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Golden Goose Resources Inc.

2006 ANNUAL REPORT

Highlights

Exploration

Geophysics: **Lac Levac (Nickel, Copper & PGM)**

- Aerogeophysical study by Aeroquest Ltd. (August '06)
- Land Geophysical study by Abitibi Geophysic Inc. (November '06)

Drilling: **Magino (Gold Mine)**

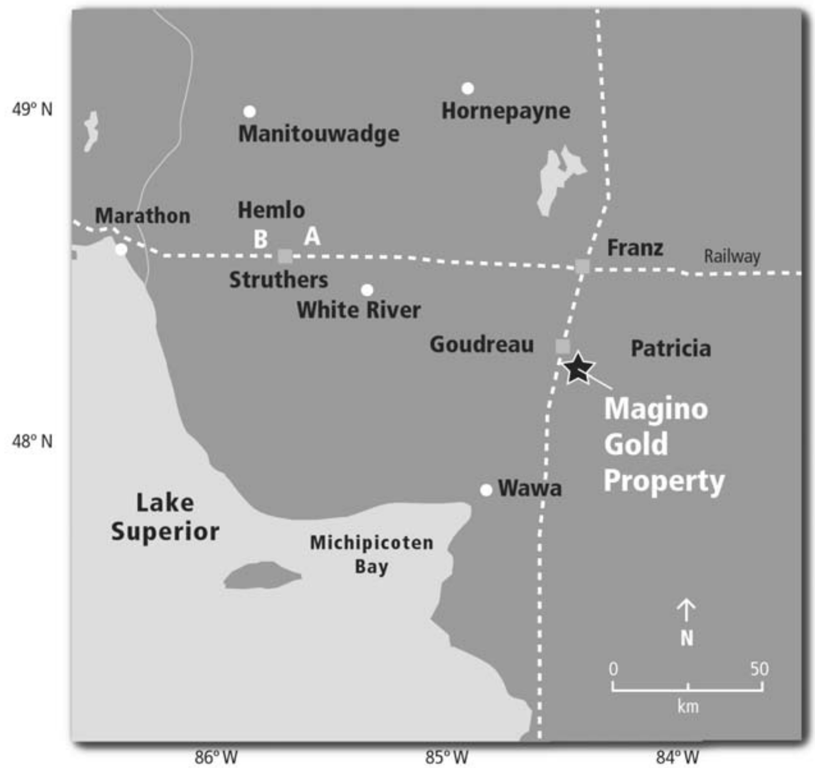
- Started 14,000 metre drill program (November '06)
- Program focus to produce a 43-101 report in mid-2007

Financing

- Flow-through financing raised $1.6 million at $0.68 per share with Mineral Fields (August '06)

Development

- Listed on Frankfurt Exchange under GGO (January '06)
- Started "road show" with Renmark Financial (November '06)



President's Message to Shareholders

The year 2006 was one of rebirth in the long-term development of Golden Goose Resources Inc. The Company revitalized its exploration efforts at its flagship Magino property in Ontario, and initiated exploration at its Lac Levac nickel property in Quebec. The $1.3 million spent on these programs was sourced from cash on hand and an additional $1.6 million financing in August 2006. More recently, in March 2007, Golden Goose raised a further $3.1 million in order to continue aggressively drilling at both of its projects.

The revitalization of drilling at our formerly producing Magino mine near Wawa, Ontario, resulted in the discovery that the gold mineralization is not restricted to the previously outlined near-surface deposit. During 2006, 6,700 metres was drilled on this project, returning very encouraging results. These intercepts were all obtained below the existing near-surface deposit estimated to contain 7,295,000 tonnes grading 0.075 ounces of gold per tonne, or more than 500,000 ounces of gold as outlined in a report in 2004 by Snowden Minning Industry Consultants. The 6,700 metres of drilling consisted of 15 holes drilled beneath this deposit, returning results such as 20 metres grading 8.6 grams of gold per tonne, 16.1 metres grading 19.8 g/t, and 2.0 metres grading 71.1 g/t. More recently, an intercept located in an entirely new type of formation below the known mineralization returned 10.5 metres grading 11.1 grams of gold per tonne. Clearly, this property warrants additional drilling, which is continuing even as this report was being written. Once the current 14,000-metre program is completed, a new 43-101 compliant report will be prepared by the Company.

Also during 2006, Golden Goose revived work at its Northern Quebec nickel property, Lac Levac. Previous drilling in the area by Inco in the 1960s intersected significant nickel-copper-PGM mineralization associated with ultramafic intrusive rocks, including 16.2 m of 0.8% Ni, 0.5% Cu, and 2g/t PGM. Two geophysical studies (air and land) were performed at Lac Levac in the fall of 2006, both of which outlined new, unexplored anomalies and led us to the implementation of a 3,000-metre drill program in early 2007. The goals were to confirm Inco's previous results, to explore more claims around this area, and to provide more evidence on the anomalies. That program is also underway as this report was being prepared.

Magino and Lac Levac are the main focuses of Golden Goose's portfolio of eight properties. The Company's exploration budget for 2007 is $2 million, of which 75% will be spent on Magino.

