PRELIMINARY INFORMATION

The Management Discussion and Analysis (MDA) is an overview of the activities of **Goldsource Mines Inc.** (the "Company") for the year ended December 31, 2008. The MDA should be read in conjunction with the audited financial statements for the year ended December 31, 2008 and the notes attached thereto which are available on the Company's website www.goldsource.com and on SEDAR at www.sedar.com.

The effective date of this Management Discussion & Analysis is April 24, 2009.

OVERALL PERFORMANCE

The Company's recent discovery of a major, good quality coal seam in east-central Saskatchewan has resulted in the shift in emphasis from exploration for diamondiferous kimberlites to exploration and development of this new coal discovery. Extensive drilling for kimberlites on the Company's Big River, Sturgeon Lake and Cross Roads projects in central and western Saskatchewan did not result in the identification of any kimberlite and these land positions have been allowed to expire. The Company has focused its efforts on the delineation of the Durango Coal Seam identified on the Border Property in east – central Saskatchewan.

Highlights for the reporting period are as follows:

- In April, 2008 while drilling airborne geophysical targets for potential diamondiferous kimberlites on its Border Property two drill holes intersected 23.6 metres and 24.0 metres of good quality thermal coal.
- In August, the Company completed 9 HQ core holes at the Border Project in eastern Saskatchewan and intersected several horizons containing the Durango Coal Seam(s).
- Five of the holes, including re-drilling of the discovery holes intercepted thicknesses of coal ranging from 8.8 metres to 22.6 metres plus broader horizons of mixed coal and mudstones. Three holes intercepted varying intervals of high ash, carbonaceous materials and one hole did not encounter anything of interest.
- Approximately 213 samples were submitted to Loring Lab in Calgary for analyses with results showing good quality thermal coal that was ranked as sub-bituminous to bituminous.
- Appointed new Directors in June and October and a Vice President of Operations in December.
- In June the Company closed a private placement led by Genuity Capital for $18 million.
- Permitting for 300 drill sites and plans for a major winter drill program at Border were completed. Initial plans called for approximately 58 drill holes to be drill during the winter period to further define the Durango Seams in the discovery area in preparation for a resource estimation and to test other potential coal occurrences within the larger permit areas.

The proposed business objectives of the Company involve a high degree of risk and there is no assurance that future mineral property 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

On June 27, 2008 the Company issued 1,532,000 common shares for gross proceeds of $18,001,000 pursuant to a brokered private placement and realized $16,858,187 after cash share issuance costs. The Company also issued 91,920 compensation warrants, at an exercise price of $13.80 until June 27, 2009, to the agent of the brokered private placement. In addition $15,350 was received from the exercise of stock options.

During the year ended December 31, 2008 the Company incurred $5,940,797 of mineral property expenditures compared to $293,774 in the comparative year. In addition the Company advanced $500,000 on a drilling contract of which $96,625 has been utilized at December 31, 2008.

The Company's working capital as at December 31, 2008 was $13,983,244 which is sufficient to fund the exploration programs on its Border, Ballantyne and Manitoba Properties as well as its administrative obligations planned for 2009.

As a mineral exploration company the Company is reliant upon equity financings to fund its exploration activities. However, there can be no assurance that the Company will be successful in obtaining additional future financing particularly in the present economic environment.

	December 31, 2008	**December 31, 2007**
	$	$
Cash and cash equivalents	2,757,014	9,625
Short-term investments	11,723,757	3,799,238
Working capital	13,983,244	3,795,684

FINANCIAL SUMMARY

Three months ended December 31, 2008

The Company reported a net loss of $542,177 for the fourth quarter compared to net income of $3,439 in the fourth quarter of 2007. The major differences between 2008 and 2007 are explained below.

- Management fees increased by $200,000 to $222,500 as the Company paid a bonus to its President for services rendered in 2008.
- Professional fees increased by $12,888 to $41,931 due to project application and contract review activities.
- Shareholder communications increased by $12,386 to $14,676 as the Company upgraded its website and trade show profile.
- Stock-based compensation expensed for the fourth quarter increased to $295,284 from $Nil in 2008 as a result of the granting of stock options in the fourth quarter as well as the vesting of previous stock option grants.
- Travel and related costs increased by $8,998 to $10,972 due to project administration activities.
- Interest income increased by $52,882 to $92,183 due to increased funds on deposit during the period.

Year ended December 31, 2008

The Company reported a net loss of $4,978,579 for the year ended December 31, 2008 compared to a net loss of $100,266 for the year ended December 31, 2008. The major differences between 2008 and 2007 are explained below:

- Management fees increased by $200,000 to $290,000 as the Company paid a bonus to its President for services rendered in 2008.

