

**CANADIAN GOLDEN DRAGON RESOURCES LTD.**

Interim Financial Statements

October 31, 2005

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

**CANADIAN GOLDEN DRAGON RESOURCES LTD.**

Balance Sheets

As at

	October 31, 2006	April 30, 2006
	(Unaudited)	
	\$	\$
<b>A S S E T S</b>		
<b>Current</b>		
Cash	360,391	536,309
Amounts receivable	8,413	14,819
Marketable securities	2,000	2,000
Prepaid expenses	2,864	-
	<u>373,668</u>	<u>553,128</u>
Mineral properties (Schedule)	<u>2,282,082</u>	<u>2,057,630</u>
	<u><u>2,655,750</u></u>	<u><u>2,610,758</u></u>
<b>L I A B I L I T I E S</b>		
<b>Current</b>		
Accounts payable	146,675	181,887
Due to related parties (note 3)	28,659	30,960
	<u>175,334</u>	<u>212,847</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))	11,934,917	11,770,867
Contributed surplus (notes 4(b) and (d))	498,694	498,694
Deficit	(9,953,195)	(9,871,650)
	<u>2,480,416</u>	<u>2,397,911</u>
	<u><u>2,655,750</u></u>	<u><u>2,610,758</u></u>

See accompanying notes to the financial statements

**CANADIAN GOLDEN DRAGON RESOURCES LTD.**

Statements of Operations and Deficit

*(Unaudited)*

	For the three months ended		For the six months ended	
	October 31,		October 31,	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>Expenses</b>				
Amortization	-	-	-	699
Bank charges and interest	1,459	109	1,575	284
Consulting	3,310	5,456	7,870	8,456
Interest	(2,766)	(296)	(5,898)	(457)
Legal and accounting	10,438	5,112	13,438	6,112
Management fees	15,000	15,000	30,000	30,000
Office and administration	8,916	7,252	16,699	10,704
Shareholder communications	4,601	8,908	4,601	8,908
Stock based compensation	-	-	-	11,660
Travel and promotion	125	500	3,860	1,000
Trust and filing	7,491	10,665	9,400	15,357
	<u>7,491</u>	<u>10,665</u>	<u>9,400</u>	<u>15,357</u>
Net loss for the period	(48,574)	(52,706)	(81,545)	(92,723)
Deficit - beginning of period	(9,904,621)	(9,499,539)	(9,871,650)	(9,459,522)
Deficit - end of period	<u>(9,953,195)</u>	<u>(9,552,245)</u>	<u>(9,953,195)</u>	<u>(9,552,245)</u>
Loss per share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted-average number of shares outstanding	<u>48,024,166</u>	<u>36,708,840</u>	<u>47,827,005</u>	<u>35,835,435</u>

See accompanying notes to the financial statements

**CANADIAN GOLDEN DRAGON RESOURCES LTD.**

Statements of Cash Flows

*(Unaudited)*

	For the three months ended October 31,		For the six months ended October 31,	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>Cash Provided by (Used for):</b>				
<b>Operating Activities</b>				
Net loss for the period	(48,574)	(52,706)	(81,545)	(92,723)
Adjustments for non-cash items:				
Amortization	-	-	-	699
Stock based compensation	-	-	-	11,660
	<u>(48,574)</u>	<u>(52,706)</u>	<u>(81,545)</u>	<u>(80,364)</u>
Net changes in non-cash working capital items:				
Accounts receivable	17,238	19,336	6,406	12,682
Accounts payable	(1,703)	(39,580)	(35,212)	4,139
Due to related parties	8,441	(105,200)	(2,301)	(80,150)
Prepaid expenses	<u>(2,864)</u>	<u>-</u>	<u>(2,864)</u>	<u>-</u>
	<u>(27,462)</u>	<u>(178,150)</u>	<u>(115,516)</u>	<u>(143,693)</u>
<b>Investing Activities</b>				
Deferred technology costs	-	-	-	(25,000)
Mineral property expenditures:				
Acquisition	(47,170)	(25,000)	(47,170)	(25,000)
Exploration	(55,804)	(15,908)	(208,282)	(110,221)
Option payments received	<u>50,000</u>	<u>-</u>	<u>60,000</u>	<u>-</u>
	<u>(52,974)</u>	<u>(40,908)</u>	<u>(195,452)</u>	<u>(160,221)</u>
<b>Financing Activity</b>				
Common shares issued for cash	-	305,000	136,175	305,000
Share issue costs	<u>-</u>	<u>-</u>	<u>(1,125)</u>	<u>-</u>
	<u>-</u>	<u>305,000</u>	<u>135,050</u>	<u>305,000</u>
Net cash provided (used) during the period	(80,436)	85,942	(175,918)	1,086
Cash - beginning of the period	<u>440,827</u>	<u>37,850</u>	<u>536,309</u>	<u>122,706</u>
Cash - end of the period	<u><u>360,391</u></u>	<u><u>123,792</u></u>	<u><u>360,391</u></u>	<u><u>123,792</u></u>