Other important events during the year included changes to management as well as the Board of Directors. Having been a long-time Board member and significant shareholder, I was pleased to be appointed as the new Chairman, President and Chief Executive Officer of the Company. As John Macklem's successor, I would like to thank him, on behalf of the Board, for his time and service to Golden Goose. Joining the Board were Kerry Knoll, Chairman of gold producer Glencairn Gold Corporation and the co-founder of such successful companies as Blue Pearl Mining and Wheaton River Minerals; Carlos Pavao, a Toronto- and European-based venture capitalist with over 25 years of experience in the corporate finance sector; and Kevin Sherkin, a founding partner and the managing partner of Levine, Sherkin, Boussidan Professional Corporation.

We wish to thank you, our shareholders, for your support. In the past year we have been through periods of promising and exciting growth and validating results, and we anticipate that the best is yet to come.

Jean-Marc Lacoste

President and Chief Executive Officer

April 24, 2007

Management's Discussion and Analysis

This management's discussion and analysis follows rule 51-102A of the "Canadian Securities Administrators" regarding continuous disclosure for reporting issuers. It is a complement and supplement to the annual financial statements and should be read in conjunction with those statements. It represents the view of management on current activities and past and current financial results of the Company, as well as an outlook of the activities for the coming months.

Nature of Activities

Golden Goose Resources Inc. ("the Company") is a mining exploration company with properties in the provinces of Ontario and Quebec, Canada, all in the exploration phase. Thus, the Company has no income from production of minerals, only interest income on funds on deposit.

Exploration Activities

During the fiscal year 2006 exploration activities took place at both the Magino and Lac Levac properties. At Magino, a first phase of a 6,700 metre drill program ended in June 2006 and we started a second phase of 14,000 metres in November 2006. The Lac Levac property saw some airborne geophysical surveys done in August 2006 followed by some ground geophysical surveys throughout the last quarter of 2006.

Forward-Looking Statements

This MD&A contains forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business, the mining industry in general and the economic environment in which it operates as of the date of the MD&A. These statements are reasonable but involve a number of risks and uncertainties, and there can be no assurance that they will prove to be accurate. Therefore, actual outcome and results may differ materially from those expressed in or implied by these forward looking statements.

Disclosure Controls and Procedures

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") evaluated the effectiveness of the Company's disclosure controls and procedures as at the financial year ended December 31, 2006. Based on that evaluation, the CEO and the CFO concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2006 to provide reasonable assurance that material information relating to the Company would be made known to them by others within the entity.

Internal Control over Financial Reporting

Management has designed internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements in accordance with Canadian generally accepted accounting principles. As at December 31, 2006, the CEO and the CFO evaluated the design of the ICFR.

Based on that evaluation, the CEO and the CFO concluded that a weakness existed in the design of ICFR in regard to the future income taxes. The weakness identified in the Company's ICFR result in a greater likelihood that a material misstatement would not be prevented or detected. Henceforth, additional controls related to future income taxes, in connection with flow-through share, will be put in place.

In addition, due to the relatively small size of the Company, there are a limited number of personnel dealing with accounting and financial matters and, as a result, there is a lack of segregation of duties. However, management of the Company concluded that there are controls in place to compensate for any control weakness that may result. The Board of Directors reviews on a quarterly basis the financial statements and key risks of the Company and queries management about significant transactions.

There have been no changes in the Company's ICFR that occurred during the most recent interim period ended December 31, 2006 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Selected Financial Information

The tables herein provide selected financial information on a yearly basis for the years 2004 to 2006 and on a quarterly basis for the years 2005 and 2006. These tables are only a summary of certain financial information. Reference should be made to the audited financial statements included in the Annual Report.

Information on a yearly basis

		2006		2005		2004
Total revenues	**$**	**74,459**	$	17,226	$	12,127
Net loss	**$**	**(928,898)**	$	(473,144)	$	(732,141)
Total assets	**$**	**11,417,458**	$	9,397,794	$	7,898,359
Net loss per share, basic and diluted	**$**	**(0.03)**	$	(0,02)	$	(0.03)
Working capital	**$**	**2,237,389**	$	1,802,062	$	520,021

Full Year Results of Operations

For the year ended December 31, 2006, the Company had a net loss of $928,898 or $0.03 per share compared with 2005's net loss of $473,144 or $0.02 per share. The 2006 net loss includes future tax recovery of $295,000. The granting of options under the stock option plan were valued under the Black-Scholes method creating a $660,600 charge to expense in 2006 versus a $148,480 charge to expense in 2005, thus increasing the loss by $512,120. Expenses, excluding stock-based compensation expense, increased to $637,757 in 2006 compared to $396,890 in 2005 mainly due to shareholder communications, consulting fees, legal fees, and corporate development as a result of an overall major increase in corporate activities.

