Taxes

Future income tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward. Future income tax assets and liabilities are measured using tax rates that are expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is substantively enacted. The amount of future income tax assets recognised is limited to the amount of the benefit that is more likely than not to be realised.

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

Stock Based Compensation

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

RECENT ACCOUNTING PRONOUNCEMENTS

New Pronouncement

CICA Section 1400, "General Standards on Financial Statement Presentation", has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. This new standard became effective for the Company on April 1, 2008. The Company is currently assessing the impact of this new accounting standard on its financial statements.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles ("GAAP") with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

RELATED PARTY TRANSACTIONS

During the year ended March 31, 2008, the Company incurred:

- (a) management fees of \$306,900 (2007 - \$225,000) to a company controlled by a director pursuant to an agreement which is renewable on July 1, 2008. At March 31, 2008, \$41,416 (2007 - \$20,178) was due to this company and included in amounts due to related parties;
- (b) legal fees of \$34,318 (2007 - \$31,275) to a law firm of which a partner is a director of the Company. At March 31, 2008, \$2,000 (2007 - \$1,703) was due to this law firm and included in amounts due to related parties.

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

OUTSTANDING SHARE DATA

As at June 17, 2008, the Company had 53,992,786 common shares outstanding and 1,294,000 share options outstanding under its stock-based incentive plans. As at the same date, the Company had no share purchase warrants outstanding.

FINANCIAL INSTRUMENTS

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining the disclosure controls and procedures of the Company and internal controls over financial reporting, and have so certified, as required by Multilateral Instrument 52-109. During the preparation of the March 31, 2008 consolidated financial statements, management discovered an error in the accounting for future income tax assets and liabilities. Management also determined there was a weakness in controls in the Company's foreign subsidiary with respect to accrual basis of accounting. These represent material weaknesses in the Company's internal disclosure controls and procedures over financial reporting. To address these material weaknesses, the Company has taken steps for an independent tax review of the future income tax balances and has undertaken to provide appropriate training and instruction for the staff at its foreign subsidiary.

RISKS AND UNCERTAINTIES

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

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

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

Foreign Operations Risk: The Company conducts exploration activities in Mexico, which expose the Company to risks that may not otherwise be experienced if all operations were domestic. The risks include, but are not limited to, terrorism and hostage taking, fluctuations in currency exchange rates, expropriation or nationalization without adequate compensation, changes to royalty and tax regimes, high rates of inflation, labour unrest and difficulty in understanding and complying with the regulatory and legal framework respecting ownership and maintenance of mineral properties. Changes in mining or investment policies or shifts in political attitudes may also adversely affect Company's existing assets and operations. Real and perceived political risk may also affect Company's ability to finance exploration programs and attract joint venture or option partners, and future mine development opportunities.

Competition: There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other exploration and mining companies, many of which have greater financial resources than the Company, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

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

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

OFF-BALANCE SHEET AGREEMENTS

The Company has no off-balance sheet arrangements.

OUTLOOK

At the Caballo Blanco project, drilling will continue to complete the 7,000-metre planned drill program on the Cerro la Paila high-sulphidation gold target. On the Central Grid gold-rich porphyry copper target, a 3,000-metre program is planned to follow up on encouraging results obtained by a previous operator. A two to three month drilling break is planned during the rainy season which starts in August to compile data, plan additional work and obtain further permits for access.

At the GJ/Kinaskan project, an updated resource estimate will be completed in June, 2008. An economic evaluation of the project will also be undertaken.

At the Zymo project, the summer program will include extensive geochemical sampling, geological mapping, IP geophysical surveying and diamond drilling.

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

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

The mineral industry has remained very strong throughout 2007 driven by strong demand from China, India, Eastern Europe and Brazil. Overall, metal prices are expected to be at or above historic averages for the next several years, such that the Company's exploration and development activities should continue to receive strong investor support and wide industry recognition in the year ahead.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

These financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Accountants, and their report follows.

/s/Richard J. Bailes
President

/s/Wanda Lee
Chief Financial Officer

June 27, 2008

AUDITORS' REPORT

PricewaterhouseCoopers LLP
Chartered Accountants
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To the Shareholders of Canadian Gold Hunter Corp.

