

**2005**

**Birim Goldfields Inc.**

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*Third Quarter  
Interim Report  
December 31, 2005*

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# Birim Goldfields Inc.

## Third Quarter Interim Report

As at December 31, 2005

### President's Message

The third quarter of 2005, ended December 31, 2005 was a busy period for Birim Goldfields Inc. as drilling continued to be the focus of field work on the Tinga gold concession, located in the northern region of the Company's Bui License in Ghana. The 43.8 square kilometer Tinga concession is host to the Far East gold deposit.

Birim's strategy for the advancement of the Far East gold deposit is three-fold: i) to validate SEMAFO's in-house resource calculation; ii) to develop a geological understanding of the deposit; and, iii) most importantly, to further extend the resource along strike and down-dip.

The Phase One drill program consisted of a planned 60 holes (combination of both reverse circulation ("RC") and diamond drilling) testing the lateral and depth extensions of the mineralization outlined by Semafo's previous drill holes (*see August 3, 2005 news release*). By the end of the third quarter, 44 of 60 holes had been completed of which assay results for 33 holes had been received. These results were successful in demonstrating lateral and depth extensions of the mineralization and were equally successful in validating the results previously obtained by Semafo.

Highlights of the drill results are in the following table:

BHID	From	To	Width (m)	Grade (Au)	Type
BFE 1	67.74	70.29	2.55	11.26g/t	Diamond
BFE 2	68.78	74.94	6.16	5.58g/t	Diamond
BFE 4	123	125	2	4.39g/t	RC
BFE 5	42	48	6	1.24g/t	RC
BFE 7	193.7	194.7	1	2.45g/t	Diamond
BFE 8	190	193	3	1.35g/t	Diamond
BFE 12	141	143	2	1.16g/t	Diamond
BFE 28	77	84	7	4.96g/t	RC
BFE 29	57	60	3	2.27g/t	RC
BFE 30	20	23	3	5.39g/t	RC
BFE 33	38	42	4	1.56g/t	RC

A second phase of drilling is planned, based on the results from Phase I, to follow the strike extent of the mineralized system, which has a total current defined strike length of 1,600 meters, open to the north and at depth. The advanced 3-D modeling of the deposit is currently being updated based on the new data.

It is important to note that the **Tinga Far East gold deposit is only one of a number of mineral prospects defined by Semafo on the Tinga concession. Little drilling or trenching has been conducted on other key targets within the property.** Once Phase One of the drill program is completed at Tinga and while results are being analyzed prior to Phase II, the drill will be relocated to Kuri, 10 km to the east, where a drilling program is planned to test the extensive gold-in-soil anomalies in this region. The Company should soon receive approval from the Minister of Mines of the conversion of the Kuri area into a Prospecting License, the necessary status required to

undertake drilling. As previously stated, Kuri is underlain by the same geological environment (Dixcove granites) as the gold zones on Tinga, including the Far East Gold Zone.

Along the prolific Bibiani-Sefwi Gold Belt in central Ghana, Birim is continuing its reconnaissance exploration program with stream sediment sampling and soil geochemistry on its three concessions; Banda Ahenkro, Bia Tano and Nkenkasu. To date 353 samples have been collected at Banda Ahenkro and submitted to the lab for analysis. A follow-up 1,050 soil grid is currently being implemented along a 12 km-long base line. At Bia Tano, a 560 soil sampling program on a 300 x 300 meter grid is also being implemented. At Nkenkasu, a 2,100 stream and soil sampling program has just started with specific focus on a 16 kilometer northern extension of the Ahafo shear which hosts Newmont's numerous gold deposits (>11 million ounces gold). This sector is contiguous with Newmont's concessions.

On the Dunkwa concession, owned by Golden Star Resources Ltd. (TSX:GSC) and where Birim is entitled to receive a 3.5% net smelter royalty on all gold production (except for the first 200,000 ounces to be extracted from Mampon), Golden Star reported the following progress in their third quarter report dated November 02, 2005: *"On the Dunkwa concession north of Bogoso, exploration involved drilling of the Aniamote prospect, deeper drilling of the down-plunge extensions of the high-grade Mampon mineralization, and geological modeling and preliminary resource estimation of the Mampon open pit mineralization. Evaluation of the drilling results will continue into the fourth quarter, and updated resource estimates will be included in the 2005 year-end resource statements. Metallurgical samples shipped in the third quarter are currently being analyzed"*. More in-depth information can be obtained in the third quarter report at [www.gsr.com](http://www.gsr.com).

