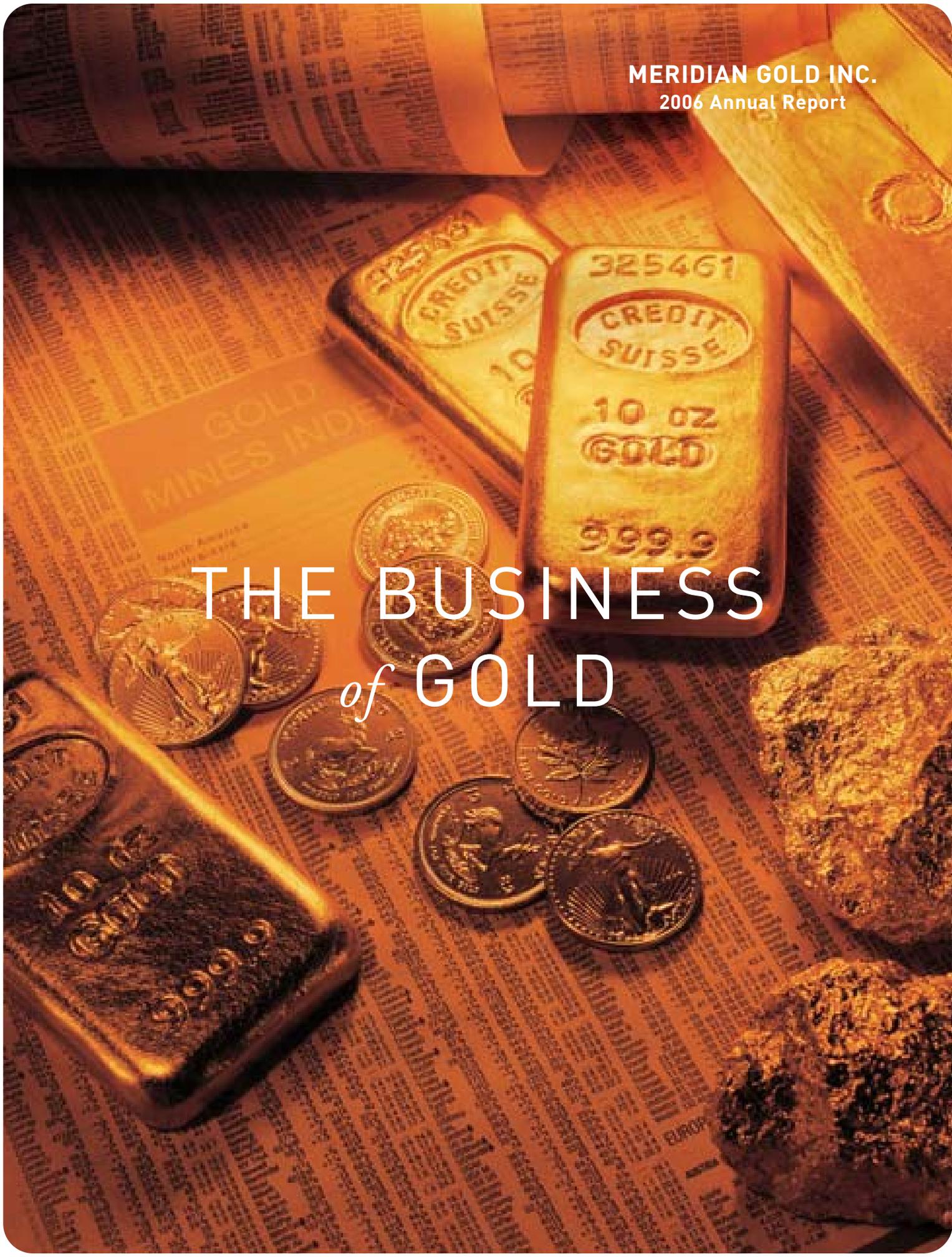


MERIDIAN GOLD INC.
2006 Annual Report

THE BUSINESS
of GOLD



ESTABLISHED IN 1996, Meridian Gold is publicly traded on both the NYSE (MDG) and the TSX (MNG). A unique mid-tier gold producer, with world-class mining operations in Chile and a pipeline of promising exploration projects throughout the Americas, Meridian's success to date has been based on grassroots gold discoveries and a low-cost strategy, resulting in a better approach to adding value and balancing growth. Meridian strives to be "The Premier Value Gold Mining Company", while building a better future for its stakeholders and contributing to the progress of the communities in which we operate; in part, we do so by implementing leading practices designed to preserve these environments.

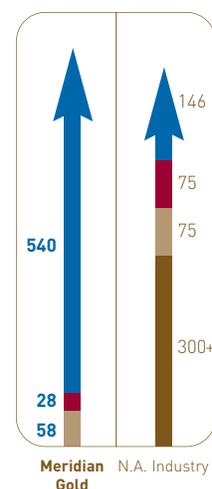


UNWAVERING *commitment*

As the premier value gold company, Meridian Gold has an unwavering commitment to continuous and innovative operating improvements and maintaining low production costs in combination with a proven disciplined growth strategy. These strategies are reflective of our unique business formula for treating the extraction of precious metals, focusing on extracting the highest quality at the lowest cost. Meridian is a different kind of company and is building a better future for its stakeholders.

	N.A. INDUSTRY: TOP 8*	MERIDIAN GOLD
Growth Strategy	Acquisitions	Organic
2005 exploration investments (% of sales)	4%	11%
2006E cash costs (USD/oz)	\$300	\$(23)
Share dilution (1996 — 12/31/06)	417%	36%
Share appreciation (1996 — 12/31/06)	31%	661%

* North American Industry top 8 includes: Barrick, Bema, Centerra, Goldcorp, Kinross, IAMGold, Newmont, Yamana



SUPERIOR PROFITABILITY (in U.S. dollars/oz)

- Profit before tax
- Finding cost
- Non-cash cost
- Cash cost

- We operate two of the world's lowest cost gold mines.
- All of our gold production is 100% unhedged.
- At the end of 2006, our balance sheet is completely debt-free, with a strong cash balance to leverage current and future growth opportunities.
- We take environmental and social responsibility seriously; making decisions that create value for all stakeholders, including employees, shareholders and communities.
- We have a growing pipeline of projects throughout the Americas.

CREATING *value*

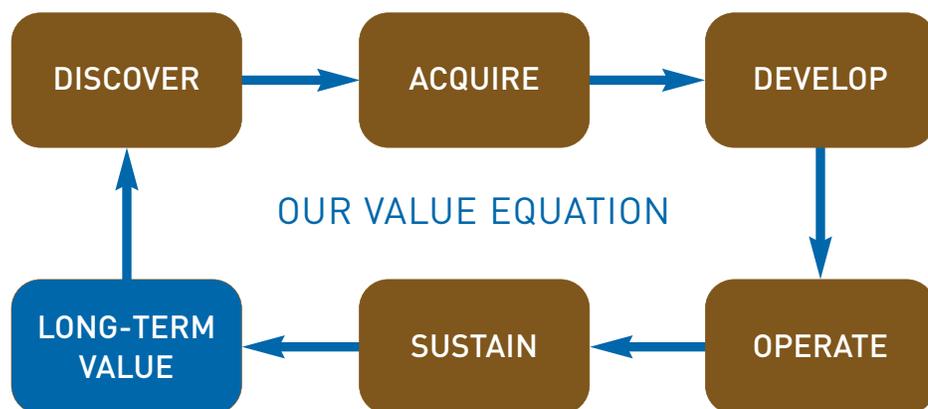
What makes us different is the emphasis placed on our commitment to be the “premier value” gold mining company. This is accomplished through our insistence that each element of our value equation meets strict criteria in support of our end goal. We continue to build value and grow our company in a way that sets us apart in the industry. We are exploring for quality gold deposits. We are building and operating better, low cost mining operations. We are creating better futures for all of our stakeholders.

Message to Stakeholders,

During 2006, a number of significant changes have occurred in the precious metals sector. The industry-wide merger and acquisition trend continued to accelerate throughout 2006 and the majority of gold producers witnessed increasing average cash costs of production in parallel with rising capital and operating costs.

In contrast to the industry trends, we have made excellent progress implementing Meridian’s strategy over the course of 2006. During this eventful year, we successfully acquired an existing mine, Minera Florida, as well as brought Jeronimo, an advanced stage project, into our growing portfolio. We made new exploration discoveries at El Peñón, in Chile, and at our Mercedes project, in Mexico;

and we further advanced the expansion project at El Peñón; all while keeping operating costs within the lower quartile of the industry average. In so doing, Meridian has continued with its commitment to responsible and sustainable mining, health and safety of our teams and long-term viability of the Company. This separates Meridian from the industry as we continue



What makes Meridian’s value equation different is the flexibility with which we combine each stage, the focus we maintain on the quality of the gold ounces rather than the quantity, and the insistence that each element meet strict financial criteria in support of our goal.



(from left)
EDWARD C. DOWLING
President and
Chief Executive Officer
BRIAN J. KENNEDY
Chairman of the Board

to manage our Company as a business, focusing on disciplined growth and extracting the highest quality ores at the lowest cost.

Measurable Value

At our flagship operation, El Peñón in Northern Chile, the expansion work continues in conjunction with the development of Fortuna. The mine expansion will be complete during the third quarter of 2007, in time to process the Fortuna production that brings higher silver grades. Exploration efforts also continued, resulting in the discoveries of the Al Este and Angosta veins. These discoveries support our strategy that exploration is the heart of organic growth and our belief that El Peñón will progressively expand and provide many more years of low cost, underground production of gold and silver.

During the third quarter, we utilized our strong cash position to acquire Minera Florida in Chile, a fully permitted and operating mine, for \$100 million USD. The acquisition was a success and the transition was seamless, with much of the credit owed to the experienced and dedicated team at Minera Florida. Based on exploration success, we are already commencing our expansion plans to bring annual gold production from 65,000 ounces up to the 100,000 ounce plus rate by the end of 2008. In 2007, we will benefit from production from three mines, as our joint venture with Barrick at the Rossi mine in Nevada remains on schedule and on budget to have first production during the second quarter of 2007.

We are also pleased to have completed a strategic joint-venture agreement with CODELCO, the world's largest

HIGHLIGHTS

- Acquired the Minera Florida S.A. mining operations for \$100 million USD
- Entered into a strategic joint venture with CODELCO on the Jeronimo project in Chile
- Further delineated new vein systems at the Mercedes project in Northern Mexico
- Made new discoveries at our flagship El Peñón mine in Chile
- Received 2 awards for reclamation excellence
- Record operating margins of \$128 million at El Peñón

copper producer, to acquire the Jeronimo project in Chile and surrounding land holdings. We are expecting to have a pre-feasibility study completed by year-end of 2007 for this project. We look forward to advancing this strategic joint venture which will allow us to establish an important foundational relationship with Chile's largest land holder and mining company.

During 2006, we also announced exciting results at the Mercedes project, located in Northern Sonora, Mexico. This multi-vein, high-grade deposit is significant to our growth strategy. Mercedes represents another example of

a grassroots discovery by our exploration team that holds high potential for our production pipeline.

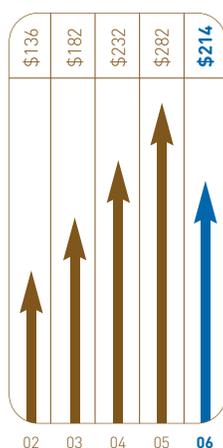
Responsibility

Like other gold mining companies, Meridian operates in a complex and rapidly changing business environment. We must continue to innovate and improve overall efficiency as we are faced with new challenges while seeking new ore deposits to add to our portfolio. In addition to our commitment to the sustainability of our operations, we also have a responsibility to our communities and environments in which we operate.

As an example of our commitment to corporate

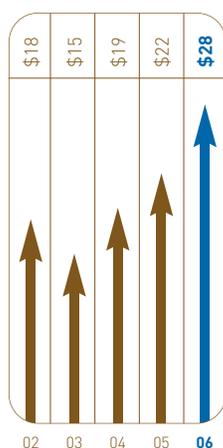
responsibility, during 2006 Meridian received two awards for reclamation excellence at our past-producing Beartrack mine in Idaho. In addition, we sponsored the second annual "Run for Education" in Reno, Nevada, which raised over \$183,000 in donations for local school programs to support education, physical fitness and academic achievement.

While Meridian has had an excellent safety track record, as evidenced by the receipt of the two safety awards received during 2006, our goal remains zero lost time accidents – any other objective is morally unacceptable.



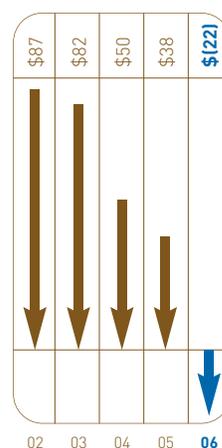
CASH AND SHORT-TERM INVESTMENT BALANCE
(in millions of U.S. dollars)

Financial discipline is one of Meridian Gold's core values. Our healthy balance sheet allows us to reinvest in the business with sustainable growth as the end goal.



SHARE PRICE
(in U.S. dollars)

Meridian Gold's dedication to its long-term vision is the key to sustainable growth. The share price performance is a solid example of delivering results.



CASH COST OF PRODUCTION
(in U.S. dollars per gold ounce)

Due to efficient and reliable operations, our El Peñón mine has been one of the lowest cash operating cost producers since beginning production in 2000.



Mill operations
at El Peñón

Leadership

During 2006, Meridian worked to strengthen both our Board of Directors as well as our Managing Officers. We completed several successful senior level transitions, with Edward Dowling assuming the role of President and Chief Executive Officer, and Brian Kennedy assuming the role of Chairman of the Board. Christopher Lattanzi, our Chairman since 2004, assumed the newly created role of Lead Director. At our past Annual General Meeting, we said farewell to John Eckersley after a ten-year tenure on Meridian's Board of Directors. We shall miss his contributions and commitment to the Board. Looking ahead, Meridian's Governance Committee continues to ensure the skills required of our Board will provide guidance and advice for Meridian's future.

Outlook

During 2006, the spot gold price rose 23.2% to close the

year at \$636 an ounce. Silver jumped by 45.7% to close 2006 at \$12.85 an ounce. As we enter 2007, the fundamentals for the gold and silver markets remain positive, as global investment demand continues to achieve record highs, global supply remains flat, and no near-term, large-scale projects are on the horizon.

Our profits over the last decade have provided us with the opportunity to re-invest in our business to secure future growth, discover new deposits, complete accretive acquisitions and expand our land positions throughout the Americas. We will continue re-investing in our growth and creating long-term stakeholder value. We are committed to our value-based growth objective and managing Meridian as a responsible business.

Our record of past successes has provided us with a solid foundation to continue to

GOALS

- Become a one million ounce gold producer by year-end 2008; through organic growth and accretive acquisitions
- Maintain cash operating costs in the lower quartile of the industry
- Further our reputation as the miner of choice
- Be a recognized leader in operational excellence and organizational effectiveness
- Continue to work in our communities so the benefits of mining also benefit our neighbors

create long-term stakeholder value and it is this emphasis and focus on long-term value creation that differentiates us from the industry.

BRIAN J. KENNEDY
Chairman of the Board

EDWARD C. DOWLING
President and
Chief Executive Officer

DISCIPLINED *growth*

Meridian is a leader in disciplined growth. We focus on the quality of ounces we produce, rather than growing our portfolio by acquiring high-cost ounces that add limited value to net margins. Our value equation, consisting of four key principles that generate long-term value for all of our stakeholders, is the basis on which we manage our gold business. We discover projects organically; we acquire accretive projects; we develop projects; and we operate our mines responsibly to generate superior cash flows.

Discover

The Company's success to date has been fueled by a long history of superior exploration, with six grassroots discoveries to date, the most recent being the Mercedes project in Northern Sonora, Mexico. By ensuring our geologists have full organizational and financial support and by allowing them liberal use of the drill bit, we have positioned ourselves to grow organically at the lowest possible cost.

Acquire

Meridian continues to seek accretive acquisitions based on strict targeting criteria, including: low acquisition costs; production cash costs in the lower half of the industry average; low political risk,

with exploration and production upside.

Develop

Industry-wide capital development costs are rising, and Meridian continues with our efforts to improve overall efficiency, minimize costs and ensure projects are completed on time and on budget.

Operate

El Peñón has historically been our flagship mine, ultimately building the Company's cash balance over the years. We will now produce from three mines in 2007 and we will continue to maximize all of our operations to optimize maximum cash flow, and plan to re-invest these funds back into the Company.

"We manage Meridian as a business, by focusing on excellence in all areas of our operations. By growing responsibly, we generate a superior return on equity. And through our quality approach, we maintain our cash costs in the lower quartile of the industry."

EDWARD C. DOWLING
President and
Chief Executive Officer

(clockwise from top left)
Production controller at El Peñón
Mucking a stope
Mill operator at Minera Florida
Access tunnel Minera Florida



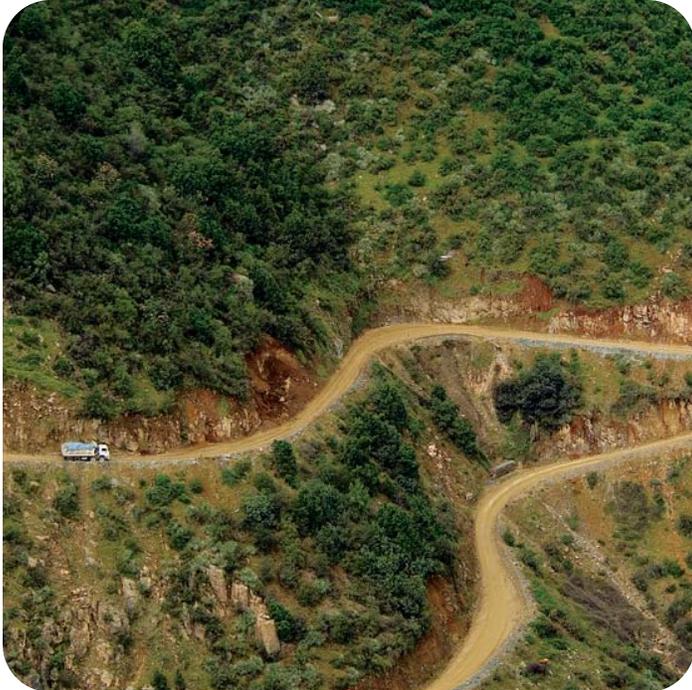
(clockwise from top left)

Inspecting core at El Peñón

Retrieving core samples

Inspecting chip samples

Mine road at Minera Florida



FOCUSED *exploration*

Meridian's team of seasoned and successful exploration geologists have accepted the challenge to find the next "Big One" and are on their way toward achieving that goal. Our focus is on the Americas, and over the past three decades, our team has built an impressive list of grassroots discoveries in addition to a comprehensive database with over 3,000 targets of proven interest.

