



**INTERIM FINANCIAL STATEMENTS**  
*(Unaudited – Prepared by Management)*

**SEPTEMBER 30, 2005**  
**THIRD QUARTER**

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*The accompanying unaudited interim financial statements of the company have been prepared by and are the responsibility of the company's management.*

*The company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.*



**GOLDSOURCE MINES INC.**  
**INTERIM STATEMENTS OF OPERATIONS AND DEFICIT**  
(Unaudited - Prepared by Management)

|   | <b>Three Months Ended<br/>September 30,</b> |                     | <b>Nine Months Ended<br/>September 30,</b> |                     |
|---|---|---------------------|--|---------------------|
|   | <b>2005</b>                                 | <b>2004</b>         | <b>2005</b>                                | <b>2004</b>         |
| <b>GENERAL AND ADMINISTRATIVE EXPENSES</b>    |   |                     |  |                     |
| Administrative services                       | \$ 3,777                                    | \$ 2,882            | \$ 15,827                                  | \$ 15,044           |
| General exploration                           | 1,806                                       | -                   | 1,806                                      | -                   |
| Management fees                               | 15,000                                      | 15,000              | 45,000                                     | 60,000              |
| Office and general                            | 6,087                                       | 2,267               | 8,519                                      | 8,705               |
| Professional fees                             | 12,970                                      | 24,242              | 55,870                                     | 51,239              |
| Rent and telephone                            | 6,113                                       | 5,773               | 18,186                                     | 16,955              |
| Shareholder communication                     | 527   | 559                 | 4,060                                      | 11,017              |
| Stock-based compensation                      | -   | 55,565              | -  | 55,565              |
| Transfer agent and regulatory fees            | 1,447                                       | 9,422               | 7,837                                      | 20,461              |
| Travel  | -   | -                   | 861  | -                   |
|   | <u>47,727</u>                               | <u>115,710</u>      | <u>157,966</u>                             | <u>238,986</u>      |
| <b>Loss before other items</b>                | <b>(47,727)</b>                             | <b>(115,710)</b>    | <b>(157,966)</b>                           | <b>(238,986)</b>    |
| <b>Other items</b>                            |   |                     |  |                     |
| Interest income                               | 5,462                                       | 5,071               | 14,771                                     | 6,495               |
| Foreign exchange gain                         | -   | -                   | -  | 23,821              |
| <b>NET LOSS FOR THE PERIOD</b>                | <b>(42,265)</b>                             | <b>(110,639)</b>    | <b>(143,195)</b>                           | <b>(208,670)</b>    |
| DEFICIT, beginning of the period              | (5,437,017)                                 | 5,157,649           | (5,336,087)                                | (5,059,618)         |
| <b>DEFICIT, end of the period</b>             | <b>\$ (5,479,282)</b>                       | <b>\$ 5,268,288</b> | <b>\$ (5,479,282)</b>                      | <b>\$ 5,268,288</b> |
| Basic and diluted loss per share              | \$ (0.01)                                   | \$ (0.03)           | \$ (0.03)                                  | \$ (0.06)           |
| Weighted average number of shares outstanding | 4,689,431                                   | 4,493,779           | 4,689,431                                  | 3,517,624           |

