ANNUAL REPORT

MARCH 31, 2006

CANADIAN GOLD HUNTER CORP.

To our shareholders,

Another successful year at the GJ/Kinaskan project in northern B.C. – activity was accelerated at this nicely developing copper/gold porphyry project - drilling, sampling, resource estimates all occurred during the course of the year resulting in the definition of a significant new porphyry copper/gold deposit containing over 1.12 million ounces of gold and 754 million pounds of copper – work will aggressively continue over the summer of 2006 with the objective of expanding the known resource.

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

The GJ/Kinaskan copper/gold porphyry project is located in northern British Columbia approximately 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 carried out a 16,394 metre drilling program on this key project over the summer and fall of 2005. The drilling targeted three main zones – the Donnelly, GJ and North Zones. The Donnelly Zone was the primary focus of the drilling and mineralization at this prospect has now been traced over a 1.5 kilometre strike length (a five-fold increase since the Company began testing the zone in 2004). The program resulted in further definition and significant expansion of the Donnelly Zone, which is still open in both directions on strike and at depth.

The Donnelly Zone dips steeply to the south, strikes east-west and is up to 300 metres thick in the central area. A typical hole is this area is Hole 06-067 which intersected 249.7 metres grading 0.304% copper and 0.500 grams per tonne gold. Significantly, as drilling continued towards the western sector of the zone, higher grades were encountered with the highlight being the very last and most westerly hole drilled in the 2005 program. This hole, 05-076, intersected 46.95 metres grading 0.832% copper and 1.317 grams per tonne gold within a thicker interval that graded 0.440% copper and 0.647 grams per tonne gold over 130.95 metres.

Work over the summer allowed an updated independent resource estimate on the Donnelly Zone. The base case indicated resource, at a cut off of 0.20% copper, is 91.73 million tonnes grading 0.373% copper and 0.381 g/t gold and contains 754 million pounds of copper and 1.12 million ounces of gold. In addition to the indicated resource an inferred resource, at the same cutoff, consists of 28.04 million tonnes grading 0.354% copper and 0.369 g/t gold, containing a further 219 million pounds of copper and 0.33 million ounces of gold.

Donnelly Indicated Resources

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

Donnelly Inferred Resources

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

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

The 0.20% copper cut-off grade has been chosen as the “base case” scenario based on the recently completed feasibility study for the Red Chris deposit (bcMetals Corporation), the nearest analogy to the Donnelly Zone. Material below this cut-off has questionable economic expectation at this point, but at least some of it, if mined as a consequence of gaining access to the higher grade material, might well be segregated in a low-grade stockpile in case of exceptional metal prices. The 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. The 2005 drill program and sampling protocol were supervised by qualified person David Mehner, P.Geo., Project Geologist for Canadian Gold Hunter. Appropriate quality control and quality assurance protocols were utilized on the program. Standard reference samples, blanks and duplicates were inserted in each batch of samples for assay. The Canadian Gold Hunter drill samples were analyzed for gold by fire assay and for copper by atomic absorption, by ALS Chemex in North Vancouver, B. C., Canada.

The Company also drilled and carried out surface sampling on the GJ Zone, the North Zone and reconnaissance targets as well as confirmation sampling of drill core from selected portions of historic holes drilled by Texasgulf on the Donnelly Zone, and Amoco and Canorex on the GJ Zone.

On the GJ Zone, eight holes totaling 2,336 metres were drilled in 2005. In addition, continuous chip samples from hand-dug trenches were taken over the original GJ showing in Groat Creek. The best results were from hole CGH-05-48, which intersected 41.83 metres grading 0.456% copper and 1.272 g/t gold, and from trench TR-05-4, which returned 0.43% copper and 0.92 g/t gold over 38.0 metres.

In addition, recoverable portions of the drill core from historic GJ drilling by Amoco and Canorex were re-sampled and the results compared to the original assays. The re-sampling of the historic core showed that the new copper assays correlate very well with the original copper values obtained by Canorex and Amoco. However the gold and silver values do not correlate well. The Company has concluded that the historic copper values are valid and can therefore be used in further resource calculations but that the gold and silver values can not be used.

Thirteen holes totaling 3,045 metres were drilled on reconnaissance targets and in the North Zone. Some encouraging mineralization was encountered that will warrant follow up drilling; however no economic grades were encountered.

The Donnelly, GJ and North zones are part of a very large sulphide system that occurs peripheral to the Groat stock. The portion of the sulphide system on the southern flank of the stock, as defined by geophysics, is at least four kilometres by one kilometre in extent and is open-ended. Within the sulphide system, almost continuous copper-gold mineralization has been traced for about 2.5 kilometres from the east end of the GJ Zone to the west end of the Donnelly Zone.

