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**GOLDEN PEAKS RESOURCES LTD.**

*(An Exploration Stage Company)*

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
APRIL 30, 2006 AND 2005

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## AUDITORS' REPORT

To the Shareholders of  
**GOLDEN PEAKS RESOURCES LTD.**

We have audited the consolidated balance sheets of Golden Peaks Resources Ltd. as at April 30, 2006 and 2005 and the consolidated statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*Ernst & Young LLP*

Vancouver, Canada  
July 20, 2006

Chartered Accountants

**GOLDEN PEAKS RESOURCES LTD.**  
*(An Exploration Stage Company)*  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT APRIL 30**

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>A S S E T S</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	15,044,898	3,138,126
Amounts receivable and prepaids (Note 3)	294,127	118,009
Marketable securities	<u>-</u>	<u>14,168</u>
	15,339,025	3,270,303
<b>EQUIPMENT</b> , net of accumulated amortization of \$31,931 (2005 - \$21,754)	20,936	15,361
<b>MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS</b> (Note 4)	<u>2,968,030</u>	<u>795,044</u>
	<u><u>18,327,991</u></u>	<u><u>4,080,708</u></u>

**L I A B I L I T I E S**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 8)	<u>432,863</u>	<u>61,836</u>

**S H A R E H O L D E R S ' E Q U I T Y**

<b>SHARE CAPITAL</b> (Note 5)	27,514,277	13,059,449
<b>CONTRIBUTED SURPLUS</b> (Note 7)	1,264,827	512,802
<b>DEFICIT</b>	<u>(10,883,976)</u>	<u>(9,553,379)</u>
	<u>17,895,128</u>	<u>4,018,872</u>
	<u><u>18,327,991</u></u>	<u><u>4,080,708</u></u>

**COMMITMENT** (note 9)

APPROVED BY THE BOARD

"Kieran Downes" , Director

"Nick DeMare" , Director

*The accompanying notes form an integral part of these consolidated financial statements.*

**GOLDEN PEAKS RESOURCES LTD.**  
(An Exploration Stage Company)

**CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT**  
**FOR THE YEARS ENDED APRIL 30**

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>EXPENSES</b>		
Accounting and administration	17,675	15,950
Advertising	60,033	30,181
Amortization	6,692	5,111
Audit	27,150	13,310
Consulting	11,950	47,650
Directors fees	50,000	40,000
Filing fees and transfer agent	15,232	14,170
Legal	43,234	6,095
General exploration	98,187	-
Management fees	90,000	90,000
Office and general	102,638	44,542
Office rent	19,958	19,946
Salaries and benefits	59,732	57,585
Shareholder communications	42,413	18,574
Stock-based compensation (Note 6)	638,219	281,317
Travel and related costs	176,384	37,592
	<u>1,459,497</u>	<u>722,023</u>
<b>LOSS BEFORE THE FOLLOWING</b>	(1,459,497)	(722,023)
<b>INTEREST AND OTHER INCOME</b>	88,686	78,603
<b>WRITE-OFF OF MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS</b>	-	(1,937,932)
<b>GAIN ON SALE OF MARKETABLE SECURITIES</b>	7,620	13,277
<b>FOREIGN EXCHANGE GAIN (LOSS)</b>	<u>32,594</u>	<u>(8,576)</u>
<b>LOSS FOR THE YEAR</b>	(1,330,597)	(2,576,651)
<b>DEFICIT - BEGINNING OF YEAR</b>	<u>(9,553,379)</u>	<u>(6,976,728)</u>
<b>DEFICIT - END OF YEAR</b>	<u>(10,883,976)</u>	<u>(9,553,379)</u>
<b>BASIC AND DILUTED LOSS PER COMMON SHARE</b>	<u>\$ (0.06)</u>	<u>\$ (0.13)</u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	<u>20,895,132</u>	<u>20,039,091</u>

*The accompanying notes form an integral part of these consolidated financial statements.*

**GOLDEN PEAKS RESOURCES LTD.**  
(An Exploration Stage Company)

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED APRIL 30**

	<b>2006</b>	<b>2005</b>
	\$	\$
<b>CASH PROVIDED FROM (USED FOR)</b>		
<b>OPERATING ACTIVITIES</b>		
Loss for the year	(1,330,597)	(2,576,651)
Items not involving cash		
Amortization	6,692	5,111
Write-off of mineral properties and deferred exploration costs	-	1,937,932
Gain on sale of marketable securities	(7,620)	(13,277)
Stock-based compensation	<u>638,219</u>	<u>281,317</u>
	(693,306)	(365,568)
Increase in amounts receivable and prepaids	(176,118)	(54,924)
Increase in accounts payable and accrued liabilities	<u>371,027</u>	<u>5,467</u>
	<u>(498,397)</u>	<u>(415,025)</u>
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares	15,038,175	45,033
Share issue costs	<u>(469,541)</u>	<u>-</u>
	<u>14,568,634</u>	<u>45,033</u>
<b>INVESTING ACTIVITIES</b>		
Expenditures on mineral properties and deferred exploration costs	(2,169,501)	(1,051,062)
Equipment purchases	(15,752)	(4,174)
Proceeds from sale of marketable securities	<u>21,788</u>	<u>34,532</u>
	<u>(2,163,465)</u>	<u>(1,020,704)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE YEAR</b>	11,906,772	(1,390,696)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>3,138,126</u>	<u>4,528,822</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>15,044,898</u></u>	<u><u>3,138,126</u></u>
<b>CASH AND CASH EQUIVALENTS COMPRISED OF:</b>		
Cash	2,189,898	138,126
Term deposits	<u>12,855,000</u>	<u>3,000,000</u>
	<u><u>15,044,898</u></u>	<u><u>3,138,126</u></u>

**SUPPLEMENTARY CASH FLOW INFORMATION** (Note 13)

*The accompanying notes form an integral part of these consolidated financial statements.*

**GOLDEN PEAKS RESOURCES LTD.**  
(An Exploration Stage Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED APRIL 30, 2006 AND 2005**

**1. NATURE OF OPERATIONS**

The Company is in the process of exploring and evaluating its mineral properties. On the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the mineral properties and related deferred costs is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. The amounts shown as mineral properties and deferred exploration costs represent net costs to date, less amounts written off, and do not necessarily represent present or future values.

