GOLDSOURCE MINES INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2004

AUDITORS' REPORT

To the Shareholders of
GOLDSOURCE MINES INC.

We have audited the consolidated balance sheets of **Goldsource Mines Inc.** as at December 31, 2004 and 2003 and the consolidated statements of operations and deficit and consolidated cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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, 2004 and 2003 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,
March 18, 2005

Ernst & Young, LLP
Chartered Accountants

GOLDSOURCE MINES INC.
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31

	2004	2003
ASSETS		
Current		
Cash	$ 266,604	$ 991,493
Short term investments (note 3)	909,680	-
Receivables	1,370	11,324
Total current assets	1,177,054	1,002,817
Mineral properties (note 5)	147,209	20,000
	$ 1,324,263	$ 1,022,817
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 24,420	$ 35,123
Total current liabilities	24,420	35,123
Shareholders' equity		
Share capital (note 7)	2,392,643	1,875,893
Contributed surplus (note 7)	4,243,287	4,171,419
Deficit	(5,336,087)	(5,059,618)
Total shareholders' equity	1,299,843	987,694
	$ 1,324,263	$ 1,022,817

See accompanying notes

On behalf of the Board:

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

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

	2004	2003
EXPENSES		
Administration (note 8)	$ 311,746	$ 394,152
Foreign exchange loss (gain)	(23,821)	105,502
Interest income	(11,456)	(1,253)
Net loss from continuing operations	(276,469)	(498,401)
Net income from discontinued operations	-	466,164
Net loss for the year	(276,469)	(32,237)
Deficit, beginning of year	(5,059,618)	(5,027,381)
Deficit, end of year	$ (5,336,087)	$ (5,059,618)
Loss per share		
Basic and diluted loss per share		
Net loss from continuing operations	0.07	0.05
Net loss for the year	0.07	0.01
Weighted average number of shares outstanding	3,812,177	11,062,376

See accompanying notes

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

	2004	2003
OPERATING ACTIVITIES		
Net loss from continuing operations	$ (276,469)	$ (498,401)
Stock based compensation	71,868	
Changes in operating assets and liabilities		
Receivables	9,954	(4,726)
Accounts payable and accrued liabilities	(10,703)	11,796
Cash used in operating activities of continuing operations	(205,350)	(491,331)
FINANCING ACTIVITIES		
Issuance of share capital	516,750	-
Cash provided by financing activities	516,750	-
INVESTING ACTIVITIES		
Exploration expenditures and option payments on mineral properties	(127,209)	(20,000)
Short term investments	(909,080)	-
Cash used in investing activities of continuing operations	(1,036,289)	(20,000)
Net cash used in continuing operations	(724,889)	(511,331)
Net cash used in discontinued operations	-	(301,374)
Decrease in cash	(724,889)	(812,705)
Cash, beginning of year	991,493	1,804,198
Cash, end of year	$ 266,604	$ 991,493
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	-	-
Income taxes paid	-	-

See accompanying notes

1. NATURE OF OPERATIONS

Goldsource Mines Inc. (the "Company") was incorporated under the laws of the Province of British Columbia on September 9, 1997 and has been continued under the laws of the Yukon Territory. At a Special Meeting of shareholders held on December 23, 2003, approval was received to change the Company's name to Goldsource Mines Inc. from International Antam Resources Ltd.

Until September 30, 2003, the Company's principal business activity was the production and sale of gold and silver from its Cikidang mine in Java, Indonesia. The Company was also involved in the exploration and development of mineral properties in Indonesia. Effective September 30, 2003 the Company disposed of all its Indonesian assets and operations [see note 4] and its principal business activity became the exploration for and the development of precious metal deposits in North and Central America. The ability to recover any investment in any such properties is dependent upon 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, if any or the receipt of proceeds from the disposition of the interest therein.

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern and do not reflect adjustments related to the carrying values and balance sheet classification of assets and liabilities that would be necessary, were the going concern assumption inappropriate.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the accounts of the Company, and the results of operations of a former subsidiary, PT Antam Resourcindo (an Indonesian company), for the nine month period ended September 30, 2003.