Gold exploration in Ghana is extremely active and access to prime prospective land is becoming increasingly difficult. Birim's premium land package in key areas that hold the potential to host large gold deposits makes it a key player in Ghana's exploration landscape. More and more, companies who wish to enter the arena will need to pay attention to companies like Birim whose land holdings offer a quick entry into a world class territory. **To this day, Ghana has produced more than 56 million ounces of gold and still hosts more than 100 million ounces in resources and reserves.**

As of December 31st, 2005, the number of common shares outstanding for Birim was 51,576,604. The Company's cash position was \$2.0 million CDN, enabling the Company to continue with its aggressive exploration of prime target areas on its gold mineral properties in Ghana. The Company continues to be focused on gold exploration in West Africa and on behalf of the management and Board of Birim Goldfields Inc., I thank you for your ongoing support and I assure you of our unrelenting efforts aimed at the advancement and development of our strategic land holdings in Ghana.

Denis Simoneau  
President and Chief Executive Officer  
February 2<sup>nd</sup>, 2005

# Birim Goldfields Inc.

## Consolidated Balance Sheets

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	December 31, 2005 (unaudited)	March 31, 2005 (audited)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 2,125,240	\$ 959,256
Accounts receivable	8,476	7,569
Prepaid expenses	42,856	139,420
	<hr/>	<hr/>
	2,176,572	1,106,245
Property, plant and equipment (Note 3)	279,170	189,038
Mining interests (Note 4)	13,867,432	10,675,319
	<hr/>	<hr/>
	\$ 16,323,174	\$ 11,970,602
	<hr/>	<hr/>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 282,957	\$ 244,863
	<hr/>	<hr/>
<b>Shareholders' Equity</b>		
Share Capital (Note 5)	26,022,929	21,396,611
Options (Note 5)	929,157	767,223
Warrants (Note 5)	540,666	-
Deficit	(11,452,535)	(10,438,095)
	<hr/>	<hr/>
	16,040,217	11,725,739
	<hr/>	<hr/>
	\$ 16,323,174	\$ 11,970,602
	<hr/>	<hr/>

See accompanying notes

## Birim Goldfields Inc.

### Consolidated Statements of Operations and Deficit

(unaudited)

	Three-month period ended December 31		Nine-month period ended December 31	
	2005	2004	2005	2004
<b>Revenues</b>				
Interest income, net	\$ 21,084	\$ (21,437)	\$ 52,348	\$ 31,725
<b>Administrative expenses</b>				
Stock - based compensation cost (Note 5)	-	-	163,253	251,485
Salaries and fringe benefits	50,211	52,636	150,601	153,020
Office and general	56,024	53,147	155,795	152,075
Professional and consulting fees (Note 6)	34,657	33,908	105,388	100,551
Travel and entertainment	8,749	17,866	43,319	91,247
Rent (Note 6)	6,000	6,000	18,000	18,000
	<u>155,641</u>	<u>163,557</u>	<u>636,356</u>	<u>766,378</u>
<b>Net loss</b>	134,557	184,994	584,008	734,653
<b>Deficit at beginning</b>	11,317,978	10,025,022	10,438,095	9,475,363
Share issue expenses		-	430,432	-
<b>Deficit at end</b>	<u>\$ 11,452,535</u>	<u>\$ 10,210,016</u>	<u>\$ 11,452,535</u>	<u>\$ 10,210,016</u>
<b>Basic and diluted net loss per share</b>	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>

See accompanying notes

## Birim Goldfields Inc.

### Consolidated Statements of Cash Flows

(unaudited)

