

CANADIAN GOLDEN DRAGON RESOURCES LTD. MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis is for the three month period ended July 31, 2005, compared with the three month period ended July 31, 2004. This information is current to September 27, 2005 and has not been reviewed by the Company's auditors.

INTRODUCTION

The discussion and analysis of the operating results and financial position of the Company should be read in conjunction with the attached Consolidated Financial Statements and related Notes (the "Financial Statements"), which have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) (see Summary of Significant Accounting Policies and Nature of Operations). This discussion and analysis may contain forward-looking statements about the Company's future prospects, and the Company provides no assurance that actual results will meet management's expectations.

NATURE OF THE BUSINESS

The company is engaged in the acquisition, exploration and if warranted, development of mining properties in Canada. The Company currently holds interests in resource properties in Ontario primarily and intends to seek out and acquire additional properties, worthy of exploration and development, as finances permit. The exploration and development of the properties is accomplished either through direct expenditure by the Company or joint venturing of the property to another company. The Company controls varying interests in three types of properties, Gold/Copper/Zinc/Silver VMS geology, Platinum Group Metal/Nickel/Copper VMS geology and Primary Gold Geology. The Company is a reporting issuer in British Columbia, Alberta and Ontario.

RESULTS OF OPERATIONS

The Company incurred a loss of \$40,017 in 2005 (\$0.00 per share) compared with a loss of \$118,157 in 2004 (\$0.01 per share). The difference of \$78,140 arose primarily as a result of the stock-based compensation rules required by the Canadian Institute of Chartered Accountants, an amount which accounted for \$44,690 of the reduction in loss. However this amount is a non-cash item. The Company's other prime component of cost savings, was a decrease of \$35,250 in consulting fees.

The following is a summary of the exploration projects for which the Company has had significant expenditures during the quarter and the ExtrEl Technology Project:

The Company made no significant acquisitions or dispositions of property (i.e. "significant" being properties where the book value of such a property in the Company's financial statements is worth more than 10% of the Company's total properties) during the quarter ended July 31, 2005.

SEAGULL DISRAELI PROPERTY

The Seagull-Disraeli Property has been under option to Platinum Group Metals Ltd. ("PTM") since the second quarter of 2004. PTM was to have paid a \$75,000 option payment (completed) to the Company and partner East West Resource Corp., and incurred \$500,000 in exploration expenditures in the first year. Pending a compilation and report due in the second quarter it is expected that PTM has met their first year obligations.

SHEBANDOWAN (previously Vanguard) PROPERTY

Three deep holes to approximately 600m each, were drilled to test three new anomalies. This program accounted for most of the \$91,289 spent in exploration on this property during the quarter.

OTHER

The company's other properties including Grand Bay, West Porcupine, South Legris and Norton Lake properties are the subject of joint ventures at this time. There are no immediate plans for the Tilly, Elephant or Nighthawk Properties. Only the Tilly has a share issuance due for 50,000 shares in the second quarter. The West Porcupine Property, owned 50/50 with Maple Minerals Corp., was to have been the subject of a 1000m drill program in the first quarter carried out by joint venture partner Maestro Ventures Ltd. However due to local forest fires this work was delayed to the second quarter.

EXTREL TECHNOLOGY

The Company has been able to complete the financing conditions required by the TSX Venture Exchange for undertaking the development of the ExtrEl Technology. 333,333 common shares were issued to Enpar Technologies Inc. as an initial payment (deemed value \$0.15) and \$25,000 was advanced as part of the phase one research program in the first quarter. A second advance of \$25,000 will likely be made in the second quarter to complete the company's phase one commitment.