Management considers that the Company has adequate resources to maintain its core operations and planned exploration programs for the 2006 fiscal year. However, the Company recognizes that exploration expenditures may change with ongoing results and, as a result, it may be required to obtain additional financing. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future.

**2. SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Consolidation*

These consolidated financial statements include the accounts of the Company and its wholly-owned Argentinean subsidiaries, Golden Peaks Argentina S.A. and Golden Peaks Minera S.A. Intercompany balances and transactions are eliminated on consolidation.

*Use of Estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

*Cash Equivalents*

Cash includes cash and term deposits maturing within 90 days of the original date of acquisition.

*Marketable Securities*

Marketable securities are recorded at the lower of cost and market value.

*Mineral Properties and Deferred Exploration Costs*

Mineral property costs and exploration, development and field support costs directly relating to mineral properties are deferred until the property to which they directly relate is placed into production, sold or abandoned. The deferred costs will be amortized over the useful life of the orebody following commencement of production or written off if the property is sold or abandoned. Administration costs and other exploration costs that do not relate to any specific property are expensed as incurred.

**GOLDEN PEAKS RESOURCES LTD.**  
*(An Exploration Stage Company)*

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED APRIL 30, 2006 AND 2005**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

On a periodic basis, management reviews the carrying values of deferred mineral property acquisition and exploration expenditures with a view to assessing whether there has been any impairment in value. Management takes into consideration various information including, but not limited to, the stage of exploration, evaluation and development, results of exploration activities conducted to date, estimated future metal prices and reports and opinions of outside geologists, mine engineers and consultants. In the event that reserves are determined to be insufficient to recover the carrying value of any property or other impairments in value are determined, the carrying value will be written down or written off, as appropriate. As of April 30, 2006, the Company had not established that its mineral properties have any known or proven reserves.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

The Company also accounts for foreign value added taxes paid as part of mineral properties and deferred costs. The recovery of these taxes will commence on the beginning of foreign commercial operations. Should these amounts be recovered they would be treated as a reduction in carrying costs of mineral properties and deferred costs.

From time to time, the Company acquires or disposes of properties pursuant to the terms of options agreements. Options are exercisable entirely at the discretion of the optionee and accordingly, are recorded as mineral property costs or recoveries when the payments are made or received.

***Equipment***

Equipment is amortized based on estimated useful life using the straight-line method at annual rates of between 20% and 25%.

***Translation of Foreign Currency***

Integrated foreign operations are translated using the temporal method. Under this method, the Company translates monetary items at the rate of exchange in effect at the balance sheet date. Non-monetary items are translated at average rates in effect during the period in which they were earned or incurred. Revenues and expenses are translated at average rates in effect during the period except for depreciation and amortization which are translated at historical rates. Gains and losses resulting from the fluctuation of foreign exchange rates have been included in the determination of income.

***Income Taxes***

Income tax liabilities and assets are recognized for the estimated income tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases, using substantially enacted income tax rates. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. Future income tax assets are recognized to the extent that they are considered more likely than not to be realized.

**GOLDEN PEAKS RESOURCES LTD.**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED APRIL 30, 2006 AND 2005**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Long-lived Assets Impairment*

Long-lived assets of the Company are reviewed when changes in circumstances suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the future projected cash flows from related operations (undiscounted and without interest charges). If impairment is deemed to exist, the assets will be written down to fair value.

*Asset Retirement Obligations*

The fair value of a liability for an asset retirement obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenses using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either timing or the amount of the original estimate of the undiscounted cash flow. As at April 30, 2006, the Company does not have any asset retirement obligations.

*Stock-Based Compensation*

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The estimated fair value of awards of stock-based compensation are charged to expense as awards vest, with offsetting amounts recognized as contributed surplus.

*Loss Per Share*

Basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted loss per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share by application of the treasury stock method. Basic and diluted loss per share are the same as the effect of potential issuances of shares under warrants or share option arrangements would be anti-dilutive.

**3. AMOUNTS RECEIVABLE AND PREPAIDS**

	2006	2005
	\$	\$
Amounts receivable	119,219	90,882
Taxes recoverable	21,890	14,241
Share subscriptions receivable (Note 5(a))	96,000	-
Prepaid expenses	57,018	12,886
	<u>294,127</u>	<u>118,009</u>

**GOLDEN PEAKS RESOURCES LTD.**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED APRIL 30, 2006 AND 2005**

**4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS**

	2006			2005		
	Mineral Property \$	Deferred Exploration Costs \$	Total Costs \$	Mineral Property \$	Deferred Exploration Costs \$	Total Costs \$
La Fortuna	351,911	1,889,182	2,241,093	136,411	275,658	412,069
Nik	16,587	276,350	292,937	-	214,840	214,840
Lonco	36,044	39,299	75,343	20,406	18,959	39,365
Oro	36,043	38,495	74,538	20,406	21,456	41,862
Others	-	284,119	284,119	-	86,908	86,908
	440,585	2,527,445	2,968,030	177,223	617,821	795,044

(a) *La Fortuna Property*

In January 2004, the Company entered into an option agreement to acquire a 100% interest in the La Fortuna Property, covering approximately 5,000 hectares, located in the province of Chubut, Argentina. As of April 30, 2006, the Company has made options payments totalling \$220,063 (US \$180,000) and is required to make a final payment of US \$170,000 on December 31, 2006 to acquire the 100% interest.

Upon acquiring the 100% interest in the La Fortuna Property, the Company will be required to pay US \$1 per ounce of proven economically recoverable gold or silver equivalent to a maximum of US \$4 million. A minimum of US \$1 million is payable after 3.5 years. The remaining monies are payable if and when additional ounces of proven and economically recoverable gold or silver equivalent are identified.

(b) *Nik Project*

The Nik Project is located in the province of La Rioja, Argentina, and comprises six tenures covering 4,410 hectares.

