

**2003 Annual Report**

*Poised  
for  
Performance*

Golden Goose  
Resources Inc.

# Wawa Subprovince

## Region of the Magino Gold Property



- A Golden Giant Mill
- B Williams Mill
- Town
- Railway
- Railway Station

# President's Message to Shareholders

## Focus 2004 - Poised for Performance

*With conditions for advancing the Magino gold project continuing to improve, Golden Goose is poised for performance.*

The 20% rise in the price of gold over the past year, from the \$330U.S. level to the \$400U.S. level, has greatly improved the climate in the gold mining industry and further spurred the trend of area consolidations.

The above, together with the sharp increase in activity in the immediate proximity of the Magino property in the last few months and with the maturing of the mines currently operating in the area, greatly enhances the prospects for synergies with various of the Company's neighbours.

In that context, the Company has taken two major steps to strategically position itself to participate in the developments in the area:

- 1) completed a brokered private placement for gross proceeds of \$675,000, as announced in the press release of December 30, 2003, and
- 2) released an updated resource estimate for the Company's Magino gold property, prepared for Golden Goose by Snowden Mining Industry Consultants, as announced in the press release of April 6, 2004.

We are encouraged that all of the above will have the combined effect of advancing the Magino project and we will continue to pursue that objective in a focused and determined manner.

Once again we thank you sincerely for your much appreciated patience and support.

On behalf of the Board



**Irwin Miller**  
President

# Management's Discussion and Analysis

## Selected Financial Information

The tables herein below provide selected financial information on a yearly basis for the years 1999 to 2003 and on a quarterly basis for the years 2002 and 2003. These tables are only a summary of certain financial information. Reference should be made to the audited financial statements which are included in the Annual Report.

### Information on a yearly basis

	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
Total revenues	\$ 5,428	\$ 4,429	\$ 6,996	\$ 13,832	\$ 8,089
Net earnings (loss)	\$ (26,735)	\$ 165,836	\$ 311,298	\$ (88,234)	\$ (2,812,714)
Total assets	\$ 8,021,938	\$ 16,869,815	\$ 29,281,620	\$ 41,389,064	\$ 7,073,145
Total long-term debt	\$ Nil	\$ 9,397,230	\$ 21,952,344	\$ 34,290,192	\$ -
Cash dividends	Nil	Nil	Nil	Nil	Nil
Net earnings (loss) per share	\$ (0.00)	\$ 0.01	\$ 0.01	\$ (0.00)	\$ (0.13)
Net earnings (loss) per share - diluted	\$ (0.00)	\$ 0.01	\$ 0.01	\$ (0.00)	\$ (0.13)

### Information on a quarterly basis

#### Quarters of the 2003 Fiscal Year

<i>Three months ended</i>	<i>March 31</i>	<i>June 30</i>	<i>September 30</i>	<i>December 31</i>
Total revenues	\$ 1,234	\$ 1,097	\$ 1,225	\$ 1,872
Net earnings (loss)	\$ (2,936)	\$ 6,974	\$ 71,586	\$ (102,359)
Net earnings (loss) per share	\$ (0.00)	\$ 0.00	\$ 0.00	\$ (0.00)
Net earnings (loss) per share - diluted	\$ (0.00)	\$ 0.00	\$ 0.00	\$ (0.00)

### Quarters of the 2002 Fiscal Year

Three months ended	March 31	June 30	September 30	December 31
Total revenues	\$ 1,219	\$ 420	\$ 1,285	\$ 1,505
Net earnings	\$ 51,184	\$ 21,799	\$ 37,960	\$ 54,893
Net earnings per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Net earnings per share diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

### Results of Operations

For the year ended December 31, 2003 the Company had a net loss of \$26,735 or \$0.00 per share compared to net earnings of \$165,836 or \$0.01 per share for the year ended December 31, 2002.

This was due substantially to the decrease in net income from partnership to \$350,369 in fiscal 2003 from \$609,721 in fiscal 2002 as well as to the decrease in gain on disposal of assets to \$10,500 in 2003 from \$35,500 in 2002.

Expenses were stable at \$393,032 in fiscal 2003 compared to \$380,814 in fiscal 2002.