FINANCIAL SUMMARY (continued)

Year ended December 31, 2008 (continued)

- The Company incurred $15,304 of investor relations expenses during the year for internet and print advertising.
- Professional fees increased by $105,587 to $179,609 due to property application and contract review activities, financing and the shareholder rights plan.
- Shareholder communications increased by $30,513 to $34,620 as the Company upgraded its website and trade show profile and incurred more printing and mailing expenses.
- Stock based compensation expensed for the year increased by $579,534 to $588,909 as a result of the vesting provisions upon the granting of 805,000 stock options during the year.
- Travel and related costs increased by $27,949 to $30,952 due to to financing and project administration activities.
- Interest income increased by $104,033 to $264,237 due to increased funds on deposit during the period.
- The Company incurred a write off of its mineral properties of $4,601,430 during the year compared to $Nil in 2007. The Big River and Crossroad property capitalized costs were written off as the mineral claims were allowed to lapse.
- The Company recorded $643,316 of future tax recoveries compared to a recovery of $46,394 in 2007. The recovery for 2008 is due to the write-off of the Big River Property carrying values to $Nil. The recovery recorded in 2007 was due to a change in the combined federal and provincial corporate tax rates.

SUMMARY OF QUARTERLY RESULTS

Period	Revenue ($)	Net Income (Loss) ($)	Net Loss per Share ($)
December 31, 2008	-	(542,177)	(0.03)
September 30, 2008	-	(4,076,084)	(0.22)
June 30, 2008	-	(319,418)	(0.02)
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)

The net loss per share is calculated on a weighted average, basic and fully diluted basis. The net loss for the quarter ended September 30, 2008 was due primarily to the write-off of mineral property expenditures.

SELECTED ANNUAL INFORMATION

	2008 $	2007 $	2006 $
Total revenues	-	-	-
Net loss for the year	(4,978,579)	(100,266)	(263,712)
Net loss per share	(0.27)	(0.01)	(0.02)
Total assets	20,542,629	7,908,780	8,024,108
Total long term financial liabilities	-	-	-
Future Income Taxes	-	643,316	689,710

(1) All per share amounts are calculated on a weighted average, basic and fully diluted basis.
(2) The net loss for 2008 is due primarily to the write-off of mineral property expenditures.
(3) Total assets increased in 2008 as a result of raising $16,873,537 from the issuance of share capital by means of a private placement and the exercise of stock options.

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
	Number	Amount	Amount
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
Issuance pursuant to acquisition of Mineral Properties	75,000	12,750	-
Issuance pursuant to exercise of stock options	31,500	23,990	(8,640)
Issuance pursuant to private placement	1,532,000	18,001,000	-
Share issuance costs	-	(2,104,295)	961,483
Stock-based compensation	-	-	665,909
December 31, 2008	19,336,681	$ 24,851,469	$ 6,398,051

Stock options

At December 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
793,500	$0.90	December 23, 2010
530,000	$0.38	April 23, 2013
100,000	$6.45	June 02, 2013
100,000	$2.20	October 9, 2013
50,000	$1.50	December 15, 2013
1,973,500		

SHARE CAPITAL (continued)

Warrants

At December 31, 2008 share purchase warrants were outstanding enabling holders to acquire common shares as follows:

	Number of Warrants	Weighed Average Exercise Price
As at December 31, 2006	4,242,370	$0.75
Expired	(4,242,370)	$0.75
As at December 31, 2007	-	-
Issued	91,920	$13.80
As at December 31, 2008	91,920	$13.80

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

Common shares issued	19,436,681
Stock options outstanding	1,948,500
Warrants outstanding	91,920
	21,477,101

OFF-BALANCE SHEET ARRANGEMENTS

At December 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

The Company entered into the following transactions with related parties:

(a) Paid management fees of $290,000 (2007 - $90,000) to a company owned by an officer and director of the Company of which $200,000 (2007 - $Nil) is included in accounts payable.

(b) Incurred $165,965 (2007 - $7,281) 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. At December 31, 2008 $4,303 (2007 - $Nil) was included in accounts payable.

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.

APPOINTMENT OF DIRECTORS AND OFFICER

On June 2, 2008 the Company announced the appointment of Mr. Lukas Marthinus (Tinus) Maree as a director of the Company. Mr. Maree has over 20 years of experience in international finance both as a lawyer specializing in mergers and acquisitions and as an investment banker. He has successfully advised public companies on transactions in the gold, diamond and coal sectors. The addition of Mr. Maree to the Board complements the considerable international experience of the current directors and adds a significant dimension related to mergers, acquisitions and corporate finance. The addition of Mr. Maree gives the Board a majority of independent directors which will be important as the Company moves into the next phases of its growth.

