



**GOLDSOURCE MINES INC.  
MANAGEMENT DISCUSSION & ANALYSIS  
FORM 51-102F1**

**MARCH 31, 2008  
FIRST QUARTER**

**GOLDSOURCE MINES INC.  
MANAGEMENT DISCUSSION AND ANALYSIS**

For the three month period ended March 31, 2008

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**FORWARD LOOKING STATEMENTS**

Certain statements contained in this MD&A and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made.

**PRELIMINARY INFORMATION**

The MDA is an overview of the activities of **GOLDSOURCE MINES INC.** (the “Company”) for the three month period ended March 31, 2008. The MDA should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2007 and the notes attached thereto.

The effective date of this Management Discussion & Analysis is May 26, 2008.

**OVERALL PERFORMANCE**

The Company is a natural resource company engaged in the acquisition, exploration and development of mineral properties.

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 comprising 163,200 hectares in the Big River Area of Saskatchewan (the “Property”). These lands are prospective for the diamondiferous kimberlites.

The Company subsequently acquired additional exploration lands in Saskatchewan which brought its total land holdings to approximately 614,000 hectares. The Company has flown nearly 15,000 line kilometres of Fugro GEOTEM surveys in 4 separate areas and carried out an initial 6 hole drill program to test geophysical anomalies in the Sturgeon Lake area. The Company is selectively applying qualified work expenditures to what are considered to be priority claim areas. Other non priority claims are being allowed to lapse as their expiry dates arrive. As of December 31, 2007, the Company’s land position totaled approximately 415,140 hectares. This land position is being reduced in 2008 as expiry dates for certain claims came due. Of a planned 22 hole drill program only 6 holes were completed due to permitting and weather delays. Of the 6 holes completed, 4 were drilled on the Crossroads Property and 2 intersected significant coal intercepts at the Border property which will be evaluated during the remainder of 2008.

The proposed business objectives of the Company involve a high degree of risk and there is no assurance that future acquisitions or participations will be identified. Moreover, if potential acquisitions or participations are identified, the Company may determine that the current market, pricing conditions or terms of participation may make the acquisition or participation unattractive. The Company will be in competition with others with greater resources. The Company may find that, even if the terms of the acquisition or participation are reasonable, additional funds may be required to complete the acquisition or participation, and the Company may not be able to obtain financing on the terms acceptable to the Company, or at all. Where an acquisition or participation is financed by the issuance of shares from the treasury, control of the Company may change and shareholders may suffer dilution to their investment.

**LIQUIDITY AND CAPITAL RESOURCES**

Working capital decreased to \$3,334,290 from \$3,795,684 primarily due to incurring exploration expenditures as the Company commenced its Saskatchewan drilling program. Cash and cash equivalents plus short term investments decreased by \$99,010 during the period to \$3,709,853. The Company invested \$420,494 during the period on its mineral properties with the majority of expenditures being concentrated on drilling expenditures on the Crossroads and Border properties.

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**LIQUIDITY AND CAPITAL RESOURCES (continued)**

As a junior mineral exploration company the Company is reliant upon equity financings to fund its exploration activities. There can be no assurance that the Company will be successful in obtaining additional future financing.

**FINANCIAL SUMMARY**

The net loss for the three months ended March 31, 2008, increased by \$9,645 to \$40,900 compared to the same period in 2007. General and administrative expenses for the three months were \$77,776 compared to \$72,357 in 2007. Shareholder communications expense increased by \$3,240 as the Company updated its web site. Stock based compensation expense declined by \$4,688 to Nil as no stock options were granted or vested during the period.

**FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, short term investments, amounts receivable, accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair market value of these financial instruments, approximate their carrying values unless otherwise noted.

