GOLDSOURCE MINES INC.
FINANCIAL STATEMENTS

DECEMBER 31, 2006

AUDITORS' REPORT

To the Shareholders of
GOLDSOURCE MINES INC.

We have audited the balance sheets of **Goldsource Mines Inc.** as at December 31, 2006 and 2005 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these 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 the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada,
April 11, 2007

Ernst & Young, LLP
Chartered Accountants

GOLDSOURCE MINES INC.
BALANCE SHEETS
AS AT DECEMBER 31

	2006	2005
ASSETS		
Current		
Cash	$ 4,213,837	$ 1,332,144
Short term investments (note 3)	-	5,006,870
Accounts receivable and prepaid expenses	20,256	26,662
	4,234,093	6,365,676
Mineral properties (note 4)	3,790,015	1,601,786
	$ 8,024,108	$ 7,967,462
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 23,850	$ 53,200
Future income taxes (note 7)	689,710	388,925
Shareholders' equity		
Share capital (note 6)	8,901,524	8,910,976
Contributed surplus (note 6)	4,769,924	4,711,549
Deficit	(6,360,900)	(6,097,188)
Total shareholders' equity	7,310,548	7,525,337
	$ 8,024,108	$ 7,967,462

See accompanying notes

On behalf of the Board:

"J. Scott Drever" Director "Graham C. Thody" Director

GOLDSOURCE MINES INC.
STATEMENTS OF OPERATIONS AND DEFICIT
YEARS ENDED DECEMBER 31

	2006	2005
EXPENSES		
Administrative services	$ 41,600	$ 24,627
General exploration	5,408	-
Investor relations	92,822	-
Management fees (note 5)	90,000	60,000
Office and general	30,345	29,597
Professional fees	73,726	77,577
Rent and telephone	25,744	24,058
Shareholder communications	10,836	11,793
Stock based compensation (note 6d)	58,375	399,000
Trade shows and conferences	73,971	-
Transfer agent and regulatory fees	18,054	13,135
Travel and related costs	3,970	5,394
Loss before under-noted items	524,851	645,181
Interest income	(174,370)	(29,230)
(Recovery) write-off of mineral property expenditures (note 4)	(17,352)	209,656
Loss before future tax recovery	(333,129)	(825,607)
Future tax recovery (note 7)	(69,417)	(64,506)
Net loss for the year	(263,712)	(761,101)
Deficit, beginning of year	(6,097,188)	(5,336,087)
Deficit, end of year	$ (6,360,900)	$ (6,097,188)
Loss per share, basic and diluted	$ 0.02	$ 0.13
Weighted average number of shares outstanding	17,140,852	5,721,018

See accompanying notes

GOLDSOURCE MINES INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31

	2006	2005
OPERATING ACTIVITIES		
Net loss for the year	$ (263,712)	$ (761,101)
Stock based compensation	58,375	399,000
Write-off of mineral property expenditures	-	209,656
Future tax recovery	(69,417)	(64,506)
Changes in operating assets and liabilities		
Receivables and prepaid expenses	6,406	(25,292)
Payables and accruals	(29,350)	28,780
Cash used in operating activities	(297,698)	(213,463)
FINANCING ACTIVITIES		
Issuance of share capital for cash	330,750	5,923,250
Issuance of share capital for services	-	40,500
Share issuance costs	-	(251,655)
Cash provided by financing activities	330,750	5,712,095
INVESTING ACTIVITIES		
Short-term investments, net (note 3)	5,006,870	(4,097,790)
Mineral property expenditures, excluding acquisition costs incurred by the issuance of shares	(2,158,229)	(335,302)
Cash provided by (used in) investing activities	2,848,641	(4,433,092)
Increase in cash	2,881,693	1,065,540
Cash, beginning of year	1,332,144	266,604
Cash, end of year	$ 4,213,837	$ 1,332,144
SUPPLEMENTAL CASH FLOW INFORMATION		
Mineral property acquisition through the issuance of common shares	$ 30,000	$ 875,500
Interest received	$ 181,240	$ 31,440

See accompanying notes

1. NATURE OF OPERATIONS

Goldsource Mines Inc. (the "Company") was incorporated under the laws of the Yukon Territory on December 7, 1983 and effective August 3, 2005 was continued into the jurisdiction of the Province of British Columbia pursuant to the British Columbia Business Corporations Act.

The Company is in the process of exploring its mineral properties and has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The recoverability of the carrying values of mineral properties is dependent upon the discovery of economically recoverable ore reserves in its mineral properties and the Company obtaining the necessary financing to complete exploration, development and construction of processing facilities, obtaining government approvals and attaining future profitable production of the mineral resources.