*See accompanying notes*

**GOLDSOURCE MINES INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW**  
(Unaudited – Prepared by Management)

|   | <b>Three Months Ended<br/>September 30,</b> |                     | <b>Nine Months Ended<br/>September 30,</b> |                     |
|---|---|---------------------|--|---------------------|
|   | <b>2005</b>                                 | <b>2004</b>         | <b>2005</b>                                | <b>2004</b>         |
| <b>OPERATING ACTIVITIES</b>                             |   |                     |  |                     |
| Loss for the period                                     | \$ (42,265)                                 | \$ (115,710)        | \$ (143,195)                               | \$ (238,986)        |
| Stock-based compensation                                | -   | 55,565              |  | 55,565              |
| Changes in operating assets and liabilities             |   |                     |  |                     |
| Receivables and pre-paid expenses                       | (2,530)                                     | 2,156               | (9,420)                                    | 9,360               |
| Accounts payable and accrued liabilities                | 15,874                                      | (77,416)            | 3,791                                      | (27,456)            |
|   | (28,921)                                    | (130,334)           | (148,824)                                  | (171,201)           |
| <b>INVESTING ACTIVITIES</b>                             |   |                     |  |                     |
| Deferred acquisition costs of mineral property          | (27,211)                                    | -                   | (27,211)                                   | -                   |
| Exploration and development costs on mineral property   | (79,190)                                    | (11,756)            | (83,494)                                   | (98,801)            |
| Redemption of short term investments                    | -   | -                   | 909,080                                    | -                   |
|   | (106,401)                                   | (11,756)            | 798,375                                    | (98,801)            |
| <b>FINANCING ACTIVITIES</b>                             |   |                     |  |                     |
| Issuance of share capital                               | -   | 375,000             | -  | 516,750             |
| Share subscriptions received                            | -   | (143,750)           | -  | -                   |
|   | -   | 231,250             | -  | 516,750             |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b> | (135,322)                                   | 89,160              | 649,551                                    | 246,748             |
| CASH AND CASH EQUIVALENTS, beginning of the period      | 1,051,477                                   | 1,149,081           | 266,604                                    | 991,493             |
| <b>CASH AND CASH EQUIVALENTS, end of the period</b>     | <b>\$ 916,155</b>                           | <b>\$ 1,238,241</b> | <b>\$ 916,155</b>                          | <b>\$ 1,238,241</b> |
| <b>Supplemental cash flow information</b>               |   |                     |  |                     |
| Interest paid   | -   | -                   | -  | -                   |
| Income taxes paid                                       | -   | -                   | -  | -                   |

*See accompanying notes*

**1. NATURE OF OPERATIONS**

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 and its principal business activity became the exploration for and the development of precious metal deposits in North, South and Central America. In October 2005, the Company acquired substantial interests in mineral claims in Saskatchewan that are prospective for diamondiferous kimberlites.

The ability to recover any investment in any exploration or development properties will be 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 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.

These interim financial statements have been prepared using the same accounting policies as used in the financial statements for the year ended December 31, 2004 and should be read in conjunction with the audited financial statements.

Effective August 3, 2005 the Company continued out of the Yukon Territory and into the jurisdiction of the Province of British Columbia pursuant to the British Columbia Business Corporations Act.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The interim financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality. These interim financial statements should be read in conjunction with the most recent audited annual financial statements. The significant accounting policies follow that of the most recently reported annual financial statements.

**Cash and Cash Equivalents and Short-Term Investments**

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

Short-term investments comprise highly liquid Canadian dollar denominated guaranteed investment certificates with terms to maturity greater than ninety days, but not more than one year, that are readily convertible to contracted amounts of cash.

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

**Mineral Properties**

The Company capitalizes all acquisition, exploration and development costs related to exploration and development of mineral properties on a property-by-property basis. The costs of abandoned properties are charged to income in the year of abandonment or when it is determined that potential for discovery of economic mineralization is limited.

The costs of producing properties are amortized using the unit of production method based upon estimated reserves. The amounts recorded as mineral properties represent costs to date and do not necessarily reflect present or future values.

**3. MINERAL PROPERTIES**

**(a) Deferred Acquisition Costs**

The Company has deferred legal, regulatory and travel expenditures incurred in connection with the acquisition of the Big River Property claims located in the Big River Area of Saskatchewan. The transaction closed on October 25, 2006 and is more fully described in Note 6 to these financial statements.