Exploration activity in 2006 was focused on the Americas, primarily in Chile and Mexico. In Northern Chile we made the Al Este and Angosta discoveries; Angosta being six kilometers north of the previously defined edges of the core El Peñón block. At Minera Florida, southeast of Santiago, the new exploration team completed an aggressive drill program, during which four new zones were discovered. Follow-up drilling will resume in early 2007.

The Mercedes project in Sonora, Mexico, was one of Meridian's highlights for 2006. This promising high-grade gold and silver deposit holds the potential to be Meridian's next gold mine. With nine veins

identified to date on a land package consisting of over 180,000 acres, our team will continue to delineate the resources at this project and we expect to have a fully compliant resource statement prepared by year-end 2007.

Meridian has a long and successful joint venture partnership history with senior, mid-tier and junior mining companies throughout the Americas. By using these partnerships, we are able to leverage and diversify our proven exploration expertise with our various partners. Meridian firmly believes that flexibility is a key component to any joint venture and that both parties must benefit in the end.

"Mercedes is a growing gold deposit that has the potential to become Meridian's next high-grade underground mine. This project is ideally located in Northern Mexico, which is proving to be an excellent location for Meridian to extend its operating presence due to low political risk, an available workforce, and excellent nearby infrastructure."

DARCY E. MARUD
Vice-President Exploration

WORLD-CLASS *assets*

In 2006, Meridian Gold successfully completed the acquisition of the Minera Florida mine and seamlessly integrated the new team members, along with their world-class operations, into our growing portfolio. This addition to our Company further strengthens Meridian's position as the single largest primary gold producer in Chile. On a consolidated basis, El Peñón and Minera Florida (6 months) produced 268,000 ounces of gold and 6.6 million ounces of silver at record low total costs of \$23 per ounce. This is a tribute to our experienced and highly competent mining teams who are fully engaged in the continuous improvement of all aspects of operations.

El Peñón Mine

El Peñón has been our flagship mine since 1999 and we have a proven track record maximizing cash flow at this operation. During 2006, the El Peñón mine realized record operating margins of \$129 million from the 230,100 ounces of gold produced. Cash costs for the year averaged a *negative* (50) per ounce on a by-product credit basis.

The year 2006 was transitional for operations at El Peñón. With the depletion of higher grade resources, gold grades processed through the mill shifted closer to a reserve gold grade of 8.0 grams per tonne

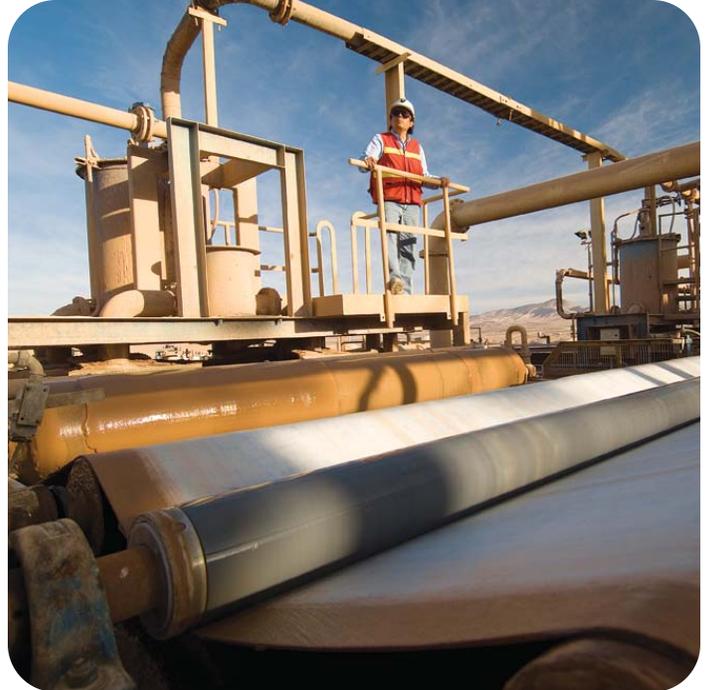
and silver grades increased substantially to an average of 231 grams per tonne. For 2007, in order to fully benefit from the increasing silver grades, we designed an expansion plan to increase daily tonnage from both the mine and the plant to 2,800 tonnes per day. These capital projects are nearing completion, and operations at El Peñón are expected to run at these levels commencing in the third quarter of 2007.

During the fourth quarter of 2006, the team at El Peñón completed the development of the Fortuna portal and decline, located nine kilometers west of the mill infrastructure.

"Our operations have a high level of excitement equal to the engagement and motivation of our employees. Our teams are working together to provide excellent results in all areas and for all stakeholders. After Darcy and his exploration team find the gold, we produce it!"

EDGAR A. SMITH
Vice-President of Operations

(clockwise from top left)
Leach operator at El Peñón
Sample storage containers
Belt filter operator at El Peñón
Assay lab technician



WORLD-CLASS *assets* (cont'd)

(from left)
Mill operator at
Minera Florida
Flotation circuit
at Minera Florida



Production from Fortuna will fully ramp up during the second quarter of 2007 and add to production from the existing El Peñón mine.

Production from the Providencia vein at El Peñón is expected to commence during the first half of 2007.

Minera Florida Mine

The seamless integration of Minera Florida into Meridian's growing portfolio represented an important step in the Company's strategy of growing long-term value through accretive acquisitions. Overall production for the second half of 2006 exceeded our expectations with 37,968 ounces of gold, plus

by-products of silver and zinc, and average operating cash costs at \$144 an ounce.

A National Instrument 43-101 technical report stating the reserves and resources of the mine was prepared and filed in December of 2006, confirming Meridian's resource expectations of over one million ounces of gold. As our exploration team aggressively continues to delineate the veins and expand the resource base, Meridian is examining methods to increase total tonnage through the plant to over 60,000 tonnes per month and increase annual gold production to approximately 100,000+ ounces of gold.

This feasibility study will continue throughout 2007, and we expect this expansion to be complete by year-end 2008.

We are very excited about this new value-creating operation and expect solid operating and financial performance from Minera Florida for many years to come.

Rossi Mine

The Rossi mine, which is located in the northern end of the prolific Carlin Trend, Nevada, is a 40% Meridian owned joint-venture partnership with Barrick, the operator and 60% owner.

Meridian Gold maintains the land and mineral rights to our Esquel property, located in the Chubut province of Argentina. This gold deposit contains over 2.6 million ounces of gold at a grade of 14.0 grams per tonne of gold. During 2006, a three-year moratorium on mining and exploration in this province was passed. While the moratorium remains in effect until 2009, we are continuing to work with the community and the government to meet stakeholders' expectations and eventually launch the project with full community support. We continue to believe that this project remains one of the best undeveloped gold deposits in the world.

Production is expected during the second quarter of 2007 and we expect to add approximately 35,000 gold ounces annually once full production is achieved. This mine has required minimal capital investment on our behalf and we are able to utilize Barrick's processing facilities and previously established underground accesses. In addition, once production commences, Meridian will be able to combine profits with the unutilized tax benefits of the Company in the United States.

Jeronimo Project

During 2006, Meridian acquired a 56.7% controlling

interest in Agua de la Falda S.A. from the Corporacion Nacional del Cobre de Chile (CODELCO), who hold the remaining interest. The properties are located in the Third Region of Northern Chile and include the Jeronimo deposit and the past-producing El Hueso, Coya and Agua de la Falda mines. Prior work completed by Homestake Mining demonstrated that the Jeronimo deposit is estimated to contain at least 2.8 million ounces of gold (100%) and we have begun the metallurgical test work and the feasibility study.

"At Meridian, we have a reputation for being financially conservative. We continue to re-invest cash into the business to achieve our sustainable growth goals without hedging gold production. As seen in 2006, we were able to utilize a sizeable portion of our cash balance to purchase Minera Florida S.A. for \$100 million USD, in addition to the \$20 million USD payment to CODELCO for the Jeronimo JV. We also continue to re-invest our earnings back into Chile, where we are able to benefit from a low 17% tax rate."

PETER C. DOUGHERTY
Vice-President and CFO

(clockwise from top left)

View of Atacama Desert

Tailings pond at Minera Florida

Wildlife co-existing with operations

Reclamation at Royal Mountain King



CORPORATE *responsibility*

Because Meridian has many responsibilities as a mining company, it is our top priority to be a good neighbor and a positive contributor in the communities we operate. Our corporate responsibility efforts are focused on four key initiatives and they are: our employees; the health and safety of our employees and their families; our communities; and the environment.

Our Employees

At Meridian, our employees are able to grow and develop in their chosen fields of interest. We have created an environment where employees are able to develop their own natural talents in order to fully contribute to our mission of creating “The Premier Value Gold Mining Company”.

Health & Safety

We strongly believe that in order for our employees to return home and contribute to our communities, we must have a safe workplace, where we draw on safety-related best practices, establish clear roles for personnel and hold individuals accountable for their actions.

Our Communities

Meridian is committed to giving back as much as possible to our employees, their families and the communities in which we operate. By using education

as a means to increase the quality of our communities’ living standards, Meridian fully supports programs such as the “Run for Education”, the tuition reimbursement program for our employees, and the college scholarship program for our employees’ children.

The Environment

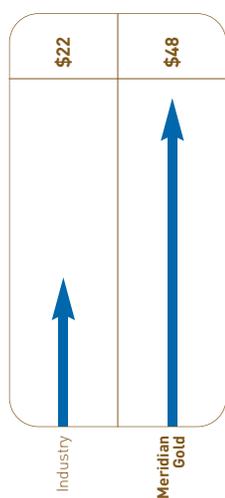
The protection, preservation and restoration of the environment is the fourth key Corporate Responsibility initiative that Meridian continues to advance. During 2006, Meridian received two awards for reclamation excellence at our past-producing Beartrack Mine in Salmon, Idaho. In Chile, our teams at Minera Florida and El Peñón work with local communities on specific projects designed to enhance the properties and surrounding areas in which we operate.

“It is natural for employees to want to focus on their own naturally occurring talents and develop these talents into professional strengths. I am happy to say that at Meridian Gold we have created a culture where an employee can do just that, with the resulting organizational benefits being highly engaged employees who are committed to achieving our goal of one million ounces of gold by 2008.”

DARRIN L. ROHR
Vice-President Human Resources

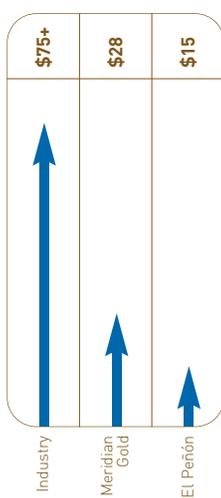
DELIVERING *results*

Meridian Gold has established itself as one of the premier value gold mining companies, with world-class operations in Chile and a pipeline of projects throughout the Americas. Our success to date has been based on organic growth through grassroots gold discoveries, a low-cost operations strategy and our ability to add stakeholder value while balancing growth. We are confident that future successes will keep us on target in our evolution as a million ounces low-cost producer.



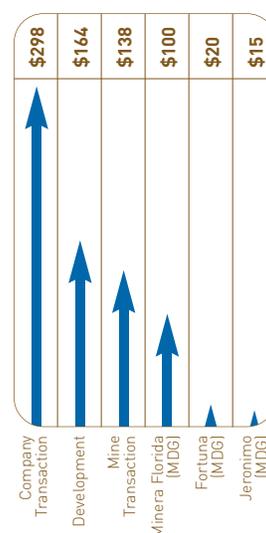
EXPLORATION REINVESTMENT

Between 1996 and 2006, Meridian Gold has reinvested in exploration, \$48 per ounce of gold produced, compared to the industry standard of only \$22 per ounce.



FINDING COSTS

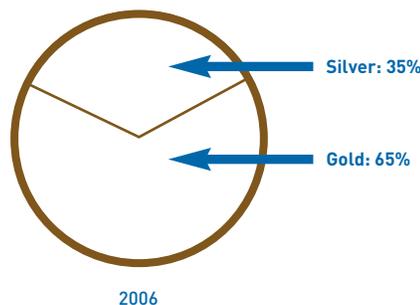
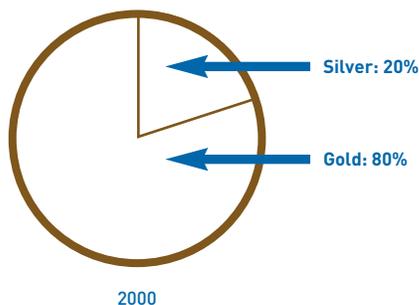
Meridian Gold's high reinvestment in exploration, the heart of the business, results in finding costs well below the industry average.



ACQUISITION COSTS*

*does not include cash production costs.

*Source: Merrill Lynch



EL PEÑÓN'S CHANGING REVENUE MIX: GOLD AND SILVER PRODUCTION

In 2006 Meridian Gold's El Peñón mine produced 6.6 million ounces of silver and 230,000 ounces of gold

STATISTICAL SUMMARY

For the years ended December 31

	2006	2005	2004
Operations Data			
El Peñón			
Tonnes processed (000's)	935	880	837
Gold grade (grams per tonne milled)	8.0	11.1	12.2
Gold recoveries	95%	96%	97%
Minera Florida			
Tonnes processed (000's)	216	—	—
Gold grade (grams per tonne milled)	6.8	—	—
Gold recoveries	81%	—	—
Production Data (in 000's of ounces for Gold and Silver/Tonnes for Zinc)			
Gold			
El Peñón	230	304	314
Minera Florida	38	—	—
Beartrack ⁽¹⁾	—	—	1
Total Gold	268	304	315
Silver			
El Peñón	6,429	5,538	4,812
Minera Florida	135	—	—
Total Silver	6,564	5,538	4,812
Zinc			
Minera Florida	1,921	—	—
Cash Cost of Production (USD per gold ounce by-product method)			
El Peñón	\$ (50)	\$ 38	\$ 50
Minera Florida	144	—	—
Weighted Average	(22)	38	50
Total Cost of Production (USD per gold ounce)			
El Peñón	\$ 35	\$ 88	\$ 105
Minera Florida	364	—	—
Weighted Average	81	88	105

Notes:

Cash cost of production includes all direct mining and processing expenses less silver credits which are treated as a by-product. Total cost of production comprises the cash cost of production plus depreciation, depletion and amortization, which includes amortization of asset retirement costs. Cash cost and Total cost of production are non-GAAP measurements (see non-GAAP Measures section of the MD&A for an explanation and reconciliation of this information).

⁽¹⁾ Beartrack operations ceased mining in April 2000 and concluded economic recovery by September 2000. All residual gold production at Beartrack has been accounted for as part of reclamation and closing costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statement

Certain statements in this MD&A constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and Canadian securities legislation. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or other future events, including forecast production, earnings and cash flows, to be materially different from any future results, performance or achievements or other events expressly or implicitly predicted by such forward-looking statements. Such risks, uncertainties and other factors include those set forth in the Company's Annual Information Form and other periodic filings.

Introduction

This Management's Discussion and Analysis ("MD&A") is dated on February 22, 2007 and provides a detailed analysis of the Company's financial condition and results of operations for the year 2006 compared with the previous year. The MD&A should be read in conjunction with the consolidated financial statements as at December 31, 2006 and 2005, and for each of the years in the three-year period ended December 31, 2006 and related notes. The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") and reports in United States ("U.S.") dollars ("USD"). Reference should be made to note 26 of the financial statements for a reconciliation between Canadian GAAP and U.S. GAAP. All dollar amounts in this MD&A are in millions of USD unless otherwise specified. Management's Discussion and Analysis for the fourth quarter of 2006 are incorporated by reference into and form part of this MD&A.

The Company's filings with the securities regulatory authorities in Canada, including the fourth quarter of 2006 MD&A, are available at www.sedar.com, and its filings with the U.S. Securities and Exchange Commission are available at www.sec.gov through EDGAR.

Overview

Meridian Gold Inc. ("Meridian" or the "Company") is a mid-tier gold producer with mining operations in Chile, development projects in Nevada and Chile, and exploration projects throughout the Americas.

Discussion of Properties

El Peñón

The El Peñón property is located 165 kilometers to the south-east of the port city of Antofagasta in northern Chile. Gold was first discovered on the property by the Company's geologists in 1993. Portions of the current land position of about 720 square kilometers are relatively unexplored, as most exploration work prior to 2005 focused on the central core area of 40 square kilometers. During 2006, along with the core area, an additional 10 square kilometers surrounding the Fortuna vein system was explored. Expansion during 2006 focused on the Fortuna, Providencia, Dorada, Angosta and Al Este structures.

In 2006, El Peñón continued to deliver low-cost, profitable results. The mine produced 230,145 ounces of gold and 6.4 million ounces of silver at a cash cost of negative (\$50) per gold ounce using silver as a by-product credit compared to 303,509 ounces of gold and 5.5 million ounces of silver at a cash cost of \$38 per gold ounce during 2005. Total production costs including depreciation, depletion and amortization were \$35 per gold ounce, 61% lower than the \$88 per gold ounce in 2005. Cash cost and total production cost per ounce are non-GAAP measurements (see the non-GAAP Measures section of the MD&A for the explanation and reconciliation of these measures).

The mill processed 935,105 tonnes of ore in 2006, an increase of 6% over the previous year's 880,228 tonnes. The increase was achieved primarily through process and efficiency improvements in the milling and crushing circuits. The Company processed an average of 8.0 grams per tonne of gold and 231 grams per tonne of silver in 2006. The Company's recovery of gold was 95%; which is slightly lower than the prior year's gold recovery of 96%. The underground mines produced 860,609 tonnes of ore in 2006 compared to 913,608 tonnes of ore from the underground and open pit mines in 2005. The Company continues to maintain a stockpile of ore in front of the mill to provide operating flexibility and provide ore to the mill as the mine expansions ramp up to the 2,800 tonnes per day level.

The underground material is mined by the bench-and-fill method. During 2006, approximately 8 kilometers of underground development was completed. For 2007, roughly the same amount of underground development is expected to be completed with a significant portion related to the development of the Providencia, Fortuna and Al Este zones.

The underground contract mining company, Constructora Gardilic S.A. ("Gardilic"), continued being a strategic partner to Meridian in meeting mining targets. In January 2005, the Company entered into a five year agreement with Gardilic to continue to provide underground mining services. During 2006, the Company entered into a five year contract with a second underground mining contract company, Proyecta S.A., to provide services for the Fortuna mine.