2. SIGNIFICANT ACCOUNTING POLICIES

Mineral properties

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment in value. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

The recorded cost of mineral properties is based on cash paid, the value of share considerations and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependent on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Accrued site closure costs

The Company expects to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. This includes future removal and site restoration costs as required due to environmental law or contracts. A corresponding increase in the carrying amount of the related asset is generally recorded and depreciated over the life of the asset. Over time, the liability is increased to reflect an interest element (accretion expense) considered in its initial measurement at fair value. The amount of the liability will be subject to re-measurement at each reporting period.

Cash and Short term investments

Short term investments comprise highly liquid Canadian dollar denominated guaranteed investment certificates with terms to maturity of greater than ninety days but no more than one year.

Short term investments are carried at the lower of cost or recoverable amount.

Loss per share

Basic loss per share is calculated by dividing net loss available to the shareholders by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated to reflect the dilutive effect of exercising outstanding stock options by application of the treasury stock method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income taxes are accounted for under the asset and liability method. Under the asset and liability method, future 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. Future tax assets and liabilities are measured using the substantively enacted tax rates expected to apply when the asset is realized or the liability is settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period the substantive enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Flow-through shares

The Company has issued flow-through shares to finance some of its exploration activities. Such shares were issued for cash in exchange for the Company giving up the tax benefits arising from the exploration expenditures. The amount of these tax benefits are renounced to investors in accordance with Canadian tax legislation. The Company records issuances of flow-through shares by crediting share capital for the full value of cash consideration received. The cost of the future tax benefits arising at the time that the Company renounces the eligible expenditures to the investors, is accounted for as a share issue cost.

In accordance with EIC-146 *Flow-through shares*, issued in March 2004, the Company records future income tax assets that are caused by the renouncement of tax benefits as a recovery of income tax expense.

Use of estimates

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

Stock based compensation plan

The Company has a stock-based compensation plan which is described in note 6. Effective January 1, 2002 the Company adopted the fair value based method of accounting for stock option awards granted to employees and directors, as prescribed by CICA 3870 *Stock-based Compensation and Other Stock-based payments*. Under this method, the fair value of the stock options at the date of grant is amortized over the vesting period, with the offsetting credit to contributed surplus. If the stock options are exercised, the proceeds are credited to share capital and the fair value of the stock options at the date of grant is reclassified from contributed surplus to share capital.

3. SHORT-TERM INVESTMENTS

Short-term investments comprise highly liquid Canadian dollar denominated guaranteed investment certificates with term to maturity of greater than 90 days but not more than one year. Short-term investment is carried at the lower of cost or recoverable amount. The counter-parties include Canadian based financial institutions.

The fair market value of the Company's cash short-term investment approximates its carrying value at the balance sheet dates.

4. MINERAL PROPERTIES

(a) Big River Property, Saskatchewan

On October 25, 2005 the Company finalized an agreement with BEC International Corporation ("BEC") of Saskatoon, Saskatchewan to acquire a 90% interest in two blocks of mineral claims in the Big River Area of Saskatchewan (the "Property"). The Company will carry all costs of exploration and development on the Property to the conclusion of a positive Bankable Feasibility Study as defined in the purchase agreement. BEC may then elect to back-in to a 25% working interest in the Property by reimbursing to the Company 25% of all past expenditures, or retain a 10% carried working interest in the Property whereby the Company will fund BEC's share of capital and operating costs to be recovered solely from 80% of BEC's share of cash flow from any future production from the Property.

As consideration for the 90% interest in the Property, the Company paid BEC $55,000 in cash and issued 2.0 million common shares at an issue price of $0.40 per share, the fair market value. In connection with the transaction, the Company issued 188,750 common shares as a finder's fee at an issue price of $0.40 per share.

(b) Border and Crossroads Properties, Saskatchewan

On April 12, 2006 the Company finalized an agreement with Minera Pacific Inc., ("Minera") for the exclusive rights to use certain information generated from Minera's proprietary UMSERT Methodology which will assist the Company in identifying areas in Saskatchewan and Manitoba that may be prospective for diamonds.

In order to maintain the exclusive rights to use the Information, the Company has agreed to pay staged cash payments over a period of two years to Minera totaling $160,000 ($35,000 paid) and issue a total of 325,000 common shares of the Company (50,000 shares issued) over a period of four years and, by the end of the fifth year, pay an additional $500,000 or issue 250,000 common shares, whichever is the lesser, as determined by the Company in its sole discretion. The next payment is due on or before April 12, 2007 and will be for $50,000 and 50,000 common shares.

The Company has also agreed to pay to Minera $1,000,000 (Feasibility Payment) in the event that the Company completes an independent feasibility study on any property acquired by the Company as a result of the UMSERT Methodology. The Company has agreed to make non-refundable payments to Minera of $100,000 in each of the third, fourth and fifth years from the effective date of the Agreement as advances against the Feasibility Payment. Minera is further entitled to receive a 2% gross overriding royalty ("GOR") on commercial production from any such property, and the Company is entitled at any time to purchase one-half of the GOR for $2,000,000.