The Company had no capitalized exploration expenditures in 2003, as opposed to \$195,746 in 2002 which are detailed below:

Drilling with mob/demob.	\$ 127,865
Assaying	12,364
Management and reporting	20,659
Geologist and assistant	19,410
Travel, food and accommodation	5,515
Supplies	9,933
Total exploration 2002	\$ 195,746

### Related party transactions

Charges for services by officers/directors or corporations controlled by them amounted to \$53,813 in 2003 compared with \$64,387 in 2002.

## Financial Condition, Liquidity and Capital Resources

The Company's working capital increased to \$837,878 at December 31, 2003 from \$224,005 at December 31, 2002 primarily due to the \$675,000 private placement announced in the press release of December 30, 2003.

In 2003, the Company received distributions from the partnership in an aggregate amount of \$16,357,670, \$618,278 of which was used in payment of the interest on the loan and \$15,250,287 of which was used to repay the principal, the Company's interest in the partnership being thereby terminated.

## Risk Factors

An investment in the Common Shares of Golden Goose should be considered highly speculative for a variety of reasons. The following is a general description of certain significant risk factors which should be considered:

### ***Golden Goose faces significant risks, inherent in the nature of mineral exploration, in the exploration and development of its mining properties***

Mineral exploration and development involve several risks which experience, knowledge and careful evaluation may not be sufficient to overcome. Large capital expenditures are required in advance of anticipated revenues from operations. Many exploration programs do not result in the discovery of mineralization; moreover, mineralization discovered may not be of sufficient quantity or quality to be profitably mined. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in the conduct of exploration programs and the operation of mines. The commercial viability of exploiting any precious metal deposit is dependent on a number of factors including infrastructure and governmental regulations, in particular those respecting the environment, price, taxes, and royalties. No assurance can be given that minerals will be discovered of sufficient quantity, quality, size and grade on any of the Corporation's properties to justify commercial operation.

### ***Uncertainty of ore reserve and resource estimates could lead Golden Goose to allocate its capital to deposits which may ultimately prove uneconomic***

The mining business relies upon the accuracy of determinations as to whether a given deposit has significant mineable reserves. This reliance is important in that reported mineral reserves and resources are only estimates and do not represent with certainty that estimated mineral reserves and resources will be recovered or that they will be recovered at the rates estimated. Mineral reserve and resource estimates are based on limited sampling, and inherently carry the uncertainty that samples may not be representative. Mineral reserve and resource estimates may require revision (either upward or downward) based on actual production experience. Market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, may render certain mineral reserves and resources uneconomic. Inaccurate estimates may result in a misallocation of resources such that an excess amount could be allocated to a less than economic deposit or, conversely, failure to develop a significant deposit.

### ***Golden Goose requires additional funding to develop its properties***

Development of the Magino property will require significant financial resources. As a result, Golden Goose will need to raise significant project financing, debt and additional equity. Failure to obtain such additional funding at critical times could lead to delay or indefinite postponement in the exploration and development of the project. There is no assurance that such funding will be available or that it will be obtained on favourable terms.

### ***Golden Goose's business depends upon a limited number of properties, the loss of any of which will negatively impact its activities***

Golden Goose's activities at the Magino property near Wawa, Ontario account for essentially all of its current activities. Any adverse development affecting its Magino property could significantly impact the Company.

### ***Lack of Operating Profits***

Golden Goose has incurred an operating loss in fiscal 2003 arising out of the costs related to continued exploration and development of its mineral resource properties. It is anticipated that it will continue to experience operating losses for the foreseeable future. There can be no assurance that Golden Goose will ever achieve significant revenues or profitable operations.

### ***Dependence on Key Personnel***

The development of Golden Goose's business is and will continue to be dependent on its ability to attract and retain highly qualified management and mining personnel.

### ***Golden Goose's activities require environmental and other permits and are subject to extensive regulations***

Government regulations significantly affect Golden Goose's activities. Golden Goose's exploration and development activities are subject to extensive laws and regulations governing protection of the environment, health and worker safety, waste disposal and other matters. Golden Goose generally requires permits from authorities that relate to virtually every aspect of Golden Goose's activities. It is possible that future changes in applicable laws, regulations or changes in their enforcement or regulatory interpretation could result in changes in legal requirements or in the terms of permits applicable to Golden Goose, which could significantly impact the Company's current operations or projects. Obtaining necessary permits to place a deposit into commercial production can be a complex, time-consuming and expensive process. Golden Goose cannot assure whether necessary permits will be obtainable on acceptable terms and in a timely manner. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could stop, materially delay or restrict Golden Goose from proceeding with the development of a project or the placing into commercial production of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in interruption or closure of activities or material fines, penalties or other liabilities.

