# Golden Goose Resources Inc.

(An exploration stage company)

ANNUAL REPORT

2009

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") is intended to provide the reader with a better understanding of the activities of Golden Goose Resources Inc. ("Golden Goose" or the "Company") and its key financial results. In particular, it explains changes in the Company's financial position and operating results for the year ended December 31, 2009 by comparing to the results for the previous year. It also presents a comparison of the balance sheets as at December 31, 2009 and 2008.

This MD&A has been prepared in accordance with National Instrument 51-102, *Continuous Disclosure Obligations*, and should be read in conjunction with the audited financial statements for the year ended December 31, 2009 and the notes thereto.

The Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). These financial statements and this MD&A have been reviewed by the Audit Committee and approved by the Company's Board of Directors. Unless otherwise indicated, all the amounts in this MD&A are in Canadian dollars.

### Forward-Looking Statements

Some of the statements made in this MD&A, including, but not limited to, statements about the opinion, the projects, the objectives, the strategies, the estimates, the intentions and the expectations of the Company, as well as other statements not referring to historical facts, are forward-looking statements. Forward-looking statements can be identified by terms such as "expects", "anticipates", "estimates", "predicts", "undertakes" and other similar terms and expressions. These statements are based on information available at the time of their formulation, assumptions made by management and management's good faith beliefs, with respect to future events, and inherently involve known and unknown risks and uncertainties listed herein (see "Risk and Uncertainties") or in the Company's continuous disclosure filings. The actual results of the Company may be materially different from those expressed or implied in these forward-looking statements. As a result, you are cautioned not to place undue reliance on these forward-looking statements. These statements do not reflect the potential impact of any special items or of any business combination or other transaction that may be announced or that may occur after the date hereof. Except as required by law, the Company does not intend, and undertakes no obligation, to update any forward-looking statements to reflect, among others, new information or future events.

### Nature of Activities

The Company is a mining exploration company with properties in the exploration phase in provinces of Ontario an Québec in Canada. The Lac Levac property (including Lac des Montagnes) located in the province of Québec, also in the exploration phase, was sold by the Company on January 15, 2010. Thus, the Company has no income from mineral production and earns interest income on funds on deposit and other interest.

**Corporate Highlights**

Overall economic climate is seen to be improving as efforts deployed by governments around the world to avert a global recession are beginning to have an effect. This renewed strength has been reflected in the price for commodities and precious metals. All the forces that usually make the price of gold rise continue to gain intensity, leading us to believe that over the medium term gold price should continue to do well.

We believe that the best opportunity for the Company is to deploy its efforts on its Magino gold project. We have proceeded to focus our energies on our gold project and completed some divestures that allows us to redeploy our capital into the Magino project.

On July 17, 2009 we sold our Montauban Properties to Excel Gold Mining ("Excel"). Excel paid the Company $150,000 in cash plus a 1% Net Smelter Return (NSR) royalty, redeemable for $1,000,000.

On January 15, 2010 we completed the sale of our Lac Levac and Lac des Montagnes properties to Nemaska Exploration Inc ("Nemaska"). The Company has received a total of $650,000 in cash, 4,285,714 shares and 4,285,714 warrants of Nemaska. Golden Goose also received in addition to the above, a $1,000,000 convertible debenture redeemable over the next 36 months and a 2% NSR royalty on the properties it has sold to Nemaska.

**Exploration Highlights**

Exploration efforts are centered on creating value through two initiatives. The first initiative seeks to add value by upgrading the ounces that have been found to a better understanding and certainty. This is usually achieved by converting existing inferred ounces to measured and indicated categories and eventually to a reserve status. The second initiative seeks to expand the resource base by finding new zones of mineralization near the current resource in order to improve the potential economies of scale of the Magino project.

*Explore by upgrading the existing ounces*

On May 28th, 2009 a new estimate for the Magino property in compliance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects was released and is summarized below:

**Magino Mineral Resources Estimate**
**at a cutoff grade of 3.0 g/t Au**

| Category | Tonnes | Grade (g/t Au) | Ounces |
|---|---|---|---|
| Measured resource | 222,900 | 5.97 | 42,749 |
| Indicated resource | 1,869,000 | 6.83 | 410,440 |
| Total Measured and Indicated resources | 2,091,900 | 6.74 | 453,189 |
| Inferred resources | 5,828,800 | 6.29 | 1,178,124 |

The Independent Qualified Persons for the mineral resource estimate, as defined by Regulation 43-101, are Carl Pelletier, B.Sc., P.Geo., and Bruno Turcotte, M.Sc., P.Geo. (InnovExplo Inc.), and the effective date of the estimate is April 24, 2009.

At an increased cut-off grade of 5.0 grams gold per tonne, the measured and indicated resource are 1,200,300 tonnes grading 8.90 grams gold per tonne and contains 343,333 ounces. The inferred resource at the 5.0 grams per tonne cut-off grade is 2,736,800 tonnes grading 9.08 grams gold per tonne and contains 799,723 ounces.

On August 12, 2009, in anticipation of the scoping study we retained the services of environmental firm AMEC to perform hydrogeology studies with respect to the dewatering of the underground workings of the Magino gold property.

On September 2, 2009, the Company announced that it had retained the services of independent consulting firm InnovExplo Inc. of Val-d'Or, Quebec, to carry out a NI 43-101-compliant Scoping Study for the Magino gold project near Wawa, Ontario. The Company intends to use the study as a basis for future exploration works within the current resource envelope, with the objective to develop an underground operation with ore trucked to regional mill for processing.

Assuming the economic analysis of the deposit is positive, the study will also outline a proposed underground exploration program that includes mine dewatering and rehabilitation, drilling from the existing workings to increase resource quality and quantity, and bulk sampling to validate geological and mining parameters.

*Explore outside the current resource estimation*

Over the recent past, the Company has recompiled a lot of historical information into an exploration database. This recompilation has allowed us to review historical geophysics in light of the drilling information that we have which has lead to the identification of several high potential targets.

We have completed geochemical analysis in the western part of the property to evaluate the scale of the mineralization system in that area. This system is located more than 5km from mine infrastructure and hence represents a longer term exploration target. The Company's future efforts there will be based on the results and will not interfere with progress on the initiatives nearer to project infrastructure, unless warranted by new results.

We have also done more detailed geophysical work within a 3km radius of the current resource envelope to better understand structural controls in the area.

We have identified and ground checked several high potential targets both to the west in the intrusive and to the south where historical mineralized intercepts in the volcanic rock which warranted being followed up.

On March 30, 2010 we reported the final results of winter drilling on its Magino property near Wawa, Ontario. Several high grade areas were intersected including a new zone discovered in the volcanic rocks in the footwall to the deposit.

The program, which started in November 2009, consisted of 14 diamond drill holes totalling approximately 4,000 metres of drilling in proximity to the Magino resource estimation.