At the end of 2006, mineral reserves at El Peñón totaled 2.0 million gold ounces and 81.8 million silver ounces, compared with 2.1 million ounces of gold and 76.4 million ounces of silver at year-end of 2005. During 2006, 0.2 million gold ounces and 6.5 million ounces of silver were processed. Mineral resources in the measured and indicated category increased 0.2 million ounces of gold and 4.9 million ounces of silver to 0.9 million ounces of gold and 24,021 million ounces of silver at the year-end of 2006. Mineral resources in the inferred category increased 31,000 ounces of gold and decreased by 6.9 million ounces of silver to 0.6 million ounces of gold and 20,759 million ounces of silver at the year-end of 2006. The reserves and resources of El Peñón were prepared under the supervision of Greg Walker, an employee of Meridian, and have been audited by David W. Rennie, of Scott Wilson Roscoe Postle Associates Inc. who are qualified persons as defined in National Instrument 43-101 of the Canadian Securities Administrators.

About \$4.2 million was expensed at El Peñón during the year on surface exploration, primarily at the Dorada, Fortuna, Providencia and Al Este structures. These vein zones will continue to provide exploration potential in the future as the Company accesses the Providencia vein zone from underground locations and continues to further develop the Fortuna and Dorada veins, concurrent with the mining from the existing infrastructure in the Quebrada Colorada, Quebrado Orito and Cerro Martillo veins.

The Company remains focused on developing the full potential of its property position at El Peñón. In 2007, surface exploration will be focused on further defining the Fortuna, Providencia, Al Este, Angosta and Martillo Flats structures as well as continued drilling on targets extending to the east of known structures. For 2007, the Company expects El Peñón to produce approximately 230,000 ounces of gold.

Minera Florida

On July 1, 2006 the Company announced its decision to exercise its purchase option to acquire a 100% interest in Minera Florida S.A. for \$100.0 million. As of July 1, 2006, production and production costs from the Minera Florida operations were realized by Meridian's 100% owned subsidiary in Chile. The transition of the Minera Florida personnel and operation into Meridian was successfully completed during the third quarter of 2006. Data presented below is for the six-month period only and no comparative information is expressed.

The Minera Florida project mine and plant are located on approximately 120 square kilometers of land SSW of Santiago, in the historic Alhue mining district of Chile. Historically, the mine has produced approximately 70,000 ounces of gold annually at a cash operating cost of about \$200 per ounce using accompanying silver and zinc as by-product credits. The Company released a National Instrument 43-101 compliant technical report on February 13, 2007. The report was based on June 30, 2006 information on mineral reserves at Minera Florida of 0.4 million gold ounces and 1.9 million silver ounces. The technical report was prepared by Hrayr Agnerian and James L. Pearson, of Scott Wilson Roscoe Postle Associates Inc., who are qualified persons as defined in National Instrument 43-101.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition.

As at July 1, 2006

Current assets	\$ 4.4
Mineral property, plant and equipment	132.5
Other long-term assets	5.5
Total assets acquired	142.4
Current liabilities	(10.5)
Long-term liabilities	(32.3)
Total liabilities assumed	(42.8)
Net assets acquired	\$ 99.6

During the period of July 1 through December 31 of 2006, Minera Florida produced 37,968 ounces of gold and 135,463 ounces of silver at a cash cost of \$144 per gold ounce. Total production costs including depreciation, depletion and amortization were \$364 per gold ounce. Cash cost and total production cost per ounce are non-GAAP measurements (see the non-GAAP Measures section of the MD&A for the explanation and reconciliation of these measures).

The mill processed 215,842 tonnes of ore during the second half of 2006, at an average of 6.8 grams per tonne of gold, 27 grams per tonne of silver and 1.5% zinc. The Company's recovery for gold was 81%, for silver was 72% and for zinc was 65%. The underground mines produced 212,217 tonnes of ore during the last six months of 2006.

The current principal method of extraction is sub-level stoping. Development efforts are being directed at the Peumo and Berta vein structures, as these will become important production zones for 2007. The mill has a three stage crushing, grinding, flotation and leaching circuit to produce a doré bar followed with a production of a zinc concentrate.

During 2006, the Company drilled nearly 40,000 meters. An aggressive infill and exploration drilling campaign is planned for 2007 on the 12,500 hectares of leased mining claims within the Minera Florida claim block.

Agua de la Falda

On September 22, 2006, the Company initiated a strategic partnership and announced the acquisition of a 56.7% controlling interest in Agua de la Falda ("ADLF"), which includes the Jeronimo Deposit from the Corporacion Nacional del Cobre de Chile ("CODELCO") for \$20.0 million. ADLF's properties, located 50 kilometers southeast of El Salvador in the Third Region of Northern Chile, encompass over 240 km² and include the El Hueso, Coya and Agua de la Falda mines that produced over 660,000 gold ounces for Homestake Mining Company between 1988 and 2002. The Jeronimo Deposit is the downdip extension of the ADLF deposit. Exploration and development work completed by previous owners, Homestake and Barrick, included at least 150 diamond drill holes that have delineated the manto that hosts the Jeronimo Deposit. A 3D geologic model completed with this drilling indicates potential for 12 to 18 million tonnes of mineralization with average grades of between 5 and 7 grams per tonne gold. The potential mineral body is largely unoxidized and will require further metallurgical testing to determine the most economic processing techniques to recover the gold in a production environment. There is an existing scoping study on the property and, as part of the agreement, Meridian will be required to prepare the feasibility study of the Jeronimo Deposit. A full scoping study will be underway during the first quarter of 2007. Meridian is currently completing an infill exploration program on behalf of the Joint Venture. As part of the program a NI 43-101 resource estimate will be completed.

Esquel

In 2002, the Company completed the acquisition of Brancote Holdings Plc ("Brancote"), the owner of the Esquel Gold Project. The contiguous properties that form the Esquel Gold Project are located in the Sierra de Esquel mountain range, about 7 kilometers northeast of the town of Esquel (population: 30,000), in southern Argentina and comprise an aggregate of 141,000 hectares of land, including 43,365 hectares for the Esquel corridor. The Galadriel-Julia vein system, which constitutes the Esquel Gold Project and which is the current focus of development for the Company, is located on the Cordon de Esquel property. The Company owns its 100% interest in this property through Minera El Desquite ("MED"). During 2005, the Company sold its portion (60%) of three properties held in a joint-venture agreement which were acquired in the Brancote transaction that were deemed non-essential to the core property. These properties were sold to Patagonia Gold S.A., the former joint-venture partner.

During 2003, Meridian paused its development efforts following a non-binding referendum wherein the majority of the citizens of the town of Esquel voted not to support the development of an open pit mine. Meridian has focused its efforts on identifying and addressing the community's concerns. Activities have culminated in the development of a new underground mining plan and a re-engineered processing facility addressing the local concerns, which include social, environmental and technical aspects of the project. During 2006, the provincial government banned all metal-mining related activity for a three-year period. This ban does not impact the land titles which the Company holds. Meridian remains confident in the long-term economic, environmental and technical aspects of the Esquel project. The Company is committed to building trust with the community of Esquel, government of the province, and Argentina, through Meridian's demonstrated history and current practice of responsible mining.

In 2005, as development activities on the Esquel project had been interrupted and the delay in development activities reached three years, based on applicable accounting guidelines, there was a presumption that a write-down of capitalized costs, deferred development and pre-operating costs was necessary. Since the timing of the approval process for the project could not be reasonably determined at that time, Meridian did not have persuasive evidence that a write-down should not be taken. Therefore, under applicable accounting guidelines, Meridian wrote-down the long-lived assets to their estimated fair value. The carrying value of the Esquel mineral properties was written down by approximately \$542.8 million to \$2.5 million, the estimated fair market commercial real-estate value of the land, comparable to similar land with non-mining uses in this region.

Based on the above mentioned write-down, where applicable, financial information presented in the following sections relating to 2005 will be presented to reflect both final results including the impairment, and pre-impairment amounts for comparative purposes.

The following tables and explanations describe the values used in the write-down of the Esquel property. All numbers are shown rounded to the nearest million. The \$542.8 million write-down associated with the Esquel property is reflected in table 1:

TABLE 1 (USD millions)

Purchase price	\$ 310.0
Spending on project	6.1
Future tax liability ⁽¹⁾	149.1
Currency translation adjustment ⁽²⁾	77.6
Esquel asset impairment	542.8
Income tax benefit	163.9
Net impairment	\$ 378.9

Note:

⁽¹⁾ The future tax liability is related to the future tax expense acquired as part of the purchase of the project.

⁽²⁾ The currency translation adjustment is related to the balance sheet adjustments for the foreign exchange difference between the time of purchase and the time of the write-off.

Rossi

The Rossi property spans approximately 28 square kilometers on the northern end of the Carlin Trend located in northeast Nevada. The mineralization at Rossi is sediment-hosted and occurs in the same structural and stratigraphic sequence as economic mineralization throughout the Carlin Trend. Three main areas were discovered on the property from surface drilling which are the 49er, End, and Discovery Zones.

During 1998, the Company entered into a joint venture with Barrick Gold Corporation (“Barrick”) on the Rossi property. Barrick earned a 60% interest in the property in 2003 by completing its required earn-in spending of \$15.0 million on the property. The Company retained a 40% ownership in the joint venture.

All exploration and development work on the Rossi property in 2006 was carried out by Barrick and funded on a proportional basis under the joint venture agreement. In 2006, Meridian’s share of the joint venture development cost expenses were \$2.5 million.

During 2006, exploration drilling, development work and sample testing of the ore continued. All of the federal and state permitting is in place for production. The Company approved the operating budget and plan presented by Barrick and expects production to start during the second quarter of 2007.

Beartrack

Beartrack, a 100% owned open-pit heap leach operation, is located approximately 11 miles west of Salmon, Idaho. Mining of all the economic ore was completed in 2000. During 2005, the Company spent \$2.0 million for reclamation activities and recovered \$0.1 million for gold sales from residual leaching. As part of the review process of the property in 2006, it was determined that the long-term expenditures for the closure of the property were less than the liability booked, resulting in a reduction of the ARO liability of \$1.0 million.

Results of Operations

Selected Annual Financial Information

[as at and for the year ended December 31]

[in millions of USD, except per share data]

	2006	2005	2004
Revenue	\$ 240.0	\$ 174.3	\$ 157.3
Pre-impairment earnings ⁽¹⁾	n/a	\$ 39.9	n/a
Net earnings ⁽¹⁾	\$ 48.6	\$(346.4)	\$ 36.6
Basic earnings per share	\$ 0.48	\$ (3.47)	\$ 0.37
Diluted earnings per share	\$ 0.48	\$ (3.44)	\$ 0.37
Total assets	\$ 527.9	\$ 400.7	\$ 892.1
Total long-term liabilities	\$ 121.0	\$ 79.9	\$ 230.6

⁽¹⁾ Net earnings include the write-down of the Esquel property for \$542.8 million offset by \$163.9 million in future tax elimination resulting in a net impairment of \$378.9 million. The impairment for the Esquel property results in a loss of \$346.4 million and loss per share of \$3.47 and \$3.44 on basic and diluted basis respectively.

Summary of Quarterly Results

(In millions of USD except per share data)

	FY2006				FY2005			
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
Revenue	\$ 65.0	\$ 62.2	\$ 57.3	\$ 55.5	\$ 49.3	\$ 42.2	\$ 40.9	\$ 41.9
Pre-impairment earnings (loss) ⁽¹⁾	6.5	5.7	18.8	17.6	12.3	9.0	9.1	9.8
Net earnings (loss)	6.5	5.7	18.8	17.6	(374.3)	9.0	9.1	9.8
Basic earnings per share Pre-Imp. ⁽¹⁾⁽²⁾	\$ 0.06	\$ 0.06	\$ 0.19	\$ 0.18	\$ 0.12	\$ 0.09	\$ 0.09	\$ 0.10
Diluted earnings per share Pre-Imp. ⁽¹⁾	0.06	0.06	0.19	0.18	0.12	0.09	0.09	0.10
Basic earnings per share ⁽¹⁾⁽²⁾	\$ 0.06	\$ 0.06	\$ 0.19	\$ 0.18	\$ (3.73)	\$ 0.09	\$ 0.09	\$ 0.10
Diluted earnings per share ⁽¹⁾	0.06	0.06	0.19	0.18	(3.71)	0.09	0.09	0.10

⁽¹⁾ Net earnings is equal to Income including write-down of the Esquel property for a net \$337.9 million (see Esquel section of MD&A). Q4 2005 results including the impairment write-down are Net loss of (\$374.3) million and basic and diluted loss per share of (\$3.73) and (\$3.71) respectively.

⁽²⁾ Quarterly amounts do not sum to full year amounts due to rounding.

Net income for the year ended December 31, 2006 was \$48.6 million (\$0.48 per share) compared to net earnings before the impairment for the year ended December 31, 2005 of \$39.9 million (\$0.40 per share). The net loss for 2005 including the Esquel write-down was (\$346.4) million (\$3.47 per share). This increase, pre-impairment, of \$9.3 million or \$0.09 per share is the result of higher realized gold and silver prices, increased silver production and is offset by lower gold ounces produced and higher costs resulting from operations due to higher tonnes processed and higher reagent costs along with higher exploration and selling, general and administrative spending.

Total revenue of \$240.0 million for the year ended December 31, 2006 increased \$65.7 million over the same period in 2005 of \$174.3 million. Gold revenues increased 21% from \$133.8 million in 2005 to \$161.3 million for 2006. The higher realized gold price versus the previous year (\$603 per ounce realized versus \$447 per ounce), was offset by a 11% decrease in gold ounces sold (267,800 ounces versus 299,300 ounces). The decrease in gold ounces produced and sold was due to a 28% decrease in the gold grade processed at El Peñón. The silver revenues increased 84% from \$40.5 million to \$74.7 million due to higher realized silver prices versus the same period for the previous year (\$11.46 per ounce realized versus \$7.40 per ounce) in addition to a 19% increase in silver ounces sold (6.52 million ounces versus 5.47 million ounces). The increase in silver production is due to an increased proportion of ore coming from higher silver grade sections of the mines, mainly Dorada and Cerro Martillo, and higher throughput at El Peñón along with the additional ounces from Minera Florida.

Over the past three years, the Company has used various companies to purchase and refine its gold and silver produced. In 2005 and 2006, the El Peñón metal was sold through Standard Bank of London and Auramet Trading, New York and refined by Johnson Matthey refinery in Canada and Argor Heraeus refinery in Switzerland. For the six months ended December 31, 2006, after the acquisition of the Minera Florida property, the Company sold and refined its gold and silver to Johnson Matthey in Canada and ENAMI, a Chilean national refinery. Zinc was sold through Ocean Partners.

Cost of sales in 2006 was \$76.1 million compared to cost of sales in 2005 of \$54.4 million. A portion of this increase in cost of sales is due to the new costs related to the Minera Florida production equaling \$11.0 million. The remaining increase is primarily related to higher tonnes mined at El Peñón from the underground mine and higher throughput in the mill, along with the associated increase in reagent and materials usage costs.

Depreciation, depletion and amortization increased \$12.4 million to \$28.1 million, reflecting the additional \$8.4 million charges from the Minera Florida mine, along with increased depletion resulting from the higher tonnes driven by the units of production method, along with production occurring in higher capital cost areas of the mine at El Peñón.

Exploration expense for 2006 of \$26.6 million was \$1.6 million more than exploration expense in the same period of 2005 of \$25.0 million, primarily due to higher exploration spending in Chile at El Peñón and Minera Florida, and in Mexico at the Mercedes project.

Selling, General and Administrative and other expenses for the full year 2006 were \$22.7 million versus \$13.9 for the full year of 2005. The increase is due, in part, to \$6.7 million in expenses related to the incentive payment, restricted and option share awards and pension costs associated with the CEO succession process.

Other expenses for the full year 2006 of \$4.6 million include \$1.6 million in expenses related to increases in the ARO liability and \$2.2 million for a mark to market adjustment loss related to the forward sales contracts for zinc. During the fourth quarter 2006, the Company entered into zinc forward sale contracts for 5,050 tonnes for delivery in 2007, 2008 and 2009. Both of these losses were non-cash, financial losses.

Income tax expense for the full year of 2006 was \$45.6 million or an effective rate of 48% compared to \$33.9 million before impairment or an effective tax rate of 46% for the full year 2005. The increase in the effective tax rate is due to increased spending in tax jurisdictions with no offsetting tax benefit. The Company paid \$43.4 million in cash taxes during 2006.

Based on the information presented above and due to the mentioned write-down of the Esquel property in 2005, all financial information presented for 2005 in this document will be presented to reflect both results prior to the accounting for impairment and including the impairment where applicable. In some instances, the effect of the impairment may be located in the notes to the tables.

The \$550.2 million write-down, as shown in the “Impairment of Mining Property and Other” line below (table 2), consists of \$542.8 million from the Esquel property and \$7.4 million related to the addition to the Asset Retirement Obligation (“ARO”) liability associated with future reclamation costs for the Beartrack property, which ceased operations in 2000. The impaired amounts are offset by the \$163.9 million elimination of the future tax liability that was booked in association with the Esquel property, as shown in income tax in the impairment column. The following tables demonstrate a pro forma income statement with the effect of the impairment on net income shown. All numbers are shown rounded to the nearest million.

TABLE 2

For the twelve months ended December 31, 2005

	Pre-Impairment (non-GAAP)	Impairment	GAAP Reported
Revenue	\$ 174.3		\$ 174.3
Cost of sales	(54.4)		(54.4)
Depreciation, depletion and amortization	(15.7)		(15.7)
Exploration	(25.0)		(25.0)
Selling, general and administration	(13.9)		(13.9)
Impairment of mining property and other	1.5	(550.2)	(548.7)
Total cost and expense	\$(107.5)	\$(550.2)	\$(657.7)
Earnings before the following	\$ 66.8	\$(550.2)	\$(483.4)
Interest income	6.9		6.9
Gain (loss) on sale of assets	0.1		0.1
Earnings (loss) before taxes	\$ 73.8	\$(550.2)	\$(476.4)
Income tax benefit (expense)	(33.9)	163.9	130.0
Net earnings (loss)	\$ 39.9	\$(386.3)	\$(346.4)

Liquidity and Capital Resources

Cash balances including restricted cash, short-term and long-term investments were \$214.7 million as of December 31, 2006 compared to \$281.5 million at December 31, 2005. The decrease is due to the purchase of Minera Florida S.A for \$100.0 million and the purchase of Agua de la Falda S.A. for \$20.0 million. The decrease cash balance was partially offset by cash generated by operations. Working capital decreased to \$175.9 million at December 31, 2006 from \$265.4 million at December 31, 2005, mainly due to the cash outflows as explained above.

Cash to meet the Company’s operating needs, to finance capital expenditures and to fund exploration activities during 2006 was provided from operations and from existing cash reserves. Cash provided by operating activities increased to \$86.1 million in 2006, versus \$73.5 million in 2005. In 2007, the Company expects its current cash and short-term investments and cash generated from operations to be sufficient to fund its exploration and capital requirements.