### ***Precious metal price volatility may negatively impact Golden Goose***

The price of precious metals can fluctuate widely and is affected by numerous factors including demand, inflation, strength of the U.S. dollar and other currencies, interest rates, gold sales by central banks, forward sales by producers, global or regional political or financial events, and production and cost levels in major producing regions. In addition, the gold price is sometimes subject to rapid short-term changes because of speculative activities.

Even if Golden Goose has, or discovers, commercial amounts of precious metals on the Magino property, it may not be able to place the property into commercial production if precious metal prices are not at sufficient levels.

### **Currency Risk**

All of Golden Goose's activities are expected to be carried on inside Canada. Such activities are subject to risks associated with fluctuations in the rate of exchange of the Canadian dollar and foreign currencies.

## **Changes in Accounting Policies**

### **Stock-based compensation**

Effective January 1, 2003, the Company changed its method of accounting for stock options from the intrinsic value method to one that recognizes as an expense the cost of stock-based compensation based on the estimated fair value of new stock options granted to directors and employees. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model. There were no stock options granted to directors and employees in 2003.

### **Asset retirement obligations**

The Company will adopt in 2004 the CICA Handbook Section 3110 relating to asset retirement obligations. This new Section establishes standards for the recognition, measurement and disclosure of asset retirement obligations and the related asset retirement costs. It replaces requirements in property, plant and equipment Section 3061, concerning future removal and site restoration costs. This requirement is pertinent to closure costs at the Magino Mine. The Company estimates the impact will be \$90,000 recorded as asset retirement cost and obligation in the first quarter of 2004.

## **Outlook**

The Company is encouraged by the 20% rise in the price of gold over the past year and by the increased activity and surplus milling capacity in the economic region of the Magino property.

It is also pleased with the private placement that resulted in net proceeds of \$517,725 completed at the end of 2003, announced in the press release of December 30, 2003, and with the April 2, 2004 Snowden Mining Consultant's Resource Estimate Report for the Company's Magino gold property announced in the press release of April 6, 2004.

In view of the above, the Company is confident that conditions are conducive to the advancement of the Magino gold project and is pursuing that objective with increased vigour and determination.

This report is dated as at April 20, 2004 and the Company's public filings, including its most recent Annual Information Form dated April 20, 2004, can be reviewed via the SEDAR website ([www.sedar.com](http://www.sedar.com)). The Company's authorized and issued shares outstanding as at the report date was:

	<i>Authorized</i>	<i>Outstanding</i>
Common shares	Unlimited	22,431,509

# Management's Responsibility for Financial Statements

The accompanying financial statements and all of the data included in this annual report have been prepared by and are the responsibility of the management of the Company. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimate and judgement based on currently available information.

Management is also responsible for a system of internal control which is designed to provide reasonable assurance that assets are safeguarded, liabilities are recognized and that the accounting systems provide timely and accurate financial reports.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities in respect of financial reporting and internal control. The Audit Committee of the Board of Directors meets periodically with management and the Company's independent auditors to discuss auditing matters and financial reporting issues. In addition, the Audit Committee reviews the annual financial statements before they are presented to the Board of Directors for approval.



**Irwin Miller**  
President and  
Chief Executive Officer



**John R. Macklem**  
Vice President Finance  
and Assistant Secretary

April 20, 2004

## Auditor's Report

To the Shareholders of **Golden Goose Resources Inc.**

We have audited the balance sheets of Golden Goose Resources Inc. as at December 31, 2003 and 2002 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



**Grant Thornton LLP**  
Chartered Accountants  
Toronto, Canada  
April 20, 2004

**Balance Sheets**

December 31

	2003	2002
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 860,157	\$ 304,300
Receivables	52,658	68,969
Prepays	14,100	11,740
	<b>926,915</b>	<b>385,009</b>
Mining interests (Note 4)	7,091,994	7,091,994
Partnership interest (Note 5)	-	9,389,023
Office equipment	3,029	3,789
	<b>\$ 8,021,938</b>	<b>\$ 16,869,815</b>
<b>Liabilities</b>		
<b>Current</b>		
Payables and accruals	\$ 89,037	\$ 64,674
Current portion of working capital loan and accrued interest	-	96,330
	<b>89,037</b>	<b>161,004</b>
Partnership loan and accrued interest (Note 6)	-	9,250,287
Working capital loan and accrued interest (Note 6)	-	50,613
	-	9,300,900
<b>Shareholders' Equity</b>		
Capital stock (Note 7)	13,932,225	13,414,500
Contributed surplus (Note 8)	34,000	-
Deficit	(6,033,324)	(6,006,589)
	<b>7,932,901</b>	<b>7,407,911</b>
	<b>\$ 8,021,938</b>	<b>\$ 16,869,815</b>