SELECTED ANNUAL INFORMATION

	Year Ended April 30,		
	2005	2004	2003
	\$	\$	\$
Net revenues	Nil	Nil	Nil
Loss for the year	(384,415)	(515,107)	(632,316)
Loss per share	(0.01)	(0.02)	(0.03)
Total assets	1,808,542	1,501,705	1,376,333
Long term liabilities	Nil	Nil	Nil
Dividends	Nil	Nil	Nil

SUMMARY OF QUARTERLY RESULTS

Net loss by quarter

	Q1	Q2	Q3	Q4	Total
	\$	\$	\$	\$	\$
Year 2006	(40,017)	-	-	-	(40,017)
Year 2005	(118,159)	(53,464)	(51,288)	(161,504)	(384,415)
Year 2004	(39,456)	(56,634)	(59,608)	(359,409)	(515,107)

As the Company is still in the exploration and development stage, variances in its quarterly losses are not affected by sales or production-related factors. Year over year increased costs are generally attributed to successful financing activities which result in the Company being able to conduct more exploration, which results in additional overhead costs to maintain. The loss in the fourth quarter of 2005 was primarily due to the recognizing of stock-based compensation of \$150,875 (2004 - \$105,975) and \$59,000 (2004-nil) in share issue costs, as the benefit given up by the recognition of previously unrecorded tax assets to offset the future tax liability recorded on the issuance of flow-through shares.

CAPITAL RESOURCES AND LIQUIDITY

The Company raised no funds during the period ended July 31, 2005 (2004-\$39,000). The Company has a working deficiency of \$343,337 at period end, compared to \$196,366 at the year end April 2005. This is partly the result of \$175,949 in related party debt.

The Company anticipates raising funds in the second quarter to cover property payments and the exploration budget for the balance of the second and third quarters. Related parties have made interest free loans to bridge between financings if necessary in the past. The Company has 4,135,000 options outstanding and 6,600,563 warrants outstanding that are currently "not in the money" but are potentially exercisable to generate approximately \$1,877,575 in additional funding.

There is however, no assurance that any future funding can be accomplished as it would be wholly dependent on the state of the capital markets for junior exploration companies. The Company does not anticipate the payment of dividends in the future.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Details of these related party transactions, including the purpose and recorded amounts of the transactions are identified in Note 3 to the Financial Statements.

INVESTOR RELATIONS

The Company is currently under contract with Equicom Group Inc. for investor relations services. By agreement between the parties the monthly payments of \$3000/m were suspended at the end of May and will likely resume sometime in the second quarter. Investor relations duties are also carried out by directors, officers and employees of the company as part of their routine duties.

CHANGES IN ACCOUNTING POLICY

The Company adopted in 2003 the transitional provisions of Canadian Institute of Chartered Accountants' Handbook Section 3870 on stock-bases compensation on a prospective basis. The Company accounts for the derived value of stock-based compensation to all employees and consultants.

OUTSTANDING SHARE DATA

The Company has one class of common shares: as at July 31, 2005, there were 35,056,232 common shares outstanding.

The Company has a stock option plan: As at July 31, 2005, there were 4,150,000 stock options outstanding.

The Company has outstanding as at July 31, 2005 of 6,600,563 warrants.

RISK AND UNCERTAINTIES

Except for historical information contained in this discussion and analysis, disclosure statements contained herein are forward-looking, which statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements.

The Company is a mineral exploration and development company and is exposed to a number of risks and uncertainties that are common to other companies in the same business; some of these risks ha

The Company's financial success is subject to general market conditions which affect mining and exploration companies. The value of the Company's mineral resources and future operating profit and loss is affected by fluctuations in commodity prices, over which the Company has no control, although it may choose to hedge some of its future production. Because of its limited operating record and history of losses, it may not be able to hedge future risk to the extent it feels is warranted. The Company also competes with other mining companies which are larger and have more economic resources to acquire prospective exploration properties or producing mines.

The Company also faces certain risks and uncertainties specific to its circumstances. The Company's ability to obtain financing to explore for mineral deposits and to continue and complete the development of those properties it has classified as assets is not assured; nor is there assurance that the expenditure of funds will result in the discover of an economic mineral deposit. The Company has not completed a feasibility study on any of its deposits to determine if it hosts a mineral resource that can be economically developed and profitably mined. While the Company has used its best efforts to endure title to all its properties and secured access to surface rights, these titles or rights may be disputed.

SUBSEQUENT EVENTS

For subsequent events see Note 6 to the accompanying Financial Statements.