

## **CANADIAN GOLDEN DRAGON RESOURCES LTD.**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

The following discussion and analysis is for the three month period ended January 31, 2006, compared with the three month period ended January 31, 2005. This information is current to March 20, 2006 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 \$211,606 (\$47,942 excluding stock based compensation) in 2006 (\$0.01 per share) compared with a loss of \$51,288 in 2005 (\$0.00 per share). Savings in consulting fees and filing fees for the period were offset by increases in shareholder communication.

The following is a summary of the exploration projects for which the Company has had significant expenditures or income 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.

#### **SEAGULL DISRAELI PROPERTY**

Canadian Golden Dragon Resources Ltd. (CGG) and partner East West Resource Corporation (EWR) announced on September 28<sup>th</sup>, 2005, their joint venture of the Seagull-Disraeli PGE/Ni/Cu Property with Platinum Group Metals Ltd. (PTM). PTM can earn an initial 50% property interest by completing \$7.5 million in exploration expenditures and cash payments of \$750,000 over 5 years. Cumulative exploration expenditures required are \$500,000 within 12 months from the date of the option agreement, \$1.5 million within 24 months, \$3.0 million within 36 months, \$5.0 million within 48 months, and a cumulative total of \$7.5 million within 60 months from the date of the option agreement. The initial \$250,000 in required work is a firm commitment. PTM can earn an additional 10% property interest by completing a bankable feasibility study for the property and may then earn a further 10% property interest by providing or arranging production financing. Required cash payments to the vendors are an initial \$75,000 ( \$37,500 to the Company, paid in the quarter), \$75,000 within year one, \$125,000 within year two, \$125,000 within year three, \$150,000 within year four, and \$200,000 within year five for an aggregate total of \$750,000. The property is subject to underlying NSR Royalties of 2.4% from which 1.4% may be bought-back for \$2.0 million.

PTM went into default in September of 2005 for nonpayment of its second option payment. Negotiations between PTM, CGG and EWR failed to result in an amendment to the joint venture agreement. On February 17, 2006 PTM was formally informed of its failure to perform and given the required 60 days to cure such default.

### **SHEBANDOWAN/VANGUARD PROPERTY**

The Vanguard expenditures consisted mainly of a final option payment (\$50,000) to the Vendors, a ground geophysical surveys on the eastern and western portion of the property ( approx. \$13,000) and \$25,000 in drilling.

### **ELEPHANT LAKE**

The Company carried out geophysics for \$14,110 and the \$25,000 drill cost represents an initial deposit on a two hole drill program to test IP targets on the Elephant Property, scheduled for the next quarter.

### **OTHER**

The Company's other properties include Grand Bay, West Porcupine, South Legris and Norton Lake, which are the subject of joint ventures at this time. A five hole program was completed on the West Porcupine Property during the quarter by our JV partner with no expenditure by the Company. Cascadia International Resources Inc. completed an Independent Mineral Resource Estimate for the Norton Property outlining 2,457,225 tonnes of a measured, indicated and inferred resource.

### **EXTREL TECHNOLOGY**

The Company had previously entered into an agreement with Enpar Technologies for the furtherance of a technology known as the ExtrEl Technology, but suspended further payments (\$25,000 remaining for the first program) pending receipt of proper financial and scientific reporting by Enpar Technologies Inc. ("Enpar"). Enpar subsequent to the period end, announced the termination of the agreement. The Company is seeking repayment of payment made to Enpar under the agreement, which includes 333,333 common shares of the Company and \$25,000 plus GST advanced to date.

### **SUMMARY OF QUARTERLY RESULTS**

	Quarters Ended			
	January 31, 2006	October 31, 2005	July 31, 2005	April 30, 2005
Loss	(\$211,606)	(\$52,706)	(\$40,017)	(\$161,504)
Loss Per Share	(\$0.01)	(\$0.00)	(\$0.00)	(\$0.01)
	January 31, 2005	October 31, 2004	July 31, 2004	April 30, 2004
Loss	(\$51,288)	(\$53,464)	(\$118,159)	(\$359,409)
Loss Per Share	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.01)

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. There are no significant differences between each of the quarters

## **CAPITAL RESOURCES AND LIQUIDITY**

The Company has a working deficiency of \$139,540 (\$115,472 in Q3 2005) at period end.

In December the Company issued 400,000 flow-through units at \$0.10 per unit to raise proceeds of \$40,000. Each unit consists of one flow-through common share.

The Company also issued at the same time 2,000,000 nonflow-through units at \$0.08 per unit for proceeds of \$160,000.00. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase one additional nonflow-through share for \$0.12 per share on or before December 29, 2007.

The Company had 5,500,000 options outstanding and 10,073,896 warrants outstanding at the end of the quarter that are currently "not in the money" but are potentially exercisable to generate additional funding (for an exact breakdown refer to note 4 of the Financial Statements).

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 2005. 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-based 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 January 31, 2006, there were 39,934,565 common shares outstanding.

The Company has a stock option plan: As at January 31, 2006, there were 5,500,000 stock options outstanding.

The Company has 10,073,896 warrants outstanding as at January 31, 2006.

## **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 have been discussed elsewhere in this report.

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**

The Company closed its private placement first announced February 16, 2005 for a total of 7,000,000 Units at a price of \$0.09 per Unit for gross proceeds of \$630,000. As previously announced, each Unit will consist of one (1) common share and one (1) share purchase warrant, each whole warrant entitling the holder thereof to purchase one (1) additional common share, exercisable for a period of two years from the date of issuance at a price of \$0.13 per share.

The Company initiated a two hole drill program on its Elephant Lake Property. The anticipated cost is \$40,000 for drilling.