Nature of operations (Note 1)

Contingency (Note 16)

On behalf of the Board



**Irwin Miller**  
Director



**John R. Macklem**  
Director

See accompanying notes to the financial statements.

# Statements of Operations and Deficit

Years Ended December 31

	2003	2002
<b>Revenue</b>		
Interest on term deposits	\$ 5,428	\$ 4,429
<b>Expenses</b>		
General and administrative (Note 11)	292,144	300,127
Mine care and maintenance	44,781	50,064
General exploration	48,629	13,651
Interest on working capital loan	6,718	16,024
Depreciation of office equipment	760	948
	<b>393,032</b>	<b>380,814</b>
<b>Loss before the following</b>	<b>(387,604)</b>	<b>(376,385)</b>
Net income from equity accounted partnership (Note 10)	350,369	609,721
Gain on disposal of assets	10,500	35,500
<b>(Loss) earnings before income taxes</b>	<b>(26,735)</b>	<b>268,836</b>
<b>Income taxes</b> (Note 12)		
Future income tax expense	-	103,000
<b>Net (loss) earnings</b>	<b>\$ (26,735)</b>	<b>\$ 165,836</b>
<b>(Loss) earnings per common share</b> (Note 13)		
Basic	\$ (0.00)	\$ 0.01
Diluted	\$ (0.00)	\$ 0.01
<b>Deficit at beginning of year</b>	<b>\$ (6,006,589)</b>	<b>\$ (6,172,425)</b>
<b>Net (loss) earnings</b>	<b>(26,735)</b>	<b>165,836</b>
<b>Deficit at end of year</b>	<b>\$ (6,033,324)</b>	<b>\$ (6,006,589)</b>

See accompanying notes to the financial statements.

# Statements of Cash Flows

Years Ended December 31

	2003	2002
<b>Increase (decrease) in cash and cash equivalents</b>		
<b>Operating activities</b>		
Net (loss) earnings	\$ (26,735)	\$ 165,836
Net income from equity accounted partnership	(350,369)	(609,721)
	<b>(377,104)</b>	<b>(443,885)</b>
Operating items not involving cash		
Depreciation of office equipment	760	948
Gain on disposal of assets	(10,500)	(35,500)
Future income tax expense	-	103,000
	<b>(386,844)</b>	<b>(375,437)</b>
Decrease (increase) in receivables	16,311	(23,126)
Increase in prepaids	(2,360)	(934)
Increase (decrease) in payables and accruals	24,363	(19,983)
Decrease in income taxes payable	-	(2,544)
Decrease in accrued interest on working capital loan	(3,284)	(2,400)
	<b>(351,814)</b>	<b>(424,424)</b>
<b>Financing activities</b>		
Capital stock issue net of share issue costs	551,725	-
Working capital loan repayments	(143,659)	(86,636)
Partnership loan	6,000,000	-
	<b>6,408,066</b>	<b>(86,636)</b>
<b>Investing activities</b>		
Partnership interest and partnership loan		
Partnership interest	(6,000,000)	-
Distributions from partnership	16,357,670	14,605,601
Partnership loan repayments	(15,250,287)	(12,466,078)
Interest on partnership loan	(618,278)	(1,555,318)
	<b>(5,510,895)</b>	<b>584,205</b>
Mining interests	-	(195,746)
Proceeds on disposal of assets	10,500	35,500
	<b>(5,500,395)</b>	<b>423,959</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>555,857</b>	<b>(87,101)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>304,300</b>	<b>391,401</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 860,157</b>	<b>\$ 304,300</b>
<b>Cash and cash equivalents consist of:</b>		
Cash	\$ 17,043	\$ 29,300
Term deposit	843,114	275,000
	<b>\$ 860,157</b>	<b>\$ 304,300</b>
<b>Interest paid</b>	<b>\$ 628,280</b>	<b>\$ 1,573,743</b>
<b>Income taxes paid</b>	<b>\$ -</b>	<b>\$ 2,559</b>

See accompanying notes to the financial statements.