By agreement dated October 11, 2005, the Company and M H Argentina S.A. ("MH"), a private company, entered into an agreement whereby MH could earn an initial 51% interest in the Nik Project by expending US \$2.5 million (the "Work Expenditures") over a four year period. The Work Expenditures include a payment of US \$25,000 to the Company and payments totalling US \$100,000 to the underlying property holder of certain tenures. Upon earning the initial 51% interest, MH can increase its interest to 75% by completing a feasibility study or increase its interest to 80% by placing the Nik Project into commercial production.

(c) *Lonco Project*

In December 2004, the Company entered into an option agreement to acquire a 100% interest in the Lonco Project, covering approximately 66,000 hectares, located in the province of Neuquen, Argentina. Under the agreement the Company is required to make monthly payments of US \$2,000 and can purchase the Lonco Project at any time by payment of US \$400,000. If the option is

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED APRIL 30, 2006 AND 2005**

**4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (continued)**

exercised the Company will pay advance royalties of US \$2,000 per month until the earlier of ten years, or the start of commercial production at which time a 1% net smelter return (“NSR”) becomes payable.

(d) *Oro Project*

In December 2004, the Company entered into an option agreement to acquire a 100% interest in the Oro Project, covering approximately 72,000 hectares, located in the province of Neuquen, Argentina. Under the agreement the Company is required to make monthly payments of US \$2,000 and can purchase the Oro Project at any time by payment of US \$400,000. If the option is exercised the Company will pay advance royalties of US \$2,000 per month until the earlier of ten years, or the start of commercial production at which time a 1% NSR becomes payable.

**5. SHARE CAPITAL**

Authorized - 100,000,000 common shares without par value

Issued -	2006		2005	
	Shares	\$	Shares	\$
Balance - beginning of year	20,074,644	13,059,449	20,019,944	13,014,416
Issued during the year				
For cash				
Private placement	5,878,700	8,818,050	-	-
Exercise of options	150,000	122,250	-	-
Exercise of warrants	4,065,250	6,097,875	54,700	45,033
Reallocation from contributed surplus on exercise of options (Note 7)	-	43,995	-	-
	10,093,950	15,082,170	54,700	45,033
Less share issue costs	-	(627,342)	-	-
	10,093,950	14,454,828	54,700	45,033
Balance - end of year	30,168,594	27,514,277	20,074,644	13,059,449

(a) During the 2006 fiscal year the Company completed a private placement of 5,878,700 units at \$1.50 per unit for gross proceeds of \$8,818,050. Each unit comprised one common share of the Company and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share, at a price of \$2.25 per share, expiring March 31, 2008. The Company has paid the agent a cash commission of \$412,500 and granted 275,000 warrants, which are exercisable on the same terms as the share purchase warrants. The fair value of the agent warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: dividend yield - 0%; expected volatility - 88.99%; risk-free interest rate of 4.00%; and an expected life of 12 months. The value assigned to the 275,000 agent warrants was \$157,801. The Company also incurred \$57,041 of issue costs associated with the private placement.

**GOLDEN PEAKS RESOURCES LTD.**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED APRIL 30, 2006 AND 2005**

**5. SHARE CAPITAL** (continued)

As at April 30, 2006, \$96,000 of the private placement was outstanding and was recorded as part of Amounts Receivable and Prepaids. Subsequent to April 30, 2006, the Company received payment in full.

Directors of the Company and their immediate family members have purchased 114,700 units for gross proceeds of \$172,050.

(b) Details of warrants outstanding are as follows:

	<u>2006</u>	<u>2005</u>
Balance, beginning of year	4,854,728	5,751,728
Granted	6,153,700	-
Exercised	(4,065,250)	(54,700)
Expired	<u>(789,478)</u>	<u>(842,300)</u>
Balance, end of year	<u><u>6,153,700</u></u>	<u><u>4,854,728</u></u>

As at April 30, 2006, the Company had outstanding warrants issued pursuant to private placements, which may be exercised to purchase 6,153,700 common shares, at an exercise price of \$2.25 per share, expiring March 31, 2008.

**6. STOCK OPTIONS AND STOCK-BASED COMPENSATION**

The Company has established a rolling stock option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSX Venture Exchange ("TSXV"). The options have a maximum term of ten years.

During the 2006 fiscal year the Company granted 1,225,000 (2005 - 895,000) stock options to the Company's directors, employees and consultants, and recorded compensation expense of \$638,219 (2005 - \$281,317).

The fair value of stock options granted to employees, directors and consultants is estimated on the dates of grants using the Black-Scholes option pricing model with the following assumptions used for the grants made during the 2006 and 2005 fiscal years:

	<u>2006</u>	<u>2005</u>
Risk-free interest rate	2.74% - 4.00%	2.58% - 2.89%
Estimated volatility	73.61% - 92.62%	61.24% - 73.47%
Expected life	1 year	1 year
Expected dividend yield	0%	0%

The weighted average fair value per share of stock options, calculated using the Black-Scholes option pricing model, granted during the period to the Company's employees, directors and consultants was \$0.64 per share (2005 - \$0.32 per share).

**GOLDEN PEAKS RESOURCES LTD.**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED APRIL 30, 2006 AND 2005**

**6. STOCK OPTIONS AND STOCK-BASED COMPENSATION** (continued)

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's stock options.