The table below summarizes the best results of the program:

| Hole | From (m) | To (m) | Length (m) | Gold (g/t) |
|---|---|---|---|---|
| 09-3 | 23.00 | 24.00 | 1.00 | 5.53 |
| and | 42.00 | 43.00 | 1.00 | 7.11 |
| and | 153.00 | 155.00 | 2.00 | 4.41 |
| including | 153.00 | 154.00 | 1.00 | 8.46 |
| 09-6 | 18.00 | 22.00 | 4.00 | 4.73 |
| including | 21.00 | 22.00 | 1.00 | 16.92 |
| and | 98.00 | 100.00 | 2.00 | 4.73 |
| 09-7 | 17.00 | 18.00 | 1.00 | 4.1 |
| 10-2 | 86.00 | 88.00 | 2.00 | 4.4 |
| | 86.00 | 87.00 | 1.00 | 8.6 |
| and | 126.00 | 130.00 | 4.00 | 12.7 |
| including | 126.00 | 127.00 | 1.00 | 29.0 |
| including | 127.00 | 128.00 | 1.00 | 21.0 |
| 10-3 | 59.00 | 60.00 | 1.00 | 4.6 |
| and | 64.00 | 65.00 | 1.00 | 9.8 |
| and | 68.00 | 69.00 | 1.00 | 4.5 |
| and | 240.00 | 243.00 | 3.00 | 21.9 |
| including | 241.00 | 242.00 | 1.00 | 65.3 |
| and | 277.00 | 279.00 | 2.00 | 5.3 |
| including | 277.00 | 278.00 | 1.00 | 8.8 |
| and | 298.00 | | | 6.3 |
| 10-4 | 51.00 | 53.00 | 2.00 | 4.5 |
| and | 59.00 | 61.00 | 2.00 | 3.8 |

Note: True width is presently estimated based on the -75 degree dip of the main zone. Current drilling angles vary from -45 to -50 degrees.

This new data has provided us with a new understanding and a more comprehensive geological model that suggests new targets and the possibility to discover new ore in the mine area. Going forward, we plan to review the historical data in light of the new information to assist in designing our next program.

## Selected Financial Information

The following table summarizes selected key financial data for the years ended December 31, 2009, 2008 and 2007:

| | **2009** | 2008 | 2007 |
|---|---|---|---|
| | **$** | $ | $ |
| Interest revenues | **10,857** | 92,933 | 144,411 |
| Net loss | **(1,334,287)** | (304,227) | (1,377,262) |
| Loss per common share - basic and diluted | **(0.03)** | (0.01) | (0.03) |
| Cash and Short-term investments | **2,015,443** | 1,449,502 | 4,283,217 |
| Working capital | **1,693,159** | 1,683,513 | 4,044,402 |
| Total assets | **16,208,009** | 15,774,655 | 17,062,365 |
| Total liabilities | **760,166** | 488,095 | 984,419 |
| Shareholders' Equity | **15,447,843** | 15,286,560 | 16,077,946 |

*No dividends were declared and paid in 2009, 2008 and 2007.*

## Operating Results

For the year ended December 31, 2009, the Company reported a net loss of $1,334,287 or $0.03 per share compared to a net loss of $304,227 or $0.01 per share in 2008. In 2008, the net loss was reduced by the income tax recovery of $960,344 as a result of renunciations in favour of the investors by the Company of tax deductions, which was raised through the issuance of flow-through shares.

The loss before income taxes for 2009 amounted to $1,334,287 compared with $1,264,571 last year. Interest revenue amounted to $10,857 compared with $92,993 in 2008. The decrease in interest revenue is due to a higher average amount of short-term investments available during the year in 2008 than in 2009, and a lower interest rate. General and administrative expenses increased from $973,686 last year to $1,114,004 this year. This increase is mainly due to additional management salaries and consulting fees. Also, on July 17, 2009, the Company sold its mining rights for Montauban properties for a cash consideration of $150,000. The accounting value of these properties was nil and legal costs for the transaction amounted to $3,272 resulting in a net gain on sale of mining interests of $146,728 on the statement of operations, comprehensive loss and deficit

## Liquidity, Capital Resources and Going Concern

As at December 31, 2009, total assets were at $16,208,009 compared with $15,774,655 for the previous year. Mining interests increased from $13,558,887 to $13,723,324 during the year is mainly due to exploration activities at the Magino property in Ontario. During the year, cash and short-term investments increased from $1,449,502 to $2,015,443 mainly due to the share issuances realized during the year and the net cash considerations received on sale of mining interests less cash needed for operating activities. As a result, working capital amounted to $1,693,159 ($1,683,513 in 2008).

In August 2009, Company signed an option agreement, which was subsequently amended in November 2009, to sell its Lac Levac property to Exploration Nemaska Inc. (“Nemaska’). At the signature of the option agreement and at its subsequent amendment, total non-refundable cash considerations of $200,000 were received in accordance with the agreements.

To exercise the option, Nemaska had to pay the following before December 31, 2009:

- $450,000 in cash
- $1,500,000 in common shares at 30% discount to the initial public offering ("IPO") stock price including a two-year warrant exercisable at a strike price equivalent to the stock price of the IPO which is $0.50. The shares will be held on escrow and 10% will be released on the listing date and 15% of the shares will be released at six months intervals following the listing; and
- $1,000,000 in the form of an 8% convertible redeemable debenture (convertible at the holder's option into shares at the price of the IPO and 24-month warrants exercisable at a 20% premium to the IPO price). The debenture will be forced to be converted if the publicly-traded shares of Nemaska close at a price 30% higher than the IPO price for 20 consecutive days. Interest is payable in cash once a year on the anniversary of the transaction date. The debenture will be secured by the claims of the Lac Levac property and can be bought back at anytime by Nemaska for $1,100,000.

On December 31, 2009, Nemaska exercised the option and paid $450,000 to the Company and upon the closing of the transaction on January 15, 2010, the Company received 4,285,714 shares and 4,285,714 warrants of Nemaska and the $1,000,000 debenture. As of April 19, 2009, shares of Nemaska were trading at 0.40 $.

On December 31, 2009, the mining interest for Lac Levac was reduced by $614,781 representing the total cash considerations received, net of legal fees of $35,219. The closing of the transaction has been accounted for in the first quarter of 2010.

Management of the Company believes that it has sufficient funds to pay its ongoing administrative expenses and to meet its liabilities for the ensuing twelve months as they fall due. The Company will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. To date, the Company has not earned significant revenues and is considered to be in exploration stage.

Although the financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, certain facts and circumstances cause a doubt on the reasonableness of this assumption.

The Company is pursuing financing alternatives to fund its operations and to continue its activities as a going concern. Although there is no assurance that the Company will be successful in these actions, management is confident that it will be able to secure the necessary financing through the issuance of new equity. There are no guarantees that measures taken by management will be successful.

The financial statements do not reflect the adjustments to the carrying values of assets and liabilities, and balance sheet classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

The surface exploration budget for the Magino property in 2010 should be from $487,000 to $2,000,000 subject to availability of financing.

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As of April 26, the Company holds approximately $1,265,000 in cash and short-term investments, $230,000 as security deposit for mine closure and tax and mining exploration credits receivable of $172,080. Short-term investments include approximately $480,000 of funds from the flow-through financings to be spent on the Company's exploration property in Ontario. These funds are restricted for this use.

*Operating activities*

Cash flow used by operating activities amounted to $1,061,217 compared to $803,485 in 2008. This variance in the cash used by operating activities comes mainly from an increase of $174,530 in administrative salaries and consulting fees.

*Financing activities*
On September 23, 2009, the Company issued 3,367,428 flow through common shares at a price of $0.35 for gross proceeds of $1,178,600. Share issue costs totaled $31,030. Funds from the flow-through financing are restricted for the Company's exploration properties in Ontario and Quebec.