We have audited the consolidated balance sheets of **Canadian Gold Hunter Corp.** (the "Company") as at March 31, 2008 and 2007 and the consolidated statements of loss and deficit and comprehensive loss and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia
June 27, 2008

CANADIAN GOLD HUNTER CORP.
CONSOLIDATED BALANCE SHEETS
MARCH 31,

	2008	2007
		Restated-Note 2
ASSETS		
Current assets		
Cash	\$ 4,111,307	\$ 4,275,238
Accounts receivable	318,376	19,793
Prepaid expenses	62,207	15,655
	4,491,890	4,310,686
Fixed assets, net (Note 4)	207,460	670
Mineral properties and related expenditures (Note 5)	20,182,950	9,501,827
Other assets	43,500	41,258
	\$ 24,925,799	\$ 13,854,441
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 523,387	\$ 52,013
Due to related parties (Note 7)	43,416	21,881
	566,803	73,894
Long Term Liabilities		
Future income taxes (Note 8)	1,705,624	962,853
	2,272,427	1,036,747
SHAREHOLDERS' EQUITY		
Share Capital (Note 6)		
53,992,786 shares (March 31, 2007 - 48,683,766 shares)	105,824,379	95,315,501
Reserved for issuance 20,348 shares (March 31,2007 - 20,368 shares)	1,290	1,291
Contributed surplus - stock options	1,964,571	1,439,887
Deficit	(85,136,868)	(83,938,985)
	22,653,372	12,817,694
	\$ 24,925,799	\$ 13,854,441
Nature and Continuance of Operations (Note 1)		
Subsequent events (Note 13)		
ON BEHALF OF THE BOARD:		
<u>/s/William A. Rand</u> Director	<u>/s/Richard J. Bailes</u> Director	

See notes to consolidated financial statements

CANADIAN GOLD HUNTER CORP.
CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
AND COMPREHENSIVE LOSS
FOR THE YEAR ENDED MARCH 31,

	<u>2008</u>	<u>2007</u>
		Restated-Note 2
Expenses		
General exploration and project investigation	16,335	626,419
Management fees	306,900	225,000
Office and general	26,031	23,040
Professional fees	120,431	192,814
Promotion and public relations	131,120	51,138
Donation	256,024	-
Stock exchange and filing fees	19,911	30,107
Transfer agent and shareholder information	30,371	30,050
Travel	12,124	2,046
Wages and benefits	207,175	-
Stock based compensation	783,791	23,271
Amortization	670	1,136
	<u>1,910,883</u>	<u>1,205,021</u>
Loss before the undernoted items		
Other (income) expenses		
Interest income	(177,063)	(82,854)
Other expense	-	6,281
Interest and financing expenses	76,605	18,107
Foreign exchange (gain)/ loss	(244,430)	961
Project overhead fees	-	(1,132)
Gain on sale of investment	-	(286,198)
Write-off of mineral property interests	-	2,185,608
	<u>1,565,995</u>	<u>3,045,794</u>
Loss before income taxes		
Future income tax recovery (Note 8)	(368,112)	(1,300,514)
	<u>1,197,883</u>	<u>1,745,280</u>
Loss and comprehensive loss for the year		
Deficit, beginning of the year	83,938,985	82,193,705
Deficit, end of the year	<u>\$ 85,136,868</u>	<u>\$ 83,938,985</u>
Basic and diluted loss per common share	<u>\$ 0.02</u>	<u>\$ 0.04</u>
Weighted average number of shares outstanding	<u>52,795,734</u>	<u>46,701,766</u>

