GOLDSOURCE MINES INC.
FINANCIAL STATEMENTS

DECEMBER 31, 2007

AUDITORS' REPORT

To the Shareholders of
GOLDSOURCE MINES INC.

We have audited the balance sheets of **Goldsource Mines Inc.** as at December 31, 2007 and 2006 and the statements of operations and comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Vancouver, Canada
February 15, 2008

Chartered Accountants

GOLDSOURCE MINES INC.
BALANCE SHEETS
AS AT DECEMBER 31

	2007	2006
ASSETS		
Current		
Cash	$ 9,625	$ 4,213,837
Short term investments (note 3)	3,799,238	-
Accounts receivable and prepaid expenses	16,128	20,256
	3,824,991	4,234,093
Mineral properties (note 4)	4,083,789	3,790,015
	$ 7,908,780	$ 8,024,108
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 29,307	$ 23,850
Future income taxes (note 7)	643,316	689,710
Shareholders' equity		
Share capital (note 6)	8,918,024	8,901,524
Contributed surplus (note 6)	4,779,299	4,769,924
Deficit	(6,461,166)	(6,360,900)
Total shareholders' equity	7,236,157	7,310,548
	$ 7,908,780	$ 8,024,108

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

		2007		2006
EXPENSES				
Administrative services	$	39,900	$	41,600
General exploration		-		5,408
Investor relations		-		92,822
Management fees (note 5)		90,000		90,000
Office and general		39,565		30,345
Professional fees		74,022		73,726
Rent and telephone		24,767		25,744
Shareholder communications		4,107		10,836
Stock based compensation (note 6d)		9,375		58,375
Trade shows and conferences		10,571		73,971
Transfer agent and regulatory fees		11,554		18,054
Travel and related costs		3,003		3,970
Loss before under noted items		306,864		524,851
Interest income		(160,204)		(174,370)
(Recovery) write-off of mineral property expenditures		-		(17,352)
Loss before future tax recovery		(146,660)		(333,129)
Future tax recovery (note 7)		(46,394)		(69,417)
Net and comprehensive loss for the year		(100,266)		(263,712)
Deficit, beginning of year		(6,360,900)		(6,097,188)
Deficit, end of year	$	(6,461,166)	$	(6,360,900)
Loss per share, basic and diluted	$	0.01	$	0.02
Weighted average number of shares outstanding		17,684,345		17,140,852

See accompanying notes

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

	2007	2006
OPERATING ACTIVITIES		
Net loss for the year	$ (100,266)	$ (263,712)
Stock based compensation	9,375	58,375
Future tax recovery	(46,394)	(69,417)
Changes in operating assets and liabilities		
Accounts receivable and prepaid expenses	4,128	6,406
Accounts payable and accrued liabilities	5,457	(29,350)
Cash used in operating activities	(127,700)	(297,698)
FINANCING ACTIVITIES		
Issuance of share capital for cash	-	330,750
Cash provided by financing activities	-	330,750
INVESTING ACTIVITIES		
(Purchase) redemption of short term investments (note 3)	(3,799,238)	5,006,870
Mineral property expenditures, excluding acquisition costs incurred by the issuance of shares	(277,274)	(2,158,229)
Cash provided by (used in) investing activities	(4,076,512)	2,848,641
Increase (decrease) in cash	(4,204,212)	2,881,693
Cash, beginning of year	4,213,837	1,332,144
Cash, end of year	$ 9,625	$ 4,213,837
SUPPLEMENTAL CASH FLOW INFORMATION		
Mineral property acquisition through the issuance of common shares	$ 16,500	$ 30,000
Interest received	$ 10,966	$ 181,240

See accompanying notes

1. NATURE OF OPERATIONS

Goldsource Mines Inc. (the "Company") was continued into the jurisdiction of the Province of British Columbia pursuant to the British Columbia Business Corporations Act on August 3, 2005.

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 liability method. Under the 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.

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 accounts for stock-based compensation using the fair value based method with respect to all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this method, stock-based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase to contributed surplus. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to share capital.

Financial instruments

During the year, the Company adopted a new standard, the Canadian Institute of Chartered Accountants' (CICA) Handbook Section 3855, "Financial Instruments – Recognition and Measurement". Under the new standard, all financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading or available-for-sale. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables, and financial liabilities other than those held-for-trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. The standard also permits designation of any financial instrument as held-for-trading upon initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments *(continued)*

Also adopted by the Company during the year was CICA Handbook Section 1530, "Comprehensive Income". As a result of adopting these standards, a new category, Accumulated Other Comprehensive Income, is added to shareholders' equity on financial assets classified as available-for-sale, unrealized foreign currency translation amounts, net of hedging, arising from self-sustaining foreign operations, and changes in fair value of the effective portion of cash flow hedging amounts.

The adoption of the provisions of these new standards had no effect in the Company's financial statements.

(i) Fair value

The carrying values of cash, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the short terms to maturity of the instruments. The carrying value of cash equivalents approximates its fair value primarily due to the floating rate interest of the instrument.

(ii) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities.

(iii) Credit risk

The Company is not exposed to significant credit risk on its financial assets due to cash being placed with Canadian chartered banks and amounts receivable due from government agencies.

New Accounting Pronouncements

Effective January 1, 2008 the Company is required to adopt the following new Canadian accounting pronouncements:

(i) Assessing going concern – Section 1400

The Accounting Standards Board (AcSB) amended the Section 1400, to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the entity's ability to continue as a going concern.