Financial Condition, Liquidity and Capital Resources

The Company's working capital increased to $2,237,389 from $1,802,062 at December 31, 2005. In 2006, the Company received $1,103,733 from the exercise of stock options and warrants plus net proceeds of $1,388,209 from the completion of a private placement in August 2006 offset by the allocation of $230,000 to restricted cash for mine closure costs, general and administrative expenses of $576,082, mine care expenses of $51,057, and exploration cash costs capitalized of $1,273,935. Subsequent events include a financing of $3,099,350.

Information on a quarterly basis

Quarters of the 2006 Fiscal Year

Three months ended	March 31	June 30	September 30	December 31
Total revenues	$ 13,293	$ 12,078	$ 23,177	$ 25,911
Net loss	(382,922)	(396,458)	(80,309)	(69,209)
Net loss per share, basic and diluted	(0.01)	(0.01)	<(0.01)	<(0.01)

Quarters of the 2005 Fiscal Year

Three months ended	March 31	June 30	September 30	December 31
Total revenues	$ 2,706	$ 1,611	$ 5,184	$ 7,725
Net loss	(58,141)	(99,696)	(110,128)	(205,179)
Net loss per share, basic and diluted	(0.00)	(0.00)	(0.01)	(0.01)

Quarterly Results of Operations

For the three months ended December 31, 2006, the Company reported a net loss of $69,209 or <$0.01 per share compared to a net loss of $205,179 or $0.01 per share for the three months ended December 31, 2005. The fourth quarter of 2006 net loss includes future tax recovery of $295,000. The increased costs in the fourth quarter were primarily due to the granting of options under the stock option plan and general and administrative expenses.

Related Party Transactions

Charges for services by officers/directors or corporations controlled by them amounted to $99,000 in 2006 compared with $122,372 in 2005. Included in general and administrative expenses and mine interests were charges for services by officers/directors or corporations controlled by them in the normal course of operations and measured at the exchange amounts.

Off Balance Sheet Arrangement

The Company has not entered into any off balance sheet arrangements.

As per National Instrument 52-109, Sec. 5.3 Analysis of Yearly Deferred Capitalized Exploration Expenditures, as detailed below:

Magino and Lac Levac are the main focus of Golden Goose Resources Inc. The Company's Exploration budget for 2007 is $2 million, of which 75% will be spent on Magino.

	Magino	Lac Levac	Other	Total
Property and Claims:				
Balance - beginning of year	$ 10,073	$ 6,971	$ 11,332	$ 28,376
Additions	5,727	-	7,006	12,733
Balance - end of year	15,800	6,971	18,338	41,109
Exploration Costs:				
Balance - beginning of year	7,450,990	-	-	7,450,990
Additions	1,023,388	269,014	-	1,292,402
Balance - end of year	8,474,378	269,014	-	8,743,392
Total	$8,490,178	$ 275,985	$ 18,338	$8,784,501

	December 31, 2006	December 31, 2005
Balance - beginning of year	**$7,479,366**	$ 7,246,739
Technical consulting	**20,156**	39,987
Property and claims	**12,733**	17,921
Power system upgrade	**-**	67,449
Surface structure mapping and sampling	**-**	29,180
Asset retirement obligation	**-**	47,370
Stock-based compensation	**31,200**	30,720
Magino drilling program	**972,032**	-
Lac Levac geophysical surveys	**269,014**	-
Total costs	**1,305,135**	232,627
Balance - end of year	**$8,784,501**	$ 7,479,366

Risk Factors

An investment in the common shares of Golden Goose should be considered highly speculative for a variety of reasons:

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

No assurance can be given that minerals of sufficient quantity, quality, size and grade will be discovered on any of the Company's properties to justify commercial operation. Mineral exploration and development involve several risks that 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. 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.

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.

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.

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 minable 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.

Currency risk

All of Golden Goose's activities are currently 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.

Land title

Although the Company has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged.

Lack of operating profits

Golden Goose has incurred an operating loss in the last three fiscal years 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.

Golden Goose's activities require environmental and other permits

Government regulations significantly affect Golden Goose's activities. Its 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 its activities. Obtaining its necessary permits to place a deposit into commercial production can be a complex, time consuming and expensive process. Golden Goose cannot assure whether its necessary permits will be obtainable on acceptable terms and in a timely manner. 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 prices of precious metals can fluctuate widely and are affected by numerous factorsincluding 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.

National Instrument 52-102

The Company's authorized and issued shares outstanding as at the report date were:

	Authorized	Outstanding
Common shares	Unlimited	43,416,346

Stock options outstanding and exercisable:

	Exercise price	at December 31, 2006	at April 24, 2007
December 2007	$0.20	50,000	-
April 2009	$0.40	300,000	200,000
October 2009	$0.27	210,000	210,000
October 2010	$0.30	440,000	440,000
January 2011	$0.48	490,000	340,000
May 2011	$0.60	450,000	450,000
December 2011	$0.48	500,000	700,000
		2,440,000	2,340,000
Weighted average per exercise price		$0.42	$0.42

Number of warrants outstanding and exercisable:

	at December 31, 2006	at April 24, 2007
As at January 1	3,457,790	2,512,156
Warrants issued	2,387,699	1,429,000
Warrants exercised	(3,333,333)	-
	2,512,156	3,941,156

Warrants

Expiry date	Exercise price	Number of warrants
December 2007	$ 0.35	124,457
February 2008	$ 0.95	2,387,699
March 2008	$ 0.95	1,429,000
		3,941,156

Agent's unit options

Expiry date	Exercise price	Number of options
February 23, 2008	$ 0.68	110,294
February 23, 2008	$ 0.55	9,091
		119,385

Critical Accounting Policies

Asset retirement obligation

Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of a site, are recognized and recorded as a liability at fair value as at the time the asset is acquired or an event occurs giving rise to such an obligation. The liability is accreted over time through periodic charges to earnings. The corresponding asset retirement cost is capitalized as part of the asset's carrying value and amortized over the life of the asset when in production.