Anticipated cash requirements for 2007 include approximately \$35.0 million for planned capital expenditures at El Peñón (which includes approximately \$27.0 million in mine development, as the mine continues with the project of expanding its mining production rate from 2,000 to 2,800 tonnes per day) as well as developing accesses and infrastructure for the Providencia sector structure, development of the Fortuna project, and the access to the Al Este vein structure. Planned capital expenditures for Minera Florida are \$15.0 million, related to mine development and plant capital. An additional estimated \$9.0 million will be required to fund capital expenditures at other Meridian projects and locations. The Company expects to fund these capital projects using the existing cash balances.

Exploration is at the heart of Meridian’s growth strategy and will continue to be an important focus throughout the year. Meridian plans to spend approximately \$26.0 million in 2007 to fund exploration activity.

Meridian has sufficient working capital to meet its needs for the next twelve months. Should we decide to develop other exploration and development properties, additional capital may be required. We believe that these capital requirements may be funded by existing cash reserves, by borrowing from third parties or by raising equity. No assurance can be given that such borrowings or capital will be available at terms and conditions acceptable to Meridian, if at all.

Contractual Commitments and Contingent Liabilities

(in millions of USD)

	Total	Less than 1 Year	2-3 Years	4-5 Years	More than 5 Years
Operating leases	\$ 0.6	\$ 0.5	\$ 0.1	\$ —	\$ —
Capital leases	\$ 1.2	\$ 0.6	\$ 0.6		
Extraction services obligations ⁽¹⁾	121.1	38.0	77.1	6.0	—
Other contracted services	8.9	3.8	5.1	—	—
Asset retirement obligations ⁽³⁾	36.0	10.4	7.0	1.5	17.1
Pension cost obligations ⁽²⁾	10.1	3.5	1.0	1.0	4.6
Total	\$ 177.9	\$ 56.8	\$ 90.9	\$ 8.5	\$ 21.7

⁽¹⁾ In January 2005, the Company entered into a 5 year contract for underground extraction services at El Peñón. The remaining estimated value based on forecasted production rates totals \$100.7 million over the remaining contract life of 3 years. The contract may be cancelled early, invoking a penalty clause. The maximum penalty is approximately \$9.4 million decreasing monthly over the remaining life of the contract. Furthermore, in July of 2006, the Company entered into a 5 year contract for underground extraction services for the Fortuna mine. The remaining estimated value based on the forecasted production rates totals \$20.4 million over the remaining contract life of 4.5 years. The contract may be cancelled early, invoking a penalty clause. The maximum penalty is approximately \$5.9 million decreasing monthly over the remaining life of the contract.

⁽²⁾ The timing and amount of additional funding is dependent upon future return on plans assets, discount rates and other actuarial assumptions. The 2006 amount of minimal funding for the defined benefits plan at December 31, 2005 is less than \$0.1 million. \$0.7 million of the amount related to years 1-5 is related to the benefits due resulting from the death of former Executive Vice-President Ed Colt, who passed away in November of 2005.

⁽³⁾ Asset retirement obligations are projected spending and do not represent actual money committed or owed by the Company.

Critical Accounting Policies

The Company's consolidated financial statements are impacted by the accounting policies used and the estimates and assumptions made by management during their preparation. Critical accounting policies and estimates that most impact the consolidated financial statements are those that relate to the Company's accounting for mineral properties, reclamation obligations and income taxes, which include reserve estimates, impairments and reclamation estimates.

Critical Accounting Estimates

Amortization of Mineral Property, Plant and Equipment

The Company amortizes mineral properties and other assets using the unit of production method, which is based on projected mineable tons. Therefore, mineral reserves may affect amortization of mineral property, plant and equipment costs. Mineral reserves are affected by the price of gold, production costs and other factors. These estimates are reviewed on a regular basis and are adjusted to reflect current mining plans. The estimated useful life of an asset is limited by the remaining life of the ore body to which the asset relates.

Impairment of Assets

The Company reviews the carrying value of its properties when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. The reviews include an analysis of the expected future cash flows to be generated by the project to determine if such cash flows exceed the project's current carrying value. The determination of future cash flows is dependent on a number of factors, including future prices for gold, the amount of reserves, the cost of bringing the project into production, production schedules, and estimates of production costs. For non-producing properties, the reviews are based on whether factors that may indicate the need for a write-down are present at each location. Additionally, the reviews use factors such as political, social, legal and environmental regulations. These factors are subject to changing economic conditions, regulations and the accuracy of assumptions.

Asset Retirement Obligation Estimates

Asset retirement obligation costs to be incurred following mine closure are estimated and recorded as an asset retirement obligation with the obligation added to the carrying amount of the long-lived asset. The estimates are reviewed on a routine basis as to the accuracy of remaining costs to be incurred and are adjusted as necessary. Any change to an estimate is reflected in the consolidated financial statements on a prospective basis.

Valuation of Future Income Taxes

The Company recognizes future tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. Management regularly reviews the Company's future tax assets for recoverability and establishes a valuation allowance based on historical taxable income, projected taxable income and the expected timing of the reversals of existing temporary differences. During 2002, the Company fully recognized the remaining future tax asset and future credit acquired in the 2001 purchase of Pacific Rim Resources Ltd. and its wholly owned subsidiaries, which included Inversiones Mineras Del Inca S.A. "IMDI". Management believes that sufficient uncertainty exists regarding the realization of certain future tax assets and that a valuation allowance is required. The change in valuation allowance reflects management's assessment regarding the future realization of Canadian and foreign future tax assets and estimates of future earnings in these jurisdictions as of December 31, 2004.

Changes in Accounting Policies

Silver Revenue and Refining Costs

Commencing January 1, 2006, the Company recognizes silver sales as part of its revenue due to the increase in silver ounces mined and the significant increase in the price of silver. The Company previously recognized silver sales as a by-product and reported its silver revenue with cost of sales. The Company has also changed its classification of refining cost from netting against revenue to including it in cost of sales. Commencing January 1, 2006, both of these changes were adopted on a retroactive basis and revenue and cost of sales before depreciation, depletion and amortization for the three months and twelve months ended December 31, 2005 have been increased by \$13.7 million (\$13.1 million silver revenue, \$0.6 million refining expenses) and \$42.5 million (\$40.5 million silver revenue, \$2.0 million refining expenses), respectively, from the amounts previously reported.

Asset Retirement Obligations

Effective January 1, 2004, Meridian adopted the CICA's new Handbook Section 3110, "*Asset Retirement Obligations*" ("HB 3110") which applies to legal obligations associated with the retirement of a long-lived asset that results from the acquisition, construction, development and/or the normal operation of a long-lived asset. Meridian believes its mineral properties and reclamation obligations are subject to the provisions of HB 3110.

Under HB 3110, the Company is required to recognize the fair value of a liability for an asset retirement obligation in the period in which it incurs a legal obligation, if a reasonable estimate of fair value can be made. HB 3110 requires the estimated future cash settlement of an asset retirement obligation to be discounted in arriving at the liability reported in the current period. Upon initial recognition of the liability, the asset retirement obligation is capitalized as part of the carrying amount of the associated long-lived asset and a liability is recorded. This asset retirement cost will be depreciated over the life of the related asset using the unit-of-production method. The liability is accreted, through operating expense, over a period ending when the liability is finally settled in cash, subject to annual adjustments for changes in estimates.

Meridian has retroactively applied this change in accounting policy and restated the prior years consolidated financial statements. The effect of this change is detailed in note 16 to the consolidated financial statements.

Stock-Based Compensation

Effective January 1, 2002, Meridian elected to use the settlement method of accounting for stock options granted to directors and employees, and disclose the pro forma effect of accounting for these awards under the fair value method. Under the settlement method, no compensation expense was recognized in the Company's consolidated statements of operations for options granted during each of the years ended December 31, 2002 and 2003 because the exercise price of employee stock options was the market price on the day granted. Effective January 1, 2004, Meridian changed the method of application of its stock-based compensation accounting policy to measure stock options granted to directors and employees at fair value and recognize the compensation expense over the vesting period, with a corresponding credit to additional paid-in capital.

Prior to January 1, 2002, no compensation expense was recorded for the Company's stock option plans when the options were granted. Any consideration paid by employees or directors on exercise of stock options was credited to share capital.

This change in accounting for stock-based compensation has been applied retroactively without restatement of prior periods, with the cumulative effect of this change of \$0.9 million being reported separately in the consolidated statements of retained earnings as an adjustment to opening retained earnings at January 1, 2004. The effect of this change is disclosed in note 13 to the consolidated financial statements.

Impairment of Long-Lived Assets

Effective January 1, 2004, the Company adopted the Canadian Institute of Chartered Accountants Handbook Section 3063, "*Impairment of Long-Lived Assets*" ("HB 3063"). HB 3063 requires the Company to assess the impairment of long-lived assets, which consist primarily of mineral property, plant and equipment, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.

In determining whether or not the Company has an impairment, an analysis is undertaken of the expected future cash flows to be generated by the project to determine if such cash flows exceed the project's current carrying value. The determination of future cash flows is dependent on a number of factors, including future prices for gold, the amount of reserves, the cost of bringing the project into production, production schedules, and estimates of production costs. Additionally, the analysis must take into account factors such as political, social, legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions which could result in the future recognition of an asset impairment.

Should a change in economic assumptions occur, causing the estimate of future cash flows to fall below the carrying value of the Company's assets, the Company will first write down the net deferred tax liability associated with the assets rendering no impact to the consolidated statements of operations. Following this, should additional impairment be required, the Company will further write down the assets to the consolidated statement of operations under the heading of impairment of mining properties.

Recent Accounting Pronouncements

The following recent Canadian accounting pronouncements from the CICA Handbook are effective for our fiscal year beginning on January 1, 2007:

- Section 1506, “*Accounting Change*”: Criteria for changing accounting policies and the accounting treatment and disclosure of changes in accounting policies, accounting estimates and correction of errors
- Section 1530, “*Comprehensive Income*”: Standards for reporting and display of comprehensive income
- Section 3051, “*Investments*”: Standards for accounting for investments subject to significant influence and for measuring and disclosing certain other non-financial instrument investments
- Section 3855, “*Financial Instruments – Recognition and Measurement*”: Standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives
- Section 3861, “*Financial Instruments – Disclosure and Presentation*”: standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them
- Section 3865, “*Hedges*”: Section establishes standards for when and how optional hedge accounting may be applied. Hedge accounting is to ensure that counterbalancing gains, losses, revenues and expenses (including the effects of counterbalancing changes in cash flows) are recognized in net income in the same period or periods. Hedge accounting is applied only when gains, losses, revenues and expenses on a hedging item would otherwise be recognized in net income in a different period than gains, losses, revenues and expenses on the hedged item, and
- EIC 160 “*Stripping Costs Incurred in the Production Phase of a Mining Operation*” establishes that stripping costs should be accounted for according to the benefit received by the entity and that capitalized stripping costs should be amortized in a rational and systematic manner over the reserves that directly benefit from the specific stripping activity.

Outstanding Share Data

As of December 31, 2006 101,090,400 (December 31, 2005 – 100,233,173) common shares were outstanding and 827,497 stock options were outstanding issued to directors and employees with exercise prices ranging between USD2.25 and USD26.79 per share, of which 609,870 were exercisable with expiry dates between January 2007 and March 2016.

Non-GAAP Measures

Meridian has provided measures of “net cash cost per gold ounce”, “total net cost per gold ounce”, “cash cost per gold equivalent ounce” and “total cost per gold equivalent ounce”, which are included in this document. Net cash cost per gold ounce is determined according to the Gold Institute Standard and consists of site costs for all mining (except deferred mining and deferred stripping costs), processing, administration, resource taxes and royalties (the Chilean royalty tax is not included as it is considered an income tax), net of silver and/or zinc by-product credits, but does not include capital, exploration, depreciation, reclamation and financing costs. Total net cash cost per gold ounce is total net cash costs divided by gold ounces produced. Total net cost consists of “total net cash cost” plus depreciation, depletion, amortization and reclamation expenses. Total net costs per gold ounce are total net costs divided by gold ounces produced. Cash costs are equivalent to net cash cost adding back the silver by-product credit. Cash cost per gold equivalent ounce is total cash cost divided by the total of the gold ounces plus silver ounces converted to an equivalent amount of gold as determined by the ratio of the gold price per ounce divided by the silver price per ounce. Total cost consists of “total cash cost” plus depreciation, depletion, amortization and reclamation expenses. Total cost per gold equivalent ounce is “total cost” divided by the gold equivalent ounces produced.

The Company believes that in addition to conventional measures, prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), stakeholders use this information to evaluate the Company's performance and its ability to generate cash flow. These non-GAAP performance measures do not have any standardized meaning prescribed by GAAP and, therefore, may not be comparable to

similar measures presented by other companies. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. The calculation for these non-GAAP measures is explained below.

Non-GAAP Reconciliation	Twelve months ended Dec 31, 2006			Twelve months ended Dec 31, 2005		
	Minera Florida	El Peñón	Consolidated	Minera Florida	El Peñón	Consolidated
By-product method of calculating cost per ounce						
Cost of sales (before depreciation, depletion and amortization)			\$ 76.1	\$ —		\$ 54.4
Less reclamation			\$ (1.3)			\$ (0.4)
Net cost of sales (before depreciation, depletion and amortization)	\$ 11.0	\$ 63.8	\$ 74.8		\$ 54.0	\$ 54.0
Silver revenues	(1.6)	(73.1)	(74.7)	—	(40.8)	(40.8)
Zinc revenues	(3.9)	—	(3.9)	—	—	0.0
Other	(0.1)	(2.1)	(2.2)	—	(1.6)	(1.6)
Total net cash costs	5.4	(11.4)	(6.0)	—	11.6	11.6
Gold production in ounces from active properties	37,968	230,145	268,113	—	303,509	303,509
Total net cash costs per gold ounce	\$ 144	(\$ 50)	(\$ 22)	\$ —	\$ 38	\$ 38
Total net cash costs	5.4	(11.4)	(6.0)	—	11.6	11.6
Depreciation, depletion and amortization from operations	8.4	19.4	27.8	—	15.2	15.2
Total net cost	\$ 13.8	\$ 8.0	\$ 21.8	\$ —	\$ 26.8	\$ 26.8
Gold production in ounces from active properties	37,968	230,145	268,113	—	303,509	303,509
Total net cost per gold ounce	\$ 364	\$ 35	\$ 81	\$ —	\$ 88	\$ 88
Gold equivalent ounce method of calculating cost per ounce (zinc as by-product)						
Gold production in ounces from active properties	37,968	230,145	268,113	—	303,509	303,509
Silver ounce conversion factor:	52.3	52.3	52.3	—	60.8	60.8
Gold price (avg. London PM fix)	\$ 603	\$ 603	\$ 603	\$ —	\$ 445	\$ 445
Silver price (avg. London fix)	\$ 11.54	\$ 11.54	\$ 11.54	\$ —	\$ 7.31	\$ 7.31
Silver ounces from active properties	135,463	6,428,913	6,564,376	—	5,537,784	5,537,784
Converted silver ounces (ounces/factor)	2,590	122,940	125,531	—	91,022	91,022
Gold equivalent ounces	40,558	353,085	393,644	—	394,531	394,531
Cost of sales	\$ 11.0	\$ 63.8	\$ 74.8	\$ —	\$ 54.0	\$ 54.0
Zinc revenues	\$ (3.9)	\$ —	\$ (3.9)	\$ —	\$ —	\$ 0.0
Other	(0.1)	(2.1)	(2.2)	—	(1.6)	(1.6)
Total cash cost	7.0	61.7	68.7	—	52.4	52.4
Total cash cost per gold equivalent ounce (zinc as by-product credit)	\$ 174	\$ 175	\$ 175	\$ —	\$ 133	\$ 133
Total cash cost	\$ 7.0	\$ 61.7	\$ 68.7	\$ —	\$ 52.4	\$ 52.4
Depreciation, depletion and amortization from operations	8.4	19.4	27.8	—	15.2	15.2
Total cost	15.4	81.1	96.5	—	67.6	67.6
Total cost per gold equivalent ounce (zinc as by-product credit)	\$ 380	\$ 230	\$ 245	\$ —	\$ 171	\$ 171

Qualified Statement

All drill samples sent for assay at El Peñón are subject to rigorous Quality Assurance and a Quality Control Program that conforms to NI 43-101 standards. Duplicate reverse circulation drill samples are collected at 2 or 1 meter intervals, depending on type of drill target. One sample is sent for assay, and the duplicate is stored on site for verification and/or metallurgical purposes. Round Robin verified blind standards are inserted into the sample stream along with barren, duplicate and unmineralized samples that test sample preparation procedures, accuracy and precision of results and check for sample contamination at the lab. All core or diamond drill samples are mechanically split with one half of the sample stored on site and the

second half sent for assay utilizing the QA/QC procedures. ACME Laboratories ("ACME") operates an on site sample preparation lab that is closely monitored by the El Peñón QA/QC Management. Sample pulps produced on site are sent to ACME in Santiago, Chile for analysis. All samples are assayed using standard Fire/AA procedures (AuAA22, AgAA45). Gold results greater than 5 ppm* are re-analyzed using a gravimetric finish** (Au-GRA22). Silver results greater than 100 ppm are re-analyzed using a complete acid digestion (Ag-AA62) with silver assays greater than 300 ppm being re-analyzed using a gravimetric finish** (Ag-GRA22). Any assay results that are not deemed statistically acceptable are not entered into the database.

*parts per million

**results reported in grams/tonne

Additional Information

Additional information relating to Meridian, including the Company's Annual Information Form, can be found on SEDAR at www.sedar.com or on EDGAR at www.sec.gov.

MERIDIAN GOLD INC.

Supplemental Data

Management's Report of Internal Control Over Financial Reporting

It is management's responsibility to establish and maintain internal control over financial reporting for the Company. Internal control over financial reporting is to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. Internal control over financial reporting may not prevent or detect misstatements.

Our internal control over financial reporting includes policies related to the maintenance of records that is reasonable, detail accurately and fairly reflect the transactions and disposition of assets, provide reasonable assurance that transactions are properly recorded to permit preparation of financial statements in accordance with generally accepted accounting principles, provide reasonable assurance that receipts and expenditures are authorized by management and directors, and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework. Management's assessment included an evaluation of the design and testing of the operational effectiveness of the internal control over financial reporting. Management reviewed the results with the Audit Committee of the Board of Directors.

Based on this assessment, management determined that as of December 31, 2006 the Company had effective internal control over financial reporting. Management's assessment of the effectiveness of the Company's internal control over financial reporting has been audited by KPMG LLP, an independent registered public accounting firm, and they have issued an attestation report on management's assessment. Projection of any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions or deterioration of compliance to the policies.