	Three-month period ended December 31		Nine-month period ended December 31	
	2005	2004	2005	2004
<b>Operating activities</b>				
Net loss	\$ (134,557)	\$ (184,994)	\$ (584,008)	\$ (734,653)
Item not affecting cash and cash equivalents				
Stock - based compensation cost	-	-	163,253	251,485
	(134,557)	(184,994)	(420,755)	(483,168)
Net change in non-cash working capital items				
Accounts receivable	37,937	(4,965)	(907)	56,266
Prepaid expenses	25,985	11,569	96,564	34,701
Accounts payable and accrued liabilities	46,026	(73,445)	38,094	(162,033)
Tax payable	-	-	-	(58,000)
	109,948	(66,841)	133,751	(129,066)
	(24,609)	(251,835)	(287,004)	(612,234)
<b>Financing activities</b>				
Share capital	-	38,500	3,854,000	1,298,815
Share issue expenses	-	-	(345,875)	-
	-	38,500	3,508,125	1,298,815
<b>Investing activities</b>				
Mineral interests - exploration costs	(951,815)	(336,181)	(1,908,957)	(1,916,660)
Additions to property, plant and equipment	-	-	(135,949)	-
Business acquisition (Note 2)	-	-	(10,231)	-
Prepaid expenses	-	22,663	-	67,989
	(951,815)	(313,518)	(2,055,137)	(1,848,671)
<b>Net change in cash and cash equivalents</b>	(976,424)	(526,853)	1,165,984	(1,162,090)
<b>Cash and cash equivalents at beginning</b>	3,101,664	2,224,718	959,256	2,859,955
<b>Cash and cash equivalents at end</b>	\$ 2,125,240	\$ 1,697,865	\$ 2,125,240	\$ 1,697,865

Cash and cash equivalents are represented by cash and term deposits.

#### Additional Information

Items not affecting cash and cash equivalents related to financing and investing activities

Options granted (mining interests)	\$ 8,297	\$ 9,117	\$ 39,108	\$ 41,306
Options exercised	\$ -	\$ 3,015	\$ 40,427	\$ 9,524
Warrants exercised	\$ -	\$ -	\$ -	\$ 23,548
Business acquisition (Note 2)	\$ -	\$ -	\$ 1,188,000	\$ -
Warrants (share issue expenses)	\$ -	\$ -	\$ 84,557	\$ -

Capitalized amortization (mining interests)	\$	16,128	\$	-	\$	45,817	\$	-
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See accompanying notes.

# Birim Goldfields Inc.

## Notes to Consolidated Financial Statements

(unaudited)

December 31, 2005 and 2004

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### 1. General

The accompanying unaudited consolidated financial statements do not include all the disclosure required by generally accepted accounting principles for annual statements and should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended March 31, 2005, specifically the Note 1 on the Nature of activities and going concern and Note 2 on the Summary of significant accounting policies.

### 2. Acquisition of EBI (Ghana) Ltd.

On June 22, 2005, the Company acquired 100% of the shares of EBI (Ghana) Ltd., wholly-owned subsidiary of Semafo Inc., which holds a 90% interest into the Tinga concession located in Ghana. The Company recorded this transaction using the acquisition method which is summarized as follows:

Assets acquired

Acquisition costs - Mining interests                      \$1,188,000

Consideration

Share capital (A)    \$1,188,000

(A) The value of the 3,300,000 shares issued as consideration for the acquisition of the 100% shares of EBI (Ghana) Ltd. was determined using the average closing share price on the TSX over a reasonable period before and after the date the terms were agreed to by the parties.

In addition, acquisition costs of \$10,231, have been engaged and paid in cash for the acquisition of the shares of EBI (Ghana) Ltd.

### 3. Property, plant and equipment

	Balance as at April 1, 2005	Addition	Amortization	Balance as at December 31, 2005
Motor vehicles	\$ 154,135	\$ 135,949	\$ (39,595)	\$ 250,489
Furnitures and fixtures	4,297	-	(483)	3,814
Office equipment	16,812	-	(3,153)	13,659
Field equipment	13,794	-	(2,586)	11,208
	<u>\$ 189,038</u>	<u>\$ 135,949</u>	<u>\$ (45,817)</u>	<u>\$ 279,170</u>

Birim Goldfields Inc.

**Notes to Consolidated Financial Statements**  
(unaudited)

**December 31, 2005 and 2004**

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**4. Mining interests**

	Balance as at April 1, 2005 \$	Costs \$	Disposal \$	Balance as at December 31, 2005 \$
Bui	10,394,623	634,959	-	11,029,582
Tinga (Note 2)	-	2,336,194	-	2,336,194
Others	280,696	220,960	-	501,656
	<u>10,675,319</u>	<u>3,192,113</u>	<u>-</u>	<u>13,867,432</u>

  

	Balance as at April 1, 2004 \$	Costs \$	Disposal \$	Balance as at December 31, 2004 \$
Bui	8,295,838	1,957,966	-	10,253,804
Others	103,017	-	-	103,017
	<u>8,398,855</u>	<u>1,957,966</u>	<u>-</u>	<u>10,356,821</u>

**5. Share capital**

**Authorized**

Unlimited number of common shares, without par value.