A summary of the Company's outstanding stock options at April 30, 2006 and 2005 and the changes for the years ending on those dates is presented below:

	<u>2006</u>		<u>2005</u>	
	Options Outstanding	Weighted Average Exercise Price \$	Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of year	1,320,000	0.88	625,000	0.62
Granted	1,225,000	1.49	895,000	1.02
Exercised	(150,000)	0.82	-	-
Cancelled / expired	<u>(350,000)</u>	0.58	<u>(200,000)</u>	0.70
Balance, end of year	<u><u>2,045,000</u></u>	1.30	<u><u>1,320,000</u></u>	0.88

The following table summarizes information about the stock options outstanding and exercisable at April 30, 2006:

Exercise Price \$	Number Outstanding	Number Exercisable	Expiry Date
1.00	590,000	590,000	September 1, 2006
1.05	245,000	245,000	November 18, 2006
0.60	50,000	50,000	May 19, 2007
0.55	400,000	400,000	October 6, 2007
1.00	50,000	25,000	December 2, 2007
1.50	60,000	60,000	February 7, 2008
2.13	450,000	450,000	March 31, 2008
2.31	<u>200,000</u>	-	April 25, 2008
	<u><u>2,045,000</u></u>	<u><u>1,820,000</u></u>	

**7. CONTRIBUTED SURPLUS**

The Company's contributed surplus as April 30, 2006 and 2005 is comprised of the following:

	<u>2006</u>	<u>2005</u>
	\$	\$
Balance, beginning of year	512,802	231,485
Stock-based compensation (Note 6)	638,219	281,317
Stock options exercised	(43,995)	-
Value assigned to agent warrants (Note 5(a))	<u>157,801</u>	-
Balance, end of year	<u><u>1,264,827</u></u>	<u><u>512,802</u></u>

**GOLDEN PEAKS RESOURCES LTD.**  
(An Exploration Stage Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED APRIL 30, 2006 AND 2005**

**8. RELATED PARTY TRANSACTIONS**

- (a) During the 2006 fiscal year the Company was charged a total of \$244,675 (2005 - \$229,950) by companies controlled by directors and officers of the Company for accounting, administrative, management services, project supervision and directors fees. As at April 30, 2006, \$5,949 (2005 - \$16,549) remained unpaid and is included in accounts payable and accrued liabilities.
- (b) See also Note 5(a).

**9. COMMITMENT**

The Company is a party to an office lease agreement that requires minimum lease payments. The Company's 50% share under the agreement is as follows:

Year	\$
2007	19,462
2008	<u>20,020</u>
	<u>39,482</u>

**10. INCOME TAXES**

Future income tax assets and liabilities of the Company as at April 30, 2006 and 2005 are as follows:

	2006 \$	2005 \$
Future income tax assets (liabilities)		
Losses carried forward	1,872,600	1,371,600
Mineral resource interests	487,400	1,141,000
Other	<u>215,200</u>	<u>103,700</u>
	2,575,200	2,616,300
Valuation allowance	<u>(2,575,200)</u>	<u>(2,616,300)</u>
Net future income tax asset	<u><u>-</u></u>	<u><u>-</u></u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED APRIL 30, 2006 AND 2005**

**10. INCOME TAXES** (continued)

The recovery of income taxes shown in the consolidated statements of operations and deficit differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	2006 \$	2005 \$
Income tax rate reconciliation		
Combined federal and provincial income tax rate	<u>34.61%</u>	<u>35.37%</u>
Expected income tax recovery	(460,500)	(911,400)
Foreign income tax rate differences	5,700	(2,100)
Deductible mineral resource interests cost additions	(516,000)	(202,700)
Non-deductible stock-based compensation	220,900	99,500
Write-off of mineral resource interests	-	299,900
Other	(18,300)	(1,000)
Unrecognized benefit of income tax losses	<u>768,200</u>	<u>717,800</u>
Actual income tax recovery	<u>-</u>	<u>-</u>

As at April 30, 2006, the Company has accumulated non-capital losses of approximately \$2.2 million and accumulated resource and other pools of approximately \$5.1 million carried forward for Canadian income tax purposes and are available to reduce taxable income of future years. The non-capital losses expire commencing in 2007 through 2016. The cumulative resource and other pools can be carried forward indefinitely. Through its subsidiaries the Company also has cumulative losses of approximately \$3.2 million carried forward for Argentinean tax purposes, which are available to reduce taxable income of the subsidiaries of future years. These losses expire commencing 2007 through 2011.

**11. FINANCIAL INSTRUMENTS**

The carrying value of cash and cash equivalents, amounts receivables and accounts payable approximate their fair values.

The Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company may be subject to significant currency risk due to the fluctuations of exchange rate between the Canadian dollars and the currency of the country in which the Company operates. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

**GOLDEN PEAKS RESOURCES LTD.**  
(An Exploration Stage Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED APRIL 30, 2006 AND 2005**

**12. SEGMENTED INFORMATION**

Substantially all of the Company's operations are in one industry, the exploration for gold. Management reviews the financial results according to expenditures by property. The Company's current mineral properties are located in Argentina and its corporate assets are located in Canada.

	2006		
	Canada	Argentina	Total
	\$	\$	\$
Identifiable assets			
Current assets	15,249,725	89,300	15,339,025
Equipment	18,122	2,814	20,936
Mineral properties and deferred exploration costs	-	2,968,030	2,968,030
	<u>15,267,847</u>	<u>3,060,144</u>	<u>18,327,991</u>
Mineral property and deferred exploration costs additions	-	2,172,986	2,172,986
	2005		
	Canada	Argentina	Total
	\$	\$	\$
Identifiable assets			
Current assets	3,236,477	33,826	3,270,303
Equipment	10,918	4,443	15,361
Mineral properties and deferred exploration costs	-	795,044	795,044
	<u>3,247,395</u>	<u>833,313</u>	<u>4,080,708</u>
Mineral property and deferred exploration costs additions	-	1,054,503	1,054,503

**13. SUPPLEMENTARY CASH FLOW INFORMATION**

Non-cash financing and operating activities were conducted by the Company during fiscal 2006 and 2005 as follows:

	2006	2005
	\$	\$
Financing activities		
Shares issued on exercise of options	43,995	-
Share issue costs arising from agent warrants	(157,801)	-
Contributed surplus	113,806	-
	<u>-</u>	<u>-</u>
Other supplementary cash flow information:		
	2006	2005
	\$	\$
Interest paid in cash	-	-
Income taxes paid in cash	-	-