A total of 15,000 meters of core drilling in approximately 40 holes is planned for the 2006 summer program on the GJ/Kinaskan property. The bulk of the drilling will focus on expanding resources in the Donnelly Zone. Deep drilling will start at the west end of the zone to trace the high grade material intersected in the last hole of the 2005 campaign. A limited amount of in-fill drilling will be undertaken on the zone to convert all remaining inferred resources to the indicated status. In addition, several reconnaissance holes will be drilled on I.P. targets north of the Donnelly Zone.

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

Manson Creek Gold Project, B.C.

In late fall of 2005, the Company completed a 1,802 metre, nine hole drill program on the Manson Creek Gold project located in central B.C. Drilling was targeted on the QCM zone which is a pyritic, carbonate-altered and quartz-veined greywacke poorly exposed over an area of approximately 600 x 200 metres. Highlights of the program include Hole 05-007 which returned 137.16 metres grading 0.58 grams per tonne gold and Hole 05-012 which returned 141.72 metres grading 0.44 grams per tonne gold. The mineralized zone coincides broadly with a well developed gold soil anomaly and strong resistivity anomaly. The target at Manson Creek is a large, low-grade gold system. The results from the 2004 and 2005 drill programs leads to the interpretation that the gold zone forms a shallow dipping sheet-like body inclined approximately 25 degrees to the southwest. The Company is planning a 2,000 metre program to further test the QCM zone and other anomalous areas on the property. The Company holds a 100% interest in the project.

MacVicar Lake Gold Project, Manitoba

A detailed sampling and mapping program was carried out at the MacVicar project during the 2005 summer season to follow up on a reconnaissance prospecting program the previous year. Results were not encouraging and the property was subsequently dropped.

Assean Lake and Bob Creek

No work was carried out in 2005. The Company is seeking joint venture partners for these projects.

Corporate

Late in the fiscal year, the Company completed a private placement of flow-through and common shares raising gross proceeds of Cdn $3 million.

Qualified Persons

The Company's qualified persons for the Manson Creek and MacVicar Lake projects are Jan Christoffersen, P.Eng. (Vice President of the Company) and Richard Bailes, P.Geo. (President of the Company). The qualified person for the GJ/Kinaskan project is Dr. Giles Peatfield, Ph.D., P.Eng. Dr. Peatfield is independent of the Company. True widths of the drill intersections are not accurately known at this time and may be less than reported.

A new field season has begun and the Company looks forward to continued growth and success at its key GJ/Kinaskan copper/gold project in B.C.

On behalf of the Board

/s/ Richard J. Bailes
Richard Bailes
President

June 16, 2006

CANADIAN GOLD HUNTER CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 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 consolidated financial statements for the years ended March 31, 2006 and 2005 and the related notes therein. The financial information in this MD&A is derived from the Company's consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles. The effective date of this MD&A is June 27, 2006.

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

OVERVIEW

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

2005/2006 HIGHLIGHTS

During the year ended March 31, 2006, the Company drilled a total of 18,196 metres in 65 diamond drill holes on the GJ/Kinaskan and Manson Creek properties, both located in British Columbia.

The 2005 GJ/Kinaskan program was completed in late September and consisted of 56 holes totaling 16,394 metres. Copper-gold mineralization has now been traced over a 1500-metre strike length on the Donnelly Zone from hole 05-076 in the west to hole 05-030 in the east.

The Donnelly Zone dips steeply to the south, strikes east-west and is up to 300 metres thick in the central area. Hole 05-067, which intersected 249.7 metres grading 0.304% copper and 0.500 g/t gold is typical of this area. Hole 05-076 intersected the highest grade interval of the program, 46.95 metres grading 0.832% copper and 1.317 g/t gold within a thicker interval that graded 0.440% copper and 0.647 g/t gold over 130.95 metres. Hole 05-076 is on the most westerly fence of holes drilled on the Donnelly Zone. Other high grade holes at the west end of the zone include hole 05-042, which intersected 51.82 metres grading 0.846% copper and 0.733 g/t gold and hole 04-015, which intersected 48.00 metres of 0.763% copper and 0.626 g/t gold. The holes are generally drilled at minus 45 degrees to the north in order to cut across the zone. True widths are about 80-85% of drilled widths.

On the GJ Zone, eight holes totaling 2,336 metres were drilled in 2005. In addition, continuous chip samples from hand-dug trenches were taken over the original GJ showing in Groat Creek. The best results were from hole CGH-05-48, which intersected 41.83 metres grading 0.456% copper and 1.272 g/t gold, and from trench TR-05-4, which returned 0.43% copper and 0.92 g/t gold over 38.0 metres.

An updated independent resource estimate was completed on the Donnelly Zone in March of 2006. The resource estimate is based on results from 56 drill holes over a strike length of 1.5 kilometres. The base case indicated resource, at a cut off of 0.20% copper, is 91.73 million tonnes grading 0.373% copper and 0.381 g/t gold and contains 754 million pounds of copper and 1.12 million ounces of gold. In addition to the indicated resource an inferred resource at the same cutoff consists of 28.04 million tonnes grading 0.354% copper and 0.369 g/t gold, containing a further 219 million pounds of copper and 0.33 million ounces of gold.