**SUMMARY OF QUARTERLY RESULTS**

<b>Period</b>	<b>Revenue (\$)</b>	<b>Net Income (Loss) (\$)</b>	<b>Net Loss per Share (\$)</b>
March 31, 2008	-	(40,900)	(0.00)
December 31, 2007	-	3,439	0.00
September 30, 2007	-	(21,333)	(0.01)
June 30, 2007	-	(51,117)	(0.00)
March 31, 2007	-	(31,255)	(0.00)
December 31, 2006	-	19,403	0.00
September 30, 2006	-	(42,729)	(0.00)
June 30, 2006	-	(107,214)	(0.01)

The net loss per share is calculated on a weighted average, basic and fully diluted basis

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**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)

**Issued and fully paid - common shares**

	Share Capital		Contributed Surplus Amount
	Number	Amount	
<b>December 31, 2006</b>	17,648,181	8,901,524	4,769,924
Issued pursuant to acquisition of the Border and Crossroads Properties	50,000	16,500	-
Stock-based compensation	-	-	9,375
<b>December 31, 2007 and March 31, 2008</b>	17,698,181	\$ 8,918,024	\$ 4,779,299

**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 maximum term of 5 years.

At March 31, 2008, stock options were outstanding, enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
300,000	\$0.35	July 08, 2009
100,000	\$0.30	December 08, 2009
800,000	\$0.90	December 23, 2010
1,200,000		

Refer to Subsequent Events for subsequent stock option grant.

**Warrants**

As at December 31, 2007 and March 31, 2008 there were no share purchase warrants outstanding.

**Fully Diluted Share Capital, as of the date of this report**

Common shares issued	17,776,681
Stock options outstanding	1,751,500
Warrants outstanding	-
	<u>19,528,181</u>

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**OFF-BALANCE SHEET ARRANGEMENTS**

At March 31, 2008 the Company had no off-balance sheet arrangements, such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instrument obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

**RELATED PARTY TRANSACTIONS**

During the three month period ended March 31, 2008, the Company paid fees of \$22,500 (2007 - \$22,500) for management services to Nemesis Enterprises Ltd., which is wholly owned and controlled by a Director and Officer of the Company.

**PROPOSED TRANSACTIONS**

In the normal course of business, the Company evaluates property acquisition transactions and, in some cases, makes proposals to acquire such properties. These proposals, which are usually subject to Board, regulatory and, sometimes, shareholder approvals, may involve future payments, share issuances and property work commitments. These future obligations are usually contingent in nature and generally the Company is only required to incur the obligation if it wishes to continue with the transaction. As of this date, the Company has a number of possible transactions that it is examining. Management is uncertain whether any of these proposals will ultimately be completed.

**INVESTOR RELATIONS ACTIVITIES**

During the period Company personnel performed all investor relations services.

**RESULTS OF OPERATIONS**

**(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”). A detailed technical report (NI 43-101 compliant) supporting the acquisition, was prepared by independent Qualified Persons and is filed on SEDAR.

**Historic Activities**

Prior to the Company’s efforts, the most recent, serious exploration work on the Big River Property (Sturgeon Lake claims) was carried out more than 10 years ago. Although the area includes the site of the first discovery of diamonds in Saskatchewan, it had never been systematically explored using current geophysical techniques or applying the extensive knowledge base that has been developed for the kimberlite pipes of the Fort à la Corne area. Work carried out by previous operators on the Sturgeon Lake claim block and immediate area included 5 core and 27 rotary drill holes. Intercepts of kimberlite were reported in 19 holes in four widely separated areas. The two holes for which detailed analyses are available reported recoveries of micro-diamonds and significant indicator minerals from both holes.

Early in 2006, the Company engaged Fugro Airborne Surveys Corp to carry out a 3,900 line kilometer geotem and magnetic survey over the Sturgeon Lake claim block. The survey was completed in February, 2006 and results identified several drill targets that could represent diamondiferous kimberlites.