Directors

Effective January 1, 2007, Brian J. Kennedy retired from serving as the President and CEO of Meridian Gold Inc. Also effective this date, Mr. Kennedy will serve as Chairman of the Board of Directors. Christopher R. Lattanzi will fill the position of Lead Director on the Board of Directors. In addition, as of January 1, 2007, Edward C. Dowling will assume the role of President and Chief Executive Officer of Meridian Gold Inc. The Board composition is as follows:

Edward C. Dowling, *President and Chief Executive Officer*

Richard P. Graff^(1*,3), *Consultant*

Robert A. Horn⁽²⁾, *Private Investor*

Brian J. Kennedy, *Chairman*

Christopher R. Lattanzi^(1,2), *Lead Director, Mining Consultant*

Malcolm W. MacNaught^(2*), *Private Investor*

Gerard E. Munera^(1,3), *Private Investor*

Carl L. Renzoni^(3*), *Private Investor*

Notes

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Corporate Governance Committee

* Chair of the Committee

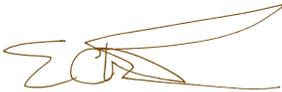
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements and all of the data included in this annual report have been prepared by and are the responsibility of the Board of Directors and management of the Company.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's best estimates and judgments based on currently available information.

The Company has developed and maintains systems of internal accounting controls in order to assure, on a reasonable and cost-effective basis, the reliability of its financial information. The Audit Committee of the Board, comprised of three independent directors, periodically meets with management and with the independent auditors to review the scope and result of the annual audit and to review the financial statements before they are presented to the Board of Directors for approval.

The consolidated financial statements have been audited by the Company's independent auditors, KPMG LLP. The Auditors' Report outlines the scope of their examination of and opinion on the consolidated financial statements.



EDWARD C. DOWLING
President and Chief Executive Officer

February 22, 2007



PETER C. DOUGHERTY
Vice-President, Finance, Chief Financial Officer
and Corporate Secretary

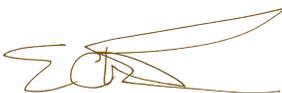
MANAGEMENT'S REPORT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

It is management's responsibility to establish and maintain internal control over financial reporting for the Company. Internal control over financial reporting is to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. Internal control over financial reporting may not prevent or detect misstatements.

Our internal control over financial reporting include policies related to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of assets, provide reasonable assurance that transactions are properly recorded to permit preparation of financial statements in accordance with generally accepted accounting principles, provide reasonable assurance that receipts and expenditures are authorized by management and directors, and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Management, including the Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework. Management's assessment included an evaluation of the design and testing of the operational effectiveness of the internal control over financial reporting. Management reviewed the results with the Audit Committee of the Board of Directors.

Based on this assessment, management determined that as of December 31, 2006 the Company had effective internal control over financial reporting. Management's assessment of the effectiveness of the Company's internal control over financial reporting has been audited by KPMG LLP, an independent registered public accounting firm, and they have issued an attestation report on management's assessment.



EDWARD C. DOWLING
President and Chief Executive Officer

February 22, 2007



PETER C. DOUGHERTY
Vice-President, Finance, Chief Financial Officer
and Corporate Secretary

AUDITORS' REPORT

To the Shareholders of Meridian Gold Inc.

We have audited the consolidated balance sheets of Meridian Gold Inc. ("the Company") as at December 31, 2006 and 2005 and the consolidated statements of operations, retained earnings (deficit) and cash flows for each of the years in the three-year period ended December 31, 2006. 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. With respect to the consolidated financial statements for the year ended December 31, 2006, we also conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 December 31, 2006 and 2005 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2006 in accordance with Canadian generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 22, 2007 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

KPMG LLP

Chartered Accountants

Vancouver, Canada

February 22, 2007

COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA-U.S. REPORTING DIFFERENCES

To the Board of Directors of Meridian Gold Inc.

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there is a change in accounting principles that has a material effect on the comparability of the Company's financial statements, such as the changes described in note 2 to the consolidated financial statements as at December 31, 2006 and 2005. Our report to the shareholders dated February 22, 2007 is expressed in accordance with Canadian reporting standards, which do not require a reference to such changes in accounting principles in the auditors' report when the changes are properly accounted for and adequately disclosed in the financial statements.

KPMG LLP

Chartered Accountants

Vancouver, Canada

February 22, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Meridian Gold Inc.

We have audited management's assessment, included in the accompanying **Management's Report on Internal Controls Over Financial Reporting**, that Meridian Gold Inc. ("the Company") maintained effective internal control over financial reporting as of December 31, 2006, based on the criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2006 is fairly stated, in all material respects, based on the criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have conducted our audits on the consolidated financial statements in accordance with Canadian generally accepted auditing standards. With respect to the year ended December 31, 2006, we also have conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our report dated February 22, 2007 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Chartered Accountants

Vancouver, Canada

February 22, 2007

CONSOLIDATED BALANCE SHEETS

December 31, 2006 and 2005

(expressed in millions of USD)

	2006	2005
Assets		
Current assets:		
Cash and cash equivalents (note 7)	\$ 92.8	\$ 58.3
Short-term investments (note 7)	84.0	209.3
Restricted cash (note 7)	13.8	13.9
Trade and other receivables (note 8)	6.2	1.2
Inventory (note 9)	7.0	7.1
Future income taxes (note 19)	0.5	0.3
Other current assets (note 10)	15.7	10.0
Total current assets	220.0	300.1
Mineral property, plant and equipment (notes 11 and 12)	276.1	89.6
Other long-term assets (note 13)	31.8	11.0
Total assets	\$ 527.9	\$ 400.7
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable, trade and other	\$ 20.1	\$ 13.4
Other current liabilities (note 14)	25.4	21.3
Total current liabilities	45.5	34.7
Future income taxes (note 19)	17.6	12.4
Other long-term liabilities (note 15)	103.4	67.5
Total liabilities	166.5	114.6
Non-controlling interest (note 4)	15.3	—
Shareholders' equity (note 22)	346.1	286.1
Total liabilities and shareholders' equity	\$ 527.9	\$ 400.7

Commitments and contingencies (notes 16 and 21)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board

Brian J. Kennedy

BRIAN J. KENNEDY

Director

Edward C. Dowling

EDWARD C. DOWLING

Director

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2006, 2005, and 2004

(expressed in millions of USD, except per share data)

	2006	2005	2004
Revenue (note 6)	\$ 240.0	\$ 174.3	\$ 157.3
Costs and expenses:			
Cost of sales before depreciation, depletion and amortization	76.1	54.4	46.3
Depreciation, depletion and amortization	28.1	15.7	18.1
Exploration	26.6	25.0	19.5
Selling, general and administrative	22.7	13.9	10.4
Impairment of mineral properties and other (notes 12 and 16)	4.6	548.7	—
	158.1	657.7	94.3
Earnings (loss) from operations	81.9	(483.4)	63.0
Interest income	12.2	6.9	2.6
Other income (expense)	0.1	0.1	(2.0)
Earnings (loss) before income taxes	94.2	(476.4)	63.6
Income tax expense (benefit) (note 19)	45.6	(130.0)	27.0
Net earnings (loss)	\$ 48.6	\$(346.4)	\$ 36.6
Earnings (loss) per share (note 23):			
Basic	\$ 0.48	\$ (3.47)	\$ 0.37
Diluted	0.48	(3.47)	0.37
Weighted average shares outstanding (in 000's):			
Basic	100,761	99,936	99,259
Diluted	101,162	99,936	99,966

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)

Years ended December 31, 2006, 2005, and 2004

(expressed in millions of USD)

	2006	2005	2004
Balance, beginning of year	\$(166.4)	\$ 180.0	\$ 143.4
Net earnings (loss)	48.6	(346.4)	36.6
Balance, end of year	\$(117.8)	\$(166.4)	\$ 180.0

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2006, 2005, and 2004

(expressed in millions of USD)

	2006	2005	2004
Cash flow from operating activities:			
Net earnings (loss)	\$ 48.6	\$(346.4)	\$ 36.6
Non-cash items:			
Impairment of mineral properties and other	1.7	550.2	—
Depreciation, depletion and amortization	28.1	15.7	18.1
Gain on sale of assets, net	—	—	(1.3)
Accretion of asset retirement obligations	1.6	0.4	0.4
Stock-based compensation	4.7	3.4	2.3
Provision for pension cost	0.6	1.0	0.5
Future income taxes	8.7	(145.9)	11.4
Deferred revenue	—	—	(1.2)
Changes in non-cash working capital and other accounts:			
Trade and other receivables	(2.9)	1.1	2.5
Inventory	1.7	(1.7)	1.4
Other current assets	(5.3)	0.2	3.0
Other assets	(2.3)	(1.3)	1.5
Accounts payable, trade and other	2.9	5.3	2.0
Accrued and other liabilities	(0.1)	(3.5)	(0.7)
Other long-term liabilities	5.0	—	1.1
Asset retirement obligation expenditures	(4.2)	(4.4)	(7.1)
Pension contributions	(2.7)	(0.6)	(0.6)
	86.1	73.5	69.9
Cash flow from (used in) investing activities:			
Capital expenditures	(43.8)	(30.1)	(17.7)
Proceeds from sale of assets	—	1.7	1.7
Acquisitions (net of cash received of \$0.7)	(118.9)	—	—
Short-term investments, net ^(note 7)	125.3	(38.7)	(49.2)
Long-term investments, net ^(note 7)	(18.9)	1.2	(6.4)
	(56.3)	(65.9)	(71.6)
Cash flow from (used in) financing activities:			
Repayment of loans payable	(2.1)	—	—
Proceeds from issuance of share capital	6.8	3.4	2.0
	4.7	3.4	2.0
Increase (decrease) in cash and cash equivalents	34.5	11.0	0.3
Cash and cash equivalents, beginning of year	58.3	47.3	47.0
Cash and cash equivalents, end of year	\$ 92.8	\$ 58.3	\$ 47.3

Supplementary disclosure of cash flow information ^(note 25).

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2006, 2005 and 2004

(Tables expressed in millions of USD, except per share amounts)

1. Nature of operations

Meridian Gold Inc. (“Meridian” or the “Company”) is engaged in the exploration and mining of gold and other precious metals.

2. Changes in accounting policies

(a) Effective January 1, 2004, the Company changed the method of application of its stock-based compensation accounting policy so as to measure stock options granted to directors and employees at fair value and recognize the compensation expense over the vesting period, with a corresponding credit to additional paid-in capital, as required under the amendments to Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3870, “*Stock-based Compensation and Other Stock-based Payments*”. This change has been applied retroactively without restatement of prior periods. The effect of the change in the method of accounting for stock-based compensation has resulted in a decrease of \$0.9 million in retained earnings and an increase of \$0.9 million in additional paid-in capital as of January 1, 2004.

(b) Commencing January 1, 2006, the Company began recognizing by-product metal sales as part of its revenue principally due to the increase in silver ounces mined and the significant increase in silver’s market price. The Company previously recognized silver sales as a by-product and reported its silver revenue as a credit to cost of sales. The Company has also changed its classification of refining cost from netting against revenue to including it in cost of sales. Commencing January 1, 2006 both of these changes were adopted on a retroactive basis and revenue and cost of sales before depreciation, depletion and amortization for 2005 and 2004 have been increased by \$42.5 million and \$30.2 million, respectively, from the previously reported. Revenue and cost of sales before depreciation, depletion and amortization have been restated for 2005 and 2004 with no impact on net earnings.

3. Significant accounting policies

(a) Basis of presentation:

These financial statements are presented in accordance with Canadian generally accepted accounting principles (“GAAP”) which, in the Company’s case, conform to U.S. GAAP on a measurement basis except as explained in note 26. The United States dollar (“USD”) is the principal currency of the Company’s business; accordingly, the consolidated financial statements and related notes are presented in USD.

(b) Consolidation:

The accompanying consolidated financial statements include the accounts of Meridian and all majority-owned subsidiaries. The accounts of joint ventures in which the Company holds an interest are consolidated on a proportionate consolidation basis. The Company’s 40% interest in the Rossi joint venture and its 50% interest in Agua Frias S.A., acquired through the purchase of Minera Florida, are accounted for on the proportionate consolidation method. The Company’s 56.7% interest in Agua De La Falda S.A. (“ADLF”), which is a variable interest entity, is consolidated and the non-controlling interest for the interest of the Company’s partner is recorded. All significant intercompany accounts are eliminated on consolidation.

(c) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Estimates are used in calculation of proven and probable reserves for the purposes of evaluating impairment of mineral properties, depreciation, depletion and amortization, costs associated with the reclamation and closing of mine properties (asset retirement obligations), allocation of the purchase price on business combinations, stock-based compensation and future income taxes, among others. Actual results could differ from those estimates.

(d) Fair value of financial instruments:

The carrying amounts of the Company’s financial instruments approximate their fair values except for marketable equity securities with a carrying value of less than \$0.1 million and a quoted market value of \$0.5 million at December 31, 2006. The quoted market value of short-term and long-term investments is disclosed in note 7.

(e) Cash, short-term investments and long-term investments:

The Company considers marketable securities with remaining maturities at date of purchase of fewer than 91 days to be cash equivalents, securities with maturity dates greater than 90 days and less than one year to be short-term investments and securities with maturity dates greater than one year to be long-term investments. Auction rate securities, which are variable rate bonds that have interest rate resets at predetermined short-term intervals, usually 7, 28 or 35 days, are classified as short-term investments unless the effective maturity date exceeds 365 days in which case they are classified as long-term securities.

(f) Inventory:

Materials and supplies are valued at the lower of average cost and replacement value.

Stockpiled ore is carried at average production cost per tonne using the last-in, first-out (“LIFO”) method, as that cost is lower than net realizable value after an allowance for additional processing costs and is generally consistent with how the Company withdraws material from the stockpile. The cost of producing stockpiled ore includes all direct costs of extracting the ore from the mine. Ore is extracted using mining equipment and, accordingly, charges for use of this equipment are included in the cost of stockpiled ore as part of the costs incurred. Amortized mine development costs are not included in the cost of stockpiled ore inventory or finished goods inventory. Costs associated with stockpiled ore are charged to cost of goods sold based on tonnes removed from inventory and processed through the mill.

Finished goods inventory is stated at the lower of average cost or net realizable value.

(g) Mineral property, plant and equipment:

Mineral property, plant and equipment, including acquisition and development costs and capitalized interest associated with the construction of certain capital assets, are recorded at cost. Start-up costs associated with new properties, net of revenues from pre-commercial production, are capitalized as part of the cost of the projects.

Depreciation, depletion and amortization is provided on the shorter of the units-of-production basis, based upon the expected tonnes of proven and probable reserves to be mined, or on the straight-line basis over the estimated lives of the assets. Depreciation, depletion and amortization of mine development assets amortized on a units-of-production basis is recorded when a unit (a tonne of ore) is extracted (“produced”) from the mine regardless of whether the ore is added to the stockpiled ore inventory or sent directly to the mill.

Gains and losses are reflected in earnings upon sale or retirement of assets.

(h) Impairment of long-lived assets:

The Company assesses the impairment of long-lived assets, which consist primarily of mineral property, plant and equipment, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the carrying amount of an asset to be held for use exceeds the sum of the undiscounted cash flows expected from its use and disposal; the impairment loss recognized will be the amount by which the carrying amount of the asset exceeds its fair value.

At each reporting period, the Company reviews the carrying value of its mineral properties. These reviews include an analysis of the expected future cash flows to be generated by the project to determine if such cash flows exceed the project’s current carrying value. The determination of future cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, and estimates of production costs. Additionally, the reviews take into account factors such as political, social, legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects.

(i) Asset retirement obligations (“AROs”):

AROs are legal obligations associated with the retirement of a long-lived asset that results from the acquisition, construction, development and/or normal operation of a long-lived asset. Reclamation obligations on the Company’s mineral properties are recorded as AROs. The fair value of a liability for an ARO, such as site closure and reclamation costs, is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made.

The Company recognizes the fair value of a liability for an ARO in the period in which it incurs a legal obligation, if a reasonable estimate of fair value can be made, based on the discounted estimated future cash settlement of an ARO. The ARO is capitalized as part of the carrying amount of the associated long-lived asset and a liability is recorded and is depreciated over the life of the related asset. Any change for a closed mine is included as a charge or credit to other income. The liability is accreted, through operating expense, over a period ending when the liability is finally settled in cash, subject to annual adjustments for changes in estimates.

(j) Stock-based compensation:

The Company accounts for stock-based compensation for stock options granted after January 1, 2002 at fair value and recognizes the compensation expense over the vesting period, with a corresponding credit to additional paid-in capital. Restricted shares are measured at fair value and are recognized as compensation expense over the vesting period.

(k) Employee future benefits:

The Company has defined benefit pension plans for North American employees. The cost of the accrued benefit obligations for pensions and other post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management’s best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs. For the purpose of calculating expected return on plan assets, those assets are valued at fair value.

The Company accrues payroll costs for employees whose governments require the payment of defined wages at the termination of their employment.

(l) Translation of foreign currencies:

Assets and liabilities of entities where the functional currency is not the U.S. dollar (Argentina) are translated into U.S. dollars at exchange rates in effect at the balance sheet date, with the resulting translation adjustments reported as a separate component of shareholders' equity. Revenue and expenses are translated using the average exchange rate during the period. For entities where the U.S. dollar is the functional currency (U.S., Canada and Chile), gains and losses that arise from remeasuring monetary assets and liabilities denominated in other than U.S. dollars are recorded in earnings.

(m) Revenue:

Revenue is recognized when metal is delivered and title to the metal is transferred to third parties. Revenue from forward sales is recognized in revenue when production is delivered or the contracts expire.

(n) Mineral exploration and development costs:

Mineral exploration costs and costs incurred on properties being maintained but not advanced are expensed as incurred. Development costs applicable to mineralized properties deemed capable of commercial production, as evidenced by a positive economic analysis of the project, are capitalized and then amortized using the units-of-production method based upon projected mineable tonnes.

(o) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Future income tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the date of substantive enactment. The amount of future income tax assets and liabilities is limited to the amount that is more likely than not to be realized.

(p) Earnings per share:

Basic earnings per share is computed by dividing earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the treasury stock method, taking into account dilutive potential common shares, primarily employee stock options and restricted common stock outstanding during the period.

(q) Variable interest entities:

Effective January 1, 2005, the Company adopted CICA Accounting Guideline 15, "*Consolidation of Variable Interest Entities*" ("AcG-15"). The guidance establishes when a company should consolidate a variable interest entity in its financial statements. AcG-15 provides the definition of a variable interest entity and requires a variable interest entity to be consolidated if a company is at risk of absorbing the majority of the variable interest entity's expected losses, is entitled to receive a majority of the variable interest entity's residual returns, or both. The adoption of AcG-15 did not result in any changes to the Company's financial statements on adoption.