Income taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and tax values of assets and liabilities and on unclaimed losses carried forward using the enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. A valuation allowance is recognized to the extent that the recoverability of future income tax assets is not considered more likely than not.

Changes in accounting policies

There were no changes in accounting policies that had an impact on the financial statements of the Company in 2006. The Company evaluated that the new sections on financial instruments of the Handbook of the Canadian Institute of Chartered Accountants (Sections 1530, 3855 and 3865) effective January 1, 2007 have no significant impact on the financial statements of the Company.

Outlook 2007

In the past year, Golden Goose has experienced a significant turnaround in exploration. With the price of gold flirting near the $700 mark and the price of nickel reaching new highs above $20 a pound, investors are clearly able to see the upside potential in exploration companies. The ability to raise more capital has helped us revive the nickel project at Lac Levac, which offers us a prospect that could transform the future of the Company. Magino's recent discovery of a new gold zone is pushing us towards a feasibility study that could turn that project into a mine again. These two properties of the eight in Golden Goose's portfolio are leading the way to assure us of a positive outlook for our future as a growing company. Our budget for exploration for 2007 will be $2 million.

Additionnal Information and Continuous Disclosure

Additional information on the Company is available through regular filings of quarterly financial statements and press releases on SEDAR (www.sedar.com)

On behalf of Management,

Jean-Marc Lacoste
President and Chief Executive Officer

April 24, 2007

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.

Jean-Marc Lacoste

President and Chief Executive Officer

April 24, 2007

Auditors' Report

To the Shareholders of Golden Goose Resources Inc.

We have audited the balance sheets of Golden Goose Resources Inc. as at December 31, 2006 and 2005 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.

PricewaterhouseCoopers LLP

Chartered Accountants
Montreal, Canada
April 24, 2007

Balance Sheets
An exploration stage company
as at December 31

	2006	2005
Assets		
Current		
Cash and cash equivalents	$ **5,297**	$ 85,850
Short-term investments *(Notes 5 and 13)*	**2,300,000**	1,795,000
Receivables *(Note 3)*	**82,935**	22,853
Prepaids	**14,725**	14,725
	2,402,957	1,918,428
Security deposit - mine closure *(Notes 5 and 13)*	**230,000**	-
Mining interests *(Note 4)*	**8,784,501**	7,479,366
	$ 11,417,458	$ 9,397,794
Liabilities		
Current		
Payables and accruals	$ **165,568**	$ 116,366
Asset retirement obligation *(Note 5)*	**162,313**	151,695
	$ **327,881**	$ 268,061
Shareholders' Equity		
Capital stock *(Note 6)*	**17,904,925**	15,700,485
Warrants *(Note 6)*	**282,527**	144,157
Contributed surplus *(Note 8)*	**1,069,632**	523,700
Deficit	**(8,167,507)**	(7,238,609)
	11,089,577	9,129,733
	$ 11,417,458	$ 9,397,794

Nature of operations *(Note 1)*

Contingency *(Note 5)*

On behalf of the Board

Jean-Marc Lacoste
Director

Michel Bouchard
Director

See accompanying notes to the financial statements.

Statements of Operations and Deficit
An exploration stage company

Years ended December 31

	2006	2005
Revenue		
Interest on term deposits	**$ 74,459**	$ 17,226
Expenses		
General and administrative *(Note 9)*	**576,082**	348,937
Mine care and maintenance	**51,057**	41,128
Accretion of asset retirement obligation	**10,618**	6,825
Stock-based compensation	**660,600**	148,480
	1,298,357	545,370
Loss before income tax	**(1,223,898)**	(528,144)
Income tax recovery *(Note 10)*	**(295,000)**	(55,000)
Net loss	**(928,898)**	(473,144)
Deficit at beginning of year	**(7,238,609)**	(6,765,465)
Net loss	**(928,898)**	(473,144)
Deficit at end of year	**$ (8,167,507)**	$ (7,238,609)
Net loss per common share		
Basic	**$ (0.03)**	$ (0.02)
Diluted	**$ (0.03)**	$ (0.02)
Weighted average number of outstanding common shares for the calculation of basic and diluted loss per share	**36,404,977**	25,963,022

See accompanying notes to the financial statements.