See notes to consolidated financial statements

CANADIAN GOLD HUNTER CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31,

	2008	2007
		Restated-Note 2
Cash flows from (used in) operating activities		
Loss for the year	\$ (1,197,883)	\$ (1,745,280)
Items not affecting cash		
Amortization	670	1,136
Shares issued as a donation	251,600	-
Project overhead fees	-	(1,132)
Stock based compensation	783,791	23,271
Gain on sale of investment	-	(286,198)
Write-off of mineral property interests	-	2,185,608
Future income tax recovery	(368,112)	(1,300,514)
	(529,934)	(1,123,109)
Changes in non-cash working capital items		
Accounts receivable and other current assets	(345,135)	(12,311)
Accounts payable and accrued liabilities	6,744	(19,124)
Due to related parties	21,535	5,980
	(846,790)	(1,148,564)
Cash flows from (used in) financing activities		
Common shares issued, net	7,399,805	4,271,379
Note payable to related party	-	(421,326)
	7,399,805	3,850,053
Cash flows (used in) investing activities		
Mineral properties and related expenditures	(6,491,594)	(3,547,168)
Purchase of equipment	(223,110)	-
Proceeds from sale of investments	-	884,198
Other assets	(2,242)	9,600
	(6,716,946)	(2,653,370)
Increase (decrease) in cash	(163,931)	48,119
Cash, beginning of the year	4,275,238	4,227,119
Cash, end of the year	\$ 4,111,307	\$ 4,275,238
Supplementary information regarding non-cash transactions		
Investing activities		
Project overhead fees included in mineral properties	\$ -	\$ (1,132)
Stock based compensation and related tax liability capitalized in mineral properties	(537,934)	(64,641)
Property acquisition and related tax liability	(3,125,000)	-
	\$ (3,662,934)	\$ (65,773)
Financing activities		
Shares issued on acquisition of mineral properties	\$ 2,250,000	\$ -

See notes to consolidated financial statements

CANADIAN GOLD HUNTER CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008 AND 2007

1. NATURE AND CONTINUANCE OF OPERATIONS

Canadian Gold Hunter Corp. (the "Company") is a Canadian federal company engaged in the acquisition, exploration and development of mineral properties primarily in Canada and Mexico.

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

2. RESTATEMENT

During the preparation of the consolidated financial statements for the year ended March 31, 2008, the Company identified an accounting error related to an overstatement of future tax assets for the years ended March 31, 2006 and 2007. The adjustment resulted in an increase in the deficit and an increase in future income taxes liabilities of \$386,750 at March 31, 2006. As a result, the Company has amended its consolidated financial statements for the year ended March 31, 2007 as follows:

	Previously Reported	Adjustments	Restated
Consolidated Balance Sheet as at March 31, 2007			
Future income taxes liabilities	\$ -	\$ 962,853	\$ 962,853
Total liabilities	\$ 73,894	\$ 962,853	\$ 1,036,747
Shareholders' equity	\$ 13,780,547	\$ (962,853)	\$ 12,817,694
Consolidated Statement of Operations for the year ended March 31, 2007			
Future income tax expense (recovery)	\$(1,876,617)	\$ 576,103	\$(1,300,514)
Loss for the year	\$ 1,169,177	\$ 576,103	\$(1,745,280)
Deficit, beginning of the year	\$ 81,806,955	\$ 386,750	\$ 82,193,705
Basic and diluted loss per share	\$ 0.03		\$ 0.04

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its controlled subsidiary Royal County Minerals Corp. ("Royal County"), 0788598 B.C. Ltd, 0788601 BC. Ltd and Minera Cardel SA de CV. Royal County was acquired in 2004 and substantially all shares are owned by the Company. Certain shares of Royal County have not yet been tendered to the Company; accordingly the Company has reserved 20,348 shares for issuance on the tender of the remaining shares of Royal County. Royal County has been treated for accounting purposes as a 100% wholly owned subsidiary of the Company.

All significant inter-Company balances and transactions have been eliminated upon consolidation.

(b) Changes in Accounting Policies

(i) Financial Instruments

Effective April 1, 2007, the Company adopted new accounting standard issued by the Canadian Institute of Chartered Accountants ("CICA") under section 3855. Section 3855 requires that all financial assets, except those classified as held to maturity and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at amortized costs. The adoption of Section 3855 had no impact on the opening equity or balance sheet of the Company.

(ii) Comprehensive Income

Effective April 1, 2007, the Company adopted new accounting standard issued by the CICA under section 1530 for reporting comprehensive income.

Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. Other comprehensive income includes the holding gains and losses from available-for-sale securities, which are not included in net income (loss) until realized. The adoption of Section 1530 had no impact on the opening equity or balance sheet of the Company.

(iii) For the year ended March 31, 2008 the Company early adopted the following new accounting standards issued by the CICA:

Section 3862, "Financial Instruments – Disclosures". This section describes the required disclosure to evaluate the significance of financial instruments for the entity's financial position and performance as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

Section 3863, "Financial Instruments – Presentation". This section establishes standards for presentation of financial instruments and non-financial derivatives. These sections detail the presentation of standards described in Section 3861, "Financial Instruments – Disclosure and Presentation".

Section 1535, "Capital Disclosures". This section establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section seeks to determine if the entity has complied with capital requirements and if not, the consequences of such non-compliance.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, term deposits and short term highly liquid investments with the original term to maturity of three months or less, which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of changes in value.

(d) Investments

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

(e) Mineral Properties and Related Expenditures

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

Option payments received and cost reimbursements payable pursuant to terms of option agreements signed have been applied against project expenditures. Mineral exploration grants are also deducted against the costs of the related properties.

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

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

(f) Fixed Assets

Fixed assets are recorded at cost. Amortization is provided on a straight-line basis over varying periods of three to five years according to the expected life of the asset. Amortization charged in respect of fixed assets supporting the exploration and development of mineral resources is capitalized to mineral properties and related expenditures.

(g) Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary differences), and losses carried forward. Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse.

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

(h) Foreign Currency Translation

The Company follows the temporal method of accounting for the translation of foreign currency denominated amounts into Canadian dollars. Under this method, monetary assets and liabilities are translated into Canadian dollars at exchange rates prevailing at the balance sheet date; non-monetary assets and liabilities are recorded at historical rates; and revenues and expenses are translated at approximate exchange rates prevailing on the dates of the respective transactions, except for amortization which is recorded at historical rates.

Foreign exchange gains or losses on translation are included in the consolidated statement of operations in the period in which they occur.

(i) Basic and diluted loss per share

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

(j) Stock-based compensation

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

(k) Use of estimates

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

(l) Asset retirement obligations

The Company recognizes statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. Management has determined that there is no obligation at March 31, 2008.

(m) Flow-through shares

Canadian income tax legislation permits an enterprise to issue securities referred to as flow-through shares whereby the flow-through shareholder may claim the tax deductions arising from the related qualifying resource expenditures incurred by the Company. On the effective date that the resource expenditures are renounced to the shareholder, the Company recognizes, as a cost of issuing the flow-through shares, a change in its future tax assets resulting from the difference between the book value and the tax value of the related resource expenditures.

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

(n) Concentration of Credit Risk

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

(o) Financial Instruments

The fair value of the Company's financial instruments consisting of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and due to related parties approximate their carrying values due to the short-term nature of those instruments.

(p) Comparative

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

(q) Future Accounting Changes

CICA Section 1400, "General Standards on Financial Statement Presentation", has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. This new standard will become effective for the Company on April 1, 2008. The Company is currently assessing the impact of this new accounting standard on its financial statements.

4. FIXED ASSETS

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>March 31, 2008 Net</u>
Furniture and office equipment	\$ 24,260	\$ (8,496)	\$ 15,764
Vehicles	84,468	(6,068)	78,400
Field equipment	<u>115,052</u>	<u>(1,756)</u>	<u>113,296</u>
	<u>\$ 223,780</u>	<u>\$ (16,320)</u>	<u>\$ 207,460</u>

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>March 31, 2007 Net</u>
Furniture and office equipment	<u>\$ 5,537</u>	<u>\$ (4,867)</u>	<u>\$ 670</u>