The Agreement may be terminated by the Company at any time upon written notice to Minera, in which case Minera may elect to receive an assignment of any properties acquired by the Company as a result of the UMSERT Methodology.

4. MINERAL PROPERTIES (continued)

2006	**Big River, SK, Canada**	**Border SK, Canada**	**Crossroads SK, Canada**	**Total 2006**
Balance, beginning of the year	$ 1,601,786	$ -	$ -	$ 1,601,786
Additions				
Acquisition and staking costs	56,043	116,847	22,968	195,858
Exploration costs:				
Assays and laboratory	1,581	-	-	1,581
Drilling	573,696	-	-	573,696
Exploration and other	1,520	-	-	1,520
Geophysical surveys	781,401	516,343	-	1,297,744
Technical consulting	81,477	23,986	12,367	117,830
	1,495,718	657,176	35,335	2,188,229
Balance, end of the year	$ 3,097,504	$ 657,176	$ 35,335	$ 3,790,015

2005	**Big River, SK, Canada**	**Rox 1, BC, Canada**	**Total 2005**
Balance, beginning of the year	$ -	$ 147,209	$ 147,209
Additions			
Acquisition and staking costs	1,018,280	-	1,018,280
Exploration costs:			
Assays and laboratory	-	1,657	1,657
Drilling	-	65,326	65,326
Exploration and other	2,333	-	2,333
Geophysical surveys	110,983	-	110,983
Technical consulting	16,759	16,511	33,270
	1,148,355	83,494	1,231,849
Mineral exploration tax credits	-	(21,047)	(21,047)
Write-off of expenditures	-	(209,656)	(209,656)
Future income taxes	453,431	-	453,431
	453,431	(230,703)	222,728
Balance, end of the year	$ 1,601,786	$ -	$ 1,601,786

4. MINERAL PROPERTIES (continued)

As the Big River property was acquired through Section 85 of the income tax act, the tax basis is less than the accounting basis. Accordingly, in accordance with CICA Section 3465.44 a tax basis gross up on the property was recorded and offset by a future tax liability.

5. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

(a) Paid management fees of $90,000 (2005 - $60,000) to a company owned by an officer and director of the Company.

(b) Paid or accrued $17,878 (2005 - $73,522) for legal fees paid to a law firm in which an officer of the Company is a partner, which were included in professional fees and share issue costs.

(c) Paid $989 (2005 - $NIL) for tax services to an accounting firm in which an officer and director is a partner, which were included in professional fees.

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS

(a) Authorized

Unlimited number of common shares without nominal or par value
Unlimited Class A preference shares without nominal or par value (none outstanding)
Unlimited Class B preference shares without nominal or par value (none outstanding)

Issued and fully paid - common shares

	Share Capital		Contributed Surplus
	Number	**Amount**	**Amount**
December 31, 2004	4,689,431	2,392,643	4,243,287
Issued pursuant to acquisition of the Big River Mineral Property	2,188,750	875,500	-
Exercise of warrants	225,000	78,750	-
Issued pursuant to a private placement of flow-through shares	1,550,000	1,085,000	-
Issued pursuant to a private placement	7,932,500	4,759,500	-
- for cash	67,500	40,500	-
- for services			
Share issue costs	-	(320,917)	69,262
Stock-based compensation	-	-	399,000
December 31, 2005	16,653,181	8,910,976	4,711,549
Exercise of warrants	945,000	330,750	-
Issuance pursuant to acquisition of the Border Property	50,000	30,000	-
Future income taxes on renunciation of flow through shares	-	(370,202)	-
Stock-based compensation	-	-	58,375
December 31, 2006	17,648,181	$ 8,901,524	$ 4,769,924

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Issued and fully paid - common shares

(b) Stock options

The Company has a stock option plan under which it is authorized to grant stock options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The exercise price of each option equals the market price of the Company's stock as calculated on the date of the grant. The options may be granted for a maximum term of 5 years.

Stock option transactions for the year ended December 31, 2006 are summarized as follows.

	Number of Options	Weighted Average Exercise Price
As at December 31, 2004	400,000	$ 0.34
Granted	800,000	$ 0.90
As at December 31, 2005	1,200,000	$ 0.71
Granted	75,000	$ 0.60
As at December 31, 2006	1,275,000	$ 0.71
Number of options currently exercisable	1,237,500	$ 0.71

At December 31, 2006, the Company had outstanding stock options, enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
100,000	$0.30	December 8, 2009
300,000	$0.35	July 8, 2009
75,000	$0.60	October 10, 2007
800,000	$0.90	December 23, 2010
1,275,000		

(c) Warrants

Warrant transactions for the year ended December 31, 2006 are summarized as follows.

