

**CANADIAN GOLDEN DRAGON RESOURCES LTD.**

Interim Financial Statements

January 31, 2006

These financial statements have not been reviewed by the Company's auditors.

**CANADIAN GOLDEN DRAGON RESOURCES LTD.**

## Balance Sheets

As at

*(Unaudited)*

	January 31, 2006 <i>(Unaudited)</i>	April 30, 2005
	\$	\$
<b>A S S E T S</b>		
<b>Current</b>		
Cash	60,903	122,706
Amounts receivable	6,433	18,845
Marketable securities	2,000	2,000
	<u>69,336</u>	<u>143,551</u>
Deferred technology costs (note 5)	75,000	-
Mineral properties (Schedule)	1,971,160	1,664,292
Equipment	-	699
	<u>2,115,496</u>	<u>1,808,542</u>
<b>L I A B I L I T I E S</b>		
<b>Current</b>		
Accounts payable	190,217	189,018
Due to related parties (note 3)	18,659	150,899
	<u>208,876</u>	<u>339,917</u>
<b>S H A R E H O L D E R S ' E Q U I T Y</b>		
Share capital (note 4(a))	11,171,777	10,604,777
Contributed surplus (notes 4(b and d))	498,694	323,370
Deficit	(9,763,851)	(9,459,522)
	<u>1,906,620</u>	<u>1,468,625</u>
	<u>2,115,496</u>	<u>1,808,542</u>

See accompanying notes to the financial statements

**CANADIAN GOLDEN DRAGON RESOURCES LTD.**

Statements of Operations and Deficit  
(Unaudited)

	For the three months ended January 31,		For the nine months ended January 31,	
	2006 \$	2005 \$	2006 \$	2005 \$
<b>Expenses</b>				
Amortization	-	74	699	224
Automobile	-	207	-	207
Bank charges and interest	(25)	94	259	284
Consulting	8,317	15,972	16,773	70,854
Interest	(205)	(7)	(662)	(82)
Legal and accounting	717	2,270	6,829	15,814
Management fees	15,000	15,000	45,000	45,000
Office and administration	4,103	3,318	14,807	18,668
Recovery of option proceeds	-	-	-	(6,700)
Shareholder communications	12,079	(1,039)	20,987	3,150
Stock based compensation	163,664	-	175,324	56,350
Travel and promotion	385	977	1,385	1,576
Trust and filing	7,571	14,422	22,928	17,566
	<u>7,571</u>	<u>14,422</u>	<u>22,928</u>	<u>17,566</u>
Net loss for the period	(211,606)	(51,288)	(304,329)	(222,911)
Deficit - beginning of period	(9,552,245)	(9,246,730)	(9,459,522)	(9,075,107)
Deficit - end of period	<u>(9,763,851)</u>	<u>(9,298,018)</u>	<u>(9,763,851)</u>	<u>(9,298,018)</u>
Loss per share	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$</u>
Weighted-average number of common shares outstanding	<u>38,305,272</u>	<u>32,258,272</u>	<u>36,658,714</u>	<u>31,020,889</u>

See accompanying notes to the financial statements

**CANADIAN GOLDEN DRAGON RESOURCES LTD.**

Statements of Cash Flows

(Unaudited)

	For the three months ended January 31,		For the nine months ended January 31,	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>Cash Provided by (Used for):</b>				
<b>Operating Activities</b>				
Net loss for the period	(211,606)	(51,288)	(304,329)	(222,911)
Adjustments for non-cash items:				
Amortization	-	74	699	224
Recovery of option proceedsn	-	-	-	(6,700)
Stock based compensation	163,664	-	175,324	56,350
Shares issued for consulting fees	-	12,402	-	12,402
	(47,942)	(38,812)	(128,306)	(160,635)
Net changes in non-cash working capital items:				
Accounts receivable	(270)	(2,690)	12,412	7,122
Accounts payable	(2,940)	(9,562)	1,199	(61,372)
Due to related parties	(52,090)	(59,879)	(132,240)	(37,490)
	(103,242)	(110,943)	(246,935)	(252,375)
<b>Investing Activities</b>				
Deferred technology costs	-	-	(25,000)	-
Mineral property expenditures:				
Acquisition	(75,000)	(55,183)	(100,000)	(87,179)
Exploration	(84,647)	(27,507)	(194,868)	(91,008)
Option payments received	-	7,500	-	50,000
	(159,647)	(75,190)	(319,868)	(128,187)
<b>Financing Activity</b>				
Cash received for common shares	200,000	321,999	505,000	468,499
Net cash provided (used) during the period	(62,889)	135,866	61,803	87,937
Cash - beginning of the period	123,792	12,178	122,706	60,107
Cash - end of the period	60,903	148,044	60,903	148,044

**Supplementary disclosure of non-cash investing and financing activities:**

- During the nine month period ended January 31, 2006, the Company issued 333,333 common shares valued at \$50,000 pursuant to the term of the Enpar Technologies Inc. agreement, issued 120,000 common shares valued at \$12,000 for mineral property acquisition agreements and issued 35,000 common shares valued at \$3,500 for a finders fee relating to a private placement.
- During the nine month period ended January 31, 2005, the Company issued 50,000 common shares at an aggregate value of \$6,500 pursuant to mineral property acquisition agreements and 101,659 common shares at various prices totaling \$12,402 for consulting fees.