Statements of Cash Flows
An exploration stage company

Years ended December 31

	2006	2005
Operating Activities		
Net loss	$ (928,828)	$ (473,144)
Operating items not involving cash		
Future income taxes	(295,000)	-
Stock-based compensation	660,600	148,480
Accretion of asset retirement obligation	10,618	6,825
	(552,680)	(317,839)
Increase in receivables	(60,082)	(5,515)
Increase in prepaids	-	(575)
Increase in payables and accruals	49,202	49,767
Decrease in income taxes payable	-	(55,000)
	(563,560)	(329,162)
Financing Activities		
Capital stock issue net of share issue costs	1,388,209	1,744,417
Capital stock issue following the exercise of stock options for cash	270,400	-
Capital stock issue following the exercise of warrants for cash	833,333	-
	2,491,942	1,744,417
Investing Activities		
Short-term investments	(505,000)	(1,205,000)
Increase in security deposit - mine closure	(230,000)	-
Mining interests	(1,273,935)	(154,537)
	(2,008,935)	(1,359,537)
Net increase (decrease) in cash and cash equivalents	(80,553)	55,718
Cash and cash equivalents at beginning of year	85,850	30,132
Cash and cash equivalents at end of year	$ 5,297	$ 85,850

See accompanying notes to the financial statements.

Notes to Financial Statements
An exploration stage company

December 31, 2006 and 2005

Note 1 - The Company and nature of operations

Golden Goose Resources Inc. (the "Company") is a publicly traded company engaged in the acquistion, exploration and development of resource properties. It is continued under Part IA of the Companies Act (Quebec) and its common shares are listed on 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. In the fall of 2005, the Company resumed exploration activities on the property.

The recoverability of the carrying value of the mine is dependent on 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 the 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 write-downs 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

The preparation of financial statements in conformity with generally accepted accounting principles in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses and other income during the reporting year. Significant estimates and assumptions include those related to the recoverability of mining interests, determination as to whether costs are capitalized or expensed, asset retirement obligation, stock-based compensation expense, agent's unit options and the determination of the fair value of warrants. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

Cash and cash equivalents and short-term investments

Cash and cash equivalents include cash on hand, balances with banks and short-term liquid investments with original maturities of three months or less. Short-term investments are investments that are highly liquid, held to maturity and have terms greater than three months, but less than one year, at the time of acquisition. Short-term investments consist of term deposits and are carried at cost, which approximates their fair value. They are redeemable and bear interest at 4% (2005 - 2.5%).

Mining interests

All direct costs associated with exploration properties are capitalized as incurred. If the property proceeds to development, these costs become part of the preproduction and development costs of the mine.

Amortization 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. Costs are written off when properties are abandoned or when cost recovery is uncertain.

Management has defined uncertainty as either there being no financial resources available for development over a period of three consecutive years or results from exploration work not warranting further investment. 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

The Company has a stock-based compensation plan which is described in Note 7. The Company accounts for all stock-based compensation using the fair value method. This method consists of recording expenses to earnings based over the vesting of the options granted and the counterpart is accounted for in contributed surplus in the balance sheet (Note 8).

The fair value is calculated based on the Black-Scholes option pricing model. When stock options are exercised, any consideration paid is credited to capital and the contributed surplus resulting from the stock-based compensation is transferred to the capital stock.

Income taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and tax values of assets and liabilities and on unclaimed losses carried forward using the substantively enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. A valuation allowance is recognized to the extent that the recoverability of future income tax assets is not considered more likely than not.

Earnings (loss) per share

The calculation of earnings (loss) per share is based upon the weighted average number of shares outstanding each year. The treasury stock method is used to determine the dilutive effect of stock options, agent's unit options and warrants.

Asset retirement obligation

Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of site, are recognized and recorded as a liability at fair value as at the time the asset is acquired or an event occurs giving rise to such an obligation. The liability is accreted over time through periodic charges to earnings. The corresponding asset retirement cost is capitalized as part of the asset's carrying value and amortized over the life of the asset when in production.

Flow-through shares

The future income tax liability must be recognized, and the shareholders' equity reduced, on the date that the Company files the renouncement documents with the tax authorities to renounce to the tax credits associated with the expenditures, provided there is a reasonable assurance that the expenditures will be made.

Share and warrant issue expenses

The Company records share and warrant issue expenses against the proceeds received from the issuance of capital stock.

Note 3 - Receivables

	2006	2005
Commodity taxes	**$ 45,325**	$ 12,286
Interest on term deposit	**37,610**	10,567
	$ 82,935	$ 22,853

Note 4 - Mining interests

Magino gold mine property

The Company holds a 100 % interest in the Magino Gold Mine Property and is committed to pay royalties to a third party equal to 10% of its share of net profits after payback of its original investment. The mine operated from 1988 to 1992 and has since been under care and maintenance. Exploration activities resumed in 2005, including some work at the Lac Levac property. Capitalized mining interests are as follows:

	Magino	Lac Levac	Other	Total
Property and Claims:				
Balance - beginning of year	$ 10,073	$ 6,971	$ 11,332	$ 28,376
Additions	5,727	-	7,006	12,733
Balance - end of year	15,800	6,971	18,338	41,109
Exploration Costs:				
Balance - beginning of year	7,450,990	-	-	7,450,990
Additions	1,023,388	269,014	-	1,292,402
Balance - end of year	8,474,378	269,014	-	8,743,392
Total	$8,490,178	$ 275,985	$ 18,338	$8,784,501

Note 5 - Asset retirement obligation for mining interest

Close-downs and restoration are a normal consequence of mining and the majority of the close-down and restoration expenditure is incurred at the end of the life of the mine. Although the ultimate cost to be incurred is uncertain, the Company has estimated its costs using current restoration standards and techniques.