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0.30	14.41	0.459	0.496	146	0.23
0.40	6.28	0.595	0.655	82	0.13

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.

At Manson Creek, the 2005 fall drill program was designed to follow up encouraging results from the 2004 program that included a bonanza grade intercept in drill hole 04-002, which intersected 1.5 metres grading 173 g/t gold and wide low grade intercepts that included 141 metres grading 0.78 g/t gold in hole 04-003 and 70 metres grading 0.69 g/t gold in hole 04-005.

The 2005 program amounted to 1,802 metres comprising nine NQ holes drilled over a target length of about 600 metres within the QCM gold occurrence. The best intercepts were 79 metres grading 0.54 g/t gold in hole 05-006 and 137 metres grading 0.58 g/t gold in hole 05-007. The geometry of the zone is not understood and therefore true widths may be less than drilled widths.

The QCM Zone consists of strongly pyritic, carbonate-altered and quartz-veined greywackes poorly exposed over an area of about 600 x 200 metres. The mineralized zone coincides broadly with a well developed gold soil anomaly and strong resistivity anomaly.

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

A four-week prospecting program was carried out on the MacVicar gold project in the late summer of 2005. The results were not encouraging and the Company elected to drop its option on MacVicar.

No field work was carried out on the Assean Lake and Bob Creek projects in the 2006 fiscal year. The Company is looking for joint venture partners for both projects in the 2007 fiscal year.

SELECTED ANNUAL INFORMATION

	Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004
Statement of Operations Data ($000's)			
Total Revenue *	$ 28	$ 39	$ 25
Net Income (Loss)	$ 233	$ (1,732)	$ (980)
Data per Common Share ($)			
Basic and Diluted Net Income (Loss)	$ 0.01	$ (0.05)	$ (0.04)
Balance Sheet Data ($000's)			
Total Assets	$ 12,975	$ 6,281	$ 3,393
Long Term Liabilities	$ NIL	$ NIL	$ NIL

SELECTED QUARTERLY INFORMATION

Financial Data for 8 Quarters								
Three Months Ended	**Mar-06**	**Dec-05**	**Sep-05**	**Jun-05**	**Mar-05**	**Dec-04**	**Sep-04**	**Jun-04**
A. Total revenues ($000's) *	11	6	7	4	15	4	17	3
B. Earnings (loss) before extraordinary items ($000's)	708	(146)	(137)	(192)	70	(1,540)	(83)	(179)
C. Net earnings (loss) ($000's)	708	(146)	(137)	(192)	70	(1,540)	(83)	(179)
D. Basic and diluted earnings (loss) per share ($)	0.01	(0.00)	(0.00)	(0.01)	(0.00)	(0.04)	(0.00)	(0.01)

* Consists of interest income and project overhead fees.

QUARTERLY ANALYSIS

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 in 2005 and 2004 were comparable.

COMPARISON OF THE MARCH 31, 2006 AND MARCH 31, 2005 FINANCIAL YEARS

Results of Operations

The Company's income for the year ended March 31, 2006 was $233,000 as compared to a loss of $1.7 million for the year ended March 31, 2005. This increase in income of $1.9 million is primarily due to stock based compensation expenses of $1.3 million and write-off of expenditures on the Nunavut properties of $1.2 million in fiscal 2005. There were no stock based compensation expenses in fiscal 2006. The income for fiscal 2006 included $1.4 million of future income taxes as compared to $1.3 million for fiscal 2005, related to renounce mineral property expenditures on flow-through share agreements. The income for fiscal 2006 also included a write-off of expenditures of $682,000 on the Bob Creek and MacVicar properties. The Company has decided not to pursue further work on these properties.

General and administrative expenses for the years ended March 31, 2006 and 2005 were $668,000 and $1.8 million, respectively, representing a decrease of $1.1 million. The decrease is mainly attributed to stock based compensation expenses of $1.3 million in fiscal 2005, offset by a slight increase in promotion and public relation expenses of $28,000. The increase in promotion and public relations is primarily due to increased participation at conferences by staff and a corporate profile written by a newsletter writer.

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, 2006, the Company had cash and working capital of $4.2 million and $4.3 million, respectively, as compared to cash and working capital of $768,000 and $1.1 million at March 31, 2005. The increase in cash and working capital is primarily due to receipt of proceeds from two private placements completed during the year. The first private placement resulted in net proceeds of $4.2 million from the issuance of 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. The second private placements resulted in net proceeds totaling $3 million from the issuance of 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. A finder’s fee totaling $125,000 was paid in connection with the second private placement.