(r) Derivative and hedging activities:

The Company's risk management policy includes mitigating the impact of risks for certain types of transactions to plan its business with greater certainty. The Company may use commodity price contracts or other contracts to manage exposure to changing prices. The Company's use of risk management contracts is governed by the Board of Directors.

The realized and unrealized losses of the fair value of contracts that do not qualify for hedge accounting are charged as other income and the fair value of such contracts is recorded on the balance sheet.

(s) Comparative figures:

Certain reclassifications have been made to prior year amounts to conform to presentation adopted in the current year.

4. Acquisitions

Minera Florida S.A.

During 2006, the Company acquired 100% of Minera Florida S.A. ("Minera Florida") for \$100.0 million cash. The Company acquired control of Minera Florida effective as of July 1, 2006 and has accordingly determined this to be the date of acquisition. The transaction completed on July 31, 2006 at which time the Company made a cash payment of \$100.0 million from available cash reserves. The earnings of Minera Florida are included in the statement of operations commencing July 1, 2006. Imputed interest from July 1 to July 31, 2006 of \$0.4 million offsets the cash payment for a net purchase price \$99.6 million. Minera Florida owns a producing gold mine in Alhue, Chile. The Company is required to pay for mineral rights principally based on tons mined.

The following table summarizes management's estimates of fair value of the assets acquired and liabilities assumed at the date of acquisition.

As at July 1, 2006

Current assets	\$ 4.4
Mineral property, plant and equipment	132.5
Other long-term assets	5.5
Total assets acquired	142.4
Current liabilities	(10.5)
Long-term liabilities	(32.3)
Total liabilities assumed	(42.8)
Net assets acquired	\$ 99.6

For purposes of the consolidated financial statements, the purchase consideration has been allocated to the fair value of assets acquired and liabilities assumed, based upon management's best estimates and taking into account all available information as of the time of acquisitions, as well as available information as of the time that these financial statements were prepared. An independent valuation of property, plant and equipment excluding construction-in-progress and mineral rights acquired was completed during August 2006. An independent review of the value assigned to the mineral rights based on the company's internal model was completed as of the date of preparation of these financial statements. The fair value of the monetary assets was measured as being equal to their carrying value. Construction-in-process was valued as its carrying value. The fair value of mineral rights was determined based on a discounted cash flow model prepared by the Company. The model used management estimates on inputs including mineral reserves and resources, expected mining and production volume, mining and processing costs, recovery, metal prices, refining costs, royalties, taxes, discount rates as well as other factors.

The purchase price allocation for Minera Florida has not been finalized and may be adjusted in the future on completion of analysis of income tax balances.

Agua De La Falda S.A.

On September 22, 2006, the Company acquired 56.7% of ADLF for \$20.0 million cash. The Company plans to prepare a feasibility study on the Jeronimo property owned by ADLF. The Company's interest in ADLF is a variable interest entity for accounting purposes and the earnings of ADLF are included in the statement of operations from the date of acquisition.

The following table summarizes management's estimate of fair value of the assets acquired and liabilities assumed at the date of acquisition.

As at September 22, 2006

Current assets	\$ 0.1
Mineral property, plant and equipment	37.9
Total assets acquired	38.0
Current liabilities	(0.6)
Long-term liabilities	(2.1)
Total liabilities assumed	(2.7)
Non-controlling interest	(15.3)
Net assets acquired	\$ 20.0

5. Joint ventures

The Company holds a 40% interest in a joint venture with Barrick Gold Corporation ("Barrick") for the Rossi property in Nevada. During 2006 and 2005 the Company expensed \$0.1 million and nil, respectively, for operating activities. In 2006 and 2005, the Company's share of capitalized development costs was \$2.5 million and \$1.6 million, respectively, which are considered investing activities. Assets of the joint venture included in these financial statements are as disclosed in note 11, and no material liabilities are recorded.

6. Revenue

Revenue is comprised of the following:

	2006	2005	2004
Gold	\$ 161.3	\$ 133.8	\$ 129.0
Silver	74.7	40.5	28.3
Zinc	4.0	—	—
	\$ 240.0	\$ 174.3	\$ 157.3

7. Cash and investments

Cash equivalents consist primarily of U.S. dollar term deposits with major commercial banks. Cash and cash equivalents totaled approximately \$92.8 million and \$58.3 million at December 31, 2006 and 2005, respectively.

At December 31, 2006 and 2005, the Company had \$84.0 million and \$209.3 million in short-term investments, with a weighted average yield of 5.2% and 4.7%, respectively. The effective maturity dates of short-term investments held at December 31, 2006 were between January 2, 2007 and November 9, 2007.

At December 31, 2006 and 2005, long-term investments were \$24.1 million and \$5.2 million, with a weighted average yield of 5.6% and 4.9%, respectively. At December 31, 2006, the effective maturity dates of long-term investments were between January 18, 2008 and January 20, 2010. At December 31, 2006, the quoted market value of the Company's short-term investments was \$84.0 (2005 – \$209.3) million and the quoted market value of the Company's long-term investments was \$24.1 million (2005 – \$5.2 million). The Company's investments are comprised of principally AAA and AA rated securities which are typically rated by at least two credit agencies. The Company's investments include securities such as Agency Bonds, Insured Asset Backed Securities, Corporate Bonds and Taxable Auction Rate Securities.

At December 31, 2006 and 2005, the Company had \$13.8 million and \$13.9 million, respectively, classified as restricted cash, which represents funds on deposit that have been pledged as backing for letters of credit subject to annual renewal issued for reclamation bonding.

8. Trade and other receivables

	2006	2005
Trade	\$ 1.7	\$ 0.3
Value added tax	4.5	0.9
	\$ 6.2	\$ 1.2

9. Inventory

	2006	2005
Materials and supplies	\$ 3.9	\$ 2.1
Stockpiled ore	2.8	4.8
Finished goods	0.3	0.2
	\$ 7.0	\$ 7.1

10. Other current assets

	2006	2005
Prepaid expenses	\$ 1.4	\$ 0.9
Income tax recoverable	5.0	0.2
Other	9.3	8.9
	\$ 15.7	\$ 10.0

Other current assets include \$8.1 million in 2006 and \$8.5 million in 2005 for amounts expected to be recovered under an insurance policy related to the reclamation of Beartrack. See note 16 on Asset Retirement Obligations for further information.

11. Mineral property, plant and equipment

	2006	2005
Mineral property acquisition and development costs	\$ 833.5	\$ 658.7
Plant, buildings and equipment	107.7	68.6
	941.2	727.3
Accumulated depreciation, depletion, amortization and write-down	(665.1)	(637.7)
	\$ 276.1	\$ 89.6

Mineral property, plant and equipment allocation by project:

	2006			2005		
	Accumulated depreciation, depletion, amortization and write-down			Accumulated depreciation, depletion and amortization		
	Cost	and write-down	Total	Cost	amortization	Total
El Peñón	\$ 206.5	\$ 112.5	\$ 94.0	\$ 170.6	\$ 93.7	\$ 76.9
Minera Florida	136.5	8.4	128.1	—	—	—
Agua de la Falda	37.9	—	37.9	—	—	—
Rossi	11.4	—	11.4	8.9	—	8.9
Esquel	544.0	541.5	2.5	544.0	541.5	2.5
Other	4.9	2.7	2.2	3.8	2.5	1.3
	\$ 941.2	\$ 665.1	\$ 276.1	\$ 727.3	\$ 637.7	\$ 89.6

Capital expenditures by project:

	2006	2005
El Peñón	\$ 36.1	\$ 27.3
Minera Florida	4.0	—
Rossi	2.5	1.6
Other	1.2	1.2
	\$ 43.8	\$ 30.1

The El Peñón mine is located in the Atacama Desert in northern Chile, approximately 160 kilometers southeast of Antofagasta, and began commercial production in January 2000. During 2005, Meridian Gold bought Gold Field Chile Limitada's interest in the Angelina joint venture for \$7.5 million in cash. This adjacent property is now 100% owned by Meridian and extends the El Peñón district. Minera Florida is located near the town of Alhue, Chile, and is in commercial production. See note 4. Agua de la Falda properties are located 50 kilometers southeast of El Salvador in the Third Region of Northern Chile and encompass over 240 square kilometers. See note 4. The Rossi project is located 41.6 kilometers northwest of Carlin, Nevada, USA, and is expected to begin production during 2007. See note 5. The Esquel project is located in the Sierra de Esquel, 7 kilometers northeast of the town of Esquel, Chubut, Argentina. See note 12.

12. Mineral property impairment

At each reporting period, the Company reviews the carrying value of its mineral properties. These reviews include an analysis of the expected future cash flows to be generated by the project to determine if such cash flows exceed the project's current carrying value. The determination of future cash flows is dependent on a number of factors, including future prices for gold, the amount of reserves, the cost of bringing the project into production, production schedules, and estimates of production costs. The reviews take into account factors such as political, social, legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions. In addition, CICA Accounting Guideline 11, "Enterprises in the Development Stage" states, "... when there has been a delay in development activity that extends beyond three years, there is a presumption that a write-down of capitalized costs and deferred development and pre-operating costs is necessary. This presumption can be rebutted only by persuasive evidence to the contrary." The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Based on this review, management determined an impairment was necessary as of December 31, 2005 for the Company's Esquel project in Argentina.

The Esquel project was acquired in 2002. The Company encountered local opposition from the citizens of Esquel who voted not to support the mine development in a non-binding referendum in March 2003. Shortly thereafter the provincial government passed a law that prohibited open-pit mining and the use of cyanide that became effective in 2003. Following the non-binding referendum, the Company has focused its efforts on addressing the concerns of the community and developing an underground mine plan. As Meridian Gold's development activities on the Esquel project were interrupted for three years as at December 31, 2005 and as the Company did not have persuasive evidence, such as issued permits, to maintain the capitalized cost associated with the Esquel project the Company, in compliance with accounting guidelines, wrote down the long-lived assets of the Esquel project to their estimated fair value which management determined to be the real estate value of the property for non-mine use. Based on market analysis, assisted by a third party, this value was \$2.5 million. The impairment expense recorded in 2005 for the Esquel project was \$542.8 million and the income tax benefit was \$163.9 million. The impairment charge was a non-cash transaction. The following table illustrates the values used in the write-down of the Esquel property.

Purchase price	\$ 310.0
Spending on project	6.1
Future income tax liability ⁽¹⁾	149.1
Currency translation adjustment ⁽²⁾	77.6
Total impairment	542.8
Future income tax benefit	163.9
Net impairment	\$ 378.9

Note:

⁽¹⁾ Future income tax liability recorded as part of the purchase of the project.

⁽²⁾ The currency translation adjustment is related to the balance sheet adjustments for the foreign exchange difference between the time of purchase and the time of the write-off.

In 2006 the Governor of the Chubut province in Argentina ratified legislation which suspends all metal mining activity within specified areas of the province for the next three years. The areas included in the mining suspension include the Company's Esquel project. Management believes the fair value of the project is its \$2.5 million carrying value and that an additional impairment is not required. Management regularly reviews the status of the Esquel project and advises the Board of Directors of activities.

13. Other long-term assets

	2006	2005
Long-term investments (note 7)	\$ 24.1	\$ 5.2
Deferred charges, net of amortization of \$4.9 (2005 - \$3.4)	1.7	2.4
Other	6.0	3.4
	\$ 31.8	\$ 11.0

Other long-term assets include \$1.9 million in 2006 and \$1.5 million in 2005 for amounts expected to be recovered under an insurance policy related to the reclamation of Beartrack in more than one year. See note 16 on Asset Retirement Obligations for further information.

14. Other current liabilities

	2006	2005
Asset retirement obligations (notes 15 and 16)	\$ 10.2	\$ 13.3
Accrued payroll and bonus	11.8	6.1
Short-term capital leases (note 18)	0.6	—
Income tax payable, current	1.5	1.5
Other accrued liabilities	1.3	0.4
	\$ 25.4	\$ 21.3

15. Other long-term liabilities

	2006	2005
Asset retirement obligations (notes 14 and 16)	\$ 25.8	\$ 12.0
Accrued pension cost (note 17)	3.0	2.8
Accrued deferred compensation	1.9	1.5
Accrued payroll	5.0	2.5
Capital leases (note 18)	0.6	—
Income taxes payable	60.8	48.7
Other	6.3	—
	\$ 103.4	\$ 67.5

16. Asset retirement obligations (“AROs”)

The Company’s AROs are estimated costs for shutdown and reclamation of mineral properties and are comprised of earthwork (including detoxification), re-contouring, re-vegetation, stabilization, heap-leach encapsulation and facility decommissioning. In determining the estimated costs, the Company considers such factors as current and possible changes in laws and regulations, the likelihood that additional permits will be required, and requirements under existing operating permits. Such analyses involve third party consultants who provide guidance on requirements, estimations of costs and services.

During 2006 the Company recorded asset retirement obligations of \$11.6 million for its acquired mineral properties, Minera Florida and Agua de la Falda, increased its ARO liability by \$2.6 million for its Royal Mountain King (“RMK”) property, and decreased its ARO liability by \$1.0 million for its Beartrack property. During 2006 the Company spent \$4.2 million on reclamation activities of which the monies were principally spent for its RMK and Beartrack properties.

During 2005, the Company increased its ARO liability by \$17.4 million for its Beartrack property and recorded the benefit to be received pursuant to an insurance policy that covers \$10 million of reclamation activity on this property. As at December 31, 2006 the insurance benefit is classified in Other Current Assets, \$8.1 million, and as Other Long-term Assets, \$1.9 million. During 2005, the Company spent \$4.3 million on reclamation activities of which the monies were principally spent for its RMK and Beartrack properties.

The continuity of the reclamation liabilities is as follows:

	2006	2005	2004
Balance, beginning of year	\$ 25.3	\$ 11.8	\$ 18.5
Addition – acquisitions	11.6	—	—
Addition – change in estimate	1.6	17.4	—
Accretion	1.7	0.4	0.4
Expenditures	(4.2)	(4.3)	(7.1)
Balance, end of year	\$ 36.0	\$ 25.3	\$ 11.8

17. Employee future benefits

The Company has defined benefit pension plans covering substantially all of its North American employees. The defined pension benefits are based on years of service and average yearly earnings. The Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. Total cash amounts paid for employee future benefits in 2006, consisting of employer contributions to the defined benefit pension plans, were \$2.7 million (2005 – \$0.6 million).

In 2006, Meridian Gold Company, a U.S. subsidiary of the Company, created the Post Retirement Medical Reimbursement Plan which reimburses the cost of Medi-gap insurance for the employee and her/his spouse after a vested employee of the plan reaches Medicare age until they reach the age of 77. The maximum reimbursement per participant is \$2,400 annually.

Information about the Company's defined benefit plans, in aggregate, is as follows:

	Pension benefit plans		Other benefit plans	
	2006	2005	2006	2005
Accrued benefit obligation:				
Balance, beginning of year	\$ 6.4	\$ 5.5	\$ —	\$ —
Current service cost	0.3	0.3	0.3	—
Interest cost	0.4	0.4	—	—
Benefits paid	(0.7)	(0.1)	—	—
Actuarial losses (gains)	0.6	0.3	—	—
Balance, end of year	7.0	6.4	0.3	—
Plan assets:				
Fair value, beginning of year	3.2	2.7	—	—
Actual return on plan assets	0.3	0.1	—	—
Employer contributions	2.8	0.5	—	—
Benefits paid	(0.7)	(0.1)	—	—
Fair value, end of year	5.6	3.2	—	—
Funded status – surplus (deficit)	(1.4)	(3.2)	(0.3)	—
Unamortized net actuarial loss	0.9	0.3	—	—
Adjustment for minimum liability	(0.3)	—	—	—
Accrued benefit asset (liability)	(0.8)	(2.9)	(0.3)	—
Valuation allowance	—	—	—	—
Accrued benefit asset (liability), net of valuation allowance	\$ (0.8)	\$ (2.9)	\$ (0.3)	\$ —
Recognized defined benefit costs	\$ 0.7	\$ 0.5	\$ 0.3	\$ —

The Company's consolidated balance sheet includes the accrued benefit asset in other assets in the amount of \$1.9 million (2005 – none), and the accrued benefit liability in other liabilities in the amount of \$2.7 million (2005 – \$2.9 million).

Included in the above accrued benefit obligation and fair value of plan assets at year-end are the following amounts in respect of benefit plans that are not fully funded:

	Pension benefit plans		Other benefit plans	
	2006	2005	2006	2005
Accrued benefit obligation	\$ 3.0	\$ 2.4	\$ 0.3	\$ —
Fair value of plan assets	—	—	—	—
Funded status – plan deficit	\$ 3.0	\$ 2.4	\$ 0.3	\$ —

Pension benefit plan assets consist of:

Asset category:	Percentage of plan assets	
	2006	2005
Equity securities	42%	65%
Debt securities	16%	27%
Cash	42%	8%
Total	100%	100%

Equity securities do not include any of the Company's common shares as at December 31, 2006 and 2005, respectively.

The significant assumptions used are as follows (weighted-average):

	Pension benefit plans		Other benefit plans	
	2006	2005	2006	2005
Accrued benefit obligation:				
Discount rate	6.5%	6.5%	5.25%	—
Rate of compensation increase	5.0%	5.0%	—	—
Benefit costs for the years:				
Discount rate	6.5%	6.5%	5.25%	—
Expected long-term rate of return on plan assets	6.5%	6.5%	—	—
Rate of compensation increase	5.0%	5.0%	—	—

The elements of the Company's defined benefit plan costs recognized in the year are as follows:

	Pension benefit plans		Other benefit plans	
	2006	2005	2006	2005
Current service cost	\$ 0.3	\$ 0.3	\$ 0.3	\$ —
Interest cost	0.4	0.4	—	—
Actual return on plan assets	(0.3)	(0.1)	—	—
Actuarial losses (gains)	0.7	0.3	—	—
Elements of employee future benefits costs before adjustments	1.1	0.9	0.3	—
Adjustments to recognize the long-term nature of employee future benefit costs:				
Difference between expected return and actual return on plan assets for year	—	(0.1)	—	—
Difference between recognized actuarial (gains) losses and actual actuarial (gains) losses on the accrued benefit obligation for the year	(0.4)	(0.3)	—	—
Difference between amortization of prior service costs and actual plan amendments for the year	—	—	—	—
Recognized defined benefit costs	\$ 0.7	\$ 0.5	\$ 0.3	\$ —

The Company expects to contribute \$0.4 million to its pension plan in 2007.