**SCHEDULE I**

**GOLDEN PEAKS RESOURCES LTD.**  
(An Exploration Stage Company)

**CONSOLIDATED SCHEDULES OF  
MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS  
FOR THE YEARS ENDED APRIL 30**

	2006					2005	
	La Fortuna \$	Nik \$	Lonco \$	Oro \$	Others \$	Total \$	Total \$
<b>BALANCE - BEGINNING OF YEAR</b>	<u>412,069</u>	<u>214,840</u>	<u>39,365</u>	<u>41,862</u>	<u>86,908</u>	<u>795,044</u>	<u>1,678,473</u>
<b>EXPENDITURES DURING THE YEAR</b>							
<b>EXPLORATION COSTS</b>							
Accounting	16,299	5,608	855	-	-	22,762	22,619
Amortization	-	-	-	-	3,485	3,485	3,441
Assaying	77,942	-	-	-	-	77,942	57,771
Communications	2,467	-	246	448	-	3,161	2,365
Data processing	3,436	-	-	-	-	3,436	-
Drilling	980,202	-	-	-	-	980,202	237,413
Equipment and supplies	428	-	-	-	-	428	15,008
Excavation	20,184	-	-	-	-	20,184	-
Field personnel and supervision	125,723	17,666	1,130	-	-	144,519	138,557
Geological	108,663	-	7,096	8,446	-	124,205	82,542
Geophysics	62,995	-	-	-	-	62,995	80,522
Land management	-	14,105	-	-	-	14,105	4,759
Legal	28,919	19,930	1,305	-	-	50,154	44,061
Satellite imagery	27,091	-	-	-	-	27,091	-
Technical report	7,000	-	-	-	-	7,000	-
Travel and transportation	152,175	4,201	9,708	8,145	-	174,229	110,766
Foreign value added tax	-	-	-	-	193,726	193,726	77,600
	<u>1,613,524</u>	<u>61,510</u>	<u>20,340</u>	<u>17,039</u>	<u>197,211</u>	<u>1,909,624</u>	<u>877,424</u>
<b>ACQUISITION COSTS</b>	<u>215,500</u>	<u>16,587</u>	<u>15,638</u>	<u>15,637</u>	<u>-</u>	<u>263,362</u>	<u>177,079</u>
	<u>1,829,024</u>	<u>78,097</u>	<u>35,978</u>	<u>32,676</u>	<u>197,211</u>	<u>2,172,986</u>	<u>1,054,503</u>
<b>BALANCE BEFORE WRITE-OFF</b>	2,241,093	292,937	75,343	74,538	284,119	2,968,030	2,732,976
<b>LESS: WRITE-OFF</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,937,932)</u>
<b>BALANCE - END OF YEAR</b>	<u>2,241,093</u>	<u>292,937</u>	<u>75,343</u>	<u>74,538</u>	<u>284,119</u>	<u>2,968,030</u>	<u>795,044</u>

# **GOLDEN PEAKS RESOURCES LTD.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED APRIL 30, 2006**

### **Background**

This discussion and analysis of financial position and results of operation is prepared as at July 26, 2006 and should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the years ended April 30, 2006 and 2005 of Golden Peaks Resources Ltd. (the "Company"). Those financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities, can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Company Overview**

The Company's shares are listed and posted for trading on the TSX Venture Exchange ("TSXV") as a Tier 1 issuer, under the symbol "GL". The Company is involved in gold mineral exploration, with its primary assets located in Argentina. The Company's corporate strategy is to acquire, or have the right to acquire, interests in advanced projects which have the potential to host large, high-grade gold deposits. The Company has assembled a portfolio of Argentine mineral properties which meet these criteria, and is continuing to aggressively pursue additional properties of merit in Argentina.

As of the date of this MD&A, the Company has not earned any production revenue, nor found any proved reserves on any of its properties. The Company is a reporting issuer in British Columbia and Alberta.

### **Forward Looking Statements**

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

### **Exploration Projects**

#### *La Fortuna Project, Chubut Province, Argentina*

The Company holds an option to acquire a 100% interest in the La Fortuna Project, covering approximately 5,000 hectares, located in the province of Chubut, Argentina.

Throughout 2004 and the first half of 2005, the Company, through its surface exploration programs, identified gold mineralization associated with five principal mineralized structures - the A, CR, CB, E and ML. The aggregate length of all the structures is approximately 15 kilometers. The objective of the Company's ongoing drilling program has been to confirm lateral and depth extents to the zones of surface mineralization. As of July 2006, the Company had identified seven areas with potentially significant gold mineralization - three on the A Structure (T-11 Zone) and the # 16 and #14 Structures (Amphitheatre Zone) and four on the CR Structure (G, Alpha, Beta and Delta Zones). Delineation drilling is planned on all of these zones. Assays are pending for drill holes on three other structures which carry surface gold mineralization. To date, no drilling has been undertaken on the CB and ML Structures.

On May 24, 2006, as a result of a review by the British Columbia Securities Commission, the Company issued a news release to clarify its disclosure respecting its exploration work to date, and the results and management's interpretation

thereof, on its La Fortuna project in the province of Chubut, Republic of Argentina. This release and the attached maps can be viewed at [www.sedar.com](http://www.sedar.com) and on the Company's website [www.goldenpeaks.com](http://www.goldenpeaks.com).

On July 20, 2006, the Company received a National Instrument 43-101 compliant report entitled "Updated Qualifying Report on the La Fortuna Project, Chubut Province, Argentina" prepared by Scott Casselman of Aurora Geosciences Ltd. This report may be viewed at [www.sedar.com](http://www.sedar.com) and on the Company's website [www.goldenpeaks.com](http://www.goldenpeaks.com).

The Company commenced its diamond drilling program in the second half of 2005. The drill contractor is Connors Argentina S.A. a subsidiary of Connors Drilling Ltd. of Canada. Split core samples are assayed by Alex Stewart (Assayers) Argentina S.A., a certified ISO 9002 laboratory. In accordance with the Company's QC/QA policy, all high grade samples are check assayed at a different laboratory. In 2005, the Company completed 1,950 meters of drilling in 22 holes: 11 holes on the T-11 Zone, 6 holes on the G zone and 5 holes on Amphitheatre targets. All holes targeted structurally controlled surface gold mineralization. Between January 2006 and June 2006 a total of 4,861 meters in 46 holes were drilled: T-11 Zone (1 hole), Amphitheatre Zone (10 holes), CR-centre, CR-center east, CR-center west and CR-south zones (27 holes), HS and Geochem zones (3 holes) and the CB-east zone (5 holes). All holes targeted structurally controlled surface gold mineralization.