Net cash used in operating activities was $382,000 for the year ended March 31, 2006 and consisted mainly of the net income from operations of $233,000 and a decrease in accounts receivable of $256,000. Net income from operations included several non-cash items including a $1.36 million future income tax recovery and a $682,000 write-off of mineral property interests.

Net cash used in investing activities for the year ended March 31, 2006 was $4 million and consisted mainly of capitalized exploration expenditures of $3.7 million on the Company’s projects and $598,000 on the purchase of shares of bcMetals Corporation, a publicly traded company. Net cash provided by investing activities included gross proceeds of $257,000 from the sale of shares in other publicly traded company.

Net cash provided by financing activities for the year ended March 31, 2006 totaled $7.8 million and consisted primarily of $7.0 million in net proceeds from the issuance of 8,313,501 common shares of the Company pursuant to the completion of the two private placements mentioned above, $354,000 from the exercise of 885,000 share purchase warrants and $421,000 from a note payable. The note payable has been extended from June 22, 2006 for a further six months.

Based on the Company's financial position at March 31, 2006, the Company believes that existing funds should be sufficient to perform planned exploration and general corporate activities for the next 12 months. Additional funding from issuance of common shares may be required to fund further exploration and corporate expenses.

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

CONTRACTUAL OBLIGATIONS

The Company has a contractual obligation relating to a services agreement with Namdo Management Services Ltd. that requires payments totaling $54,000 for the three month period until June 30, 2006.

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, 2006 and 2005 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.

Flow-through shares

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

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

RECENT ACCOUNTING PRONOUNCEMENTS

Financial Instruments – Recognition and Measurements

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

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

The mandatory effective date is for fiscal years beginning on or after October 1, 2006, with optional early recognition for fiscal years beginning on or after December 31, 2004. The Company intends to adopt this standard in its fiscal year ending March 31, 2007.

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

Comprehensive Income

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

At present, the Company has investments in shares of arm’s length and non-arm's length companies that may be classified as available for sale investments. The Company would be required to recognize unrealized gains and losses on these securities and include these amounts in comprehensive income.

The effective date of this section is for fiscal years beginning on or after October 1, 2006, with optional early recognition for fiscal years beginning on or after December 31, 2004. The Company intends to adopt the standard in its fiscal year ending March 31, 2007.

Consolidation of Variable Interest Entities

In June 2003, the CICA issued new accounting guideline ACG-15, Consolidation of Variable Interest Entities (“VIE”), which requires the consolidation of certain entities that are subject to control on a basis other than ownership of voting interests. The purpose of the guideline is to provide guidance for determining when an enterprise includes the assets, liabilities and results of activities of such an entity in its consolidated results. It applies to entities with a structure that precludes control through ownership of voting interests but over which control may exist through other arrangements. The guideline generally applies to annual and interim periods beginning on or after November 1, 2004. Further guidance was issued by the CICA in EIC 157 in October 2005, which requires the Company to consider whether it has an implied variable interests in a VIE or potential VIE.

RELATED PARTY TRANSACTIONS

During the year ended March 31, 2006, the Company incurred:

(a) management fees of $216,000 (2005 - $194,000) to a company controlled by a director pursuant to an agreement which is renewable on July 1, 2006. At March 31, 2006, $14,000 (2005 - $9,000) was due to this company and included in amounts due to related parties;

(b) legal fees of $51,000 (2005 - $11,000) to a law firm of which a partner is a director of the Company. At March 31, 2006, $1,300 (2005 - $nil) was due to this law firm and included in amounts due to related parties.

OUTSTANDING SHARE DATA

As at June 21, 2006, the Company had 45,583,766 common shares outstanding and 2,330,000 share options outstanding under its stock-based incentive plans. As at the same date, the Company had no share purchase warrants outstanding.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, due from related party, due from joint venturer, investment in marketable securities, reclamation bonds, accounts payable, accrued liabilities, due from related parties, advances from joint ventures and note payable. The carrying value of cash, accounts receivable and accounts payable approximates fair value due to the short term nature of these instruments.

Investments in marketable securities are carried at the lower of cost or market value as they are not expected to be held long term. The fair value of these instruments was $1,105,000 at March 31, 2006 compared to a cost of $598,000.

DISCLOSURE CONTROLS AND PROCEDURES

During the year ended March 31, 2006, and in light of changes in laws and the regulatory environment concerning continuous disclosure and corporate governance, the Company's Chief Executive Officer commenced an evaluation of the effectiveness of the Company's existing disclosure controls and procedures and undertook research. The preliminary evaluation indicated that a formal procedure needs to be implemented relating to the most significant areas of the Company's business. The Board of Directors will be considering the adoption of a Corporate Disclosure Policy. Based on the work done to date management is reasonably confident that the material information related to the Company is known to management and that the Company's disclosure controls and procedures will be effective on an ongoing basis.

RISKS AND UNCERTAINTIES

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

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

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

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

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

OFF-BALANCE SHEET AGREEMENTS

The Company has no off-balance sheet arrangements.