(ii) Capital disclosures- Section 1535

This new pronouncement establishes standards for disclosing information about an entity's capital and how it is managed. Section 1535 also requires the disclosure of any externally-imposed capital requirements, whether the entity has complied with them, and if not, the consequences.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements *(continued)*

(iii) Financial Instruments – Sections 3862 & 3863 – Disclosures and Presentation

These new sections 3862 (on disclosures) and 3863 (on presentation) replace Section 3861, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. Section 3862 complements the principles recognizing measuring and presenting financial assets and financial liabilities in Financial Instruments. Section 3863 deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

The Company is evaluating the impact of these new accounting standards on its consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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. At December 31, 2007 the investments were yielding an interest rate of 4.10% with a maturity of January 3, 2008.

The fair market value of the Company's short-term investments approximate their 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.

4. MINERAL PROPERTIES (continued)

(a) *Big River Property, Saskatchewan (continued)*

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 ($85,000 paid) and issue a total of 325,000 common shares of the Company (100,000 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, 2008 and will be for $75,000 and 75,000 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.

2007	**Big River, SK, Canada**	**Border SK, Canada**	**Crossroads SK, Canada**	**Total 2007**
Balance, beginning of the year	$ 3,097,504	$ 657,176	$ 35,335	$ 3,790,015
Additions				
Acquisition and staking costs	-	33,250	33,250	66,500
Deficiency deposit	150,528	-	-	150,528
Exploration costs:				
Exploration and other	16,097	-	5,640	21,737
Technical consulting	18,126	17,781	19,102	55,009
	184,751	51,031	57,992	293,774
Balance, end of the year	$ 3,282,255	$ 708,207	$ 93,327	$ 4,083,789

4. MINERAL PROPERTIES (continued)

(b) Border and Crossroads Properties, Saskatchewan (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

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 (2006 - $90,000) to a company owned by an officer and director of the Company.

(b) Paid or accrued $7,281 (2006 - $17,878) 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.

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, 2005	16,653,181	$ 8,910,976	$ 4,711,549
Exercise of warrants	945,000	330,750	-
Issuance pursuant to acquisition of Mineral Properties	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
Issued pursuant to acquisition of Mineral Properties	50,000	16,500	-
Stock-based compensation	-	-	9,375
December 31, 2007	17,698,181	$ 8,918,024	$ 4,779,299

(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, 2007 are summarized as follows.

	Number of Options	Weighted Average Exercise Price
As at December 31, 2006	1,275,000	$ 0.71
Expired	(75,000)	$ 0.60
As at December 31, 2007	1,200,000	$ 0.71
Number of options currently exercisable	1,200,000	$ 0.71

At December 31, 2007, 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
800,000	$0.90	December 23, 2010
1,200,000		

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Issued and fully paid - common shares *(continued)*

(c) Warrants

Warrant transactions for the year ended December 31, 2007 are summarized as follows.

	2007	**2006**
Balance, beginning of the year	4,242,370	5,517,370
Exercised	-	(945,000)
Expired	(4,242,370)	(330,000)
Balance, end of the year	-	4,242,370

At December 31, 2007 there were no share purchase warrants outstanding.

(d) Stock Based Compensation

A stock option to purchase 37,500 common shares vested during the year resulting in stock-based compensation expense under the Black-Scholes option pricing model of $9,375 and an unamortized balance of $NIL (2006 - $9,375).

(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.

7. INCOME TAXES

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

	2007	**2006**
Loss before income tax recovery	$ (146,660)	$ (333,129)
Combined federal and provincial statutory tax rate	31.00%	31.00%
Income tax recovery at statutory rates	$ (45,465)	$ (103,270)
Non-deductible items for tax purposes	(63,652)	6,205
Reduction in future corporate tax rates	93,066	69,417
Unrecognized benefits of non-capital losses	62,444	97,065
Total income tax recovery	$ 46,394	$ 69,417

7. INCOME TAXES (continued)

b) The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at December 31, 2007 and 2006 are presented below:

	2007	2006
Future tax assets:		
Non-capital loss carry-forwards	$ 580,840	$ 666,891
Net capital loss carry-forwards	2,936,620	3,371,675
Other	34,654	59,691
Valuation allowance	(3,552,115)	(4,098,257)
Net future tax assets	-	-
Future tax liabilities:		
Mineral properties	(643,316)	(689,710)
Net future tax liabilities	$ (643,316)	$ (689,710)

c) Future income tax liabilities transactions for the year ended December 31, 2007:

	2007	2006
Balance, beginning of year	$	$
Opening balance	689,710	388,925
Acquisition of mineral properties	-	-
Renunciation of tax benefits associated with flow through shares	-	370,202
Deficiency deposit	46,664	-
Reduction in future corporate tax rates	(93,058)	(69,417)
Balance, end of year	$ 643,316	$ 689,710

During 2007 the Company revised the corporate income tax rate applicable to the temporary differences from 31.00% to 27.00% and accordingly recorded a $93,058 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, 2007 that it is not likely they will be realized in the future.

As at December 31, 2007, the Company has non-capital losses of approximately $1,844,000 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 $1,553,000 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
2008	$ 337,000
2009	183,000
2010	404,000
2011	164,000
2015	242,000
2016	313,000
2017	201,000
	$ 1,844,000