*Investing activities*
Cash flow generated by investing activities amounted to $648,816 in 2009 compared with $758,526 in 2008. As a result of lower exploration activities at Magino and Levac properties, additions to mining interests totalled $786,774 in 2009 compared to $2,276,321 last year. The decrease in short-term investments, consisting of term deposits, amounted to 225,928 $ in 2009 compared with a decrease of $2,788,756 last year. Also, as previously mentioned, the net cash consideration for disposal of Lac Levac properties and other properties in province of Quebec amounted to $761,509.

| **Exploration Costs 2009** | **Magino** | **Lac Levac** | **Total** |
|---|---|---|---|
| | **$** | **$** | **$** |
| Balance - beginning of year | 10,569,870 | 2,767,436 | 13,337,306 |
| Drilling | 158,130 | - | 158,130 |
| Geologist and assistant | 169,709 | 38,785 | 208,494 |
| Geophysics | 23,695 | - | 23,695 |
| Travel, food and lodging | 37,011 | 8,337 | 45,348 |
| Assaying | 76,369 | 21,287 | 97,656 |
| Management | 346,980 | 9,050 | 356,030 |
| Stock-based compensation | 5,410 | 1,709 | 7119 |
| Supplies | 28,717 | 1,371 | 30,088 |
| Tax and mining exploration credits | - | (147,342) | (147,342) |
| Net cash consideration received on sale of option | - | (438,407) | (438,407) |
| Additions for the year | 846,021 | (505,210) | 340,811 |
| Balance – end of year | 11,415,891 | 2,262,226 | 13,678,117 |

| **Exploration Costs 2008** | **Magino** | **Lac Levac** | **Total** |
|---|---|---|---|
| | $ | $ | $ |
| Balance - beginning of year | 9,924,407 | 1,967,344 | 11,891,751 |
| Drilling | - | 516,333 | 516,333 |
| Geologist and assistant | 147,483 | 138,819 | 286,302 |
| Geophysics | - | 144,916 | 144,916 |
| Travel, food and lodging | 49,510 | 140,389 | 189,899 |
| Assaying | 103,011 | 143,057 | 246,068 |
| Management | 278,176 | 120,633 | 398,809 |
| Stock-based compensation | 50,904 | 23,591 | 74,495 |
| Supplies | 16,379 | 13,211 | 29,590 |
| Tax and mining exploration credits | - | (440,857) | (440,857) |
| Additions for the year | 645,463 | 800,092 | 1,445,555 |
| Balance – end of year | 10,569,870 | 2,767,436 | 13,337,306 |

## Shareholders' Equity

Shareholders' equity amounted to $15,447,843 as at December 31, 2009, compared with $15,286,560 as at December 31, 2008. The increase in shareholders' equity results mainly from the capital stock issued less the net loss for the year.

## Quarterly Data

Operating results for each of the last eight quarters are presented in the table below. In our opinion, the data related to these quarters were prepared in the same manner as that of the audited financial statements for the year ended December 31, 2009. Our external auditors have not reviewed our unaudited quarterly financial statements.

| **2009 Quarters ended,** | **March 31** | **June 30** | **September 30** | **December 31** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Revenue | **3,180** | **7,786** | **601** | **(710)** |
| Net loss | **(195,560)** | **(421,040)** | **(259,132)** | **(458,555)** |
| Loss per share – basic and diluted | **(0.00)** | **(0.01)** | **(0.01)** | **(0.01)** |

| **2008 Quarters ended,** | **March 31** | **June 30** | **September 30** | **December 31** |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Revenue | 41,823 | 23,196 | 12,989 | 14,925 |
| Net income (loss) | 901,365 | (364,858) | (191,030) | (649,704) |
| Earnings (loss) per share – basic and diluted | 0.02 | (0.01) | (0.01) | (0.01) |

## Fourth Quarter Results of Operations

For the fourth quarter of 2009, the Company reported a net loss of $458,555 ($0.01 per share) compared with a net loss of $649,704 ($0.01 per share) for the same quarter of the preceding year. The decrease in net loss is mainly attributable to the tax recovery reduction of $325,043 in 2008 to reflect the final combined tax rate for the year and offsetted by an increase of 64,097 $ in penalty interest on Part XII.6 tax accounted for in general and administrative expenses in 2009.

**Outstanding Share Information (April 26, 2010)**

| | Common shares |
|---|---|
| Common shares outstanding | 51,281,706 |
| Convertible instruments : | |
| Stock options outstanding | 4,268,326 |
| | 55,550,032 |

**Off-Balance Sheet Arrangements**

The Company did not enter into any off-balance sheet arrangements.

**Commitments**

As of December 31, 2009, future minimum payments under various agreements amount to $46,000 for 2010 and $43,000 for 2011.

**Related Party Transactions**

During the year, the Company incurred management and accounting services rendered by officers, directors or corporations controlled by them in the normal course of operations. The services were measured at the exchange amounts and accounted for in general and administrative expenses and mining interests.

| | **2009**<br>**$** | 2008<br>$ |
|---|---|---|
| Consulting fees | **126,508** | 127,187 |

The accounts payable and accrued liabilities include an amount of $6,617 (2008 - $3,556) due to directors, officers, or corporations controlled by them.

**Critical accounting Policies**

***Use of estimates***

The preparation of financial statements in conformity with Canadian generally accepted accounting principles ("Canadian GAAP") 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 and future income taxes. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

***Mining interests***

All direct costs associated with exploration properties are capitalized as incurred and reduced for taxes credits and mining rights receivable. 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.

Proceeds on the sale of mining interests are applied by property in reduction of the property and claims, then in reduction of the exploration costs and any residual is recorded in the statement of operations, comprehensive loss and deficit. Transaction costs on the sale of mining interests are recorded in the statement of operations, comprehensive loss and deficit as a reduction of the gain on sale of mining interests.

***Impairment of long-lived assets***

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable, as identified by comparing their net book value to the estimated undiscounted future cash flows generated by their use and eventual disposal. Impairment is measured as the excess of the carrying value over the fair value, determined principally by discounting the estimated net future cash flows expected to be generated from the use and eventual disposal of the related asset. In the event that the Company has insufficient information about its mining interests to estimate future cash flows to test the recoverability of the capitalized costs, the Company will test for impairment by comparing the fair value to the carrying amount, without first performing a test for recoverability.

***Stock-based compensation***

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 period of the options granted and the counterpart is accounted for in contributed surplus in the balance sheet.

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 enacted or 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.

***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 the statement of operations, comprehensive loss and deficit. 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.

## Changes in accounting policies

Effective January 1, 2009, the Company adopted an amendment to an accounting standard related to financial instruments, one new accounting standard related to goodwill and intangible assets and two new abstracts related to credit risk and the fair value of financial assets and financial liabilities and mining exploration costs that were issued by the Canadian Institute of Chartered Accountants ("CICA"). The CICA amendment, new standard and abstracts are as follows:

*Section 3862, Financial Instruments – Disclosure*
On January 1, 2009, the Company adopted an amendment to Section 3862, Financial Instruments – Disclosures. This amendment establishes additional disclosure requirements regarding the level in the fair value hierarchy in which fair value measurements are categorized for assets and liabilities measured in the balance sheet.

*Section 3064, Goodwill and Intangible Assets*
In February 2008, the CICA issued Section 3064, which replaces Section 3062, Goodwill and Other Intangible Assets. This new Section provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This new Section specifically excludes mining activities related to prospecting, acquisition of mineral rights, exploration, drilling and mineral development from being considered as intangible assets, as existing Section 3061, Property, Plant and Equipment, contains standards for the measurement, presentation and disclosure of mining properties. Adoption of this standard did not have any effect on the Company's financial statements.

*EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*
In January 2009, the CICA issued EIC-173, which provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This Abstract applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. Adoption of this Abstract did not have any effect on the Company's financial statements.

*EIC-174, Mining Exploration Costs*
In March 2009, the CICA issued EIC-174, which provides guidance on the accounting and the impairment review of exploration costs. This Abstract applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. Adoption of this Abstract did not have any effect on the Company's financial statements.

## Recent accounting pronouncements

In January 2009, the CICA issued Section 1582, Business Combinations, Section 1601, Financial Statements, and Section 1602, Non-controlling Interests, which replace CICA Section 1581, Business Combinations, and Section 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that are equivalent to the business combination accounting standards under International Financial Reporting Standards ("IFRS"). Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS, IAS 27 (Revised), Consolidated and Separate Financial Statements. The Sections apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently evaluating the impact of the adoption of these new Sections on the financial statements.

**Convergence to International Financial Reporting Standards**

In February 2008, the Canadian Accounting Standards Board confirmed January 1, 2011 as the changeover date to move financial reporting for Canadian publicly accountable enterprises to the International Financial Reporting Standards ("IFRS"). The changeover date for Company will be January 1, 2011, to be in line with its December year end.

*Team:*
Due to the size of the Company, the CFO will be performing the IFRS convergence and will report to the president and to the Audit Committee on the progress accomplished. The Company hired PricewaterhouseCoopers ("PWC") to perform a diagnostic review to understand, identify and assess the overall effort required to produce financial information under IFRS.

*Training:*
In 2009, the CFO participated in training session and group discussions. The objective of that training was to compare Canadian GAAP to IFRS. As IFRS is expected to change prior to 2011, any changes impacting the Company will have to be monitored. It is anticipated that PWC will be involved in any change impacting the Company.

*Accounting Policies impacted:*
The detailed analysis of the accounting policies impacted by the IFRS convergence is expected to be completed throughout 2010. Overall, a lot of effort will be put in the financial statements presentation as IFRS requires more disclosure. Based on the analysis of expected accounting differences conducted so far, following is a non-exhaustive list of the IFRS accounting policies that could have a potential impact on the financial statements of the Company:

a) First Time adoption (IFRS 1)

IFRS 1 provides guidance to entities on the general approach to be taken when first adopting IFRS. The underlying principle of IFRS 1 is retrospective application of IFRS standards in force at the date an entity first reports using IFRS. IFRS 1 acknowledges that full retrospective application may not be practical or appropriate in all situations and prescribes:

- optional exemptions from specific aspects of certain IFRS standards in the preparation of the Company's opening balance sheet; and
- mandatory exceptions to retrospective application of certain IFRS standards. Additionally, IFRS 1 contains disclosure requirements to highlight changes made to financial statement items due to the transition to IFRS.

b) Impairment (IAS 36, IAS6)

IFRS requires the use of a one-step impairment test (impairment testing is performed using discounted cash flows) rather than the two-step test under Canadian GAAP (using undiscounted cash flow as a trigger to identify potential impairment loss). IFRS requires reversal of impairment losses where previous adverse circumstances have changed; this is prohibited under Canadian GAAP. Impairment testing should be performed at the asset level for long-lived assets and intangible assets. Where the recoverable amount cannot be estimated for individual assets, it should be estimated as part of a Cash Generating Unit ("CGU").

c) Share-based payments (IFRS 2)

Per IFRS, the forfeiture rate, with respect to share options, needs to be estimated by the Company at the grant date instead of recognizing the entire compensation expense and only record actual forfeitures as they occur.

d) Mineral property interests, exploration and evaluation costs (IFRS 6)

Under IFRS, the Company would be required to develop an accounting policy to specifically and consistently identify which expenditures on exploration and evaluation activities will be recorded as assets.

Unlike IFRS, Canadian GAAP indicates that exploration costs may initially be capitalized if the Company considers that such costs have the characteristics of property, plant and equipment. Exploration and evaluation assets shall be classified as either tangible or intangible according to the nature of the assets acquired.

e) Asset retirement obligations (AIS 37)
   The accounting policy of the Company will be amended to:
   - Include constructive obligations to the estimated cost of dismantling and removing the asset and restoring the site.
   - Include changes to the discount rate. According to IFRS, liability is adjusted even if there is no other change to the liability.

*Information systems:*
The accounting processes of the Company are simple since it is still at the exploration stage and no major challenges are expect at this point to operate the accounting system under the IFRS. Nevertheless, some excel spreadsheets will probably have to be adapted to support the change made in accounting policies. The Company established that no historical data has to be regenerated to comply with some of the choices to be made under IFRS 1.

As the Company will perform its accounting under Canadian GAAP from January 2010 to December 2011, it will generate in parallel the accounting under IFRS for comparative figures to be available.

*Internal Controls:*
Since the Company is a TSX Venture issuer, management does not make representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in National 52-109. Management is responsible for ensuring that processes are in place to provide them with sufficient knowledge to support their certification of the financial statements and MD&A, more specifically assessing that the SEDAR filings are presenting fairly the results of the Company. Management will make sure that once the convergence process is completed, it can still certify its fillings.

*Impact on the business:*
The business processes of the Company are simple and no major challenges are expected at this point to operate under IFRS. The Company has no foreign currency transactions, no hedging activities, no debt and no capital obligations. The Company doesn't expect that IFRS will have an impact on the requirements or business processes when it enters in flow-through financing.

## Risks and Uncertainties

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.

***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 four 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 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.

**Additional Information and Continuous Disclosure**

This MD&A was prepared as of April 26, 2010. Additional information can be found on the SEDAR website at www.sedar.com.

# Management's Responsibility for Financial Statements

The accompanying financial statements of Golden Goose Resources Inc. and all of the information 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 Canadian generally accepted accounting principles and reflect management's best estimate and judgment 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 financial statements and the annual report before they are presented to the Board of Directors for approval.

François Perron
President and Chief Executive Officer
Montréal, Canada
April 19, 2010

# 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, 2009 and 2008 and the statements of operations, comprehensive loss and deficit and cash flows for each of 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, 2009 and 2008 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP[1]

Chartered Accountants
Montreal, Canada
April 19, 2010

[1] Chartered accountant auditor permit No. 20910

# Golden Goose Resources Inc.
**(An exploration stage company)**
## Balance Sheets
As at December 31

| | **2009** | 2008 |
|---|---|---|
| | **$** | $ |
| **Assets** | | |
| **Current assets** | | |
| Cash | **830,127** | 38,258 |
| Short-term investments *(Note 15)* | **1,185,316** | 1,411,244 |
| Receivables *(Note 3)* | **45,269** | 46,990 |
| Tax and mining exploration credits receivable | **172,080** | 472,891 |
| Prepaid expenses | **21,893** | 16,385 |
| | **2,254,685** | 1,985,768 |
| Security deposit - mine closure *(Note 5)* | **230,000** | 230,000 |
| Mining interests *(Note 4)* | **13,723,324** | 13,558,887 |
| | **16,208,009** | 15,774,655 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Payables and accruals | **561,526** | 302,255 |
| **Asset retirement obligation** *(Note 5)* | **198,640** | 185,840 |
| | **760,166** | 488,095 |
| **Shareholders' Equity** | | |
| Capital stock *(Note 7)* | **23,786,199** | 22,542,029 |
| Contributed surplus *(Note 9)* | **2,844,927** | 2,593,527 |
| Deficit | **(11,183,283)** | (9,848,996) |
| | **15,447,843** | 15,286,560 |
| | **16,208,009** | 15,774,655 |