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

- During the six month period ended October 31, 2006, the Company issued 220,000 common shares valued at \$29,000 for mineral property acquisition agreements.
- During the six month period ended October 31, 2005, the Company issued 333,333 common shares valued at \$50,000 pursuant to the term of the Enpar Technologies Inc. agreement and issued 70,000 common shares valued at \$7,500 for mineral property acquisition agreements.

See accompanying notes to the financial statements

**CANADIAN GOLDEN DRAGON RESOURCES LTD.**

Schedule of Mineral Property Costs  
For the six months ended October 31, 2006  
(Unaudited)

	April 30, 2006	Net Expenditures (recoveries)	October 31, 2006
	\$	\$	\$
<b>ONTARIO</b>			
<b>Seagull/Disraeli Property</b>			
Acquisition	43,906	-	43,906
Assay	33,067	9,263	42,330
Camp accommodations and Travel	20,465	1,442	21,907
Drilling	307,452	104,133	411,585
Geological and Geophysical	165,160	24,143	189,303
Field office expense	15,757	100	15,857
	<u>585,807</u>	<u>139,081</u>	<u>724,888</u>
<b>Vanguard</b>			
Acquisition	197,363	1,120	198,483
Assays	11,603	-	11,603
Camp accommodations and Travel	32,703	-	32,703
Drilling	185,046	(1,293)	183,753
Geological and Geophysical	315,471	50,848	366,319
Field office expense	25,499	1,800	27,299
	<u>767,685</u>	<u>52,475</u>	<u>820,160</u>
<b>Tilly</b>			
Acquisition	16,374	-	16,374
Assay	693	143	836
Camp accommodations and travel	1,624	-	1,624
Drilling	21,582	-	21,582
Geological and geophysical	39,326	-	39,326
	<u>79,599</u>	<u>143</u>	<u>79,742</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>			
Aquisition	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

For the six months ended October 31, 2006

*(Unaudited)*

	April 30, 2006	Net Expenditures (recoveries)	October 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	(55,000)	(50,406)
Camp accommodations and Travel	44	-	44
Geological and Geophysical	111	-	111
	<u>4,749</u>	<u>(55,000)</u>	<u>(50,251)</u>
<b>Dorothy</b>			
Acquisition	80,556	13,450	94,006
Geological and geophysical	16,108	14,530	30,638
	<u>96,664</u>	<u>27,980</u>	<u>124,644</u>
<b>Elephant Lake</b>			
Acquisition	5,550	10,100	15,650
Assay	530	1,610	2,140
Drilling	40,884	-	40,884
Geological and geophysical	15,870	1,563	17,433
	<u>62,834</u>	<u>13,273</u>	<u>76,107</u>
<b>Grand Bay</b>			
Acquisition	-	-	-
Office and administration	326	-	326
	<u>326</u>	<u>-</u>	<u>326</u>
<b>Amp Lake</b>			
Acquisition	<u>10,000</u>	<u>-</u>	<u>10,000</u>
<b>Dobe Lake</b>			
Acquisition	<u>19,500</u>	<u>6,500</u>	<u>26,000</u>
<b>Copper Island</b>			
Acquisition	<u>11,050</u>	<u>15,000</u>	<u>26,050</u>
<b>Kasagiminnis</b>			
Acquisition	<u>30,000</u>	<u>25,000</u>	<u>55,000</u>
<b>Total Mineral Property Costs</b>	<u><u>2,057,630</u></u>	<u><u>224,452</u></u>	<u><u>2,282,082</u></u>

See accompanying notes to the financial statements

# **CANADIAN GOLDEN DRAGON RESOURCES LTD.**

Notes to the Interim Financial Statements

October 31, 2006

## **1. NATURE OF OPERATIONS**

The Company's major activity is the exploration of mineral properties. The recoverability of amounts shown as mineral property costs is dependent upon the discovery of economically recoverable reserves. The Company does not generate sufficient cash flows from operations to adequately fund its exploration activities and has therefore relied principally upon the issuance of securities for financing. The Company intends to continue relying upon the issuance of 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 such 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 the amounts currently estimated.