	2006	2005
Balance, beginning of the year	5,517,370	1,500,000
Issued	-	4,242,370
Exercised	(945,000)	(225,000)
Expired	(330,000)	-
Balance, end of the year	4,242,370	5,517,370

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Issued and fully paid - common shares

(c) Warrants

At December 31, 2006 share purchase warrants enabling holders to acquire the following shares were outstanding:

Number of shares	Exercise price	Expiry date
3,047,500	$0.75	December 1, 2007
137,500	$0.75	December 9, 2007
1,057,370	$0.75	December 20, 2007
4,242,370		

For the year ended December 31, 2006:

(a) 945,000 warrants were exercised at $0.35 per share for proceeds of $330,750;

(b) 330,000 warrants expired on July 21, 2006.

In the event the closing trading price for the Company's shares is at or exceeds $1.25 per share for any 20 consecutive trading days during the second year of the term of the warrants, the Company may elect to provide notice to holders of the warrants and the warrants will then expire thirty days after the date on which notice was given.

(d) Stock Based Compensation

The Company granted 75,000 stock options during 2006, 37,500 of which vested during the year. In addition 87,500 stock options vested from 2005 resulting in stock-based compensation expense under the Black-Scholes option pricing model of $58,375 and an unamortized balance of $9,375 (2005 - $49,000). The weighted average fair value of the stock options granted during the current year was $0.25 per share (2005 - $0.56).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options issued during the year:

	2006	2005
Risk-free interest rate	3.20%	3.85%
Expected life of options	1.5 years	3 years
Annualized volatility	86.37%	98%
Dividend rate	0%	0%

(e) Flow-through Shares

During 2006 the Company raised $NIL (2005 - $1,085,000) by way of flow-through common shares. Flow-through shares provide shareholders with the tax deductions associated with qualified exploration expenditures once renounced by the Company. At December 31, 2006 $NIL (2005 - $976,117) of flow-through funds remained to be spent.

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Issued and fully paid - common shares

(e) Flow-through Shares

In February 2006, the Company renounced the $1,085,000 of tax deductions associated with qualified exploration expenditures incurred and to be incurred with flow-through funds. Under revised accounting standards for flow-through shares, the Company recorded a future income tax liability of $370,002, with a corresponding reduction in share capital, in the Company's financial statements.

In accordance with EIC-146 *Flow-through shares*, issued in March 2004, the Company records future income tax assets that are caused by the renouncement of tax benefits as a recovery of income tax expense.

7. INCOME TAXES

a) A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2006	2005
Loss before income tax recovery	$ (333,129)	$ (825,607)
Combined federal and provincial statutory tax rate	31.00%	34.12%
Income tax recovery at statutory rates	$ (103,270)	$ (281,697)
Non-deductible items for tax purposes	6,205	199,216
Reduction in future corporate tax rates	69,417	64,506
Unrecognized benefits of non-capital losses	97,065	82,481
Total income tax recovery	$ 69,417	$ 64,506

b) The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at December 31, 2006 and 2005 are presented below:

	2006	2005
Future tax assets:		
Non-capital loss carry-forwards	$ 666,891	$ 808,220
Net capital loss carry-forwards	3,371,675	3,711,018
Other	59,691	138,004
Valuation allowance	(4,098,257)	(4,657,242)
Net future tax assets	-	-
Future tax liabilities:		
Mineral properties	(689,710)	(388,925)
Net future tax liabilities	$ (689,710)	$ (388,925)

7. INCOME TAXES (continued)

c) Future income tax liabilities transactions for the year ended December 31, 2006:

	2006	2005
Balance, beginning of year	$	$
Opening balance	388,925	-
Acquisition of mineral properties	-	453,431
Renunciation of tax benefits associated with flow through shares	370,202	-
Reduction in future corporate tax rates	(69,417)	(64,506)
Balance, end of year	$ 689,710	$ 388,925

During 2006 the Company revised the corporate income tax rate applicable to the temporary differences from 34.12% to 31.00% and accordingly recorded a $69,417 future income tax recovery.

Future tax assets, which may arise as a result of these losses and resource expenditures have been offset by a valuation allowance as the Company determined at December 31, 2006 that it is not likely they will be realized in the future.

As at December 31, 2006, the Company has non-capital losses of approximately $2,138,000 for income tax purposes. The non-capital losses may be utilized to reduce future years' taxable income and expire according to the schedule below if unutilized. In addition the Company has approximately $21,753,000 of capital losses available for carry-forward. The Company also has exploration and development expenditures of approximately $1,427,000 which may be available to reduce taxable income of future years. The non-capital loss carry-forwards expire according to the following schedule:

Year	Non Capital Loss
2007	$ 495,000
2008	337,000
2009	183,000
2010	404,000
2014	164,000
2015	242,000
2016	313,000
	$ 2,138,000