The benefits expected to be paid from the pension plan in each year 2007 to 2011 are \$1.7 million, \$0.1 million, \$0.2 million, \$0.1 million and \$0.1 million, respectively. The aggregate benefits expected to be paid in the five years from 2012 to 2016 are \$1.5 million. The expected benefits are based on the same assumptions used to measure the Company's benefits obligation at December 31 and include estimated future employee service.

18. Capital leases

The Company has capital leases arising from its acquisition of Minera Florida. Leased assets included in property, plant and equipment as at December 31, 2006 had a net book value of \$1.7 million. Amortization of items under capital lease from July 1, 2006 to December 31, 2006 was \$0.3 million. Interest paid on capital leases from July 1, 2006 to December 31, 2006 was less than \$0.1 million.

Capital lease payments of Minera Florida are detailed as follows:

As at December 31, 2006 (in millions of USD)

Year	
2007	\$ 0.6
2008	0.5
2009	0.1
Subtotal	1.2
Interest at 7.5%	(0.1)
Total	1.1
Less current	(0.6)
Long-term	\$ 0.5

19. Income taxes and future income taxes

On October 26, 1998, the Company entered into foreign investment contracts under Chilean Decree Law 600 ("DL600") for its wholly owned subsidiary Minera Meridian Limitada ("MML"), the owner of the El Peñón mine. During 2005, MML elected to be subject to a maximum 4% rate for the Chilean mining royalty tax and tax stabilization through 2017 at a 35% tax rate, in return for ceasing to use accelerated depreciation for tax purposes beginning in 2008.

During 2006, the Company entered into a separate DL600 contract, related to Minera Florida Limitada, a wholly-owned subsidiary which owns the Minera Florida mine, which also provides for a 35% tax rate.

Income tax expense included in the consolidated statements of operations is as follows:

	2006	2005	2004
Current	\$ 25.1	\$ 15.1	\$ 15.7
Future	20.5	(145.1)	11.3
	\$ 45.6	\$(130.0)	\$ 27.0

The income tax expense differs from that computed by applying the applicable Canadian federal and Ontario statutory rate to income before taxes as follows:

	2006	2005	2004
Applicable statutory rate	36.1%	36.1%	36.1%
Income tax expense (benefit) calculated using statutory tax rate	\$ 34.0	\$(172.0)	\$ 23.0
Increase in valuation allowance	10.4	18.3	4.9
Foreign earnings subject to tax at other than statutory rate	(0.5)	5.3	0.5
Losses incurred from foreign operations without tax benefit and expired losses	2.1	19.2	0.7
Other	(0.4)	(0.8)	(2.1)
Income tax expense (benefit)	\$ 45.6	\$(130.0)	\$ 27.0

The significant components of the Company's future income tax assets and liabilities at December 31, 2006 and 2005 are as follows:

	2006	2005
Current future income tax assets:		
Chile:		
Other, net	\$ 1.5	\$ 0.7
U.S.:		
Asset retirement obligations	3.6	4.6
Other, net	1.1	0.5
Total current future income tax assets	6.1	5.8
Valuation allowance	(0.2)	(2.1)
	\$ 5.9	\$ 3.7
Current future income tax liabilities:		
Chile:		
Other, net	\$ (0.9)	\$ (0.5)
U.S.:		
Other, net	(4.4)	(2.9)
	\$ (5.3)	\$ (3.4)
Net current future income tax asset	\$ 0.6	\$ 0.3
Long-term future income tax assets:		
Argentina:		
Net operating loss carryforwards	\$ 4.2	\$ 3.7
Other, net	5.9	5.7
Chile:		
Asset retirement obligations	3.9	0.4
Net operating loss carryforwards	9.9	—
Other liabilities	3.1	—
U.S.:		
Mineral property, plant and equipment	9.2	9.7
Asset retirement obligations	4.3	3.8
Net operating loss carryforwards	43.4	37.9
Other, net	0.4	0.5
Canada and other foreign:		
Mineral property, plant and equipment	3.2	3.0
Net operating loss carryforwards	12.0	5.9
Total future income tax assets	99.4	70.7
Valuation allowance	(82.6)	(70.3)
	\$ 16.8	\$ 0.4
Long-term future income tax liabilities:		
Chile:		
Mineral property, plant and equipment	\$ (34.4)	\$ (12.8)
Net long-term future income tax liabilities	\$ (17.6)	\$ (12.4)

At December 31, 2006, the Company and subsidiaries included in these consolidated financial statements had available U.S. loss carryforwards of approximately \$135.6 million, of which \$12.0 million is related to stock option expense recognized for tax purposes only, which expire between the years 2018 and 2026, Canadian net operating loss carryforwards of approximately \$33.3 million, which expire between the years 2007 and 2016 and Chile net operating loss carryforwards of approximately \$28.2 million, which do not expire.

Management believes that sufficient uncertainty exists regarding the realization of certain future tax assets that a valuation allowance is required. The changes in valuation allowances reflect management's assessment as of December 31, 2006 regarding the future realization of U.S and foreign future tax assets.

20. Forward contracts

(a) Gold:

As at December 31, 2006 and 2005, the Company had no gold forward sales contracts, derivatives or hedges.

(b) Silver:

At December 31, 2003, the Company had remaining forward sales commitments for 2,000,000 ounces of silver at an average price of \$5.34 per ounce for delivery during 2004. In addition, at December 31, 2003, the Company had forward sales commitments for 2,200,000 ounces of silver for contracts entered into during 2003 at an average price of \$5.05 per ounce for delivery during 2004. As at December 31, 2004, these silver contracts had been closed through delivery or other settlement. During 2004, the Company recorded a loss of \$3.3 million related to these contracts.

During 2005, the Company purchased European-style put option contracts for 250,000 ounces of silver with a strike price of \$7.00 and an expiration date of January 27, 2006. These puts guaranteed the Company the right to sell the specified silver ounces for no less than the strike price on the expiration date. The option loss of \$62,000 on this option has been charged to operations in 2005.

During 2006, the Company entered into a Master Purchase Contract ("MPC") for the physical sale of silver produced from its Chilean mines. Under the MPC the Company agreed to sell in 2007 180,000 ounces of silver at a price of \$13.12 per ounce and 90,000 ounces of silver at a minimum of \$13.12 per ounce; in each of 2008 and 2009 230,000 ounces of silver at a price of \$13.13 per ounce and an additional 110,000 ounces at a minimum price of \$13.13 per ounce. The contract had a fair value of \$0.7 million at inception, which is being amortized over the term of the contract.

(c) During 2006, the Company entered into a zinc forward sale contract for the sale of 1,450 tonnes in 2007, 1,800 tonnes in 2008 and 1,800 tonnes in 2009 that is marked to market at each period end. During 2006, the Company recorded a loss of \$2.2 million on this contract as other income on the mark to market as at December 31, 2006.

21. Commitments and contingencies

(a) Operating leases:

The Company has entered into operating leases for office premises and equipment that provide for minimum annual lease payments totaling \$0.6 million over the next three years.

(b) Operating commitments:

In January 2005, the Company had multi-year contracts for underground extraction services at the El Peñón mine which have a remaining commitment as at December 31, 2006 of \$118.6 million and the Company has the option to cancel the contracts with certain penalties.

The Company has a hauling service contract at the Alhue mine which has a remaining commitment of \$2.6 million. The Company also has contractual obligations with companies that provide services and supplies. These contracts do not contain take-or-pay obligations or require minimum purchase quantities.

(c) Exploration commitments:

The Company has entered into option agreements which require the Company to incur exploration expenditures and make option payments by certain dates in order to earn an interest in other properties. These contracts can be cancelled by the Company. Periodically, the Company evaluates the prospects of each project to determine whether further investment is warranted.

(d) Legal claims:

The Company is exposed to certain other contingent liabilities or claims incident to the ordinary course of business. Although the outcome of these matters is not determinable at this time, the Company believes none of these claims will have a material adverse effect on the Company's financial position or results of operations.

22. Share capital

(a) Shareholders' equity:

	2006	2005
Share capital	\$ 402.0	\$ 390.8
Additional paid-in capital	7.9	7.6
Retained earnings (deficit)	(117.8)	(166.4)
Cumulative translation adjustment	54.0	54.1
Total shareholders' equity	\$ 346.1	\$ 286.1

(b) Authorized share capital:

The authorized share capital of the Company consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. Preferred shares are issuable in series. The Board of Directors is authorized to fix the designation, rights, privileges, restrictions and conditions attaching to the shares of each series. The preferred shares rank prior to the common shares with respect to dividends and return of capital on dissolution. Except with respect to matters as to which the holders of preferred shares as a class are entitled by law to vote, the holders of preferred shares are not entitled to vote. As of December 31, 2006, the Company had no issued or outstanding preferred shares.

(c) Issued and outstanding common shares:

	Number of shares (in 000s)	Amount
Balance as at December 31, 2003	99,194	\$ 382.7
Issued under the terms of directors' and employees' stock options	386	2.0
Issued (cancelled) restricted shares	50	1.1
Balance as at December 31, 2004	99,630	385.8
Issued under the terms of directors' and employees' stock options	546	3.9
Issued (cancelled) restricted shares	57	1.1
Balance as at December 31, 2005	100,233	390.8
Issued under the terms of directors' and employees' stock options	726	8.6
Issued (cancelled) restricted shares	131	2.7
Balance as at December 31, 2006	101,090	\$ 402.0

(d) Shareholder Rights Plan:

In March 1999, the Company established a Shareholder Rights Plan (the "Plan"), which replaced the existing plan established in July 1996. The Plan has a term of 10 years (subject to being reconfirmed by the Company's shareholders every three years) and expires on July 30, 2009. In implementing the Plan, one right was distributed for each common share outstanding on July 30, 1999, as well as each common share to be issued prior to the "Separation Time". The Separation Time is defined as the tenth trading day after the earlier of (i) the first date of public announcement that a person or group other than certain exempt persons (an "Acquiring Person"), together with affiliates or associates, has acquired, or obtained the right to acquire, 20% or more of any class of voting shares of the Company; or (ii) the date of commencement or announcement of a "Take-over Bid" (as defined in the Shareholder Rights Plan Agreement). A Take-over Bid means an offer to acquire voting shares of the Company (or securities convertible into such shares) that, if successful, would result in the person making such an offer ("the Offeror") beneficially owning 20% or more of any class of the voting shares of the Company.

The Shareholder Rights Plan Agreement provides that, until the Separation Time, the rights will be transferred with and only with the common shares. After the Separation Time, separate rights certificates will be mailed to holders of record of the common shares as of the Separation Time. After the Separation Time and prior to the expiration time, the rights are exercisable by the holders. Each right will entitle the holder to purchase one common share for the exercise price (as defined in the Shareholder Rights Plan Agreement).

(e) Share Incentive Plan:

During 1999, the Company's shareholders adopted the Meridian Gold Inc. 1999 Share Incentive Plan (the "1999 Plan"), which replaced the Company's 1996 Share Option Plan and which provides for the granting of equity-based or equity-related awards to certain directors, officers and employees of the Company. A maximum of 8,200,000 shares of common stock are reserved for issuance under the amended 1999 Plan.

Options are granted at exercise prices equal to the quoted market value of the common stock at date of grant. Options have 10-year terms and vest in equal amounts over one to three years. A summary of the stock option activity and stock options outstanding are presented in the tables below.

	2006		2005		2004	
	Number of options (in 000s)	Weighted average exercise price (in USD)	Number of options (in 000s)	Weighted average exercise price (in USD)	Number of options (in 000s)	Weighted average exercise price (in USD)
Stock options outstanding, beginning of year	1,557	\$ 11.38	1,932	\$ 9.28	1,889	\$ 7.57
Granted	17	25.62	273	17.41	454	13.19
Exercised	(726)	9.41	(546)	6.25	(386)	5.27
Expired and/or canceled	(21)	16.06	(102)	15.85	(25)	12.92
Stock options outstanding, end of year	827	\$ 13.29	1,557	\$ 11.38	1,932	\$ 9.28
Exercisable stock options	610	\$ 12.29	1,024	\$ 9.57	1,285	\$ 7.28

Stock options outstanding as at December 31, 2006 are as follows:

Range of exercise prices (in USD)	Shares (in 000s)	Weighted average remaining life (years)	Weighted average exercise price (in USD)
\$ 0.00 – \$ 2.97	10	1.0	\$ 2.25
\$ 2.98 – \$ 5.93	26	1.7	4.06
\$ 5.94 – \$ 8.90	142	3.3	6.97
\$ 8.91 – \$11.86	72	7.4	10.95
\$11.87 – \$14.83	245	7.2	12.87
\$14.83 – \$17.79	144	6.7	16.33
\$17.80 – \$20.76	171	8.5	18.36
\$20.77 – \$23.72	—	—	—
\$23.73 – \$26.68	10	9.2	24.74
\$26.69 – \$29.65	7	9.2	26.79
	827	6.5	\$ 13.29

The fair value of stock options granted has been calculated using the Black-Scholes option-pricing model based on the following assumptions:

	2006	2005	2004
Weighted average fair value per option	\$ 12.56	\$ 8.82	\$ 7.08
Expected life of options (years)	5.0	5.0	5.0
Risk free interest rate	4.6%	3.5%	3.5%
Expected volatility	50.0%	56.3%	59.3%
Expected dividend yield	—	—	—

In 2006, 2005, and 2004, the Company awarded 144,804, 65,824, and 49,735 restricted shares, respectively, under the 1999 Plan. The average fair values of the shares at the date of grant were \$24.49, \$16.52, and \$13.04, respectively. Restricted shares vest one-third per year over three years. Restricted shares issued to employees typically vest one-third per year over three years. During 2006 the Board granted 50,000 restricted shares to the new chief executive officer of which one-third immediately vested and one-third vest in each of the next two years. Restricted shares issued to non-executive directors vest immediately and remain restricted until the board member retires or ceases to be a member of the Board.

Total stock-based compensation for options and restricted shares in 2006, 2005 and 2004 were \$4.7 million, \$3.4 million and \$2.3 million.

During 2006 and 2005, options to purchase 247,373 shares and 72,175 shares, respectively, were exercised that had a grant date after January 1, 2002, the date the Company adopted the fair value method of accounting for stock options granted. During 2006 and 2005, the Company transferred \$1.8 million and \$0.5 million, respectively, from additional paid-in capital to share capital for the amount previously recorded as additional paid-in capital for the fair value of this stock-based compensation.

23. Earnings per share

The following table presents the calculation of basic and diluted earnings per share:

	2006	2005	2004
Net earnings (loss)	\$ 48.6	\$(346.4)	\$ 36.6
Basic weighted average shares outstanding (in 000's)	100,761	99,936	99,259
Effect of dilutive potential common shares (in 000's)	401	—	707
Diluted weighted average shares outstanding (in 000's)	101,162	99,936	99,966
Basic earnings (loss) per share	\$ 0.48	\$ (3.47)	\$ 0.37
Diluted earnings (loss) per share	\$ 0.48	\$ (3.47)	\$ 0.37
Anti-dilutive shares excluded from the calculation (in 000's)	—	1,557	154

Dilutive potential common shares consist of employee stock options.

24. Segment disclosure

The Company's segments are based on mineral properties as discussed in note 11. The accounting policies of all segments are consistent with those outlined in note 3 – Significant Accounting Policies.

Segmented information is reported below.

2006

(in millions of USD)

	El Peñón	Minera Florida	Esquel	All other	Totals
Revenues	\$ 210.5	\$ 29.2	\$ —	\$ 0.3	\$ 240.0
Amortization of capital assets	19.4	8.4	0.1	0.2	28.1
Interest income	9.6	—	—	2.6	12.2
Income before taxes	122.9	7.6	(1.5)	(34.8)	94.2
Income tax expense	\$ 43.0	\$ 2.6	\$ —	\$ —	\$ 45.6

2005

(in millions of USD)

	El Peñón	Minera Florida	Esquel	All other	Totals
Revenues	\$ 174.3	\$ —	\$ —	\$ —	\$ 174.3
Amortization of capital assets	15.2	—	0.2	0.3	15.7
Interest income	6.5	—	—	0.4	6.9
Income before taxes	99.0	—	(545.1)	(30.3)	(476.4)
Income tax expense	\$ 34.7	\$ —	\$(163.9)	\$ (0.8)	\$(130.0)

The breakdown of exploration expenses by geographic region is as follows:

	2006	2005	2004
Chile	\$ 15.2	\$ 15.6	\$ 10.2
Argentina	2.1	2.7	4.0
United States	3.3	2.5	3.0
Peru	1.5	1.0	1.4
Nicaragua	1.9	2.4	—
Mexico	1.9	0.7	0.5
Other	0.7	0.1	0.4
Total exploration expenses	\$ 26.6	\$ 25.0	\$ 19.5

Detail as to capital assets and capital expenditures by geographic areas is included in note 11.

25. Supplementary disclosure of cash flow information

	2006	2005	2004
Cash paid for income taxes	\$ 43.4	\$ 19.8	\$ 14.9
Cash paid for interest	\$ —	\$ —	\$ —

26. Reconciliation of Canadian and U.S. generally accepted accounting principles

The differences to the consolidated statements of operations that would have resulted from the Company following U.S. GAAP in 2006, 2005, and 2004 are summarized below:

	2006	2005	2004
Net earnings (loss) as reported in the financial statements (Canadian GAAP)	\$ 48.6	\$(346.4)	\$ 36.6
Items increasing net earnings:			
Start-up cost amortization	0.6	0.6	0.6
Net earnings (loss) according to U.S. GAAP	49.2	(345.8)	37.2
Future employee benefits	(1.0)	—	—
Unrealized gain on available-for-sale securities	0.5	—	—
Foreign currency translation adjustments	(0.1)	(8.2)	(4.1)
Comprehensive income (loss)	\$ 48.6	\$(354.0)	\$ 33.1
U.S. GAAP earnings (loss) per common share			
Basic	\$ 0.48	\$ (3.46)	\$ 0.37
Diluted	\$ 0.48	\$ (3.46)	\$ 0.37

See note 23 for weighted average number of common shares outstanding.

The differences to the consolidated balance sheets that would have resulted from the Company following U.S. GAAP in 2006 and 2005 are summarized below:

	2006		2005	
	Canadian GAAP	U.S. GAAP	Canadian GAAP	U.S. GAAP
Mineral property, plant and equipment, net	\$ 276.1	\$ 276.1	\$ 89.6	\$ 89.0
Total assets	527.9	528.0	400.7	400.1
Total liabilities	166.5	167.1	114.6	114.6
Additional paid-in capital	7.9	7.0	7.6	6.7
Retained earnings (deficit)	(117.8)	(116.9)	(166.4)	(166.1)
Cumulative translation adjustment	54.0	—	54.1	—
Accumulated other comprehensive income	—	53.5	—	54.1
Total shareholders' equity	\$ 346.1	\$ 345.6	\$ 286.1	\$ 285.5

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"), which differ in certain respects from those principles and practices generally accepted in the United States ("U.S. GAAP"). Except as noted below, none of these differences have a material measurement effect on the financial statements of the Company.