5. MINERAL PROPERTIES AND RELATED EXPENDITURES

	Assean Lake Canada	GJ and Kinaskan Canada	Manson Creek Canada	Caballo Blanco Mexico	Total
Balance, March 31, 2006	\$ 2,174,281	\$ 5,113,786	\$ 786,427	\$ -	\$ 8,074,494
Assaying	1,659	100,374	19,413	-	121,446
Camp costs	-	120,152	50,733	-	170,885
Drilling	-	1,313,772	181,002	-	1,494,774
Environmental & community relation	-	90,726	-	-	90,726
Expediting and project supervision	-	121,596	43,808	-	165,404
Field supplies and equipment	-	44,151	10,520	-	54,671
Field salaries and contract labour	-	153,310	8,436	-	161,746
Fuel	-	77,770	-	-	77,770
Consulting	-	42,907	530	-	43,437
Geological, geophysical & geochemical	3,295	528,240	79,624	-	611,159
Helicopter	-	370,804	-	-	370,804
Line cutting	-	-	34,025	-	34,025
Maps and reports	-	19,403	8,887	-	28,290
Office miscellaneous	6,373	12,898	175	-	19,446
Stock based compensation	-	64,641	-	-	64,641
Survey	-	10,355	-	-	10,355
Transport and travel	-	72,386	20,976	-	93,362
Incurred during the year	11,327	3,143,485	458,129	-	3,612,941
Write-off of mineral property interests	(2,185,608)	-	-	-	(2,185,608)
Balance, March 31, 2007	\$ -	\$ 8,257,271	\$ 1,244,556	\$ -	\$ 9,501,827
Assaying	-	146,174	28,160	174,401	348,735
Camp costs	-	55,318	13,926	79,961	149,205
Drilling	-	1,195,725	224,452	775,002	2,195,180
Environmental & community relation	-	68,242	-	60,695	128,937
Expediting and project supervision	-	35,919	48,014	97,602	181,535
Field supplies and equipment	-	78,769	34,241	135,284	248,294
Field salaries and contract labour	-	207,853	57,067	154,368	419,288
Fuel	-	61,053	-	5,984	67,036
Consulting	-	115,640	-	28,394	144,034
Geological, geophysical & geochemical	-	275,877	49,558	667,843	993,278
Roadwork	-	-	-	209,098	209,098
Helicopter	-	505,009	-	57,915	562,924
Maps and reports	-	19,503	62	4,663	24,228
Office miscellaneous	-	2,053	-	265,089	267,143
Option payment, Licenses, Fees	-	13,764	-	3,765,839	3,779,603
Professional	-	-	-	48,710	48,710
Staking	-	-	-	7,747	7,747
Stock based compensation and related tax liability	-	115,316	-	422,618	537,934
Survey	-	-	-	101,296	101,296
Transport and travel	-	63,459	13,571	189,887	266,917
Incurred during the year	-	2,959,673	469,051	7,252,399	10,681,123
Balance, March 31, 2008	\$ -	\$ 11,216,944	\$ 1,713,607	\$ 7,252,399	\$ 20,182,950

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

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

Kinaskan Lake Property – The Company owns a 100% interest in the Kinaskan Lake mineral claims located in the Liard Mining District, British Columbia. The claims are subject to a net smelter return royalty of 1%, one-half of which may be repurchased by the Company for \$500,000 for a term of 25 years.

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

The Company has a 100% interest in the QCM claims located in the Manson Creek area of British Columbia, which are subject to a net smelter return royalty of 1%, one-half of which may be repurchased by the Company for \$500,000 for a term of 25 years.

(c) Caballo Blanco Property, Mexico

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

Upon completion of the minimum expenditures, the two parties will enter into a joint venture agreement which will result in the Company holding an initial 70% participating interest in the joint venture.

6. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares with no par value.

(b) Issued and outstanding:

Common shares	<u>Number of Shares</u>	<u>Amount</u>
Balance, March 31, 2006	45,583,766	\$ 92,851,342
Private placements, net (i)	3,000,000	4,161,379
Stock options exercised	100,000	110,000
Transfer of contributed surplus on exercise of stock options	-	69,397
Tax cost recognized on issuance of flow-through shares on private placements	-	<u>(1,876,617)</u>
Balance, March 31, 2007	<u>48,683,766</u>	<u>95,315,501</u>