All inter-company transactions and balances have been eliminated on consolidation.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred exploration costs

The Company defers all exploration costs relating to mineral properties and areas of geological interest until the properties to which they relate are placed into production, sold, abandoned or management has determined there to be an impairment in value. These costs will be amortized over the proven reserves available on the related property following commencement of 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.

Income taxes

Income taxes are accounted for under the asset and liability method. Under this method, temporary differences arising from the difference between the tax basis of an asset and a liability and its carrying amount on the balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using tax rates anticipated to be in effect in the periods that the temporary differences are expected to be settled or realized. A valuation allowance is provided to the extent that it is more likely than not future income tax assets will not be realized.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 7. 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 financial institutions. At December 31, 2004, the instrument was yielding a weighted average interest rate of 2%, with a maturity of May 30, 2005.

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

4. DISCONTINUED OPERATIONS

During 2003, the Company signed an agreement with its majority shareholder, PT Antam TBK (“Antam”), whereby the Company, effective from September 30, 2003, would transfer all of its Indonesian mineral property interests to Antam in exchange for, among other things, the surrender Antam of all of its common shares of the Company for cancellation (the “Transaction”). The Transaction was to be effected in part by the transfer to Antam of the Company’s wholly-owned Indonesian subsidiary, PT Antam Resourcindo (“PTAR”), through which the Company holds its Indonesian mineral property interests.

Prior to the Transaction, the Company had 13,943,002 common shares issued and outstanding of which 81.9% or 11,428,571 were owned by Antam. The Company established an independent committee of the board of directors to consider and approve the Transaction. The Company received an independent valuation report as to the value of the mineral property assets, and the independent committee retained independent financial advisors to provide an opinion as to whether or not the consideration to be paid by Antam was fair, from a financial point of view, to the minority shareholders of the Company.

4. DISCONTINUED OPERATIONS (continued)

The Company transferred 81.9% of the fair value of the Company (primarily the Indonesian mineral properties interests and inventory at September 30, 2003) to Antam in exchange for the surrender by Antam of 11,428,571 common shares of the Company for cancellation. Upon cancellation, the Company had 2,514,431 million shares outstanding and Antam's ownership of the Company was reduced to zero.

The cash remaining in the Company approximated the minority shareholder 18.1% interest in the net asset value of the Company as at September 30, 2003, as determined by the Company's independent financial valuator.

The acquisition by Antam was a "related party transaction" for the purposes of applicable Canadian securities laws and under related party transaction rules. The resulting gain on the sale of $4,171,419 was recorded as contributed surplus. There were no tax consequences to the Company as there were previously existing capital losses against which this gain was applied.

The operating results of PTAR for the period from January 1, 2003 to September 30, 2003 are included in the consolidated operating results of the Company for the year ended December 31, 2003. These results have been presented as discontinued operations in the statements of operations and deficit and cash flows for the year ended

December 31, 2004 and the 2003 statements have been reclassified accordingly. The results of operations of PTAR are as follows:

Consolidated statements of operations

		2004		2003
Revenue	$	-	$	4,314,669
Net income from discontinued operations	$	-	$	466,164

5. MINERAL PROPERTIES

a). Omineca Mining Division, British Columbia

On December 18, 2003, the Company entered into an option agreement to acquire a 100% interest in 20 claim units covering an area of 500 hectares in the Omineca Mining Division of British Columbia. The Company can earn an initial 80% interest in the claims by making staged cash payments of $145,000 and completing exploration expenditures of $500,000 over a four year period. Upon the exercise of the initial option, the Company has a further option to acquire the remaining 20% by paying $750,000 in cash or at the discretion of the Company, a combination of cash and common shares of the Company provided that the share component does not exceed 50% of the value of the total payment. 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.