OUTLOOK

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 2005 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 Staley, Okada and Partners, Chartered Accountants, and their report follows.

/s/ Lukas H. Lundin

Lukas H. Lundin
Chairman

/s/ Richard J. Bailes

Richard J. Bailes
President

Vancouver, British Columbia
June 27, 2006

AUDITORS' REPORT

To the Shareholders of Canadian Gold Hunter Corp.:

We have audited the consolidated balance sheets of Canadian Gold Hunter Corp. as at March 31, 2006 and 2005 and the consolidated statements of loss and deficit, cash flows, and mineral properties and related expenditures for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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, 2006 and 2005 and the results of its operations, exploration activities and the changes in its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Vancouver, BC	STALEY, OKADA & PARTNERS
June 14, 2006	CHARTERED ACCOUNTANTS

CANADIAN GOLD HUNTER CORP.
CONSOLIDATED BALANCE SHEETS

	March 31, 2006	March 31, 2005
ASSETS		
Current assets		
Cash (Note 4)	$ 4,227,119	$ 767,894
Accounts receivable	14,589	268,859
Due from related parties	3,700	-
Due from joint venturer	-	80,306
Prepaid expenses	4,848	9,923
Investments (Note 5)	598,000	35,899
	4,848,256	1,162,881
Equipment, net	1,806	3,466
Mineral properties and related expenditures (Note 6)	8,074,494	5,053,981
Other assets	50,858	60,717
	$ 12,975,414	$ 6,281,045
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 69,973	$ 53,746
Due to related parties	15,901	9,248
Advances from joint venturer	1,164	-
Note payable (Note 7)	421,326	-
	508,364	62,994
SHAREHOLDERS' EQUITY		
Share capital (Note 8)		
45,583,766 shares (March 31, 2005 - 36,385,253 shares)	92,851,342	86,835,709
Reserved for issuance 20,368 shares (2005 - 20,380 shares)	1,291	1,292
Contributed surplus - stock options	1,421,372	1,421,372
Deficit	(81,806,955)	(82,040,322)
	12,467,050	6,218,051
	$ 12,975,414	$ 6,281,045

ON BEHALF OF THE BOARD:

/s/ Lukas H. Lundin
Director

/s/ Richard J. Bailes
Director

See notes to consolidated financial statements

CANADIAN GOLD HUNTER CORP.
CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

	Year ended March 31, 2006	Year ended March 31, 2005
Expenses		
Amortization	$ 1,660	$ 1,293
Consulting and wages	168,479	150,108
General exploration and project investigation	8,129	-
Management fees	216,000	194,000
Office and general	24,603	23,979
Professional fees	64,144	26,960
Promotion and public relations	97,371	68,701
Stock based compensation expense	-	1,247,879
Stock exchange and filing fees	34,185	23,595
Telephone and facsimile	1,842	4,211
Transfer agent and shareholder information	40,836	42,213
Travel	10,484	1,135
Loss before the undernoted items	667,733	1,784,074
Other (income) expenses		
Interest income	(26,934)	(9,572)
Interest and financing expenses	21,326	-
Foreign exchange loss	532	1,498
Project overhead fees	(1,025)	(29,082)
Gain on sale of investments (Note 5)	(220,765)	-
BC capital tax	-	105,928
Write-off of mineral property interests	682,377	1,188,056
Loss before income taxes	1,123,244	3,040,902
Future income tax recovery (Note 10)	(1,356,611)	(1,309,035)
Income (loss) for the year	233,367	(1,731,867)
Deficit, beginning of the year	82,040,322	80,308,455
Deficit, end of the year	$ 81,806,955	$ 82,040,322
Basic and diluted income (loss) per common share	$ 0.01	$ (0.05)
Weighted average number of shares outstanding	41,217,009	34,531,019

See notes to consolidated financial statements

CANADIAN GOLD HUNTER CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended March 31, 2006	Year ended March 31, 2005
Cash flows (for) operating activities		
Income (loss) for the year	$ 233,367	$ (1,731,867)
Items not affecting cash		
Amortization	1,660	1,293
Project overhead fees	(1,025)	(29,082)
Stock based compensation expense	-	1,247,879
Gain on sale of investments	(220,765)	-
Write-off of mineral property interests	682,377	1,188,056
Future income tax recovery	(1,356,611)	(1,309,035)
	(660,997)	(632,756)
Changes in non-cash working capital items		
Accounts receivable and other current assets	255,645	(162,727)
Accounts payable and accrued liabilities	16,227	(347,011)
Due to related parties	6,653	3,022
	(382,472)	(1,139,472)
Cash flows from financing activities		
Common shares issued, net	7,372,243	4,709,263
Note payable to related party	421,326	-
	7,793,569	4,709,263
Cash flows (for) investing activities		
Mineral properties and related expenditures	(3,701,865)	(3,472,035)
Proceeds from sale of investments	256,664	-
Investments	(598,000)	-
Due to/from joint venturer	81,470	(40,367)
Other assets	9,859	(8,500)
Purchase of equipment	-	(2,945)
	(3,951,872)	(3,523,847)
Increase in cash	3,459,225	45,944
Cash, beginning of the year	767,894	721,950
Cash, end of the year	$ 4,227,119	$ 767,894
Supplementary information regarding non-cash transactions		
Investing activities		
Project overhead fees included in mineral properties	$ 1,025	$ 29,082
Common shares issued for mineral property acquisition	$ -	$ 142,000
Financing activities		
Shares reserved for issuance on acquisition of subsidiary	$ 1	$ 1,396
Future income tax recovery offset against share capital on renunciation of expenditures on flow-through shares	$ 1,356,611	$ 1,309,035