**Issued**

Changes in the Company's share capital were as follows:

	2005		2004	
	Number of Shares	Amount	Number of Shares	Amount
Balance at beginning	40,246,604	\$ 21,396,611	36,726,204	\$ 20,003,973
Issued following a private placement	7,330,000	3,208,891 *	-	-
Issued following the exercise of warrants	-	-	1,995,400	975,363
Issued following the exercise of options	700,000	229,427	1,325,000	356,524
Business acquisition (Note 2)	3,300,000	1,188,000	-	-
Balance at end	<u>51,576,604</u>	<u>\$ 26,022,929</u>	<u>40,046,604</u>	<u>\$ 21,335,860</u>

\* This amount is net of the fair value of the warrants amounting \$456,109.

**Birim Goldfields Inc.**

**Notes and Comments to Consolidated Financial Statements**

## 5. Common share purchase options (cont'd)

### Common share purchase options

The company has a fixed-price share option plan. Under the Employee, Director and Consultant Share Option Plan, the company may grant options to its key employees, officers, directors and consultants for up to 9,500,000 common shares. Under the plan, the exercise price of each option equals the market price of the company's shares on the date of grant and an option's maximum term is ten years. The number of share options granted is determined by the Board of Directors and the aggregate number of share options granted to any one individual cannot exceed 5% of the issued and outstanding common shares of the company. Options terminate 90 days following the key employee's, officer's or director's date of departure, except in the case of retirement, death or disability, in which case they terminate one year after the event. Options also terminate 90 days following the cancellation of contracts with the consultants. The options are exercisable at any time, unless otherwise specified.

The following table presents the stock option activity since April 1, 2005 and 2004:

	2005		2004	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding – Beginning of period	2,850,000	0.65	3,325,000	0.52
Granted	1,165,000	0.40	1,100,000	0.54
Exercised	(700,000)	0.27	(1,325,000)	0.26
Matured	-	-	(50,000)	0.37
Outstanding and exercisable – End of period	3,315,000	0.65	3,050,000	0.64

The following table summarizes information about fixed stock options outstanding and exercisable as at December 31, 2005:

Options outstanding as at December 31, 2005	Weighted average remaining contractual life (years)	Exercise price \$
1,000,000	0.46	0.54
100,000	0.59	0.56
1,050,000	0.04	1.03
150,000	1.27	0.42
965,000	1.60	0.40
50,000	1.80	0.39
3,315,000	0.72	0.65

## Notes and Comments to Consolidated Financial Statements

(unaudited)

December 31, 2005 and 2004

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### 5. Common share purchase options (cont'd)

The fair value of options granted was estimated using the Black-Scholes options pricing model with the following weighted average assumptions :

	2005	2004
Weighted average risk-free interest rate	3.16%	2.98%
Expected volatility	75%	75%
Dividend yield	Nil	
		Nil
Weighted average expected life	2 years	2 years
Weighted average cost of option granted	\$0.17	\$0. 23

The cost recorded as expenses for the options granted to directors, officer and consultant during the period ended December 31, 2005 is \$163,253 (\$251,485 in 2004) and the amount of \$163,253 (\$251,485 in 2004) has been recorded under the heading Options. In addition, during the period ended December 31, 2005, \$39,108 (\$41,306 in 2004) was accounted for as mining interests for options granted to technical consultants through the vesting period and the amount of \$39,108 (\$41,306 in 2004) has been recorded under the heading Options.

As at December 31, 2005, the cost of the matured options is \$26,305.

### Warrants

The following table presents the warrant activity since April 1, 2005 and 2004:

	2005		2004	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding – Beginning of period	-	-	2,475,000	0.48
Granted	4,251,400	0.64	-	-
Exercised	-	-	(1,995,400)	0.49
Matured	-	-	(430,000)	0.50
Outstanding – End of period	4,251,400	0.64	50,000	0.35

# Birim Goldfields Inc.

## Notes and Comments to Consolidated Financial Statements

(unaudited)

December 31, 2005 and 2004

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### 5. Common share purchase options (cont'd)

The following table summarizes information about warrants outstanding and exercisable as at December 31, 2005:

Exercise price	Warrants outstanding and exercisable as at December 31, 2005	Weighted average remaining contractual life
\$0.65	3,665,000	1.20 years
\$0.55	586,400	1.20 years

### 6. Related party transactions

During the period, the Company paid \$58,500 (\$58,500 in 2004) in professional service fees and \$18,000 (\$18,000 in 2004) in rent, to a company controlled by an officer. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.