Going concern assumption (*Note 1*)
Contingency (*Note 5*) and commitments (note 16)
*See accompanying notes to financial statements.*

On behalf of the Board

François Perron
Director

Kevin Ramsay
Director

# Golden Goose Resources Inc.
**(An exploration stage company)**
# Statements of Operations, Comprehensive Loss and Deficit
Years ended December 31

| | 2009 $ | 2008 $ |
|---|---|---|
| **Revenue** | | |
| Interests | **10,857** | 92,933 |
| **Expenses** | | |
| General and administrative (*Note 10*) | **1,114,004** | 973,686 |
| Mine care and maintenance | **80,887** | 71,002 |
| Accretion of asset retirement obligation | **12,800** | 12,161 |
| Write-off of mining interests *(Note 4)* | **-** | 30,419 |
| Stock-based compensation (*Note 8*) | **284,181** | 270,236 |
| Net gain on sale of mining interests (*Note 4*) | **(146,728)** | - |
| | **1,345,144** | 1,357,504 |
| **Loss before income taxes** | **(1,334,287)** | (1,264,571) |
| Income taxes recovery (*Note 11*) | **-** | (960,344) |
| **Net loss and comprehensive loss** | **(1,334,287)** | (304,227) |
| Deficit at beginning of year | **(9,848,996)** | (9,544,769) |
| **Deficit at end of year** | **(11,183,283)** | (9,848,996) |
| **Loss per common share – basic and diluted** | **(0.03)** | (0.01) |
| **Weighted average number of basic and diluted outstanding shares** | **48,692,450** | 47,373,644 |

Going concern assumption (*Note 1*)
*See accompanying notes to financial statements.*

# Golden Goose Resources Inc.
## (An exploration stage company)
# Statements of Cash Flows
Years ended December 31

| | **2009** | 2008 |
|---|---|---|
| | **$** | $ |
| **Operating Activities** | | |
| Net loss | **(1,334,287)** | (304,227) |
| Items not affecting cash: | | |
| Future income taxes | **-** | (960,344) |
| Stock-based compensation | **284,181** | 270,236 |
| Accretion of asset retirement obligation | **12,800** | 12,161 |
| Net gain on sale of mining interests *(Note 4)* | **(146,728)** | - |
| Write-off of mining interests *(Note 4)* | **-** | 30,419 |
| Other | **-** | (3,322) |
| | **(1,184,034)** | (955,077) |
| Net change in non-cash working capital items: | | |
| Receivables | **1,721** | 161,562 |
| Tax and mining exploration credits receivable | **-** | (3,125) |
| Prepaid expenses | **(5,508)** | 6,506 |
| Payables and accruals | **126,604** | (13,351) |
| | **(1,061,217)** | (803,485) |
| **Financing Activities** | | |
| Capital stock issue net of share issue costs *(Note 7(a))* | **1,147,570** | - |
| Capital stock issue following the exercise of stock options for cash *(Note 7(b))* | **56,700** | - |
| | **1,204,270** | - |
| **Investing Activities** | | |
| Decrease in short-term investments | **225,928** | 2,788,756 |
| Tax and mining exploration credits received | **448,153** | 246,091 |
| Additions to mining interests | **(786,774)** | (2,276,321) |
| Net cash consideration for disposal of mining interests *(Note 4)* | **761,509** | - |
| | **648,816** | 758,526 |
| **Net change in cash** | **791,869** | (44,959) |
| Cash at beginning of year | **38,258** | 83,217 |
| **Cash at end of year** | **830,127** | 38,258 |

Going concern assumption (*Note 1*)

*See accompanying notes to financial statements and note 6 for supplementary information on statements of cash flows.*

## 1 – Incorporation, nature of operations and going concern assumption

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

The Company's main resource assets are the Magino property in Ontario and the Lac Levac nickel, copper & PGM ("Lac Levac") property in Québec, which was sold by the Company on January 15, 2010 (Note 4). The Magino gold mine operated from 1988 to 1992 and has been kept on a care and maintenance basis since then. In the fall of 2005, the Company resumed exploration activities on the property.

The recoverability of the carrying value of the mining interests 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.

Management of the Company believes that it has sufficient funds to pay its ongoing administrative expenses and to meet its liabilities for the ensuing twelve months as they fall due. The Company will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. To date, the Company has not earned significant revenues and is considered to be in exploration stage.

Although these financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, certain facts and circumstances cause a doubt on the reasonableness of this assumption.

The Company is pursuing financing alternatives to fund its operations and to continue its activities as a going concern. Although there is no assurance that the Company will be successful in these actions, management is confident that it will be able to secure the necessary financing through the issuance of new equity. There are no guarantees that measures taken by management will be successful.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, and balance sheet classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

## 2 - Summary of significant accounting policies

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

*Use of estimates*

The preparation of financial statements in conformity with Canadian generally GAAP 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 and future income taxes. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

*Cash and short-term investments*

Cash include cash on hand and balances with banks. 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 and redeemable at all times without penalties.

*Mining interests*

All direct costs associated with exploration properties are capitalized as incurred and reduced for tax and mining exploration credits receivable. 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.

Proceeds on the sale of mining interests are applied by property in reduction of the property and claims, then in reduction of the exploration costs and any residual is recorded in the statement of operations, comprehensive loss and deficit. Transaction costs on the sale of mining interests are recorded in the statement of operations, comprehensive loss and deficit as a reduction of the gain on sale of mining interests.

*Impairment of long-lived assets*

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable, as identified by comparing their net book value to the estimated undiscounted future cash flows generated by their use and eventual disposal. Impairment is measured as the excess of the carrying value over the fair value, determined principally by discounting the estimated net future cash flows expected to be generated from the use and eventual disposal of the related asset. In the event that the Company has insufficient information about its mining interests to estimate future cash flows to test the recoverability of the capitalized costs, the Company will test for impairment by comparing the fair value to the carrying amount, without first performing a test for recoverability.

*Tax and mining exploration credits receivable*

Tax and mining exploration credits receivable are related to exploration work and are applied against mining interests.

*Stock-based compensation*

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 period of the options granted and the counterpart is accounted for in contributed surplus in the balance sheet.

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 enacted or 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.

### *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.

### *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 the statement of operations, comprehensive loss and deficit. 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.

### *Share issue expenses*

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

### *Financial instruments*

All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

▫ Financial assets and financial liabilities classified as held-for-trading are required to be measured at fair value, with gains and losses recognized in the statement of operations, comprehensive loss and deficit.

▫ Financial assets classified as held-to-maturity, loans and receivables and financial liabilities (other than those held-for-trading) are required to be measured at amortized cost using the effective interest method of amortization.

▫ Available-for-sale financial assets are required to be measure at fair value, with unrealized gains and losses recognized in Other Comprehensive Income. Investments in equity instruments, classified as available-for-sale that do not have a quotes market price in an active market should be measured at cost.

The Company has implemented the following classification:

▫ Cash is classified as held-for-trading

▫ Short–term investments, security deposit and receivables are classified as loans and receivables

▫ Payable and accruals are classified as other liabilities.