On October 9, 2008 the Company announced the appointment of Mr. Eric Friedland as a director of the Company. Mr. Friedland has over 25 years of experience in mineral exploration and development and mining as well as mining finance and is currently the Chairman and CEO of Peregrine Diamonds Ltd. (TSX-PGD). Previously Mr. Friedland was the President and Director of Fairbanks Gold Ltd. and played a primary role in the creation, development and financing of the Fort Knox gold discovery in Alaska and the subsequent sale of Fairbanks Gold to Amax Gold Corp. He was formerly CEO and Director of Carson Gold Corp., which explored and developed gold mining assets in Venezuela and subsequently became DiamondWorks Ltd., which under Mr. Friedland's direction developed two producing diamond mines in Angola and re-opened the Koidu Diamond Mine in Sierra Leone. Mr. Friedland was also a Director of Ivanhoe Mines Ltd. (TSX-IVN, NYSE-IVN) from Ivanhoe's inception to its world-class copper-gold discovery in Mongolia called Oyu Tolgoi. Mr. Friedland has a B.Sc. degree in Geophysics with a minor in Geology from the Colorado School of Mines.

On October 9, 2008 the Company granted stock options ("Options") to Mr. Friedland for the purchase of 100,000 common shares of the Company for a term of 5 years at an exercise price of $2.20 per share. The options will vest as to 25% on granting and 25% at the end of six, twelve and eighteen months from the date of grant. 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. In addition, certain of the options granted exceed the 10% limit imposed by the Company's rolling stock plan and will not be exercisable until such time as the common shares related to such options together with the common shares reserved under the plan do not in aggregate constitute more than 10% of the common shares of the Company at the time of purchase or exercise.

On December 1, 2008 the Company appointed MS. Wendy Gale Mathison as Vice President of Operations. Ms. Mathison has a BSc. Geological Science from the University of British Columbia and has more than 25 years of mineral exploration and mining experience. Her breadth of project experience ranges from early reconnaissance exploration to mine commissioning with a specialization in operational management and technical administration of resource definition drilling programs with a focus on advanced stage to mine feasibility projects. Since 2005, Ms. Mathison was the Vice President - Operations of Peregrine Diamonds Ltd. where she successfully supervised a technically challenging, multi-million dollar resource definition program in the Lac des Gras region of the North West Territories. Ms. Mathison has also received accreditation as a Six Sigma business improvement expert, coach and trainer. Prior to her position with Peregrine Diamonds Ltd., Ms. Mathison was Senior Contracts and Land Advisor, North America and Europe, for BHP Billiton World Exploration Inc.

APPOINTMENT OF DIRECTORS AND OFFICER (continued)

The Company also announce that it granted a stock option to Ms. Mathison for the purchase of 50,000 common shares of the Company for a term of 5 years at an exercise price of $1.50 per share. The option is subject to such vesting period as determined by the Board. All shares issuable on exercise of the option are subject to a four-month hold period commencing from the date of the option grant.

RESULTS OF OPERATIONS

(a) Border Property, Saskatchewan

By agreement ("MPI Agreement") dated April 12, 2006 with Minera Pacific Inc., ("Minera") the Company acquired 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 minerals.

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 totalling $160,000 ($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 next payment is due on or before April 12, 2009 and will be for $100,000 as an advance against the Feasibility Payment and the issuance of 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.

By amendments dated May 1 and May 15, 2008, the MPI Agreement was extended whereby MPI will use its ability, knowledge and technical methodology to assist the Company in locating properties in other areas in Saskatchewan and Manitoba which may be prospective for minerals. In consideration for this, the Company agreed to pay MPI $100,000 for each property area acquired by the Company, payable as to $25,000 within 30 days of the date of acquisition of the first property and a further $75,000 on the first anniversary of the initial payment on condition that the Company continues to hold at that time a property within such area.

Historic Activities

In 2007, 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 staked an additional 11,484 hectares to cover a second prospective area (the "Crossroads" claim block). An airborne geophysical survey of approximately 7,750 line kilometers using the Fugro Geotem system was completed covering both the Border and Crossroads areas in 2006. The data was interpreted and several drill targets that were potential kimberlite pipes were identified. In February and March of 2008, the Company drilled four holes at Crossroads and 2 holes at the Border Property. No kimberlites were encountered in the drilling on either property.

RESULTS OF OPERATIONS (continued)

(a) Border Property, Saskatchewan (continued)

Current Activities at Border Property

In April 2008, drilling of two core holes on the Border project to test priority geophysical anomalies was completed. No kimberlite was encountered but significant coal intercepts were drilled. 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.