**3. MINERAL PROPERTIES (cont'd)**

**(b) 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.

|                                   | <b>September<br/>2005</b> | <b>Transactions</b> | <b>December<br/>2004</b> |
|-----------------------------------|---------------------------|---------------------|--------------------------|
| Option payments                   | \$ 45,000                 | \$ -                | \$ 45,000                |
| Deferred exploration expenditures |                           |                     |                          |
| Assays                            | 1,657                     | 1,657               | -                        |
| Camp costs                        | 5,805                     | -                   | 5,805                    |
| Drilling                          | 65,326                    | 65,326              | -                        |
| Engineering consulting            | 18,603                    | 16,511              | 2,092                    |
| Filing fees                       | 1,300                     | -                   | 1,300                    |
| Geological services               | 7,300                     | -                   | 7,300                    |
| Geophysical survey                | 65,969                    | -                   | 65,969                   |
| Line cutting                      | 19,743                    | -                   | 19,743                   |
|                                   | 185,703                   | 83,494              | 102,209                  |
|                                   | \$ 230,703                | \$ 83,494           | \$ 147,209               |

|                                   | <b>December<br/>2004</b> | <b>Transactions</b> | <b>December<br/>2003</b> |
|-----------------------------------|--------------------------|---------------------|--------------------------|
| Option payments                   | \$ 45,000                | \$ 25,000           | \$ 20,000                |
| Deferred exploration expenditures |                          |                     |                          |
| Camp costs                        | 5,805                    | 5,805               | -                        |
| Engineering consulting            | 2,092                    | 2,092               | -                        |
| Filing fees                       | 1,300                    | 1,300               | -                        |
| Geological services               | 7,300                    | 7,300               | -                        |
| Geophysical survey                | 65,969                   | 65,969              | -                        |
| Line cutting                      | 19,743                   | 19,743              | -                        |
|                                   | 102,209                  | 102,209             | -                        |
|                                   | \$ 147,209               | \$ 127,209          | \$ 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:

|   | <b>Option<br/>Payments</b> | <b>Cumulative<br/>Exploration<br/>Expenditures</b> |
|---|----------------------------|--|
| 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   |

**4. RELATED PARTY TRANSACTIONS**

During the nine month period ended September, 2005, the Company paid management fees of \$45,000 [2004 - \$60,000] to a company owned by an officer and director of the Company.

**5. SHARE CAPITAL**

- (a) Authorized  
Unlimited number of common shares without nominal or par value  
Unlimited Preference shares without nominal or par value

- (b) Issued and fully paid - common shares

|   | Capital Stock |              | Contributed       | Total        |
|---|---------------|--------------|-------------------|--------------|
|   | Number        | Amount       | Surplus<br>Amount |              |
| Balance, December 31, 2003                              | 2,514,431     | \$ 1,875,893 | \$ 4,171,419      | \$ 6,047,312 |
| Exercise of stock options                               | 675,000       | 141,750      | -                 | 141,750      |
| Issuance of share capital pursuant to private placement | 1,500,000     | 375,000      | -                 | 375,000      |
| Stock-based compensation                                | -             | -            | 71,868            | 71,868       |
| Balance, December 31, 2004 and September 30, 2005       | 4,689,431     | \$ 2,392,643 | \$ 4,243,287      | \$ 6,635,930 |

Refer to Note 6 for the issuance of share capital related to the Big River property acquisition and exercise of warrants.

**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 September 30, 2005, 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<br>Options | Weighted Average<br>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 and Sept. 30, 2005 | 400,000              | 0.34                               |
| Number of options currently exercisable    | 400,000              | 0.34                               |

**5. SHARE CAPITAL (cont'd)**

**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. 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.

**6. SUBSEQUENT EVENTS**

- (a) 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”) comprising 163,200 hectares. The Company will carry all costs of exploration and development on the Property to the conclusion of a positive Bankable Feasibility Study. 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 will issue 2.0 million common shares (“Purchase Shares”) to BEC and such other persons as BEC shall direct at an issue price of \$0.30 per share. Of the 2.0 million Purchase Shares, 1.1 million Purchaser Shares were issued at Closing and the balance will be issuable only at such time as the aggregate number of Purchase Shares represents less than 20% of the issued and outstanding common shares of the Company. In connection with the transaction, the Company issued 103,813 common shares as a finder’s fee at a deemed issue price of \$0.30 per share and will issue an additional 84,397 common shares on the same basis as the BEC common shares.

- (b) Subsequent to September 30, 2005 the Company issued 100,000 common shares pursuant to the exercise of warrants for proceeds of \$35,000.