GOLDSOURCE MINES INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2005

AUDITORS' REPORT

To the Shareholders of
GOLDSOURCE MINES INC.

We have audited the balance sheets of **Goldsource Mines Inc.** as at December 31, 2005 and 2004 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, 2005 and 2004 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 26, 2006

Ernst & Young, LLP
Chartered Accountants

GOLDSOURCE MINES INC.
BALANCE SHEETS
AS AT DECEMBER 31

	2005	2004
ASSETS		
Current		
Cash	$ 1,332,144	$ 266,604
Short term investments (note 3)	5,006,870	909,080
Receivables	26,662	1,370
	6,365,676	1,177,054
Mineral properties (note 4)	1,601,786	147,209
	$ 7,967,462	$ 1,324,263
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 53,200	$ 24,420
Future income taxes (note 7)	388,925	-
Shareholders' equity		
Share capital (note 6)	8,910,976	2,392,643
Contributed surplus (note 6)	4,711,549	4,243,287
Deficit	(6,097,188)	(5,336,087)
Total shareholders' equity	7,525,337	1,299,843
	$ 7,967,462	$ 1,324,263

See accompanying notes

On behalf of the Board:

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

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

	2005	2004
EXPENSES		
Administrative services	$ 24,627	$ 18,605
Management fees (note 5)	60,000	75,000
Office and general	29,597	10,430
Professional fees	77,577	79,059
Rent and telephone	24,058	23,391
Shareholder communications	11,793	10,432
Stock based compensation (note 6d)	399,000	71,868
Transfer agent and regulatory fees	13,135	22,961
Travel	5,394	-
Loss before under-noted items	645,181	311,746
Foreign exchange gain	-	(23,821)
Interest income	(29,230)	(11,456)
Write-off of mineral property expenditures (note 4)	209,656	-
Loss before future tax recovery	(825,607)	(276,469)
Future tax recovery	(64,506)	-
Net loss for the year	(761,101)	(276,469)
Deficit, beginning of year	(5,336,087)	(5,059,618)
Deficit, end of year	$ (6,097,188)	$ (5,336,087)
Loss per share, basic and diluted	$ 0.13	$ 0.07
Weighted average number of shares outstanding	5,721,018	3,812,177

See accompanying notes

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

	2005	2004
OPERATING ACTIVITIES		
Net loss for the year	$ (761,101)	$ (276,469)
Stock based compensation	399,000	71,868
Write-off of mineral property expenditures	209,656	-
Future tax recovery	(64,506)	-
Changes in operating assets and liabilities		
Receivables	(25,292)	9,954
Accounts payable and accrued liabilities	28,780	(10,703)
Cash used in operating activities	(213,463)	(205,350)
FINANCING ACTIVITIES		
Issuance of share capital for cash	5,923,250	516,750
Issuance of share capital for services	40,500	-
Share issuance costs	(251,655)	-
Cash provided by financing activities	5,712,095	516,750
INVESTING ACTIVITIES		
Short-term investments (note 3)	(4,097,790)	(909,080)
Mineral property expenditures, excluding acquisition costs incurred by the issuance of shares	(335,302)	(127,209)
Cash used in investing activities	(4,433,092)	(1,036,289)
Increase (decrease) in cash	1,065,540	(724,889)
Cash, beginning of year	266,604	991,493
Cash, end of year	$ 1,332,144	$ 266,604
SUPPLEMENTAL CASH FLOW INFORMATION		
Mineral property acquisition through the issuance of common shares	$ 875,500	$ -

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.

Financial instruments

The Company's financial instruments consist of cash, short term investments, receivables, and accounts payable. Management estimates that the fair values of these financial instruments approximate their carrying values at the balance sheet dates.

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 certificate 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. At December 31, 2005, the instrument was yielding an interest rate of bank prime less 2.05% (2004 – 2%) with a maturity of December 14, 2006.

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 ("Purchase 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) *Rox 1 Property, British Columbia*

On December 18, 2003, the Company entered into an option agreement to acquire a 100% interest in 20 claim units in the Omineca Mining Division of British Columbia. An initial option payment of $20,000 was made upon execution of the agreement and the Company elected to make the second payment of $25,000 on December 18, 2004 as required under the terms of the option agreement. After expending a net $164,656 on exploration programs the Company elected not to make the December, 2005 option payment thereby terminating the agreement. After exploration programs proved unsuccessful, the Company elected to not make the December 2005 option payment thereby terminating the agreement. Accordingly, the carrying value of the mineral property was written-off.

4. MINERAL PROPERTIES (continued)

	Big River, SK, Canada	Rox 1, BC, Canada	Total 2005	Rox 1, BC, Canada Total 2004
Balance, beginning of the year	$ -	$ 147,209	$ 147,209	$ 20,000
Additions				
Acquisition and staking costs	1,018,280	-	1,018,280	25,000
Exploration costs:				
Assays	-	1,657	1,657	-
Camp costs	-	-	-	5,805
Drilling	-	65,326	65,326	2,092
Engineering consulting	16,759	16,511	33,270	-
Filing Fees	-	-	-	1,300
Geological services	-	-	-	7,300
Geophysical surveys	110,983	-	110,983	65,969
Line cutting	-	-	-	19,743
Maps	964	-	964	-
Travel	1,369	-	1,369	-
	1,148,355	83,494	1,231,849	127,209
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	$ 147,209

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 is recorded and offset by a future tax liability.

5. RELATED PARTY TRANSACTIONS

During 2005, the Company paid management fees of $60,000 (2004 - $75,000) to a company owned by an officer and director of the Company.