Private placements, net (ii)	3,000,000	6,464,638
Mineral property (Note 5(c))	1,000,000	2,250,000
Reserved shares issued	20	1
Donation, net (iii)	148,000	249,238
Stock options exercised	1,161,000	937,530
Transfer of contributed surplus on exercise of stock options	<u>-</u>	<u>607,471</u>
Balance, March 31, 2008	<u>53,992,786</u>	<u>\$ 105,824,379</u>

- (i) During the year ended March 31, 2007, the Company completed a private placement of 2 million flow-through common shares at a price of \$1.50 per share and 1 million common shares (non flow-through) at a price of \$1.30 per share for total net proceeds of \$4.2 million. A 4% finder's fee totalling \$130,100 was paid on a portion of the private placement.
- (ii) During the year ended March 31, 2008, the Company completed a private placement of 3.0 million common shares of the Company at a price of \$2.25 per share for gross proceeds of \$6.75 million. Finder's fees totalling \$270,000 was paid on a portion of the private placement and other costs and expenses of \$15,362 resulting in net proceeds of \$6,464,638.
- (iii) During the year ended March 31, 2008, the Company issued 148,000 shares at a fair value of \$1.70 per share to the University of British Columbia as a donation towards the construction of an earth science systems building.

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

(c) Incentive stock options issued and outstanding during 2008 and 2007 are as follows:

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

	2008		2007	
	Number of Shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price
Outstanding at Beginning of year	2,400,000	\$0.97	2,330,000	\$0.95
Granted	1,154,000	\$2.12	170,000	\$1.25
Cancelled/Expired	(1,099,000)	\$1.12	-	
Exercised	<u>(1,161,000)</u>	\$0.81	<u>(100,000)</u>	\$1.10
Outstanding at end of year	<u>1,294,000</u>	\$2.01	<u>2,400,000</u>	<u>\$0.97</u>
Exercisable at end of year	<u>1,169,000</u>	\$2.01	<u>2,400,000</u>	<u>\$0.97</u>

During the year ended March 31, 2008, the Company granted 1,154,000 (2007-170,000) stock options, exercisable at price of \$1.70 and \$2.25 per share, expiring between May 1, 2010 and August 16, 2010. Accordingly, stock based compensation expenses of \$783,791 (2007-\$23,271) have been recorded in operations in respect of the stock options granted to employees, officers and directors and \$348,366 (2007-\$64,641) have been recorded in mineral properties in respect of the stock options granted to project related consultants.

The fair values of stocks options with vesting provisions are amortized on a straight-line basis as stock-based compensation expenses over the applicable period. At March 31, 2008, the Company had an additional \$50,709 in stock-based compensation expense to be recognized in mineral properties periodically to July 31, 2009.

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

	Year ended March 31, 2008	Year ended March 31, 2007
Dividend Yield	0%	0%
Average risk free interest rate	4.55%	4.05%
Expected volatility	69%	56.5%
Expected life of option	3 years	3 years

The options outstanding at March 31, 2008 have exercise prices between \$1.25 and \$2.25 and expire between January 4, 2010 and August 16, 2010 and have a weighted-average remaining contractual life of approximately 2 years.

(d) As at March 31, 2008, there were no share purchase warrants outstanding.

7. RELATED PARTY TRANSACTIONS

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

- (a) incurred management fees of \$306,900 (2007 - \$225,000) to a company controlled by a director pursuant to an agreement for administration and officer services, which is renewable on July 1, 2008. At March 31, 2008, \$41,416 (2007 - \$20,178) was due to this company and included in amounts due to related parties.
- (b) incurred legal fees of \$34,318 (2007 - \$31,275) to a law firm of which a partner is a director of the Company. At March 31, 2008, \$2,000 (2007 - \$1,703) was due to this law firm and included in amounts due to related parties.