### *Changes in accounting policies*

Effective January 1, 2009, the Company adopted an amendment to an accounting standard related to financial instruments, one new accounting standard related to goodwill and intangible assets and two new abstracts related to credit risk and the fair value of financial assets and financial liabilities and mining exploration costs that were issued by the Canadian Institute of Chartered Accountants ("CICA"). The CICA amendment, new standard and abstracts are as follows:

Section 3862, Financial Instruments – Disclosure

On January 1, 2009, the Company adopted an amendment to Section 3862, Financial Instruments – Disclosures. This amendment establishes additional disclosure requirements regarding the level in the fair value hierarchy in which fair value measurements are categorized for assets and liabilities measured in the balance sheet.

Section 3064, Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, which replaces Section 3062, Goodwill and Other Intangible Assets. This new Section provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This new Section specifically excludes mining activities related to prospecting, acquisition of mineral rights, exploration, drilling and mineral development from being considered as intangible assets, as existing Section 3061, Property, Plant and Equipment, contains standards for the measurement, presentation and disclosure of mining properties. Adoption of this standard did not have any effect on the Company's financial statements.

EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued EIC-173, which provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This Abstract applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. Adoption of this Abstract did not have any effect on the Company's financial statements.

EIC-174, Mining Exploration Costs

In March 2009, the CICA issued EIC-174, which provides guidance on the accounting and the impairment review of exploration costs. This Abstract applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. Adoption of this Abstract did not have any effect on the Company's financial statements.

*Recent accounting pronouncements*

In January 2009, the CICA issued Section 1582, Business Combinations, Section 1601, Financial Statements, and Section 1602, Non-controlling Interests, which replace CICA Section 1581, Business Combinations, and Section 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that are equivalent to the business combination accounting standards under International Financial Reporting Standards ("IFRS"). Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS, IAS 27 (Revised), Consolidated and Separate Financial Statements. The Sections apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently evaluating the impact of the adoption of these new Sections on the financial statements.

## 3 – Receivables

| | **2009** | 2008 |
|---|---|---|
| | **$** | $ |
| Sales taxes | **41,285** | 29,484 |
| Interest on term deposits | **3,984** | 17,506 |
| | **45,269** | 46,990 |

## 4 – Mining Interests

*Magino property in Ontario*

The Company holds a 100% interest in the Magino gold mine property. The Company agreed to pay to a third party a royalty of 10% of its share of net profits, after it has received payment of all the costs incurred by it since November 1985. The Company cannot reasonably estimate the likelihood of a royalty being paid, nor the amount.

*Lac Levac property in Québec*

The Company held a 100% interest in the Lac Levac property. In 2008, the Company acquired mining claims covering 108 km$^2$ in the area surrounding the Lac Levac property and, as part of the purchase cost, the Company granted to the sellers a 1% net smelter return (NSR) royalty from the production of any mineral derived from any mine located on the area covered by the purchased claims (Note 7(c)).

In August 2009, Company signed an option agreement, which was subsequently amended in November 2009, to sell its Lac Levac property to Exploration Nemaska Inc. ("Nemaska'). At the signature of the option agreement and at its subsequent amendment, total non-refundable cash considerations of $200,000 were received in accordance with the agreements.

To exercise the option, Nemaska had to pay the following before December 31, 2009:

- $450,000 in cash
- $1,500,000 in common shares at 30% discount to the initial public offering ("IPO") stock price including a two-year warrant exercisable at a strike price equivalent to the stock price of the IPO which is $0.50. The shares will be held on escrow and 10% will be released on the listing date and 15% of the shares will be released at six months intervals following the listing; and
- $1,000,000 in the form of an 8% convertible redeemable debenture (convertible at the holder's option into shares at the price of the IPO and 24-month warrants exercisable at a 20% premium to the IPO price). The debenture will be forced to be converted if the publicly-traded shares of Nemaska close at a price 30% higher than the IPO price for 20 consecutive days. Interest is payable in cash once a year on the anniversary of the transaction date. The debenture will be secured by the claims of the Lac Levac property and can be bought back at anytime by Nemaska for $1,100,000.

On December 31, 2009, Nemaska exercised the option and paid $450,000 to the Company and upon the closing of the transaction on January 15, 2010, the Company received 4,285,714 shares and 4,285,714 warrants of Nemaska and the $1,000,000 debenture.

On December 31, 2009, the mining interest for Lac Levac was reduced by $614,781 representing the total cash considerations received, net of legal fees of $35,219. The closing of the transaction has been accounted for in the first quarter of 2010.

*Others*

On July 17, 2009, the Company sold its mining rights in properties located in province of Quebec for a cash consideration of $150,000 plus a 1% net smelter return (NSR) royalty. The accounting value of these properties was nil and legal costs for the transaction amounted to $3,272 resulting in a net gain on sale of mining interests of $146,728 which was recorded in the statement of operations, comprehensive loss and deficit.

Capitalized mining interests are as follows:

| **Year ended December 31, 2009** | **Magino** $ | **Lac Levac** $ | **Others** $ | **Total** $ |
|---|---|---|---|---|
| Property and Claims; | | | | |
| Balance – beginning of year | 45,207 | 176,374 | - | 221,581 |
| Net cash consideration received on sale of option | - | (176,374) | | (176,374) |
| Additions | - | - | - | - |
| Balance – end of year | 45,207 | - | - | 45,207 |
| Exploration costs; | | | | |
| Balance – beginning of year | 10,569,870 | 2,767,436 | - | 13,337,306 |
| Additions, net of tax and mining exploration credits receivable | 846,021 | (66,803) | - | 779,218 |
| Net cash consideration received on sale of option | - | (438,407) | - | (438,407) |
| Balance – end of year | 11,415,891 | 2,262,226 | - | 13,678,117 |
| Total | 11,461,098 | 2,262,226 | - | 13,723,324 |

| **Year ended December 31, 2008** | **Magino** $ | **Lac Levac** $ | **Others** $ | **Total** $ |
|---|---|---|---|---|
| Property and Claims; | | | | |
| Balance – beginning of year | 45,207 | 9,846 | 30,419 | 85,472 |
| Additions | - | 166,528 | - | 166,528 |
| Write-off of mining interests [1] | - | - | (30,419) | (30,419) |
| Balance – end of year | 45,207 | 176,374 | - | 221,581 |
| Exploration costs; | | | | |
| Balance – beginning of year | 9,924,407 | 1,967,344 | - | 11,891,751 |
| Additions, net of tax and mining exploration credits receivable | 645,463 | 800,092 | - | 1,445,555 |
| Balance – end of year | 10,569,870 | 2,767,436 | - | 13,337,306 |
| Total | 10,615,077 | 2,943,810 | - | 13,558,887 |

[1] In 2008, the Company decided to write-off other claims since no exploration work was performed during the past three years.

## 5 – Asset retirement obligation for mining interest

Close down 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 applicable 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 plans.
ii) The estimate of the effect of future inflation was based on a rate of 2% per year.
iii) The credit adjusted risk-free 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 2015.
   b. 25% probability of incurring this expenditure in 2010.

The table below presents the evolution of the obligation.

| | **2009**<br>**$** | 2008<br>$ |
|---|---|---|
| Balance - beginning of year | **185,840** | 173,679 |
| Accretion expense | **12,800** | 12,161 |
| Balance - end of year | **198,640** | 185,840 |

*Contingency*

In 2009, a letter of credit of $230,000 was issued by the Royal Bank in favor 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 has indemnified the bank accordingly and a security deposit for an amount of $230,000 that bears interest at a rate of 2% has been deposited and is restricted to mine closure (3.25% in 2008).