5. MINERAL PROPERTIES (continued)

		2004		2003
Option payments				
Balance, beginning of the year	$	20,000	$	-
Additions		25,000		20,000
		45,000		20,000
Deferred exploration expenditures				
Balance, beginning of the year		-		-
Additions				
Camp costs		5,805		-
Engineering consulting		2,092		-
Filing fees		1,300		-
Geological services		7,300		-
Geophysical survey		65,969		-
Line cutting		19,743		-
		102,209		-
Balance, end of the year	$	147,209	$	20,000

The following option payments and exploration expenditures will be required to maintain the acquisition agreement in good standing should the Company elect to do so:

		Option Payments		Cumulative Exploration Expenditures
Upon Execution - December 18, 2003 (paid)	$	20,000	$	Nil
On or before December 31, 2004 (paid)		25,000		50,000
On or before December 31 2005		50,000		150,000
On or before December 31. 2006		50,000		300,000
On or before December 31, 2007	$	Nil	$	500,000

6. RELATED PARTY TRANSACTIONS

During 2004, the Company paid management fees of $75,000 (2003 - $120,000) to a company owned by an officer and director of the Company.

7. SHARE CAPITAL

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)

7. SHARE CAPITAL (continued)

Issued and fully paid - common shares

	Number		Amount
Balance, December 31, 2002	13,943,002	$	10,402,190
Cancellation of shares *[see note 3]*	(11,428,571)		(8,526,297)
Balance, December 31, 2003	2,514,431		1,875,893
Exercise of stock options	675,000		141,750
Issued pursuant to a private placement	1,500,000		375,000
Balance, December 31, 2004	4,689,431	$	2,392,643

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 can be granted for a maximum term of 5 years.

At December 31, 2004, the Company had outstanding stock options, enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
300,000	$0.35	July 8, 2009
100,000	$0.30	December 8, 2009

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options		Weighted Average Exercise Price
As at December 31, 2003	675,000	$	0.21
Granted	400,000		0.34
Exercised	(675,000)		0.21
As at December 31, 2004	400,000	$	0.34
Number of options currently exercisable	400,000	$	0.34

Warrants

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.

7. SHARE CAPITAL (continued)

Warrants

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.

Stock Based Compensation

The Company granted 400,000 stock options during the year, all of which vested during the year, resulting in stock-based compensation expense under the Black-Scholes option pricing model of $71,868, which was recorded as contributed surplus on the balance sheet. The weighted average fair value of the stock options granted during the current year was $0.18 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	2.87%
Expected life of options/warrants	3 years
Annualized volatility	139%
Dividend rate	0.00%

8. EXPENSES

		2004		2003
Administration				
Management fees	$	75,000	$	120,000
Stock based compensation		71,868		-
Legal fees		45,709		94,602
Accounting and audit		33,350		61,541
Rent and telephone		23,391		13,099
Regulatory and transfer agent fees		22,961		4,295
Administrative services and wages		18,605		9,198
Shareholder communications		10,432		9,068
Office and miscellaneous		9,844		7,349
Investor relations		586		6,578
Consulting expenses		-		57,795
Travel		-		10,627
	$	311,746	$	394,152

9. INCOME TAXES

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

	2004	2003
Loss from continuing operations before income tax recovery	$ (276,469)	$ (498,401)
Combined federal and provincial statutory tax rate	35.62%	37.5%
Income tax recovery at statutory rates	$ (98,478)	$ (186,900)
Non-deductible items for tax purposes	25,741	36,900
Unrecognized benefits of non-capital losses	73,021	150,000
Total income tax recovery	$ -	$ -

b) Details of future income tax assets are as follows:

	2004	2003
Future tax assets:		
Non-capital loss carryforwards	$ 946,067	$ 1,003,994
Net capital loss carryforwards	3,874,163	44,058
Other	52,620	30,759
	4,872,850	1,078,811
Valuation allowance	(4,872,850)	(1,078,811)
	$ -	$ -

Future tax benefits, which may arise as a result of these losses and resource expenditures have been offset by a valuation allowance and have not been recognized in these consolidated financial statements.

As at December 31, 2004, the Company has non-capital losses of approximately $2,655,000 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 carryforward. The Company also has exploration and development expenditures of approximately $147,209 which may be available to reduce taxable income of future years. The non-capital loss carryforwards expire according to the following schedule:

Year	Non Capital Loss
	$
2005	488,000
2006	544,000
2007	495,000
2008	337,000
2009	183,000
2010	404,000
2014	204,000
	$ 2,655,000