Subsequent to the initial property acquisition, the Company acquired an additional 186,000 hectares of mineral claims (the “Deben” claim block) covering the favourable geologic horizons between its Sturgeon Lake block and its Cowan Lake block to the northwest. At this point, the Company controlled a 90% interest in the Big River Property which comprised a block of contiguous claims totaling approximately 459,260 hectares.

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**RESULTS OF OPERATIONS (continued)**

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

**Historic Activities (continued)**

The Company completed 6 drill holes on its Sturgeon Lake claim block. Three holes tested priority geophysical targets that exhibited electro-magnetic resistivity ("EM") signatures somewhat similar to those generally associated with kimberlite pipes in the Fort à la Corne area. One of these holes intersected approximately 2.2 metres of what appears to be a fine grained pyroclastic unit within mudstones that are stratigraphically the same units that contain kimberlites in the Fort à la Corne area. This unit was sampled for further study but did not result in the identification of a previously unidentified kimberlite.

The remaining three drill holes tested kimberlite occurrences identified by previous operators in the Sturgeon Lake area. These holes served to confirm local stratigraphy and helped to define the extent and nature of the known kimberlite occurrences and their relationship to the recently acquired magnetic and electro-magnetic data. Only one minor intercept of kimberlite was encountered in the hole drilled nearest to the Sturgeon Lake occurrence.

**Current Activities**

The Company flew approximately 3,200 line kilometers in 2007 of Fugro airborne geophysics in the Cowan Lake area of the Big River project. This survey identified 2 high priority geophysical anomalies as well as several second priority targets in the same general area. These targets are expected to be drilled in 2008. The timing of the program is subject to weather constraints and drill rig availability. The land position in the Cowan Lake area was reduced to 12,544 hectares which is sufficient to retain the priority targets. The Company also reduced its land position in the Sturgeon Lake area as the expiry dates of certain non-priority claims came due. The estimated land position of the Sturgeon Lake, Cowan Lake and Debden claims block totals approximately 225,056 hectares.

**(b) Border and Crossroads Properties, Saskatchewan**

**Historic Activities**

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 or other minerals and metals.

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 (paid) and issue a total of 325,000 common shares of the Company (175,000 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 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.

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**RESULTS OF OPERATIONS (continued)**

**(b) Border and Crossroads Properties, Saskatchewan (continued)**

**Historic Activities (continued)**

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.

Based on this independent research, the Company acquired 100% interest in approximately 148,600 hectares of mineral claims (the Border claim block) in the eastern portion of the province and has staked an additional 11,484 hectares to cover a second prospective area (the "Crossroads" claim block).

**Current Activities**

An airborne geophysical survey of approximately 7,750 line kilometers using the Fugro Geotem system was completed covering both areas in 2006. The data has been interpreted and several drill targets that may be potential kimberlite pipes have been identified.

In February and March of 2008, the Company drilled a total of 6 core holes for 971 metres of a 22 hole planned program. Four holes were completed at Crossroads and 2 holes at the Border Property. Drilling was discontinued in early April due to spring break up. Preliminary comments and results from the drilling are;

1. Permitting for the 22 hole program took approximately 9 months including consultation with First Nation groups.
2. Crossroads drilling was very difficult due to holes collapsing as a result of downhole sanding. Of the 4 holes drilled only 1 hole reached its target depth. Preliminary results show no kimberlite occurrences. Further review of core is required. Two permitted priority drill sites remain to be untested.
3. Drilling of 2 core holes on the Border project to test priority geophysical anomalies was completed. No kimberlite was encountered but significant coal intercepts were drilled. In the 2<sup>nd</sup> quarter of 2008, the Company will be evaluating the significance of the coal intercepts and planning for further drilling. Seven permitted drill sites remain to be completed.
4. The top 22.6 metres of the coal seam appears consistent in both holes with few visible partings (less than 0.1metres). The lower 4.5 to 11.6 metres is mixed coal and sandy/silty partings. The stratigraphy over-lying (glacial till and mudstones) the top of the seam is also consistent between drill holes and there is only about 1.6 metres difference in the elevations of the tops of the seam although the holes are 1.64 kilometres apart. The depth from surface to the top of coal seam is approximately 80 metres. It is initially assumed that the coal seam is the same in both holes and although the deposit appears to be of low complexity as defined by Paper 88-21 of the Geological Survey of Canada for the standardized reporting of coal reserves and resources in Canada, additional drilling will be needed to confirm this.