### A Structure

Drilling on the T-11 Zone intersected significant gold mineralization in every hole (Table 1). The mineralization extends over a strike length of 100 meters and to a vertical depth of 100 meters on one section. The steeply dipping mineralized zone is open along strike and at depth. Additional drilling on the zone is planned.

Drilling on the Amphitheatre Zone (Table 2) intersected significant gold mineralization in holes LF-14, LF-16, LF-23, and LF-25. Holes LF-16, LF-23, LF-24 and LF-25 lie on the #16 structure. Hole LF-16 was drilled in the middle of the gold bearing structure. The mineralization in holes LF-23 and LF-25, drilled approximately 300 meters to the northwest of LF-16, is similar to that in LF-16. Hole LF-26 was drilled approximately 270 meters further to the south east of LF-16. Surface gold mineralization, the target of drilling, in the area of holes LF-16, 23, 24, 25 and 26, appears to be hosted by the #16 structure. This structure is +600 meters long and a strong photo linear indicates the structure may extend a further 750 meters to the southeast. This extension will be a focus of future prospecting and sampling. The #16 structure is a new discovery and is open along strike to the northwest and southeast. The Amphitheatre Zone (430,000 square meters) lies within a 2.0 X 2.0 km zone of high chargeability and pyritic alteration which is developed at the intersection of the A and CR structures. The thermal engine for the extensive alteration and mineralization is not recognized at this time. It may be an intrusive lying deeper in the system, or possibly the A and CR structures are tapping deep crustal levels. Additional drilling on the zone is planned.

Drilling on the HS and Geochem zones (Table 3) returned narrow intersections of weak gold mineralization.

### CR Structure

Drilling on the G Zone, at the northwest end of the CR Structure, intersected potentially significant gold mineralization in hole CRW-1 in what is now recognized as a southwest dipping horizon or structure (Table 4). Holes CRW-2 to CRW-5 are thought to have been drilled stratigraphically below the target. The G Zone is close to the intersection of the A and CR Structures. Additional drilling on the zone is planned.

Drilling approximately 1,500 meters to the southeast, in the center of the CR Structure, intersected significant gold mineralization in the Alpha, Beta, Delta and Gamma Zones (Table 5). These four zones occur over a distance of approximately 650 meters. This area is approximately 1,700 meters south of the T-11 Zone and 2,500 meters southeast of the Amphitheatre Zone both of which are located on the A Structure. The separation between the zones is:

Alpha Zone to Beta Zone	approximately 180 meters
Beta Zone to Delta Zone	approximately 280 meters
Delta Zone to Gamma Zone	approximately 190 meters

The strongest mineralization was intersected in the Alpha, Beta, and Delta Zones. The mineralization in all four zones is open along strike and to depth. Additional drilling on the zones is planned.

## Pending Results

Assays are pending for all drilling on the CR-center east, CR-center west, CR-south and the CB-east zones, as well as for three holes on the Amphitheatre zone.

The Company has released the following assays:

**Table 1** **T-11 Zone Drill Hole Intersections**

HOLE (#)	FROM (m)	TO (m)	INTERSECTION (m)	GOLD g/t
LF-1	3.00	24.75	21.75	3.30
including	3.00	7.00	4.00	11.84
including	17.00	19.00	2.00	6.20
LF-1A	19.00	32.90	13.90	3.28
including	21.00	23.00	2.00	8.53
including	27.00	29.00	2.00	7.03
LF-2	no significant results			
LF-2A	no significant results			
LF-7	4.00	54.00	50.00	3.65
including	18.5	42.00	23.50	6.70
including	23.00	29.00	6.00	11.66
including	31.30	39.00	7.70	10.68
LF-8	9.00	32.00	23.00	3.62
including	9.00	15.00	6.00	7.24
LF-9	6.30	69.00	62.70	2.05
including	7.65	9.50	1.90	8.83
and	18.00	19.30	1.30	6.09
and	25.30	26.30	1.00	4.89
and	38.50	64.00	25.50	3.61
LF-10	20.70	80.56	59.85	2.00
including	20.70	38.00	17.30	5.13
including	20.70	29.00	8.30	10.58
including	52.10	54.00	1.90	8.88
LF-11	3.00	41.00	38.00	5.72
including	19.50	29.80	10.30	10.90
including	23.35	28.50	5.15	18.34
including	33.53	39.55	6.02	10.08
LF-12	7.00	20.00	13.00	3.30
including	7.00	10.65	3.65	6.42
LF-13	59.00	82.90	23.90	3.97
including	66.00	79.50	13.50	6.64
including	66.50	70.50	4.00	9.84
LF-15	216.00	216.50	0.50	6.70

The estimated true width factor is: 91% for holes LF-7, LF-8 and LF-11;  
75% for holes LF-9, LF-10, LF-12, LF-13 and LF-15.

Table 2

**Amphitheatre Zone Drill Hole Intersections**

STRUCTURE	HOLE (#)	FROM (m)	TO (m)	INTERSECTION (m)	GOLD g/t
	LF-3	16.00	18.00	2.00	1.58
	LF-4	no significant intercepts			
	LF-5	no significant intercepts			
	LF-6	no significant intercepts			
# 14 Structure	LF-14	29.90	31.40	1.50	5.68
	including	30.30	30.80	0.50	11.64
# 16 Structure	LF-16	55.60	109.00	53.40	6.97
	including	59.50	62.00	2.50	134.32
	and	75.60	91.00	15.40	0.98
	and	101.30	109.00	7.70	2.13
# 16 Structure	LF-23	35.50	40.00	4.50	2.98
	including	37.00	38.50	1.50	6.60
# 16 Structure	LF-24	45.40	59.00	13.60	0.43
# 16 Structure	LF-25	44.50	47.50	3.00	4.03
	LF-17	no significant intercepts			
	LF-18	no significant intercepts			
	LF-22	no significant intercepts			

The estimated true width factor is: 70% for holes LF-3, LF-14, LF-23 and LF-25 ;  
66% for holes LF-16 and LF-24.