See accompanying notes to the financial statements

**CANADIAN GOLDEN DRAGON RESOURCES LTD.**

Schedule of Mineral Property Costs

*(Unaudited)*

	April 30, 2005	Net Expenditures (recoveries)	January 31, 2006
	\$	\$	\$
<b>ONTARIO</b>			
<b>Seagull/Disraeli Property</b>			
Acquisition	43,906	-	43,906
Assay	33,067	-	33,067
Camp accommodations and Travel	20,828	(364)	20,464
Drilling	306,870	-	306,870
Geological and Geophysical	164,190	53	164,243
Field office expense	15,749	9	15,758
	<u>584,610</u>	<u>(302)</u>	<u>584,308</u>
<b>Shebandowan</b>			
Acquisition	147,363	50,000	197,363
Assays	7,232	1,003	8,235
Camp accommodations and Travel	19,885	10,864	30,749
Drilling	90,947	92,999	183,946
Geological and Geophysical	247,890	42,244	290,134
Field office expense	18,076	5,624	23,700
	<u>531,393</u>	<u>202,734</u>	<u>734,127</u>
<b>Tilly</b>			
Acquisition	41,934	-	41,934
Assay	693	-	693
Camp accommodations and travel	724	900	1,624
Drilling	19,937	-	19,937
Geological and geophysical	36,004	2,426	38,430
	<u>99,292</u>	<u>3,326</u>	<u>102,618</u>
<b>Nighthawk Joint Venture</b>			
Acquisition	100,190	-	100,190
Assay	3,652	-	3,652
Camp accommodations and Travel	3,325	-	3,325
Drilling	13,558	-	13,558
Geological and Geophysical	45,275	-	45,275
Field office expense	18,277	-	18,277
	<u>184,277</u>	<u>-</u>	<u>184,277</u>
<b>West Porcupine Joint Venture</b>			
Acquisition	20,376	-	20,376
Camp accommodations and Travel	8,315	-	8,315
Drilling	19,586	-	19,586
Geological and Geophysical	84,534	-	84,534
Field office expense	133	-	133
	<u>132,944</u>	<u>-</u>	<u>132,944</u>

See accompanying notes to the financial statements

**CANADIAN GOLDEN DRAGON RESOURCES LTD.**

Schedule of Mineral Property Costs

*(Unaudited)*

	April 30, 2005	Net Expenditures	January 31, 2006
	\$	\$	\$
<b>Norton Lake</b>			
Acquisition	3,576	-	3,576
Assays and recordings	1,800	-	1,800
Camp accommodations and travel	20,693	-	20,693
Drilling	37,218	-	37,218
Geological and Geophysical	8,908	-	8,908
	<u>72,195</u>	<u>-</u>	<u>72,195</u>
<b>South Legris</b>			
Acquisition	4,594	-	4,594
Camp accommodations and Travel	44	-	44
Geological and Geophysical	111	-	111
	<u>4,749</u>	<u>-</u>	<u>4,749</u>
<b>Dorothy</b>			
Acquisition	<u>48,956</u>	<u>22,500</u>	<u>71,456</u>
<b>Elephant Lake</b>			
Acquisition	5,550	-	5,550
Drilling	-	25,000	25,000
Geological and Geophysical	-	14,110	14,110
		39,110	44,660
<b>Amp Lake</b>			
Acquisition	-	10,000	10,000
<b>Dobe Lake</b>			
Acquisition	-	19,500	19,500
<b>Copper Island</b>			
Acquisition	-	10,000	10,000
<b>Grand Bay</b>			
Office and administration	326	-	326
<b>Total Mineral Property Costs</b>	<u>1,664,292</u>	<u>306,868</u>	<u>1,971,160</u>

See accompanying notes to the financial statements

# **CANADIAN GOLDEN DRAGON RESOURCES LTD.**

Notes to the Interim Financial Statements

January 31, 2006

*(Unaudited)*

## **1. NATURE OF OPERATIONS**

The Company's major activity is the acquisition and exploration of mineral properties. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves. The Company does not generate cash flows from operations and has therefore relied principally upon the issuance of equity securities to finance its exploration activities. The Company intends to continue relying upon the issuance of equity securities to finance its operations and exploration activities to the extent that such instruments are issuable under terms acceptable to the Company. Accordingly, the Company's interim financial statements are presented on a going concern basis, which assumes that the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case the realizable values of its assets may decline materially from current estimates.