The key assumptions on which the carrying value amount of the asset retirement obligation is based are as follows:

i) The total undiscounted amount of the estimated cash flows required to settle the obligation is $229,300 based on the mine closure plan.

ii) The estimate of the effect of future inflation was based on a rate of 2% per year.

iii) The credit-adjusted risk-free rate at which the estimated cash flows have been discounted is 7%.

iv) The expected timing of payment of the cash flows required to settle the obligation and the probability of incurring this expenditure used are:

a. 75% probability of incurring this expenditure in 10 years;

b. 25% probability of incurring this expenditure in 5 years.

The table below presents the evolution of the obligation.

	As at December 31, 2006	As at December 31, 2005
Balance - beginning of year	$ 151,695	$ 97,500
Change in timing	-	47,370
Accretion expense	10,618	6,825
Balance - end of year	$ 162,313	$ 151,695

Contingency

In 2006, a letter of credit of $230,000 was issued by The Royal Bank 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 letter of credit 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 bank accordingly.

Note 6 - Capital stock

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

Common shares issued

	Number	Amount
Outstanding as at December 31, 2004	23,271,509	$ 14,100,225
Private placement, net of issue costs of $14,735 (d(i))	6,666,666	864,753
Flow-through shares, private placement, net of issue costs of $160,584 (d(ii))	2,489,142	735,507
Outstanding as at December 31, 2005	32,427,317	$ 15,700,485
Private placement, net of issue costs of $204,111 (a)	2,387,699	1,085,489
Issued for exercises of warrants (b)	3,333,333	953,845
Issued for exercises of options (c)	895,000	460,106
Future tax benefit renounced pursuant to flow-through shares *(Note 10)*	-	(295,000)
Outstanding as at December 31, 2006	39,043,349	$ 17,904,925

Share purchase warrants

	Number	Amount
Outstanding as at December 31, 2004	-	-
Warrants granted (d(i))	3,333,333	$ 120,512
Agent's warrants granted (d(ii))	124,457	23,645
Outstanding as at December 31, 2005	3,457,790	144,157
Issued and paid in cash less issue costs of $51,518 (a)	2,387,699	258,882
Exercise of warrants (b)	(3,333,333)	(120,512)
Outstanding as at December 31, 2006	2,512,156	$ 282,527

a) On August 25, 2006, the Company completed a $1,600,000 private placement consisting of 2,387,699 units:

i) 2,205,881 units at a price of $0.68 per unit, each unit consisting of one flow-through common share and one warrant to acquire one non flow-through common share at a price of $0.95 for a period of 18 months following the closing date, for an aggregate amount of $1,500,000.

ii) 181,818 units at a price of $0.55 per unit, each unit consisting of one non flow-through common share and one warrant to acquire one non flow-through common share at a price of $0.95 for a period of 18 months following the closing date, for an aggregate amount of $100,000.

The fair value of the warrants was estimated using the Black-Scholes pricing option model using the following assumptions: 108% volatility; 0% dividend yield; 4.3% risk-free interest rate; expected life of 18 months

As a result, the fair value of the warrants was estimated at $310,400 ($0.13 per warrant).

iii) Limited Market Dealer Inc. ("Limited Market") acted as agent in connection with the financing and received a cash commission of $120,000. Limited Market also received, in compensation, a total of 119,385 non-transferable options to purchase up to:

- 110,294 units at a price of $0.68 per unit, each unit comprised of one non flow-through common share and one non-transferable common share purchase warrant to acquire one non flow-through common share at a price of $0.95 for a period of 18 months.

- 9,091 units at a price of $0.55 per unit, each unit being made up of one non flow-through common share and one non-transferable common share purchase warrant to acquire one common share at a price of $0.95 for a period of 18 months.

The fair value of the agent's options was estimated using the Black-Scholes option pricing model using the following assumptions: 108% volatility; 0% dividend yield; 4.3% risk-free interest rate; expected life of 18 months

As a result, the fair value was estimated at $43,838 ($0.37 per option) and was recorded as an issue cost of the private placement and in contributed surplus. It was allocated on a prorata basis to common shares ($33,410) and share purchase warrants ($10,428) *(Note 7(b))*.

iv) The other share issue costs paid in cash related to the private placement amounted to $211,791, including the cash consideration of $120,000 mentioned above. They have been allocated on a pro-rated basis between common shares ($170,701) and share purchase warrants ($41,090).

b) Further to the exercise of share purchase warrants, the Company issued 3,333,333 common shares for a cash consideration of $833,333. An amount of $120,512 has been reclassified from warrants to purchase common shares to capital stock.