# Notes to the Financial Statements

December 31, 2003 and 2002

## Note 1 - The Company and nature of operations

Golden Goose Resources Inc. (the "Company") is a publicly traded company engaged in the acquisition, exploration and development of resource properties. The Company is continued under Part 1A of the Companies Act (Quebec) and its common shares are listed on the TSX Venture Exchange.

The Company's principal resource asset is the Magino Gold Mine (Note 4) which was put into commercial production in October 1988 and which has been kept on a care and maintenance basis since September 1992. During 2000, the Company resumed exploration activities on the properties surrounding the mine to confirm previous resource estimates as well as to ascertain grade distribution within the proposed pit area, but has not yet determined whether these properties contain ore reserves. The recoverability of the carrying value of the mine is dependent upon the presence or discovery of economically recoverable reserves, the preservation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing necessary to complete development of the properties, and the future profitable production therefrom or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material writedowns of the carrying value.

## Note 2 - Summary of significant accounting policies

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada.

### *Use of estimates*

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

### *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less.

### *Mining interests*

Mining properties are carried at cost less accumulated amortization, including write downs. Amortization of mine buildings and mills, equipment and preproduction and development costs commences when a property is put into commercial production, and is calculated on the unit of production method over the expected economic life of the mine.

All direct costs associated with exploration properties are capitalized as incurred. If the property proceeds to development, these costs become part of preproduction and development costs of the mine. If a property is abandoned or continued exploration is not deemed appropriate in the foreseeable future, the related costs and expenditures are written off.

The amounts capitalized represent costs to be charged to operations in the future and do not necessarily reflect the present or future values of the particular properties.

#### *Stock-based compensation plans*

The Company has a stock - based compensation plan, which is described in Note 9. Effective January 1, 2003, the Company prospectively adopted the fair value method of accounting for stock-based compensation in accordance with the recommendations issued by the Canadian Institute of Chartered Accountants ("CICA"). For options granted from January 1, 2002 to December 31, 2002, the Company elected to not recognize compensation expense when stock options are issued to directors and employees. Any consideration paid by directors and employees on exercise of stock options or purchase of stock is credited to share capital.

#### *Income taxes*

Income taxes are calculated using the asset and liability method of tax accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward and are measured using the substantially enacted tax rates that will be in effect when the differences are expected to reverse or losses are expected to be utilized. A valuation allowance is recognized to the extent that the recoverability of future income tax assets is not considered more likely than not.

#### *Earnings per common share*

Basic earnings per share is computed by dividing the earnings for the period by the weighted average number of common shares outstanding during the period, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted earnings per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options.

#### *Partnership interest*

The Company had a 47% interest in a private manufacturing partnership (the "Partnership") over which it exercised significant influence, but did not control. Accordingly, the Company's interest was accounted for by the equity method under which the Company's share of post acquisition income of the Partnership was recognized in the Company's statement of operations with an offsetting increase in the carrying value of the interest while distributions from the Partnership were applied to reduce the carrying value. Since the Company's interest in the Partnership terminated as indicated in Note 5, the original cost of the interest, which was amortized on a pro rata basis as income from the partnership was recognized, has been fully amortized.

### Note 3 - Changes in accounting policy

Effective January 1, 2003, the Company changed its method of accounting for stock options from the intrinsic value method to one that recognizes as an expense the cost of stock-based compensation based on the estimated fair value of new stock options granted to directors and employees. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model. There were no stock options granted to directors and employees in 2003.

### Note 4 - Mining interests

#### *Magino Gold Mine Property*

At both December 31, 2003 and 2002, the Company held a 100% interest in the Magino Gold Mine Property located in the Goudreau area, north of Wawa, Ontario. The mine was put into commercial production in October 1988 and was placed on a care and maintenance basis in September 1992. During 2000, the Company resumed exploration activities on the properties surrounding the mine to confirm previous resource estimates as well as to ascertain grade distribution within the proposed pit area.

In December 2003 the Company engaged Snowden Mining Consultants to complete a technical report updating the resource estimate of the Magino property. The report was issued on April 2, 2004.