## 6 – Supplementary information on statements of cash flows

| | **2009**<br>**$** | 2008<br>$ |
|---|---|---|
| Stock-based compensation capitalized in mining interests | **7,119** | 74,495 |
| Tax and mining exploration credits receivable applied against mining interests | **147,342** | 440,857 |
| Additions to mining interests included in accounts payable | **238,459** | 105 792 |
| Capital stock issued for acquisition of mining claims | **-** | 128,454 |
| Interest received | **24,379** | 63,155 |

## 7 – Capital Stock

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

| | Number | $ |
|---|---|---|
| **Outstanding as at December 31, 2007** | **47,295,188** | **23,373,919** |
| Issued for acquisition of mining claims (c) | 409,090 | 128,454 |
| Future tax benefit renounced pursuant to flow-through shares *(Note 11)* | - | (960,344) |
| **Outstanding as at December 31, 2008** | **47,704,278** | **22,542,029** |
| Private placement, net of issue costs of $31,030 (a) | 3,367,428 | 1,147,570 |
| Issued for exercises of options (b) | 210,000 | 96,600 |
| **Outstanding as at December 31, 2009** | **51,281,706** | **23,786,199** |

**Year ended December 31, 2009**

a) On September 23, 2009, the Company issued 3,367,428 flow through common shares at a price of $0.35 for gross proceeds of $1,178,600. Share issue costs totaled $31,030. Funds from the flow-through financing are restricted for the Company's exploration properties in Ontario and Quebec.

b) In the year ended December 31, 2009, 210,000 options were exercised for gross proceeds of $56,700. An amount of $39,900 representing the previously estimated fair value of the options was added to "Capital stock" and reduced from "Contributed surplus".

**Year ended December 31, 2008**

c) On August 20, 2008, the Company signed an Asset Purchase Agreement with two non-related sellers to acquire 205 mining claims covering 108 km² in the area surrounding the Lac Levac property. Upon closing of the transaction on October 23, 2008 the Company paid a cash consideration of $25,000, issued 409 090 common shares and granted to the sellers a 1% net smelter return (NSR) royalty from the production of any mineral derived from any mine located on the area covered by the purchased claims. An amount of $128,454 representing the fair value of the common shares given up at the date of the transaction was added to capital stock and an amount of $153,454, representing the total acquisition cost, was added to mining interests. Of the 409 090 shares given to the sellers, 204 546 shares were held in escrow until February 23, 2009 and 204,544 shares are held in escrow until October 23, 2009.

## 8 – 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. The exercise price cannot be less than the closing price of the Company's common shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed five years. The number of common shares under option at any time under the Plan or otherwise cannot exceed 5,128,170, that is 10% of the outstanding common shares of the Company at the time of the most recent change to the Plan. The Plan does not provide for compulsory vesting periods but the Board of Directors has discretion to subject each separate grant to a vesting period.

The following tables reflect the continuity for the years ended December 31, 2009 and 2008 of options granted under the Plan.

| | | **2009** | | 2008 |
|---|---|---|---|---|
| | | **$** | | $ |
| | Number of options outstanding | Weighted average exercise price | Number of options outstanding | Weighted average exercise price |
| Balance - beginning of year | **3,458,326** | **0.63** | 2,988,326 | 0.66 |
| Granted (i) | **1,275,000** | **0.42** | 630,000 | 0.50 |
| Exercised *(Note 7(b))* | **(210,000)** | **0,27** | - | - |
| Forfeited / expired | **(305,000)** | **0.77** | (160,000) | 0.52 |
| Balance - end of year | **4,218,326** | **0.58** | 3,458,326 | 0.63 |

i) In the year ended December 31, 2009, 1,275,000 options were granted to directors, officers, employees and consultants of the Company (630,000 in 2008). These options were granted at an exercise price equal to the closing market value of these shares the previous day before the grant. Certain options granted in 2009 have vesting periods up to 12 months (all options vested immediately in 2008).

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

| | **2009** | 2008 |
|---|---|---|
| Volatility | **100%** | 98% |
| Dividend yield | **0%** | 0% |
| Risk-free interest rate | **2,3%** | 3,0% |
| Expected life | **5 years** | 5 years |
| Fair value - Weighted average of options issued | **$0.31** | $0.33 |

For the year ended December 31, 2009, the total stock-based compensation cost was $291,300 ($344,731 in 2008) of which $7,119 ($74,495 in 2008) was capitalized to mining interests. The counterpart for those costs was credited to the contributed surplus account.

| ii) | Exercise Prices $ | Options outstanding | Average residual life (in years) | Options outstanding and exercisable |
|---|---|---|---|---|
| | 0.25 - 0.35 | 1,155,000 | 3.69 | 942,500 |
| | 0.48 – 0.60 | 1,925,000 | 2.37 | 1,725,000 |
| | 0.65 | 270,000 | 3.95 | 70,000 |
| | 0.99 – 1.10 | 868,326 | 2.43 | 868,326 |
| | | **4,218,326** | **2,84** | **3,605,826** |

## 9 – Contributed surplus

The contributed surplus is composed of:

| | **2009** **$** | 2008 $ |
|---|---|---|
| Expired agent's unit options | **34,000** | 34,000 |
| Stock options | **2,320,981** | 2,069,581 |
| Expired warrants | **489,946** | 489,946 |
| | **2,844,927** | 2,593,527 |

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

| | **2009** **$** | 2008 $ |
|---|---|---|
| **Balance – beginning of year** | **2,593,527** | 1,758,850 |
| Stock based compensation *(Note 8( i))* | **291,300** | 344,731 |
| Expired Warrants | **-** | 489,946 |
| Exercise of stock options *(Note 7(b))* | **(39,900)** | - |
| **Balance – end of year** | **2,844,927** | 2,593,527 |

## 10 – General and administrative expenses

| | **2009** | 2008 |
|---|---|---|
| | **$** | $ |
| Shareholders' communications | **66,031** | 120,167 |
| Transfer agent and listing fees | **35,394** | 41,089 |
| Directors' fees | **22,250** | 11,000 |
| Salaries, bonuses and consulting fees | **404,134** | 229,604 |
| Filing fees | **3,487** | 4,725 |
| Office and rent | **14,479** | 14,869 |
| Claim renewal and taxes | **62,964** | 24,848 |
| Travel | **24,624** | 25,384 |
| Insurance | **41,311** | 37,544 |
| Audit and accounting fees | **113,793** | 91,672 |
| Legal fees | **93,977** | 103,239 |
| Capital tax | **55,618** | 83,762 |
| Penalty interest on Part XII.6 tax and other | **64,097** | 29,194 |
| Corporate development | **30,000** | 90,000 |
| Miscellaneous | **81,845** | 66,589 |
| | **1,114,004** | 973,686 |

## 11 – 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, comprehensive loss and deficit.

| | **2009** | 2008 |
|---|---|---|
| | **$** | $ |
| Loss before income taxes | **(1,334,287)** | (1,264,571) |
| Expected income tax recovery at statutory rate of 31.49% ( 31.99% in 2008) | **(420,167)** | (404,544) |
| Stock-based compensation | **57,782** | 86,400 |
| Impact of change in rate | **265,177** | (109,000) |
| Other | **124 808** | (3,573,500) |
| Valuation allowance | **(27,600)** | 3,040,300 |
| Income tax recovery | **-** | (960,344) |