The proximate analyses (ash, fixed carbon, moisture, thermal energy, etc.), rank of the coal, sulphur content and the coal's coking characteristics, if any, will be determined by the analysis of 47 core samples submitted to a certified laboratory in Calgary, Alberta. The results are expected prior to the end of the week and will be released by the Company once they have been compiled and integrated with all other data available to the Company. The Company has retained half of the sampled core for future work.

The Company has made application for coal permits covering the area of interest in accordance with the Coal Disposition Act of Saskatchewan. The time frame for granting of the permits is dependent upon regulatory requirements to process the applications.

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**RESULTS OF OPERATIONS (continued)**

**(b) Border and Crossroads Properties, Saskatchewan (continued)**

**Current Activities (continued)**

Mr. Drever, President of Goldsource Mines Inc. and Mr. Fier, CPG, P.Eng., who is a consultant and Qualified Person for the Company, both have extensive experience in the exploration and evaluation of coal deposits in Canada, USA and South America.

With the claim reductions in the Cowan Lake and Sturgeon Lake areas, the Company's entire land position in Saskatchewan is now in the order of 415,000 hectares which will serve as a basis for ongoing exploration work. This land position is expected to be further reduced as expiry dates come due in 2008.

Due to the additional lands acquired through coal disposition applications it is expected that the estimated budget for exploration work on all properties in Saskatchewan for 2008 will be approximately \$2 to \$3 million. This budget is subject to management discretion and may change substantially depending upon ongoing results and the success on each of the programs undertaken. These exploration programs are subject to permit approval and drill rig availability.

**INDUSTRY AND ECONOMIC FACTORS AFFECTING PERFORMANCE**

Certain factors affect the Company's ability to finance and to carry on normal business. These include precious metal prices, competition amongst exploration firms for attractive mineral properties, the interest of investors in providing high-risk equity capital to exploration companies, and the availability of qualified staff and drilling equipment to conduct exploration. For the Company, which is focused exclusively on exploration and development of diamond resources, diamond prices, and the availability of equity funds are important factors.

**RISKS AND UNCERTAINTIES**

Mineral exploration and development involves a high degree of risk and few properties are ultimately developed into producing mines. Should any resource be defined on the Company's properties there can be no assurance that the mineral resources can be commercially mined or that processing will produce economically viable, saleable products.

Future operations, if any, of the Company, including development activities and commencement of production on its properties, will require permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with the applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for the construction of any mining facilities and conduct of mining operations will be obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions.



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**RISKS AND UNCERTAINTIES (continued)**

Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in the development of new mining properties.

**SUBSEQUENT EVENTS**

The following events occurred subsequent to March 31, 2008:

On April 22, 2008 the Company announced that it had encountered significant coal intercepts with its drilling in the area of its Border property in Saskatchewan. A "Letter of Comfort" from the Ministry of Energy and Resources confirmed 179 coal permit applications were first in line and had been given priority status.

On April 23, 2008, the Company granted stock options to its directors, officers and consultants for the purchase of up to a total of 555,000 common shares of the Company at an exercise price of \$0.38 per share. The Options have a 5 year term expiring April 23, 2013. All shares issuable pursuant to the exercise of the Options are subject to a four-month hold period commencing from the date the Options were granted.

On May 8, 2008 3,500 common shares were issued pursuant to the exercise of stock options for proceeds of \$3,150.

**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.

(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.

**ADDITIONAL INFORMATION**

Additional information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's website [www.goldsourcemines.com](http://www.goldsourcemines.com).