The Company is committed to pay royalties to a third party equal to 10% of its share of net profits after payback of its original investment.

### Note 5 - Partnership interest

In December 2000, the Company became a partner of a private manufacturing partnership (the "Partnership") which manufactures customized heating, ventilation and air conditioning equipment. In connection therewith, the Company entered into various agreements including two loan agreements which are described in Note 6.

The Company's partnership interest resulted in equity income, net of interest on the partnership loan, of \$35,700,000 over the term of the investment and partnership loan. When distributions from the Partnership equaled the total capital and interest requirements on the partnership loan plus an amount of \$1,700,000, the Company's interest in the Partnership terminated on the basis that the Company had no further entitlement to income or assets of the Partnership and accordingly the original cost of the investment (\$34,000,000) was amortized as equity income was recorded. On September 30, 2003 the Company entered into an agreement increasing the original December 2000 \$34,000,000 investment by \$6,000,000. This increase was terminated on December 30, 2003.

<i>Carrying value</i>	<i>2003</i>	<i>2002</i>
Original cost	\$ 40,000,000	\$ 34,000,000
Equity income earned	43,130,560	32,654,506
Distributions received	(46,630,540)	(30,272,870)
	36,500,020	36,381,636
Amortization	(36,500,020)	26,992,613
	\$ -	\$ 9,389,023

## Note 6 - Loans payable and accrued interest

In December 2000 and in connection with becoming a partner in the Partnership described in Note 5, the Company entered into two loan agreements. One of the loans (the "Partnership Loan") provided the funding for the Company's required capital contribution of \$34,000,000 to the Partnership and the other, in the amount of \$250,000 (the "Working Capital Loan"), was used by the Company for working capital purposes.

The Partnership Loan was to mature on December 31, 2009 and bore interest at 9% per annum compounded monthly. As security for repayment of this loan and interest thereon, the Company provided the lender with a fixed first charge on the Company's entire right, title and interest in the Partnership. Until maturity of the loan, the Company was not required to make any capital or interest payments thereon except to the extent of 96% of any distributions made by the Partnership to the Company. Such capital and interest payments were made on the Company's behalf directly by the Partnership to the lender. This \$34,000,000 loan was repaid in full on September 30, 2003. A subsequent loan of \$6,000,000 having the same terms and conditions as the original loan was entered into on September 30, 2003 and was repaid in full on December 30, 2003.

The Working Capital Loan bore interest at 9% per annum and was secured by promissory notes and various charges and mortgage interests on the Company's Magino Gold Property. Interest on the loan was accrued until July 1, 2001 at which time accrued interest thereon of \$27,092 was added to the principal of the loan. Quarterly blended payments of principal and interest in the amount of \$26,265 commenced on July 1, 2001 and were to continue until April 1, 2004 at which time any remaining principal and interest was due. This loan was repaid in full, in advance, on October 1, 2003.

<i>Partnership loan and accrued interest</i>	<i>2003</i>	<i>2002</i>
Original loan	\$ 40,000,000	\$ 34,000,000
Principal repayments	(40,000,000)	(24,749,713)
	\$ -	\$ 9,250,287
<hr/>		
<i>Working capital loan and accrued interest</i>	<i>2003</i>	<i>2002</i>
Original loan	\$ 250,000	\$ 250,000
Accrued interest added to principal	27,092	27,092
	277,092	277,092
Principal repayments	(277,092)	(133,433)
	-	143,659
Accrued interest	-	3,284
	-	146,943
Less current portion	-	96,330
	\$ -	\$ 50,613

## Note 7 - Capital stock

### Authorized

The Company's authorized capital consists of an unlimited number of no par value common shares.

<i>Common shares issued</i>	<i>Shares</i>		<i>Amount</i>
Outstanding at December 31, 2000, 2001 and 2002	20,931,509	\$	13,414,500
Private placement, net of issue costs of \$157,275	1,500,000		517,725
Outstanding at December 31, 2003	22,431,509	\$	13,932,225

## Note 8 - Private placement and warrants

On December 29, 2003, the Company completed a brokered private placement of 1,500,000 common shares at \$0.45 per common share for gross proceeds of \$675,000. The agent received a commission of 8% of the gross proceeds, a corporate finance fee of \$25,000 and 225,000 agent's warrants exercisable into common shares of the Company at a price of \$0.54 per common share until December 28, 2004. At December 31, 2003 these warrants were outstanding.