See notes to consolidated financial statements

CANADIAN GOLD HUNTER CORP.
CONSOLIDATED STATEMENTS OF MINERAL PROPERTIES AND RELATED EXPENDITURES
MARCH 31, 2006

	Assean Lake	GJ and Kinaskan	Bob Creek	Manson Creek	Nunavut	MacVicar	Total
Balance, March 31, 2004	1,618,081	637,096	89,460	71,478	9,312	-	2,425,427
Assaying and sampling	12,055	45,420	12,841	25,848	26,114	-	122,278
Camp costs	4,064	119,487	430	12,672	111,630	50,091	298,374
Drilling	421,768	378,265	115,756	106,539	112,602	-	1,134,930
Field supplies	1,424	31,385	-	1,183	12,910	-	46,902
Geological and geophysical	60,512	376,199	137,530	135,827	268,741	12,447	991,256
Line cutting	3,616	-	50,068	47,741	-	-	101,425
Maps and reports	13,492	4,842	17,115	4,046	40,422	-	79,917
Mobilization and demobilization	-	-	-	-	32,004	-	32,004
Office miscellaneous	1,881	29,713	3,803	618	1,238	-	37,253
Option payment	45,000	44,000	44,000	-	54,000	5,000	192,000
Stock based compensation	0	93,686	27,759	-	52,048	-	173,493
Transport and travel	8,194	146,243	2,754	3,729	467,035	4,881	632,836
Incurred during the year	572,006	1,269,240	412,056	338,203	1,178,744	72,419	3,842,668
Mineral exploration grants	(26,058)	-	-	-	-	-	(26,058)
Write-off of mineral property interests	-	-	-	-	(1,188,056)	-	(1,188,056)
Balance, March 31, 2005	$ 2,164,029	$ 1,906,336	$ 501,516	$ 409,681	-	$ 72,419	$ 5,053,981
					-		
Assaying and sampling	4,102	137,207	189	44,268	-	6,846	192,612
Camp costs	-	237,448	-	7,565	-	6,719	251,732
Drilling	-	1,199,020	890	162,436	-	20,492	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	550	84,616	-	74,527	658,346
Helicopter	-	384,200	-	-	-	-	384,200
Maps and reports	3,890	37,993	2,002	12,159	-	431	56,475
Office miscellaneous	341	16,458	-	4,118	-	-	20,917
Option payment	-	-	-	-	-	7,500	7,500
Survey	-	49,332	-	-	-	-	49,332
Transport and travel	-	76,432	-	13,652	-	-	90,084
					-		
Incurred during the year	10,252	3,207,450	3,631	376,746	-	116,515	3,714,594
					-		
Mineral exploration grants	-	-	-	-	-	(11,704)	(11,704)
					-		
Write-off of mineral property interests	-	-	(505,147)	-	-	(177,230)	(682,377)
					-		
Balance, March 31, 2006	$ 2,174,281	$ 5,113,786	$ -	$ 786,427	$ -	$ -	$ 8,074,494

See notes to consolidated financial statements

CANADIAN GOLD HUNTER CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005

1. DESCRIPTION OF BUSINESS

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Consolidation

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

Business Combination

As at March 31, 2006, the Company issued a total of 4,813,620 (2005 – 4,813,608) of its common shares, with a deemed value of $295,430 (2005 - $295,429) as payment for the Royal County shares tendered, being over 90% of the outstanding shares of Royal County, under its takeover bid completed in the year ended March 31, 2004. The Company is in the process of acquiring the remaining shares of Royal County pursuant to the statutory acquisition provisions of the Company Act of British Columbia. The purchase method of accounting has been applied to the acquisition. Consideration for the transaction assumes a value for the Company's shares equivalent to the net book value of the net assets acquired and that the Company acquires 100% of the outstanding Royal County shares.

The share capital and deficit of Royal County have been eliminated as of March 31, 2006 as follows:

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

(b) Investments

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

(c) Mineral Properties and Related Expenditures

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

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

The recoverability of expenditures capitalized is dependent on the final determination of economically recoverable ore reserves, preservation of the Company’s interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development and future profitable production and proceeds from the disposition thereof.