## **2. ACCOUNTING PRINCIPLES AND USE OF ESTIMATES**

The accompanying unaudited interim financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles for interim financial statements, and accordingly should be read in conjunction with the Company's annual audited financial statements for the year ended April 30, 2005. All material adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods have been reflected. The results of the nine months ended January 31, 2006 are stated utilizing the same accounting policies as those of the most recent annual financial statements, but are not necessarily indicative of the results to be expected for a full year of operations.

## **3. RELATED PARTY TRANSACTIONS**

All transactions with related parties have occurred in the normal course of operations and are measured at their fair value as determined by management. The year end balances referred to below are non-interest bearing, unsecured, receivable or payable on demand and have arisen from the provision of services, expense reimbursements or advances.

- During the nine month period ended January 31, 2006, the Company's exploration manager was paid \$27,000 for management services and was owed \$13,309 at period-end for the unpaid portion of this and previous amounts of management fees, plus the reimbursement of certain costs incurred on behalf of the Company.
- During the nine month period ended January 31, 2006, a private company controlled by the President of the Company was paid \$45,000 for management services and was owed \$5,350 at period-end for this and similar previous amounts, plus the reimbursement of certain costs incurred on behalf of the Company.

#### 4. SHARE CAPITAL

a) Authorized share capital consists of 99,625,000 common shares without par value.

	Number of Shares	\$
Issued at April 30, 2005	34,722,899	10,604,777
Deferred technology costs	333,333	50,000
Private placement	*4,723,333	505,000
Mineral property acquisition	120,000	12,000
Finders Fee	35,000	-
	<u>39,934,565</u>	<u>11,171,777</u>

\* 983,333 common shares for \$127,500 were flow-through

b) Summary of stock option continuity:

Expiry Date	Exercise Price	April 30, 2005	Granted	January 31, 2006
	\$			
6/10/07	0.20	270,000	-	270,000
7/28/07	0.20	300,000	-	300,000
12/17/07	0.15	997,000	-	997,000
2/26/08	0.15	365,000	-	365,000
8/12/08	0.15	650,000	-	650,000
3/6/06	0.15	100,000	-	100,000
3/28/06	0.15	100,000	-	100,000
6/29/09	0.15	500,000	-	500,000
1/31/10	0.15	200,000	-	200,000
3/29/10	0.15	553,000	-	553,000
7/4/10	0.15	-	100,000	100,000
1/17/11	0.15	-	1,365,000	1,365,000
		<u>4,035,000</u>	<u>1,465,000</u>	<u>5,500,000</u>

Weighted average exercise price	<u>0.16</u>	<u>0.01</u>	<u>0.12</u>
Weighted average remaining life	<u>3.12</u>	<u>-</u>	<u>3.10</u>

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#### 4. SHARE CAPITAL (continued)

During the period ended January 31, 2006, the Company recorded the fair value of the stock options granted as stock-based compensation expense of \$175,324. All fair values have been estimated using the Black Scholes Options Pricing Model with the following assumptions: a risk-free interest rate of 3.5% - 3.8%; an expected stock price volatility of 95% - 128%; an expected option life of 5 years; and no expectation for the payment of dividends.

Option pricing models require the input of highly subjective assumptions, including the expected volatility of the stock price. Changes in these subjective input assumptions can materially affect the fair value estimate, and therefore in management's opinion the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

Refer to 4 (d).

##### c) Summary of warrants outstanding:

<u>Number Outstanding</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
	\$	
500,000	0.25	4/21/06
666,666	0.2	8/12/06
<sup>(a)</sup> 1,178,572	0.20	12/16/06
1,333,333	0.15	12/16/06
525,000	0.18	4/4/07
<sup>(b)</sup> 2,323,333	0.2	8/29/07
<u>2,000,000</u>	<u>0.12</u>	<u>12/29/07</u>
<u>10,073,896</u>		
(a) flow-through warrants		
(b) 583,333 flow-through warrants		

##### d) Contributed surplus:

<b>Balance at April 30, 2005</b>	<b>\$ 323,370</b>
Non-cash stock-based compensation (note 4(b))	175,324
Contributed surplus transferred to share capital on options exercised	-
<b>Balance at January 31, 2006</b>	<b>\$ 498,694</b>

#### 5. DEFERRED TECHNOLOGY COSTS

The agreement between the Company and Enpar Technologies Inc. ("Enpar") whereby the Company may acquire up to a 70% interest in Enpar's patented electrochemical metal leaching technology referred to as the "ExtrEl Technology" has been terminated. The Company is seeking repayment of payment made to Enpar under the agreement which include 333,333 common shares of the Company and \$25,000 plus GST advanced to date. The Company believes the termination was without cause or merit.