The fair value of the agent's warrants was recorded as a cost of private placement and contributed surplus of \$34,000. The fair value of the agent's warrants has been estimated using the Black-Scholes option pricing model using the following variables: 100% volatility, 0% dividend yield, 1.75% interest rate, and 1 year life.

## Note 9 - Common share options

Under the Company's stock option plan (the "Plan"), the directors of the Company can grant options to acquire common shares of the Company to qualified directors, officers, employees and persons providing on-going services to the Company. Exercise prices cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed ten years. All options granted to officers and directors vest when granted.

The number of common shares under option at any time under the Plan or otherwise cannot exceed 3,000,000 nor more than 5% of the then outstanding common shares of the Company for any optionee.

The following tables reflect the continuity for the years ended December 31, 2002 and 2003 of options granted under the Plan.

### Year ended December 31, 2003

<i>Expiry Date</i>	<i>Exercise Price</i>	<i>Opening Balance</i>	<i>Number of Common Shares</i>			<i>Closing Balance</i>
			<i>Options Granted</i>	<i>Options Exercised</i>	<i>Options Expired</i>	
July 2003	\$0.20	985,000	-	-	985,000	-
September 2003	\$0.80	-	200,000	-	200,000	-
June 2004	\$0.20	490,000	-	-	-	490,000
November 2006	\$0.20	375,000	-	-	-	375,000
December 2007	\$0.20	500,000	-	-	-	500,000
		2,350,000	200,000	-	1,185,000	1,365,000

Year ended December 31, 2002

Expiry Date	Exercise Price	Opening Balance	Number of Common Shares			Closing Balance
			Options Granted	Options Exercised	Options Expired	
July 2003	\$0.20	1,345,000	-	-	360,000	985,000
June 2004	\$0.20	650,000	-	-	160,000	490,000
November 2006	\$0.20	375,000	-	-	-	375,000
December 2007	\$0.20	-	500,000	-	-	500,000
		2,370,000	500,000	-	520,000	2,350,000

Prior to January 1, 2003, the Company did not recognize compensation expense for stock options granted. Had stock-based compensation for the 500,000 options granted to employees under the Plan in 2002 been determined on the basis of fair value at the date of grant in accordance with the fair value method of accounting for stock-based compensation, the Company's net earnings and pro forma net earnings per share for the year ended December 31, 2002 would have been as follows:

		Earnings (Loss)		Earnings Per Share
As reported	\$	165,836	\$	0.01
Compensation expense related to fair value of stock options		(53,180)		-
Pro forma	\$	112,656	\$	0.01

For purposes of the above calculations, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants: dividend yield of 0%, expected volatility of 144%, risk-free interest rate of 3.5% and expected life of 3 years.

**Note 10 - Net income from equity accounted partnership**

	2003	2002
Equity income	\$ 10,476,054	\$ 14,359,454
Amortization	(9,507,407)	(12,194,415)
Interest on Partnership Loan	(618,278)	(1,555,318)
	\$ 350,369	\$ 609,721

#### Note 11 - General and administrative expenses

	2003		2002
Shareholder communications	\$ 55,383	\$	45,000
Transfer agent and listing fees	25,065		23,251
Directors' fees	10,000		5,500
Consulting fees	42,000		42,000
Filing fees	5,559		4,653
Office and rent	14,794		14,715
Travel	2,461		5,442
Security bond - mine closure	7,500		7,500
Insurance	25,839		22,566
Audit and accounting	25,451		45,908
Legal fees	31,555		31,713
Miscellaneous	46,537		51,879
	\$ 292,144	\$	300,127

#### Note 12 - Income taxes

The following table reconciles the expected income tax expense (recovery) at the statutory income tax rate to the amounts recognized in the statements of operations.

	2003		2002
(Loss) earnings before income taxes reflected in the statements of operations	\$ (26,735)	\$	268,836
Expected income tax (recovery) expense at statutory rate	\$ (10,000)	\$	103,000
Valuation allowance	10,000		-
Income tax expense	\$ -	\$	103,000

The following table reflects future income tax assets at December 31, 2003 and 2002.