c) Further to the exercise of stock options, the Company issued 895,000 common shares for a cash consideration of $270,400. An amount of $189,706 related to these options has been reclassified from contributed surplus to capital stock.

d) In 2005, the Company completed two private placements.

i) On August 9, 2005, the Company completed a non-brokered private placement of $1,000,000. The financing consisted of the sale of 6,666,666 units at a price of $0.15 per unit, each comprised of one common share and a half warrant, each full warrant entitling the holder thereof to acquire one common share of the Company at a price of $0.25 per share for a period of 12 months following the closing date. The fair value of the warrants was estimated using the Black-Scholes pricing option model using the following assumptions: 85% volatility, 0% dividend yield, 3% risk-free interest rate, and an expected life of 1 year. As a result, the fair value was estimated at $120,512.

ii) On December 22, 2005, the Company completed a $896,091 private placement consisting of 2,489,142 flow-through common shares at a price of $0.36 per share. All the shares issued pursuant to the financing are subject to a four-month holding period. This placement is part of an authorized placement of $1,000,000.

Coniston Investment Corp. ("Coniston") acted as agent in connection with the financing and received a cash commission of 10%. Coniston also received compensation warrants exercisable at any time for a period of 24 months to purchase 5% of the shares issued in connection with the financing at the issue price. The fair value of the agent's warrants was recorded as an issue cost of the private placement of $23,645 in 2005.

The fair value of the agent's warrants was estimated using the Black-Scholes pricing option model using the following assumptions: 97% volatility, 0% dividend yield, 3.95% risk-free interest rate, and an expected life of 2 years.

Expiry Date	Exercise Price	Number of Warrants
December 2007	$0.35	124,457
February 2008	$0.95	2,387,699
		2,512,156

Note 7 - Stock options and Agent's unit options

a) Stock 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 ongoing 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.

The number of common shares under option at any time under the Plan or otherwise cannot exceed 3,498,148 nor more than 10% of the then outstanding common shares of the Company for any optionee. The following tables reflect the continuity for the years ended December 31, 2006 and 2005 of options granted under the Plan.

	2006		2005	
	Number of options outstanding and exercisable	Weighted average exercise price	Number of options outstanding and exercisable	Weighted average exercise price
Balance - beginning of year	**1,805,000**	**$ 0.30**	2,155,000	$ 0.31
Granted (i)	**1,670,000**	**0.51**	700,000	0.30
Exercised *(Note 6(c))*	**(895,000)**	**0.30**	-	-
Forfeited / expired	**(140,000)**	**0.40**	(1,050,000)	0.33
Balance - end of year	**2,440,000**	**$ 0.42**	1,805,000	$ 0.30

i) A total of 1,670,000 new options were issued to directors, officers, employees and consultants of the Company in 2006. Those options were subject to a valuation.

The following schedule presents the weighted average of assumptions used to establish the fair value of the options granted using Black-Scholes pricing model:

	2006	2005
Volatility	**112%**	125%
Dividend yield	**0%**	0%
Risk-free interest rate	**4.2%**	4%
Expected life	**5 years**	5 years
Fair value - Weighted average of options issued	**$ 0.414**	$ 0.256

For the year ended December 31, 2006, the total stock-based compensation was $691,800 ($179,200 in 2005) of which $31,200 ($30,720 in 2005) was capitalized to mining interests as the costs. The counterpart for those costs was credited to the contributed surplus account.

ii)		Options outstanding and exercisable	Average residual life (in years)
Range of exercise prices	$ 0.20	50,000	0.90
	$ 0.27	210,000	2.80
	$ 0.30	440,000	3.80
	$ 0.40	300,000	2.30
	$ 0.48	990,000	4.50
	$ 0.60	450,000	4.40
		2,440,000	3.88

b) Agent's unit options

Agent's unit option transactions and the number of agent's unit options outstanding are summarized as follows:

	Number of units	Weighted average exercise price
Outstanding - beginning of year	-	$ -
Granted *(Note 6(aiii))*	119,385	0.67
Exercised	-	-
Outstanding - end of year	119,385	$ 0.67

Number of unit options outstanding and exercisable	Exercise price	Expiry date
110,294	$ 0.68	February 23, 2008
9,091	$ 0.55	February 23, 2008
119,385		

Note 8 - Contributed surplus

The contributed surplus account is composed of:

	2006	2005
Fair value of agent's warrants	**$ 34,000**	$ 34,000
Fair value of stock options	**991,794**	489,700
Fair value of agent's unit options *(Note 6(aiii))*	**43,838**	-
	$ 1,069,632	$ 523,700

A summary of the changes in the Company's contributed surplus is set out below:

	2006	2005
Balance - begining of year	**$ 523,700**	$ 344,500
Issuance of stock options *(Note 7(ai))*	**691,800**	179,200
Exercise of stock options *(Note 6(c))*	**(189,706)**	-
Issuance of agent's unit options *(Note 6(aiii))*	**43,838**	-
Balance - end of year	**$ 1,069,632**	$ 523,700