Management periodically assesses the carrying value of amounts recorded for individual mineral properties. If estimated future non-discounted cash flows, using current prices and management's estimates of the likelihood of achieving planned operations, are not sufficient to recover the carrying value for the properties, the deferred costs are written down, if necessary, to the estimated fair value determined using discounted cash flows.

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

(e) Equipment

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

(f) Environmental Expenditures

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

(g) Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary differences), and losses carried forward. Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is substantively enacted. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

(h) Basic and diluted loss per share

Loss per 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. Under this method, dilution is calculated based upon the net number of common shares issued should "in the money" options and warrants be exercised and the proceeds used to repurchase common shares at the weighted average market price in the period. Should the Corporation incurred a net loss then options and warrants would be anti-dilutive and therefore have no effect on the determination of loss per share.

(i) Stock-based compensation

The Company has adopted the recommendations of the CICA Handbook Section 3870, *Stock-Based Compensation and Other Stock-Based Payments*, which requires that all stock-based awards made to employees and non-employees be measure and recognized using a fair value based method.

(j) Use of estimates

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

(k) Asset retirement obligations

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

(l) Flow-through shares

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

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

(m) Proportionate consolidation

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

(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 and accounts receivable. The Company limits its exposure to credit loss by placing its cash and cash-equivalents with major financial institutions.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Company's financial instruments consisting of cash, amounts receivable due from related parties, due from joint venturer, investments, reclamation bonds, accounts payable and accrued liabilities, due from related parties, advances from joint venturer, and note payable approximate their carrying values due to the short-term nature of those instruments. As of March 31, 2006, the market value of the investment was $1,105,000.

4. RESTRICTED CASH

As at March 31, 2006, the Company is committed to spend $3,429,742 (2005 - $296,964) in accordance with flow through share agreements entered into during the year through two private placements (Note 7(ii)). This balance is included in cash but is reserved to complete the qualified expenditures on Canadian mineral property exploration.

5. INVESTMENTS

	March 31, 2006	March 31, 2005
bcMetals Corporation, 1.3 million common shares with a market value at March 31, 2006 of approximately $1,105,000 (2005 – Nil)	$ 598,000	$ -
Redback Mining Inc. ("Redback"), a company with directors in common, 7,580 common shares with a market value at March 31, 2005 of approximately $13,643 (i)	-	10,461
Valkyries Petroleum Corp. ("Valkyries"), a company with directors in common, 33,917 common shares with a market value at December 31, 2005 of approximately $103,447 (i)	-	25,438
	$ 598,000	$ 35,899

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

(i) In the fourth quarter of the fiscal year ending March 31, 2006, the shares of Redback and Valkyries were sold for total net proceeds of $256,663. A gain of $220,765 net of broker commission, was recognized on the sale of these investments.

6. MINERAL PROPERTIES AND RELATED EXPENDITURES

(a) Assean Lake Properties, Manitoba

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

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

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

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

As at March 31, 2006, the Company has an unexpended advance of $1,164 from Rare Earth for their share of joint venture costs. At March 31, 2005, Rare Earth owed the Company $80,306 for their share of joint venture costs.

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

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

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

(c) Nunavut Properties

(i) Noomut Property, Nunavut

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

(ii) Nowyak Property, Nunavut

On April 22, 2004, the Company signed a letter of intent with Strongbow Exploration Inc. whereby the Company can earn a 70% interest in the Nowyak gold property located in Nunavut. During the year ended March 31, 2005, the Company relinquished its option on the Nowyak property and accordingly $71,907 of expenditures was written off to operations during the year ended March 31, 2006.

(iii) Maguse and Fat Lakes Properties, Nunavut

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

(d) MacVicar Property, Manitoba

On July 12, 2004, the Company entered into an agreement with 4270828 Manitoba Ltd. ("4270828"), whereby the Company can earn a 100% interest in the MacVicar Property located in Manitoba. The Company can earn a 100% interest in the MacVicar Property by spending a total of $1,000,000 and making cash payments to 4270828 totalling $60,000 over 5 years. 4270828 will retain a 2% NSR, which the Company will have a one time option to purchase for $1.0 million. During the year ended March 31, 2006, the Company decided not to pursue further work on the MacVicar property and accordingly wrote off expenditures totaling $177,230.

(e) Bob Creek Property, B.C.

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

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

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

7. NOTE PAYABLE

As at March 31, 2006, the Company has a promissory note of $413,140, which is due on demand on or before June 22, 2006. The promissory note bears interest at Canadian Prime Interest Rate plus 2% per annum. The accrued interest of the promissory note to March 31, 2006 was $8,186.

8. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares with no par value.