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

8. INCOME TAXES

	<u>2008</u>	<u>2007</u> (Restated-Note 2)
Combined Canadian Federal and Provincial statutory income tax rate	33.47%	34.12%
Expected income tax provision (recovery)	\$ (524,139)	\$ (1,039,225)
Permanent differences	263,181	(87,696)
Future income tax recovery related to flow-through shares	-	
Change in valuation allowance	(249,239)	(534,826)
Change in tax rates	11,309	7,996
Other	9,076	(105,040)
Losses expiring	<u>121,701</u>	<u>458,276</u>
Future income tax expense (recovery) for the year	<u>\$ (368,112)</u>	<u>\$ (1,300,514)</u>
Future income tax assets		
Canadian tax loss carry forwards	\$ 865,506	\$ 1,036,311
Mining properties and related expenditures	215,535	263,166
Equipment	12,200	14,338
Other	<u>189,599</u>	<u>117,675</u>
	1,282,839	1,431,490
Valuation allowance	<u>(511,354)</u>	<u>(760,593)</u>
Net future income tax assets	<u>\$ 771,486</u>	<u>\$ 670,898</u>
Future income tax liabilities		
Mining properties	<u>(2,477,110)</u>	<u>(1,633,751)</u>
Net future income liabilities	<u>\$ (1,705,624)</u>	<u>\$ (962,853)</u>

- (i) During the year ended March 31, 2008 the Company issued Nil (2007-\$5,500,050) flow-through shares (Note 6(b)(i)) and renounced Nil (2007-\$5,500,050) of its mineral property expenditures to flow-through shareholders. The resultant loss of future income tax assets, which is treated as a cost of issuing flow-through shares (Note 3(k)), gives rise to a future tax liability. This liability has been offset by the Company's recognition of future income tax assets that have been previously written-down by a valuation allowance.

As of March 31, 2008, the benefit of the Company's Canadian tax loss carry forwards has not been recorded in the accounts and expires as follows:

<u>Year</u>	<u>Amount</u>
2009	272,000
2010	501,000
2014	493,000
2015	636,000
2026	592,000
2027	125,000
2028	<u>709,000</u>
	<u>\$ 3,328,000</u>

9. SEGMENTED INFORMATION

The Company's only business activity is the exploration for and development of mineral reserves in Canada and Mexico. Segmented information about mineral properties is disclosed elsewhere in these consolidated financial statements. The Company's fixed assets are primarily located in Mexico.

10. COMMITMENTS

The Company has a contractual obligation relating to a services agreement with Namdo Management Services Ltd., a related party of the Company, which requires payments totaling \$84,000 for the period until June 30, 2008. The Company also has commitments for rental of office spaces in Mexico, which expires in 2008. The future minimum lease payment for 2008 is \$31,664.

11. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company considers the items included in shareholders' equity to be capital as well as cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's assets. In order to maintain or adjust the capital structure, the Company may attempt to issue new shares or debt instruments, acquire or dispose of assets, or to bring in joint venture partners.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditures budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company expects its current capital resources will be sufficient to carry its exploration and development plans and operations through its current operation period.

12. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments are exposed to certain financial risks, including currency, credit, liquidity and price risk.

a) Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Mexico and as such, a portion of its expenses are incurred in the local currencies and US dollars. A significant change in the currency exchange rates could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

At March 31, 2008, the Company is exposed to currency risk relating to funds held in US dollars of \$1.9 million and Mexican pesos of \$1.6 million.

b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The majority of the Company's cash is held through a large Canadian financial institution with a high investment grade rating.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through the management of its capital structure and financial leverage as outlined in note 11 to the consolidated financial statements.

Accounts payable and accrued liabilities are due within the current operating period.

d) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

13. SUBSEQUENT EVENTS

- a) In May, 2008, the Company signed an option agreement with Eastfield Resources Ltd. to earn up to a 75% interest in the Zymo Property, located 40 km west of Smithers, BC. The Company can earn an initial 60% interest in the property by making cash payments totaling \$350,000 over five years and completing exploration expenditures of \$4 million over five years and issuing 50,000 shares (issued). A further 10% interest may be earned by completing a feasibility study and a further 5% by arranging mine financing for Eastfield. A minimum exploration expenditure of \$800,000 must be completed in calendar 2008.
- b) On June 25, 2008, the Company announced a private placement of 465,000 flow-through common shares at a price of \$2.30 per share and 3.5 million common shares of the Company at a price of \$2.00 per share for total gross proceeds of \$8.3 million. A 4% finder's fee may be payable on a portion of the private placement. The private placement is subject to regulatory approval.