## **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, 2006. 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 six months ended October 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 above are non-interest bearing, unsecured, receivable or payable on demand and have arisen from the provision of services, expense reimbursements or advances.

- During the six month period ended October 31, 2006, the Company's exploration manager was paid \$18,000 for management services and was owed \$28,309 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 six month period ended October 31, 2006, a private company controlled by the President of the Company was paid \$30,000 for management services and was owed \$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 unlimited common shares without par value.

	<u>Number of Shares</u>	<u>Amount</u>
		\$
Issued at April 30, 2006	47,054,565	11,770,867
Shares issued for mineral properties	220,000	29,000
Warrants exercised	74,500	11,175
Private placement - flow through	<u>714,286</u>	<sup>(1)</sup> 123,875
Issued at October 31, 2006	<u>48,063,351</u>	<u>11,934,917</u>

<sup>(1)</sup> Net of share issue costs of \$1,125

b) Summary of stock option continuity:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>
		\$
<u>Fixed options</u>		
Balance outstanding, April 30, 2006 and October 31, 2006	<u>5,300,000</u>	0.16

\*At October 31, 2006, the weighted-average remaining contractual life of the stock options outstanding is 2.48 years.

c) Summary of warrants and stock options outstanding:

<u>Type of Issue</u>	<u>Number Outstanding</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
		\$	
Options	270,000	0.20	10/6/07
	300,000	0.20	07/28/07
	997,000	0.15	12/17/07
	365,000	0.15	02/26/08
	650,000	0.15	12/8/08
	500,000	0.15	06/29/09
	200,000	0.15	01/31/10
	553,000	0.15	03/29/10
	100,000	0.15	04/7/10
	<u>1,365,000</u>	0.15	01/17/11
	<u>5,300,000</u>	0.16	

4. **SHARE CAPITAL** (continued)

Warrants	(a) 1,178,572	0.20	12/16/06
	1,258,833	0.15	12/16/06
	525,000	0.18	04/04/07
	(b) 2,323,333	0.20	08/29/07
	2,000,000	0.12	12/29/07
	7,000,000	0.12	02/27/08
	714,286	0.20/0.25	06/12/07/08
	<u>15,000,024</u>		

(a) flow-through warrants

(b) 583,333 are flow-through warrants

d) Contributed surplus:

Balance at April 30, 2006	\$ 498,694
Non-cash stock-based compensation	-
Contributed surplus transferred to share capital on options exercised	-
Balance at October 31, 2006	<u>\$ 498,694</u>

5. **SUBSEQUENT EVENTS**

In addition to items disclosed elsewhere in the financial statements, the following occurred during the period subsequent to October 31, 2006:

- The Company issued a total of 50,000 common shares pursuant to the terms of the Dobie mineral property acquisition agreements.
- The Company granted 550,000 stock options at \$0.15 per share expiring on December 11, 2008.
- The Company announced a private placement December 8, 2006 through which it intends to raise gross proceeds of up to \$1,200,000, subject to acceptance by the TSX Venture Exchange. These funds will be raised by the Company issuing up to 4,000,000 *Flow-Through* Shares at a price of \$0.15 per share for gross proceeds of up to \$600,000 and 5,454,545 *Non Flow Through* Units (the "NFT Unit") at a price of \$0.11 per NFT Unit for gross proceeds of up to \$600,000, each NFT Unit consisting of one non flow-through common share and one-half non-transferable share purchase warrant, each whole warrant entitling the holder thereof to purchase one additional non flow-through common share, exercisable for a period of two years from the date of issuance at a price of \$0.15 per share
- On December 11, 2006 the Company announced that it had engaged the services of Ubequity Capital Partners Inc. to help create and implement select strategic fiscal and business advisory activities. For their services they will be paid a monthly fee of \$12,500 plus gst and will initially be vested with 960,000 options over a period of 18 months to purchase common shares of CGG for an exercise price of \$0.15 for each common share purchased. The options issued to Ubequity will be subject to the standard hold period of four months. With subsequent financings and share issuances Ubequity's options will increase to 2,000,000, with new options priced in accordance with the new share issuances. The services cover a period of 30 months ending June 11, 2008, unless terminated by either party prior thereto in accordance with the terms of the agreement.