Issued and outstanding:

Common shares	Number of Shares	Amount
Balance, March 31, 2004	30,504,553	$ 83,278,696
Private placements, net (i)	3,140,000	3,651,763
Tax cost recognized on issuance of flow-through shares on private placements (Note 9)	-	(1,309,035)
Financing expense (i)	81,000	101,250
Stock options exercised	494,000	171,400
Warrants exercised	1,923,700	784,850
Mineral properties (Note 6 (b)(c)(e))	220,000	142,000
Takeover of Royal County (2(a))	22,000	1,396
Transfer of contributed surplus on exercise of stock options	-	13,389
Balance, March 31, 2005	36,385,253	86,835,709
Private placements, net (ii)	8,313,501	7,018,243
Warrants exercised	885,000	354,000
Takeover of Royal County (2(a))	12	1
Tax cost recognized on issuance of flow-through shares on private placements (Note 9)	-	(1,356,611)
Balance, March 31, 2006	45,583,766	$ 92,851,342

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

(ii) 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.

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

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

	2006		2005	
	Number of Shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price
Outstanding at beginning of year	2,335,000	$0.95	494,000	$0.35
Granted	-		2,335,000	$0.95
Cancelled	(5,000)	$0.68	-	
Exercised	-		(494,000)	$0.35
Outstanding at end of year	2,330,000	$0.95	2,335,000	$0.95

During the year ended March 31, 2005, the Corporation granted 2,335,000 stock options, at a price of $1.10, $0.68, and $0.66 per share, to officers, employees and consultants. Accordingly, stock based compensation expenses of $1,247,879 have been recorded in operations in respect of the stock options granted to officers and employees and $173,493 have been recorded in mineral properties in respect of the stock options granted to project related consultants.

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

		2005
Dividend Yield	:	0%
Average risk free interest rate	:	3.10% - 3.50%
Expected volatility	:	99% - 132%
Expected life of option	:	3 years

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

(c) As at March 31, 2006, there were no share purchase warrants outstanding.

9. RELATED PARTY TRANSACTIONS

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

(a) incurred management fees of $216,000 (2005 - $194,000) to a company controlled by a director pursuant to an agreement which is renewable on July 1, 2006. At March 31, 2006, $14,409 (2005 - $9,023) was due to this company and included in amounts due to related parties;

(b) incurred legal fees of $50,950 (2005 - $11,357) to a law firm of which a partner is a director of the Company. At March 31, 2006, $1,318 (2005 - $ nil) was due to this law firm and included in amounts due to related parties.

The above transactions were conducted in the normal course of operations and were measured at the exchange amount.

10. INCOME TAXES

	2006	2005
Combined Canadian Federal and Provincial statutory income tax rate	34.12%	35.62%
Expected income tax provision (recovery)	$ 79,345	$ (1,083,169)
Permanent differences	(271,494)	868,141
Losses for which no tax benefit has been recognized	192,149	215,028
Expected income tax provision (recovery) for the year	-	-
Reversal of prior years' valuation allowance upon issuance of flow-through shares (i)	(1,356,611)	(1,309,035)
Future income tax expense (recovery) for the year	$ (1,356,611)	$ (1,309,035)
Future income tax assets		
Canadian tax loss carry forwards	$ 1,294,780	$ 2,394,794
Mining properties and related expenditures	560,695	500,658
Capital assets	1,614	1,094
	1,857,089	2,896,546
Valuation allowance	(1,857,089)	(2,896,546)
Net future income tax assets	$ NIL	$ NIL
Future income tax liabilities	$ NIL	$ NIL

(i) During the year ended March 31, 2006 the Company issued flow-through shares (Note 6(a)(ii)) and renounced $3,976,000 (2005-$3,675,000) of its mineral property expenditures to flow-through shareholders. The resultant loss of future income tax assets, which is treated as a cost of issuing flow-through shares (Note 2(l)), gives rise to a future tax liability. This liability has been offset by the Company's recognition of future income tax assets that have been previously written-down by a valuation allowance.

As of March 31, 2006, the benefit of the Company's Canadian tax loss carry forwards has not been recorded in the accounts and expires as follows:

Year	Amount
2007	1,194,000
2008	415,000
2009	447,000
2010	359,000
2014	778,000
2015	604,000
2016	561,000
	$ 4,358,000

11. SEGMENTED INFORMATION

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

CANADIAN GOLD HUNTER CORP.
CORPORATE DIRECTORY
MARCH 31, 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
Michael H. Halvorson
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
Staley Okada and Partners
Vancouver, British Columbia, Canada

BANKERS
Bank of Montreal
Vancouver, British Columbia, Canada

SUBSIDIARIES
Royal County Minerals Corp
Vancouver, British Columbia, Canada

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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: 45,583,766 shares

REGISTRAR AND TRANSFER AGENT
CIBC Mellon Trust Company
Vancouver, British Columbia
Toronto, Ontario

SHARE LISTING
Toronto Stock Exchange
Canadian Gold Hunter Corp. (CGH)