Table 3

**HS & Geochem Zones Drill Hole Intersections**

HOLE (#)	FROM (m)	TO (m)	INTERSECTION (m)	GOLD g/t
LF-19	37.00	38.00	1.00	1.56
LF-20	70.50	71.50	1.00	1.90
LF-21	no significant intercepts			

Table 4

**G Zone Drill Hole Intersections**

HOLE (#)	FROM (m)	TO (m)	INTERSECTION (m)	GOLD g/t
CRW-01	2.00	82.00	80.00	0.33
	including	13.00	39.00	0.71
	including	64.00	69.00	0.95
CRW-02	no significant intercepts			
CRW-03	no significant intercepts			
CRW-04	no significant intercepts			
CRW-05	no significant intercepts			
CRW-06	no significant intercepts			

Table 5

**CR-Center Zone Drill Hole Intersections**

ZONE	HOLE #	FROM (m)	TO (m)	INTERVAL (m)	GOLD g/t	SILVER g/t
Alpha	CR-02*	30.50	35.00	4.50	0.41	1.62
Alpha	CR-03**	46.00	52.00	6.00	5.60	2.52
	including	46.00	46.50	0.50	12.65	
	including	48.50	52.00	3.50	7.64	
	including	50.00	52.00	2.00	11.61	
Alpha	CR-04**	32.45	35.00	2.55	2.55	5.90
	including	32.45	33.05	0.60	7.27	22.20
		39.50	40.00	0.50	12.52	3.80
Alpha	CR-05**	12.10	12.45	0.35	4.17	0.70
		38.00	43.40	5.40	0.35	1.20
Beta	CR-06*	60.00	72.90	12.90	0.51	0.78
	including	62.20	65.35	3.15	1.80	2.25
Beta	CR-14**	68.70	75.10	6.40	5.31	4.16
	including	68.70	72.00	3.30	10.22	7.88
	including	68.70	70.90	2.20	15.23	11.50
	including	69.20	70.10	0.90	35.55	52.55
Beta	CR-15**	60.05	60.40	0.35	12.51	20.60
		114.00	116.50	2.50	8.46	1.80
	including	115.00	116.50	1.50	13.88	2.50
Beta	CR-16**	51.60	52.75	1.15	6.60	6.30
		112.00	114.00	2.00	1.80	
Delta	CR-07*	20.00	20.50	0.50	0.60	12.00
Delta	CR-08*	20.90	34.50	13.60	4.59	9.27
	including	24.90	34.50	9.60	6.20	12.65
	including	29.70	34.50	4.80	10.94	23.02
	including	32.00	34.50	2.50	19.65	41.64
Delta	CR-09**	45.85	46.40	0.55	3.33	4.60
Gamma	CR-11*	46.40	49.40	3.00	1.61	9.10
		47.50	49.40	1.90	2.27	12.60
Gamma	CR-12**	52.80	53.80	1.00	2.60	2.20
Gamma	CR-13**	46.70	49.30	2.60	0.25	0.70

\* The estimated true width factor is 70%

\*\* The estimated true width factor is 66%

*Nik Project, La Rioja Province, Argentina*

In October 2005, the Company announced it had granted to M H Argentina S.A. (“Hochschild”) the right to acquire an initial 51% interest in the Nik/Sierra de las Minas projects (“Nik Project”) by spending US \$2.5 million on exploration over four years. Upon earning its 51% interest, Hochschild may increase its ownership interest as follows:

- (i) earn a 75% interest in the Nik Project by completing a feasibility within 5 years; or
- (ii) earn an 80% interest by placing the Nik Project into commercial production within 6 years without completing a feasibility study. The Company’s 20% interest will be carried to the start of commercial production.

### *Lonco Project, Neuquén Province, Argentina*

The Lonco project covers 66,000 hectares and contains 10 separate prospects in an historic mining district. The project is prospective for porphyry and skarn mineralization, as well as epithermal precious metal mineralization. The Company plans additional field work in the fourth quarter of 2006.

### *Oro Project, Neuquén Province, Argentina*

The Oro project covers 72,000 hectares and contains five separate prospects. The project covers volcanic and intrusive terrain prospective for epithermal precious metal mineralization. Due to the early onset of severe winter weather the prospecting, mapping and sampling program was terminated early. The Company plans additional field work in the fourth quarter of 2006.

### *Golden Project, Chubut Province, Argentina*

The Golden Project is located approximately 35 kilometres southwest of the Navidad prospect (IMA Exploration Inc.) and in the same geological province. The Company plans fieldwork in 2006 to identify diamond drill targets.

## **Selected Financial Data**

The following selected consolidated financial information is derived from the audited consolidated financial statements and notes thereto. The information has been prepared in accordance with Canadian GAAP.

	Years Ended April 30,		
	2006 \$	2005 \$	2004 \$
<b>Operations:</b>			
Revenues	Nil	Nil	Nil
Income (loss)	(1,330,597)	(2,576,651)	(3,318,066)
Basic and diluted income (loss) per share	(0.06)	(0.13)	(0.21)
Dividends per share	Nil	Nil	Nil
<b>Balance Sheet:</b>			
Working capital	14,906,162	3,208,467	4,570,961
Total assets	18,327,991	4,080,708	6,325,542
Total long-term liabilities	Nil	Nil	Nil

The following selected financial information is derived from the unaudited interim consolidated financial statements of the Company prepared in accordance with Canadian GAAP.