Note 9 - General and administrative expenses

	2006	2005
Shareholder communications	**$ 116,909**	$ 42,524
Transfer agent and listing fees	**39,471**	30,645
Directors' fees	**23,000**	16,500
Consulting fees	**75,000**	37,500
Filing fees	**5,074**	6,674
Office and rent	**4,019**	3,174
Travel	**7,108**	6,266
Surety bond - mine closure	**3,540**	3,450
Insurance	**28,250**	28,275
Audit and accounting fees	**36,687**	30,000
Legal fees	**79,474**	26,302
Financial planning services	**4,611**	76,752
Corporate development	**106,939**	3,170
Miscellaneous	**46,000**	37,705
	$ 576,082	$ 348,937

Note 10 - Income taxes

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

	2006	2005
Loss before income taxes reflected in the statement of operations	**$(1,223,898)**	$ (528,144)
Expected income tax recovery at statutory rate	**(439,000)**	(191,000)
Stock-based compensation	**237,000**	54,000
Impact of change in rate	**387,000**	-
Other	**(52,000)**	(55,000)
Valuation allowance	**(428,000)**	137,000
Income tax recovery	**(295,000)**	(55,000)

The following table reflects future income tax assets:

	2006	2005
Future income tax assets		
Excess of unclaimed capital cost allowance and resource pools over carrying value of office equipment and mining interests	**$ 3,106,000**	$ 3,725,000
Non-capital losses	**346,000**	143,000
Share issue cost	**110,000**	81,000
Asset retirement obligation	**53,000**	55,000
	3,615,000	4,004,000
Valuation allowance	**(3,615,000)**	(4,004,000)
	$ -	$ -

As at December 31, 2006, the Company had unclaimed Canadian exploration expenditures of $16,626,000 which are streamed against future income from the Magino mine. In addition, the Company had unclaimed Canadian federal and provincial exploration expenditures of $1,014,000 and $986,000 respectively, unclaimed federal and provincial capital cost of $224,000 and $573,000 respectively, cumulative eligible capital of $226,000, non-capital loss of $397,000 which expire in 2014 and $655,000 which expire in 2025; and unclaimed share issue costs of $334,000 all of which will be amortized over the next four years.

In February 2006, the Company renounced to tax deductions totaling $896,091, which was raised through the issuance of flow-through shares in December 2005, in favor of the investors. The Company recorded a future income tax liability of $295,000 and reduced Capital stock accordingly. This future income tax liability has allowed the Company to reduce the valuation allowance on tax pools related to mining properties by a corresponding amount of $295,000, thereby offsetting the future income tax liability. The reduction in the valuation allowance has been recorded in the statement of operations.

Note 11 - Related party transactions

Included in general and administrative expenses and mine interests were charges for services by officers/directors or corporations controlled by them in the normal course of operations and measured at the exchange amounts.

	2006	2005
Consulting fees	**$78,500**	$ 42,450
Financial planning services	**1,000**	76,752
Corporate development	**19,500**	3,170
	$99,000	$122,372

The accounts payable and accrued liabilities include an amount of $12,000 (2005 - $5,260) due to directors or companies controlled by directors.

Note 12 - Financial instruments

The Company's financial instruments consist of cash and cash equivalents, short-term investments, receivables, security deposit and payables and accruals. 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. Short-term financial assets and liabilities are valued at their carrying amounts, which are reasonable estimates of their fair value due to their near-term maturities.

Note 13 - Restricted cash

Short-term investments are comprised of $1,092,631 of funds from the flow-through financing to be spent on thr Company's exploration properties in Ontario and Quebec. These funds are restricted for this use. A further $230,000 is restricted to mine closure.

Note 14 - Subsequent events

i)The Company granted 200,000 stock options on January 2, 2007 exercisable at a price of $0.48 per share on or before December 31, 2011.

ii) On March 26, 2007, the Company closed a non-brokered private placement to raise a total of $3,099,350 for the Company's operations by issuing 4,323,000 common shares as part of two placements. The first consisted of 2,858,000 units at a price of $0.70 per unit, each unit consisting of one common share and one half of a warrant to purchase one common share for an aggregate amount of $2,000,600. Each whole warrant entitles its holder to purchase one common share at a price of $0.95 for a period of 12 months. These funds were raised for corporate purposes. In the other placement, 1,465,000 flow-through common shares were issued at a price of $0.75 per share for an aggregate amount of $1,098,750. These funds were raised to fund the Company's exploration programs. The above placements are subject to resale restrictions apply until July 27, 2007.

Corporate Information

Directors

Jean-Marc Lacoste *
President & CEO

Michel Bouchard *

Kerry Knoll

Carlos Pavao *

Kevin D. Sherkin

David Watkins

Officers

Jean-Marc Lacoste *
President & CEO

Richard Kwong
CFO

Benoit Morel
Corporate Secretary

Common Shares

Outstanding, April 16, 2007	43,416,346
Options	2,340,000
Warrants	3,941,156
Fully diluted shares	49,697,502

* Member of Audit Committee

Auditors

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Annual General Meeting

Tuesday, June 5, 2007
10:00 a.m.

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