	2003		2002
Future income tax assets			
Excess of unclaimed capital cost allowance and resource pools over carrying value of office equipment and mining interests	\$ 5,288,000	\$	3,187,000
Net income from equity accounted partnership	(1,670,000)		(2,277,000)
	3,618,000		910,000
Valuation allowance	3,618,000		910,000
	\$ -	\$	-

At December 31, 2003, the Company had unclaimed capital development cost of \$16,626,000 which is streamed against future income from the Magino Mine. In addition, the Company had unclaimed capital cost allowance of \$210,000, cumulative eligible capital of \$242,000, and unclaimed stock issue costs of \$98,000 which will be amortized over the next four years.

### Note 13 - Earnings (loss) per common share

Basic (loss) earnings per common share is based on a weighted average number of shares outstanding of 20,943,838 for 2003 and 20,931,509 for 2002.

Diluted earnings per common share reflects the dilutive effect of the potential exercise of common share options outstanding at year-end. The number of shares used in this calculation was 20,931,509 for fiscal 2002, and excluded the potential exercise of outstanding common share options because of their anti-dilutive effect. The common shares options were excluded from this calculation as their exercise price exceeded the average market price for the period. The stock options and warrants have not been considered for the per share calculation in 2003 as to do so would be anti-dilutive.

### Note 14 - Related party information

	<i>2003</i>	<i>2002</i>
Charges for services by officers/directors or corporations controlled by them	\$ 53,813	\$ 64,387

### Note 15 - Financial instruments

The Company's financial instruments consist of cash and cash equivalents, receivables and payables. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The Company estimates that the fair value of these financial instruments approximate the carrying values.



#### Note 16 - Contingency

In 1998, a surety bond was issued by an insurance company in favour of the Ontario Ministry of Northern Development and Mines (the “Ministry”) as a guarantee for mine closure costs as required under a mine closure plan for the return of the Magino Gold Mine to its natural state, if and when all economic activity at the mine site ceases. The surety bond is subject to annual renewal by the payment of an annual premium.

The Company is responsible for mine closure costs for the Magino Gold Mine and has indemnified the insurance company accordingly.

In 2003, the Company submitted amendments to the mine closure plan reducing the mine closure costs from \$500,000 to \$229,300, which amendments were accepted and approved by the Ministry.

# Corporate Information

## Annual General Meeting

Tuesday, June 22, 2004  
at 10:00 a.m. at Suite 3100  
1155 René-Lévesque  
Boulevard West  
Montréal, Québec

## Directors

JEAN DÉPATIE\*

GEORGE D. FAUGHT\*

JOHN R. MACKLEM\*

IRWIN MILLER

F. WILLIAM NIELSEN

\*member of Audit Committee

## Officers

IRWIN MILLER  
*President and  
Chief Executive Officer*

JOHN R. MACKLEM  
*Vice President Finance  
and Assistant Secretary*

DAVID I. JOHNSTON  
*Corporate Secretary*

## Auditors

GRANT THORNTON LLP  
Suite 1900, South Tower  
Royal Bank Plaza  
Toronto, Ontario  
M5J 2P9

## Registered Office

1155 René-Lévesque  
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Suite 3100  
Montréal, Québec  
H3B 3S6

## Executive Office

1155 University Street  
Suite 812,  
Montréal, Québec  
H3B 3A7

Tel: (514) 876-7890

Fax: (514) 483-0491

Email:  
sogecap@bellnet.ca

## Stock Exchange Listing

TSX Venture Exchange:  
GGR

## Common Shares

(Millions)

Outstanding,	
April 20, 2004	22.432
Options	1.365
Warrants	0.225

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Fully Diluted Shares	24.022
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## Registrar and Transfer Agent

EQUITY TRANSFER  
SERVICES INC.

Suite 420,  
120 Adelaide Street West  
Toronto, Ontario  
M5H 3V1

Tel: (416) 361-0152

Fax: (416) 361-0470

## Web Site

[www.goldengooseres.com](http://www.goldengooseres.com)

Production: Walter J. Mishko & Co. Inc.  
Design: Goodhoofd Inc.

Printed in Canada on recycled paper using  
vegetable based inks which are more  
environmentally friendly than traditional inks.



***Poised  
for  
Performance***

The background of the entire page is a solid, vibrant blue. Scattered across this background are several stylized white silhouettes of geese in flight. The geese are depicted in various orientations, some flying towards the left and others towards the right, creating a sense of movement. The silhouettes are simple and clean, capturing the essential shape of a goose in flight, including its wings, tail, and neck.

**Golden Goose  
Resources Inc.**