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)

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Issued and fully paid - common shares

	Share Capital		Contributed Surplus
	Number	**Amount**	**Amount**
December 31, 2003	2,514,431	$ 1,875,893	$ 4,171,419
Exercise of stock options	675,000	141,750	-
Issued pursuant to a private placement	1,500,000	375,000	-
Stock-based compensation	-	-	71,868
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			
- for cash	7,932,500	4,759,500	-
- for services	67,500	40,500	-
Share issue costs	-	(320,917)	69,262
Stock-based compensation	-	-	399,000
December 31, 2005	16,653,181	$ 8,910,976	$ 4,711,549

During the year ended December 31, 2005, the Company entered into a non-brokered private placement to issue 8,000,000 units at a price of $.60 per unit and each unit was comprised of one common share of the Company and one-half of one common share purchase warrant and each whole warrant is exercisable for one common share for a period of two years at a price of $0.75. The private placement closed as follows:

(a) On December 5, 2005 the Company issued 6,095,000 units at a price of $.60 per unit for gross proceeds of $3,657,000 pursuant to a non-brokered private placement;

(b) On December 12, 2005 the Company issued 275,000 units at a price of $.60 per unit for gross proceeds of $165,000 pursuant to a non-brokered private placement and;

(c) On December 21, 2005 the Company issued 1,630,000 units at a price of $.60 per unit for gross proceeds of $978,000 pursuant to a non-brokered private placement.

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.

On December 5, 2005 the Company also issued 1,550,000 flow-through common shares at a price of $.70 per share for gross proceeds of $1,085,000.

The Company issued 67,500 common shares to a finder, at a price of $.60, in lieu of payment of certain finders' fees in connection with the non-brokered private placement.

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Issued and fully paid - common shares

During the year ended December 31, 2004 the Company entered into the following non-brokered private placement:

On July 21, 2004 the Company closed a non-brokered private placement of 1.5 million Units at a price of $0.25 per Unit for gross proceeds of $375,000. Each Unit consisted of one common share of the Company and one common share purchase warrant expiring on July 21, 2006. Each warrant entitles the holder to acquire one common share of the Company at a price of $0.35 per share for a term of two years. If the closing trading price for common shares of the Company is $1.00 per share or greater for ten consecutive trading days, the Company may elect to provide notice to holders of the Warrants and the Warrants will then expire 30 days after the date notice is given.

(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, 2005 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
Number of options currently exercisable	1,125,000	$	0.70

At December 31, 2005, the Company had outstanding stock options, enabling holders to acquire common shares as follows:

(c) Warrants

Warrant transactions for the year ended December 31, 2005 are summarized as follows.

	2005	**2004**
Balance, beginning of the year	1,500,000	-
Issued	4,242,370	1,500,000
Exercised	(225,000)	-
Balance, end of the year	5,517,370	1,500,000

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

At December 31, 2005 the following share purchase warrants enabling holders to acquire shares were outstanding:

Number of shares	Exercise price	Expiry date
1,275,000	$.35	July 21, 2006
3,047,500	$.75	December 1, 2007
137,500	$.75	December 9, 2007
815,000	$.75	December 20, 2007
242,370	$.75	December 20, 2007
5,517,370		

For the year ended December 31, 2005:

(a). 225,000 warrants were exercised at $0.35 per share for proceeds of $78,750;

(b). 4,000,000 warrants were issued pursuant to a private placement;

(c). 242,370 compensation warrants were issued pursuant to a private placement for which $69,262 was recorded as share issue costs.

(d) Stock Based Compensation

The Company granted 800,000 stock options during 2005, 712,500 of which vested during the year, resulting in stock-based compensation expense under the Black-Scholes option pricing model of $399,000 and an unamortized balance of $49,000 (2004 - $Nil). The weighted average fair value of the stock options granted during the current year was $0.56 per share.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options and share purchase warrants issued during the period:

Risk-free interest rate	3.85%
Expected life of options/warrants	3 years
Annualized volatility	98%
Dividend rate	0.00%

(e) Flow-through Shares

During 2005 the Company raised $1,085,000 (2004 - $Nil) 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, 2005 a total of $976,117 of flow-through funds raised in 2005 and included in cash and short term investments, remained to be spent (2004 - $Nil).

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 will be recording a future income tax liability of approximately $370,000, with a corresponding reduction in share capital, in the Company's financial statements for the first quarter of fiscal 2006.

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Flow-through Shares

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:

	2005	2004
Loss before income tax recovery	$ (761,101)	$ (276,469)
Combined federal and provincial statutory tax rate	34.12%	35.62%
Income tax recovery at statutory rates	$ (259,688)	$ (98,478)
Non-deductible items for tax purposes	149,578	25,617
Unrecognized benefits of non-capital losses	110,110	72,861
Total income tax recovery	$ -	$ -

b) The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at December 31, 2005 and 2004 are presented below:

	2005	2004
Future tax assets:		
Non-capital loss carry-forwards	$ 808,220	$ 946,067
Net capital loss carry-forwards	3,711,018	3,874,163
Other	138,004	52,620
Valuation allowance	(4,657,242)	(4,872,850)
Net future tax assets	-	-
Future tax liabilities:		
Mineral properties	(388,925)	-
Net future tax liabilities	$ (388,925)	$ -

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, 2005 that it is not likely they will be realized in the future.

As at December 31, 2005, the Company has non-capital losses of approximately $2,369,000 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 $461,911 which may be available to reduce taxable income of future years. The non-capital loss carry-forwards expire according to the following schedule:

7. INCOME TAXES (continued)

Year	Non Capital Loss
2006	544,000
2007	495,000
2008	337,000
2009	183,000
2010	404,000
2014	164,000
2015	242,000
	$ 2,369,000

8. SUBSEQUENT EVENT

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.