The following table reflects future income tax assets:

| | 2009<br>$ | 2008<br>$ |
|---|---|---|
| Future income tax assets | | |
| Excess of unclaimed capital cost allowance and resource pools over carrying value of office equipment and mining interests | **4,826,900** | 5,020,400 |
| Non-capital losses | **1,101,500** | 841,400 |
| Share issue cost | **57,900** | 93,000 |
| Donation | **13,400** | 73,200 |
| Asset retirement obligation | **52,300** | 51,600 |
| | **6,052,000** | 6,079,600 |
| Valuation allowance | **(6,052,000)** | (6,079,600) |
| Future income tax assets | **-** | - |

As at December 31, 2009, 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 $653,461 and $5,267,252 respectively, unclaimed depletion base of $12,268,780, unclaimed federal and provincial capital cost of $258,548 and $543,978 respectively, cumulative eligible capital of $226,000, unclaimed share issue costs of $219,419 all of which will be amortized over the next four years, unclaimed donation of $50,948 and non-capital loss of $4,194,000 expiring as follows: $1,279,000 in 2029, $1,001,000 in 2028, $971,000 in 2027, $609,000 in 2026, and $334,000 in 2015.

In 2008, the Company renounced tax deductions totaling $4,532,083 which was raised through the issuance of flow-through shares. The Company recorded a future income tax liability of $960,344 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 $960,344, thereby offsetting the future income tax liability. The reduction in the valuation allowance has been recorded in the statement of operations, comprehensive loss and deficit.

## 12 – Related party transactions

Charges for services by officers, directors or corporations controlled by them in the normal course of operations and measured at the exchange amounts are included in general and administrative expenses and mining interests.

| | 2009<br>$ | 2008<br>$ |
|---|---|---|
| Consulting fees | **126,508** | 127,187 |

The accounts payable and accruals include an amount of $6,617 (2008 - $3,556) due to directors, officers, or corporations controlled by them.

## 13 – Capital management

The Company's objectives when managing capital are to safeguard its ability to continue its operations. The principal business carried on and intended to be carried on by the Company is the acquisition, exploration and development of mineral resource properties. The properties in which the Company currently has an interest are in the exploration stage, and therefore the Company is dependent on external financing to fund its activities. The Company intends to expand existing working capital by raising additional share capital to carry out the planned exploration and to pay for administrative costs. The Company will continue to assess new properties and will seek to acquire interests in additional properties if the Company feels they have sufficient geologic or economic potential and if the Company has adequate available or committed financial resources to complete such acquisitions.

The Company's capital includes shareholders' equity of $15,447,843 as of December 31, 2009 ($15,286,560 as of December 31, 2008). In order to maximize its ongoing exploration activities, the Corporation does not pay any dividends. Changes in capital are described in the notes 7 and 9 and in the statements of operations, comprehensive loss and deficit

While the Company is not exposed to any external capital requirements, funds from the flow-through financings to be spent on the Company's exploration properties are restricted for this use and funds are also restricted for mine closure (Notes 5 and 15). The Company doesn't use long term debts since it doesn't generate operating revenues.

## 14 – Financial instruments

The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management manages financial risks. The Company does not enter into financial instruments for speculative purposes. The Company's main financial risk exposure and its financial risk management policies are as follow:

***Interest rate risk***
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk resulting from fluctuations in interest rates on short-term investments and security deposit that earn interest at fixed market rates. The Company does not currently use derivative instruments to reduce its exposure to interest rate risk. On an annual basis, a 1% variation in interest rates in short-term investments and security deposit would have an impact of approximately $14,000 on net loss.

The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the necessary liquidity to conduct its day-to-day operations.

***Credit risk***
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is subject to concentrations of credit risk through cash, short-term investments and security deposit. The Company reduces its credit risk by maintaining its cash, term deposits and security deposit in financial instruments guaranteed by and held with a Canadian chartered bank. Tax and mining exploration credits receivable are receivable from the government and are not exposed to a significant credit risk. Receivables are not exposed to significant credit risk since they are composed of sales taxes receivable and interest receivable from the term deposits held and guaranteed with a Canadian chartered bank.

***Foreign exchange risk***
It is management's opinion that the Company is not exposed to significant foreign exchange risk. As at December 31, 2009, there was no financial asset and financial liabilities denominated in any foreign currency.

***Liquidity risk***
Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company manages its liquidity to settle liabilities when they fall due by continuously monitoring actual and expected cash flows.

In the past few years, the Company financed its liquidity needs primarily by issuing equity securities. As the Company is currently incurring operating losses, additional capital may be required to continue exploration activities on the properties (note 1).

**Fair value of financial instruments**

The fair value of financial instruments is summarized as follows:

| | **2009** | | 2008 | |
|---|---|---|---|---|
| | **Carrying amount** | **Fair Value** | Carrying amount | Fair Value |
| | **$** | **$** | $ | $ |
| **Financial assets** | | | | |
| *Held for trading* | | | | |
| Cash | **830,127** | **830,127** | 38,258 | 38,258 |
| *Loans and receivables* | | | | |
| Short-term investments | **1,185,316** | **1,185,316** | 1,411,244 | 1,411,244 |
| Security deposit | **230,000** | **230,000** | 230,000 | 230,000 |
| Receivables | **45,269** | **45,269** | 46,990 | 46,990 |
| **Financial Liabilities** | | | | |
| *Other liabilities* | | | | |
| Payables and accruals | **561,526** | **561,526** | 302,255 | 302,255 |

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about financial instruments.

The following summarizes the fair value hierarchy under which the Company's financial instruments are valued.

- Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level two includes inputs that are observable other than quoted prices included in level one
- Level three includes inputs that are not based on observable market data

| December 31, 2009 | Level One | Level Two | Level Three |
|---|---|---|---|
| | **$** | **$** | **$** |
| Cash | **830,127** | **-** | **-** |

## 15 – Short-term investments

Short-term investments include $763,615 ($333,217 in 2008) of funds from the flow-through financings to be spent on the Company's exploration property in Ontario. These funds are restricted for this use. Short-term investments consist of term deposits that are redeemable and bear interest at an average rate of 0,22% (2008 – 3.2%).

## 16- Commitments

As of December 31, 2009, future minimum payments under various agreements amount to $46,000 for 2010 and $43,000 for 2011.

## 17 – Subsequent event

On January 5, 2010, the Company granted 50,000 stock options to two directors at a price of $0.38 per share and expiring on January 5, 2015.

On January 15, 2010, the Company completed the sale of the Lac Levac property (Note 4).

## 18- Comparative figures

Certain prior year figures have been reclassified to conform to the current year presentation.

# Corporate Information

**Directors**
François Perron
*President & CEO*

Michel Bouchard *

Kerry Knoll

Jean-Marc Lacoste *

Kevin Ramsay *

Greg Vance

David Watkins

**Officers**
François Perron
*President & CEO*

Luc Audet
*CFO*

Benoit Morel
*Corporate Secretary*

**Common Shares**

| | |
|---|---|
| Outstanding, April 26, 2009 | 51,281,706 |
| Options | 4,268,326 |
| Fully diluted shares | 55,550,032 |

* Member of Audit Committee

**Web Site**

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**Transfer Agent & Registrar**
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**Annual General Meeting**
**Friday, June 4, 2010 10:00 a.m.**
**Omni Hotels (Salon Automne)**
1050 Sherbrooke Street West
Montreal, QC H3A 2R6