U.S. Statement of Financial Accounting Standards Statement No. 130, "*Reporting Comprehensive Income*", requires that an enterprise classify items of other comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. The equivalent Canadian standard, CICA Handbook Section 1530 "*Comprehensive Income*", is not effective until the Company's 2007 fiscal year.

Under Canadian GAAP start-up activities are capitalized and under U.S. GAAP start-up activities are expensed. Broadly defined, start-up activities consist of the operating activities of the facility prior to reaching commercial production levels. Expensing the cost of start-up activities in prior years would have resulted in an increase to net earnings of \$0.6 million in each of 2006 and 2005 for U.S. GAAP purposes due to a reduction in amortization expense.

Effective January 1, 2004, the Company adopted the amended Canadian accounting standard for stock-based compensation which requires the use of the fair value method to calculate all stock-based compensation associated with granting stock options. For purposes of the reconciliation to U.S. GAAP, in fiscal 2004 the Company adopted SFAS 148 "*Accounting for Stock-Based Compensation – Transition and Disclosure*". SFAS 148 is similar to the amended Canadian standards and the adoption of these standards does not result in a significant difference in the calculation of stock-based compensation expense between Canadian and U.S. GAAP. The transitional provisions under United States standards allow the effects of the fair value method to be accounted for under the modified prospective method, which requires the accounting for stock-based compensation expense subsequent to the date of adoption as if the fair value method was applied to all options granted since January 31, 1995. As a result, there was a \$0.9 million adjustment to retained earnings and additional paid-in capital under Canadian GAAP that would not be made under U.S. GAAP.

For U.S. GAAP purposes, under FAS 115, the Company's marketable securities are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses recognized in comprehensive income. The difference from Canadian accounting standards resulted in \$0.5 million being recognized in other comprehensive income and as an increase in assets for the 2006 year.

In September 2006, the FASB issued FAS 158 "*Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*" which requires the recognition in the Company's financial statements the funding status of a benefit plan and that the plan assets and benefit obligations be measured as of the date of the employer's fiscal year-end statement of financial position. Under FAS 158 the Company is required to recognize unamortized actuarial gains and losses, prior service cost and remaining transitional amounts not recognized under Canadian GAAP, with the offset to comprehensive income. This difference in accounting standards resulted in \$1.0 million being recognized as a charge in comprehensive income and a \$0.4 decrease to total assets for an over-funded plan and \$0.6 million increase to total liabilities for under-funded plans for U.S. GAAP purposes.

Under Canadian GAAP, the accounts of all incorporated and unincorporated joint ventures and partnerships are proportionately consolidated according to the Company's ownership interest. Under U.S. GAAP, the equity method of accounting is applied in circumstances where a proportionately consolidated joint venture's significant financial and operating policies are, by contractual arrangement, jointly controlled by all parties having an equity interest in the entity. United States regulations do not require, for the purposes of this reconciliation, adjustment to equity account for the joint ventures. The presentation of the Company's joint venture does not require adjustments to the equity method. Refer also to note 4 to the financial statements.

Recent U.S. accounting pronouncements

In May 2005, the FASB issued SFAS 154, “*Accounting Changes and Error Corrections a replacement of APB Opinion No. 20 and FASB Statement No. 3*”, which requires an entity to report a change in accounting principle through retrospective application of the new accounting principle to all prior periods, unless it is impracticable to do so. SFAS 154 becomes effective for fiscal years beginning after December 15, 2005 and the adoption of this policy has not had a material impact on our financial statements.

In September 2006, the FASB issued FAS 157 “*Fair Value Measurement*”, which defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. It is effective for fiscal years beginning after November 15, 2007.

In June 2006 the FASB issued FIN 48 “*Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109*” which clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with FASB Statement No. 109, “*Accounting for Income Taxes*”. This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and provides guidance on accounting and disclosure based on whether it is more likely than not that an uncertain tax position will be sustained on review by taxation authorities. FIN 48 is effective for fiscal years beginning after December 15, 2006.

The Company is currently evaluating the implications of the adoption of FAS 157 and FIN 48.

MINERAL RESERVES AND RESOURCES

	December 31, 2006							December 31, 2005						
	Grade				Contained Metal			Grade				Contained Metal		
	Tonnes (mils)	Gold (g/t)	Silver (g/t)	Zinc (%)	Gold (K oz)	Silver (K oz)	Zinc (tonnes)	Tonnes (mils)	Gold (g/t)	Silver (g/t)	Zinc (%)	Gold (K oz)	Silver (K oz)	Zinc (tonnes)
EL PEÑÓN														
Proven and probable reserves	9.3	6.6	275	—	1,967	81,791	—	8.4	7.8	283	—	2,109	76,396	—
Mineral resources														
Measured and indicated	3.6	8.1	208	—	935	24,021	—	2.7	8.5	222	—	741	19,337	—
Inferred	2.5	7.9	263	—	626	20,759	—	2.3	8.2	380	—	595	27,700	—
MINERA FLORIDA														
Proven and probable reserves	2.2	5.3	27	1.5	369	1,878	31,252	—	—	—	—	—	—	—
Mineral resources														
Measured and indicated	2.0	4.6	17	1.2	289	1,080	23,721	—	—	—	—	—	—	—
Inferred	2.9	5.5	30	1.4	504	2,752	39,348	—	—	—	—	—	—	—
ROSSI (40% share)														
Proven and probable reserves	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Mineral resources														
Measured and indicated	0.2	15.4	—	—	109	—	—	0.2	15.4	—	—	109	—	—
Inferred	0.3	12.9	—	—	133	—	—	0.3	12.9	—	—	133	—	—
ESQUEL														
Proven and probable reserves	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Mineral resources														
Measured and indicated	4.7	15	23	—	2,286	3,523	—	4.7	15.0	23	—	2,286	3,523	—
Inferred	0.9	9.9	21	—	274	575	—	0.9	9.9	21	—	274	575	—
TOTAL-MERIDIAN'S SHARE														
Proven and probable reserves	11.5	6.3	226	1.5	2,336	83,669	31,252	8.4	7.8	283	—	2,109	76,396	—
Mineral resources														
Measured and indicated	10.5	10.7	85	1.2	3,619	28,624	23,721	7.6	12.8	90	—	3,136	22,860	—
Inferred	6.6	7.2	114	1.4	1,537	24,086	39,348	3.5	8.9	251	—	1,001	28,275	—

Metal Price Assumptions:

El Peñón
Minera Florida
Rossi
Esquel

2006			2005		
Au (\$/oz)	Ag (\$/oz)	Zn (\$/tonne)	Au (\$/oz)	Ag (\$/oz)	Zn (\$/tonne)
470	7.50	—	350	6.00	—
470	7.50	1,600	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—

The December 31, 2006 models were prepared under the supervision of Greg Walker, P.Geo., an employee of Meridian Gold, and were audited by Dave Rennie, P.Eng., and Jim Pearson, P.Eng., of Scott Wilson Roscoe Postle Associates Inc. ("RPA"), all of whom are qualified persons as defined in National Instrument 43-101 of the Canadian Securities Administrators.

The June 30, 2006 Minera Florida models were prepared under the supervision of Greg Walker, P.Geo., an employee of Meridian Gold, and were audited by Hrayr Agnerian, P.Geo., and Jim Pearson, P.Eng., of Scott Wilson Roscoe Postle Associates Inc. ("RPA"), all of whom are qualified persons as defined in National Instrument 43-101 of the Canadian Securities Administrators.

The Rossi resources were prepared as of December 31, 2005 under the supervision of Robert Wheatley, P.Geo., an employee of Meridian Gold and a qualified person as defined in National Instrument 43-101 of the Canadian Securities Administrators. An independent resource and reserve audit of the Barrick Gold resource and reserve modeling will be conducted in 2007 and a NI 43-101 Technical Report will be issued.

The Esquel resource models were prepared as of December 31, 2005 under the supervision of Greg Walker, P.Geo., an employee of Meridian Gold and a qualified person as defined in National Instrument 43-101 of the Canadian Securities Administrators. The reserves were removed from the reserve and resource schedule because of continuing delays in permitting the project. Resources were restated at a 5.0 g/t gold cutoff to reflect the probable change to an underground mining operation from a combination open pit and underground operation. The reported resources at a 5.0 g/t Au cutoff are taken from Tables 1.1 and 1.2 of the March 2003 Technical Report. These resources may be affected by negotiations to address the community's objections to project development. The change in reserve and resource reporting was approved by Robin Young, P.Geo., of Western Services Engineering Inc., as the independent Qualified Person as defined in National Instrument 43-101, who prepared the March 2003 Technical Report.

DIRECTORS



Robert A. Horn^[2]
Private Investor

Mr. Horn previously served as Vice President, Exploration for Inco Limited, FMC Gold Company and BP Canada. He has been on Meridian's Board since 2004 and serves on the Compensation Committee.



Brian J. Kennedy
Chairman

Mr. Kennedy held the office of Vice Chairman, President and Chief Executive Officer of the Corporation from June 1996 to December 2006. He was President of FMC Gold Company, a predecessor of the Corporation, from May 1987 through June 1996.



Edward C. Dowling
*President and
Chief Executive Officer*

Prior to joining Meridian, Mr. Dowling was the Executive Director of Mining and Exploration for DeBeers from 2004–2006. From 1997–2004 he was the Executive Vice President of Cleveland Cliffs. Mr. Dowling has extensive experience in the metals and mining industry since 1988.



Richard P. Graff^[1,3]
Private Investor

Mr. Graff is a retired partner from PricewaterhouseCoopers LLP where he served as the audit leader in the United States for the mining industry. Mr. Graff joined the Board in 2005 and is the Chairman of the Audit Committee and serves on the Corporate Governance Committee.



Carl L. Renzoni^[3,*]
Private Investor

Mr. Renzoni retired from BMO Nesbitt Burns in 2001 where he was employed since 1969 and most recently served as a Managing Director. He has been on Meridian's Board since 2000 and serves as the Chairman of the Corporate Governance Committee.



Gerard E. Munera^[1,3]
Private Investor

Mr. Munera previously served as President and Chief Executive Officer of Minorco USA, and as Senior Vice President of Corporate Planning and Development and Member of the Executive Committee of Rio Tinto. He joined Meridian's Board in 2003 and serves on the Audit and Corporate Governance Committees.



Malcolm W. MacNaught^[2,*]
Private Investor

Mr. MacNaught culminated his career with Fidelity Investments in 1996 where he managed the Fidelity Select Precious Metals and Minerals Fund and the Fidelity Select American Gold Portfolio Fund. Mr. MacNaught joined the Board in 1997 and is the Chairman of the Compensation Committee.



Christopher R. Lattanzi^[1,2]
*Lead Director,
Mining Consultant*

Mr. Lattanzi is a mining engineer, an independent mining consultant and former President of Micon International Limited, mineral industry consultants. He has been a member of Meridian's Board since 1999 and serves as the Lead Director of the Board as well as a member of the Compensation and Audit Committees.

Independent Directors of the Board may be contacted through the Lead Director of the Board by writing to Christopher R. Lattanzi, Lead Director of the Board, Meridian Gold Inc., Suite 900, 390 Bay Street, Toronto, ON M5H 2Y2, Canada.

Notes

[1] Member of the Audit Committee

[2] Member of the Compensation Committee

[3] Member of the Corporate Governance Committee

* Chair of the Committee

OFFICERS



Darrin L. Rohr

*Vice President,
Human Resources and
Chief People Officer*



Brian J. Kennedy

Chairman of the Board



Edward C. Dowling

*President and
Chief Executive Officer*



Edgar A. Smith

*Vice President,
Operations*



Darcy E. Marud

*Vice President,
Exploration*



Peter C. Dougherty

*Vice President, Finance,
Chief Financial Officer
and Corporate Secretary*

SHAREHOLDER INFORMATION

Corporate Offices

9670 Gateway Drive, Suite 200
Reno, NV 89521
Tel: 775.850.3777 or 800.557.4699
Fax: 775.850.3733

Annual Meeting

The Company's annual shareholder meeting will be held at 4 p.m. on Tuesday, May 1, 2007 at the Fairmont Royal York Hotel in the British Columbia Room, on the Main Mezzanine Level, located at 100 Front Street West, Toronto, Ontario, Canada.

Market for the Registrant's Common Equity and Related Shareholder Matters

The public trading markets for Meridian common shares are the Toronto Stock Exchange under the symbol "MNG" and the New York Stock Exchange under the symbol "MDG".

Auditors

KPMG LLP
Vancouver, British Columbia, Canada

Investor Relations

For public and media inquiries, or copies of the Company's Annual Information Form (AIF) or annual or quarterly reports, please contact Investor Relations (800) 572-4519, or visit the Company's web site at www.meridiangold.com. The Company's filings with the Canadian securities regulatory authorities can be accessed on SEDAR at www.sedar.com and its filings with the U.S. Securities and Exchange Commission can be accessed on EDGAR at www.sec.gov.

NYSE Corporate Governance Rules Disclosure

Under the New York Stock Exchange's corporate governance rules codified as Section 303A a foreign private issuer, such as Meridian Gold, must disclose any significant ways in which their corporate governance practices differ from those followed by domestic companies under the NYSE listing standards. We have completed a review of our governance practices and have concluded our practices do not differ in any significant way from the NYSE listing standards.

Transfer Agents and Registrars

Computershare Investor Services Inc.
1500 University Street, Suite 700
Montreal, QC H3A 3S8
Tel: 800.564.6253 (from within North America)
514.982.7800 (from outside North America)

QUARTERLY HIGH AND LOW STOCK PRICE

	FY2006				FY2005			
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Common share prices:								
Toronto Stock Exchange (CDN\$)								
High	\$ 36.46	\$ 42.30	\$ 36.75	\$ 35.49	\$ 26.03	\$ 23.07	\$ 26.68	\$ 26.44
Low	\$ 25.64	\$ 28.77	\$ 25.90	\$ 25.07	\$ 19.22	\$ 17.92	\$ 20.60	\$ 21.44
Close	\$ 34.50	\$ 35.22	\$ 27.70	\$ 32.43	\$ 20.40	\$ 22.00	\$ 25.35	\$ 25.48
New York Stock Exchange (USD)								
High	\$ 31.68	\$ 38.31	\$ 32.86	\$ 31.08	\$ 21.15	\$ 18.67	\$ 22.70	\$ 22.50
Low	\$ 22.04	\$ 25.86	\$ 23.17	\$ 22.12	\$ 15.88	\$ 14.11	\$ 16.80	\$ 18.25
Close	\$ 29.65	\$ 31.68	\$ 24.86	\$ 27.79	\$ 16.84	\$ 18.00	\$ 21.91	\$ 21.87

METRIC CONVERSION TABLE

To Convert	To Imperial Measurement Units	Multiply by
Tonnes	Short tons	1.10231
Tonnes	Long tons	0.98422
Tonnes	Pounds	2,204.62
Tonnes	Ounces (troy)	32,150.7
Grams	Ounces (troy)	0.03215
Grams/tonne	Ounces (troy)/short ton	0.02917
Hectares	Acres	2.47105
Kilometers	Miles	0.62137
Meters	Feet	3.28084

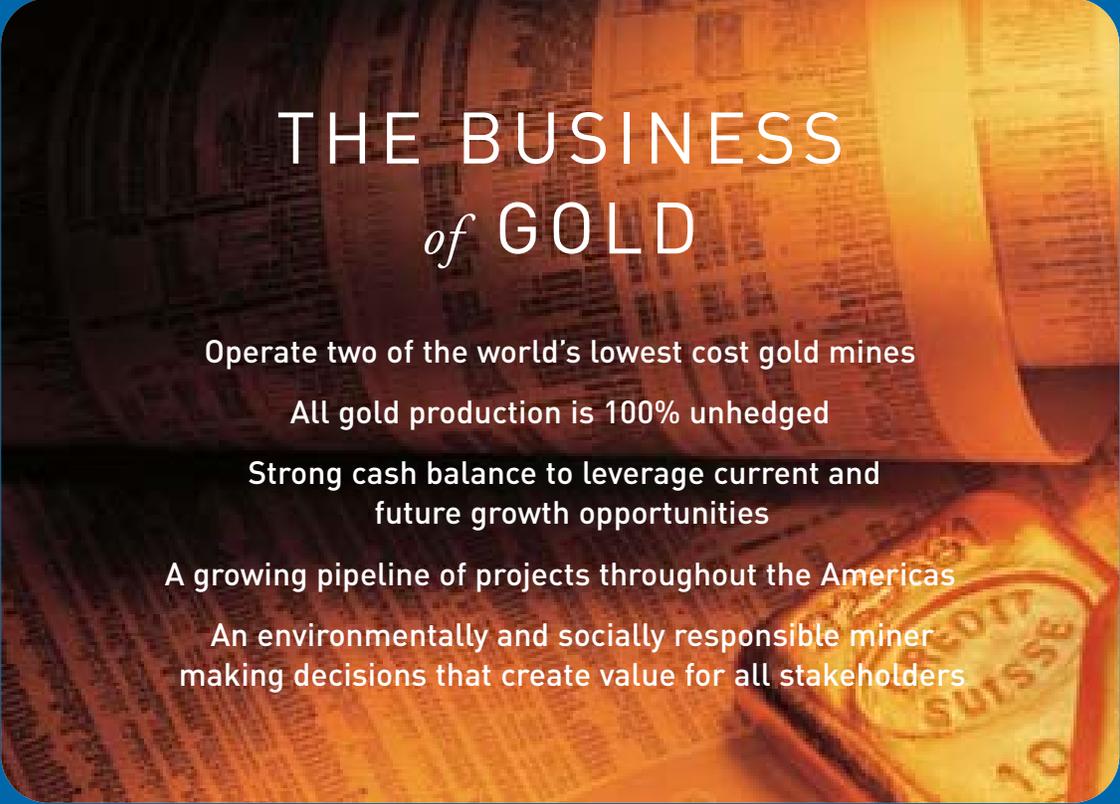
Notes

Ounces (oz.) are troy ounces; pounds (lbs.) are avoirdupois.

One pound is 14.58333 ounces.

One tonne is 2,204.62262 pounds.

One short ton is 2,000 pounds.



THE BUSINESS *of* GOLD

Operate two of the world's lowest cost gold mines

All gold production is 100% unhedged

Strong cash balance to leverage current and
future growth opportunities

A growing pipeline of projects throughout the Americas

An environmentally and socially responsible miner
making decisions that create value for all stakeholders

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