	Apr. 30 \$	Jan 31 \$	Oct. 31 \$	Jul 31 \$	Apr. 30 \$	Jan. 31 \$	Oct. 31 \$	Jul. 31 \$
<b>Operations:</b>								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net income (loss)	(764,295)	(219,158)	(170,616)	(176,528)	(2,007,547)	(286,592)	(207,468)	(75,044)
Basic and diluted loss per share	(0.03)	(0.01)	(0.01)	(0.01)	(0.11)	(0.01)	(0.01)	(0.00)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Balance Sheet:</b>								
Working capital	14,906,162	1,573,175	2,534,607	2,832,089	3,208,467	3,656,370	4,095,646	4,363,091
Total assets	18,327,991	4,108,077	4,027,240	4,057,698	4,080,708	6,148,857	6,201,936	6,221,286
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

## **Results of Operations**

### *Three Months Ended April 30, 2006 Compared to Three Months Ended April 30, 2005*

During the three months ended April 30, 2006 ("April '06 Quarter") the Company reported a loss of \$764,295, compared to a loss of \$2,007,547 for the three months ended April 30, 2005 ("April '05 Quarter"), a decrease in loss of \$1,243,252. The primary factor for the fluctuation was that the Company recorded a \$1,859,707 write-down of its Sierra de Las Minas and Tanque Negro mineral properties in the April '05 Quarter. No write-downs were made in the

April '06 Quarter. The Company did, however, experience an increase of \$694,894 in its general and administrative expenses in the April '06 Quarter compared to the April '05 quarter. This was primarily attributed to an increase of \$496,918 attributed to non-cash based stock compensation resulting from the granting of stock options. Travel and related costs also increased by \$77,575, due to numerous trips in North America and Europe to review financing opportunities.

#### *Year Ended April 30, 2006 Compared to Year Ended April 30, 2005*

During the year ended April 30, 2006 ("Fiscal 2006"), the Company reported a loss of \$1,330,597 (\$0.06 per share), compared to the loss of \$2,576,651 (\$0.13 per share) during the year ended April 30, 2005 ("Fiscal 2005"), a decrease of \$1,246,054. The decrease in loss experienced in Fiscal 2006 compared to Fiscal 2005 was primarily attributable to a write-off of \$1,937,932 of certain of the Company's mineral properties in Fiscal 2005. No write-downs occurred in Fiscal 2006.

General and administrative expenses increased in Fiscal 2006 by \$737,474, from \$722,023 in Fiscal 2005 to \$1,459,497 in Fiscal 2006. The increase was attributable to the following major categories:

- i) advertising increased \$29,852 due to advertising placements made in industry magazine publications in Fiscal 2006;
- ii) audit fees increased \$13,840 due to increased Company activities and current regulatory and compliance environments;
- iii) legal fees increased \$37,139 due to increased legal services for the Company's financings, submission for listing on the TSX Exchange and general corporate matters;
- iv) \$98,187 recorded in Fiscal 2006 for general exploration related to expenditures to the Tanque Negro property, which was written off in Fiscal 2005. No general exploration was recorded in Fiscal 2005;
- v) office and general expenses increased \$58,096 due to increased long-distance telecommunications expenditures as a result of increased exploration in Argentina, translation services, printing costs and other general activities;
- vi) shareholder communications increased by \$23,839 due to significant increases in news releases made in Fiscal 2006;
- vii) in Fiscal 2006, the Company recorded non-cash based compensation expense of \$638,219 on the granting of 1,225,000 stock options, an increase of \$356,902 from the \$281,317 recorded in Fiscal 2005 on the granting of 895,000 stock options; and
- viii) travel and related costs increased \$138,792 due to increased travel by the Company's management to its properties and to Europe and the United States for meetings to review financing opportunities. In addition in November 2005, Company management and financial analysts traveled to the La Fortuna site.

The increase in general and administrative expenses was partially offset by a \$35,700 decrease in consulting fees in Fiscal 2006. During Fiscal 2005, the Company paid \$47,650 consulting fees to an arms-length party for general financing advice. The arrangement ended in June 2005.

During Fiscal 2006, the Company earned \$86,686 interest income, compared to \$78,603 during Fiscal 2005. Interest income is derived from short-term deposits held with financial institutions based on levels of cash. At the end of March 2006, the Company completed a private placement of 5,878,700 units to raise \$8.8 million gross proceeds.

During Fiscal 2006, the Company incurred \$1,829,024 (2005 - \$315,996) on the La Fortuna Project, \$78,097 (2005 - \$62,438) in exploration expenditures and acquisition costs on the Nik Claim, \$35,978 (2005 - \$39,365) on the Lonco Project, \$32,676 (2005 - \$41,862) on the Oro Project, and \$197,211 (2005 - \$127,850) primarily for the foreign value added tax. Detailed discussion of the Company's exploration activities conducted is discussed in "Exploration Projects".

#### **Financial Condition / Capital Resources**

The Company's practice is to proceed with staged exploration, where each stage is dependent on the successful results of the preceding stage. To date the Company has not received any revenues from its mining activities and has relied on equity financing to fund its commitments and discharge its liabilities as they come due. As of April 30, 2006, the Company had working capital of \$14,906,162. The Company has budgeted approximately \$650,000 for corporate overhead, \$250,000 for option payments and \$2.5 million for exploration to the end of Fiscal 2007. The Company

believes that it has sufficient working capital to meet the anticipated cost of all its future exploration programs and corporate overhead requirements through Fiscal 2007.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Proposed Transactions**

The Company has no proposed transactions.

### **Critical Accounting Estimates**

A detailed summary of all the Company's significant accounting policies is included in Note 2 to the April 30, 2006 audited consolidated financial statements.

### **Changes in Accounting Policies**

The Company has no changes in accounting policies.

### **Transactions With Related Parties**

During Fiscal 2006, the Company was charged a total of \$244,675 (2005 - \$229,950) by companies controlled by directors and officers of the Company for accounting, administrative and management services and project supervision. As at April 30, 2006 \$5,949 (2005 - \$16,549) remained unpaid and is included in accounts payable and accrued liabilities.

### **Risks and Uncertainties**

The Company competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral concessions, claims and other interests, as well as for the recruitment and retention of qualified employees.

The Company is in compliance in all material regulations applicable to its exploration activities. Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

The Company's mineral properties are located in Argentina and consequently the Company is subject to certain risks, including currency fluctuations and possible political or economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations relating to the mining industry.

### **Investor Relations Activities**

The Company did not engage any outside consultants to provide investor relations activities during Fiscal 2006 and 2005. All investor relations activities are provided by the Company's officers and employees.

### **Outstanding Share Data**

The Company's authorized share capital is 100,000,000 common shares without par value. As at July 26, 2006, there were 30,168,594 common shares issued, 2,045,000 stock options outstanding, with exercise prices ranging from \$0.55 to \$2.31 per share and 6,153,700 warrants outstanding, with an exercise price of \$2.25 per share.