In response to its applications, the Company received 179 coal permits totaling approximately 128,352 hectares covering the area of interest issued in accordance with the Coal Disposition Act of Saskatchewan.

Forty seven coal samples were submitted to Loring Labs in Calgary from the two coal intercepts. On the basis of proximate analyses, most of the coal from the two intercepts is ranked, in accordance with standard ASTM-D388, as **High Volatile Bituminous C and Sub-Bituminous A**. The Company believes that the coal encountered in the drill holes is from the Mannville/Swan River Group of Cretaceous age. The coal is black and moderately hard and the 47 samples have been ranked according to ASTM - D388 as follows; High volatile bituminous B (1); High volatile bituminous C (21) Sub-bituminous A (20); Sub-bituminous B (4); Sub-bituminous C (1). Overall, the initial proximate analyses for the 22.6 metres of continuous coal in each hole show a range of Calorific Values (dry basis) of 18,900 to 23,150 Kj/Kg (8,100 to 10,000 BTU/lb) with an average of approximately 21,000 Kj/Kg (9,200 BTU/lb). The initial sulfur content ranges from 0.25 to 3.84% with an average around 1.5%. Coal intervals with partings located below the continuous coal seam intercepts have widths of 4.6 and 10.0 metres respectively. These lower intervals have Calorific Values of 13,700 Kj/Kg (5,900 BTU/lb) and 10,400 Kj/Kg (4,400 BTU/lb).

In August 2008, the Company completed 9 HQ core holes including redrilling of the original two discovery holes at the Border Project in eastern Saskatchewan and intersected several horizons containing the Durango Coal Seam. Five of the holes, including re-drilling of the discovery holes intercepted thicknesses of coal ranging from 8.8 metres to 22.6 metres plus broader horizons of mixed coal and mudstones. Three holes intercepted varying intervals of high ash, carbonaceous materials and one hole did not encounter anything of interest. Aproximately 213 core samples were sent to Loring Labs in Calgary, Alberta for proximate and ultimate analysis. Detailed data on coal quality has been received and was reported in a press release dated November 11, 2008.

The initial lab results have confirmed the quality and ranking established by the results from original discovery holes. Details of the program and initial drill results have been reported in press releases dated July 14, July 21, July 28, August 5 and August 19, 2008.

<u>RESULTS OF OPERATIONS</u> <u>(continued)</u>

(a) Border Property, Saskatchewan (continued)

Current Activities at Border Property

A summary of all holes drilled in 2008 is presented below:

Hole	From (m)	To (m)	Width (m)	Note
BD08-01	42.3	48.5	6.20	Carbonaceous mudstone, sand, coal fragments
BD08-02	81.60	105.00	**23.40**	**Durango Coal Seam**
includes	81.60	82.85	1.25	Continuous Coal with minor partings
includes	83.70	93.85	10.15	Continuous Coal with minor partings
includes	97.28	103.80	6.52	Continuous Coal with minor partings
BD08-03	78.90	107.00	**28.10**	**Durango Coal Seam**
includes	78.90	102.50	23.60	Continuous Coal with minor partings
BD08-03A	80.30	119.00	**38.70**	**Durango Coal Seam**
includes	80.30	102.40	22.10	Continuous Coal with minor partings
BD08-04	27.40	36.70	9.30	Carbonaceous mudstone, sand, coal fragments
BD08-05	78.4	114.45	**36.05**	**Durango Coal Seam – Continuous Coal with minor partings**
BD08-06	78.3	112.5	**34.20**	**Durango Coal Seam**
includes	78.3	102.3	24.00	Continuous Coal with minor partings
BD08-06A	70.50	111.60	**41.10**	**Durango Coal Seam**
includes	70.50	93.50	23.00	Continuous Coal with minor partings
includes	100.00	101.85	1.85	Continuous Coal with minor partings
includes	109.30	111.60	2.30	Continuous Coal with minor partings
BD08-07	53.20	73.25	20.05	**Durango Coal Seam?, Carbonaceous mudstone, sand, coal fragments**
includes	53.40	54.38	0.98	Continuous Coal with minor partings
BD08-08	0	132.2	132.2	No coal or coaly units
BD08-09	45.30	52.55	**7.25**	**Durango Coal Seam –** 6.0m inter-bedded Continuous Coal with minor partings

In November 2008, The Company announced that the basic analytical results for 213 coal samples from nine holes drilled this summer at Border Coal Property, Saskatchewan, Canada had been received from Loring Labs of Calgary, Alberta. The results confirm that the Border Coal is a good quality thermal coal which ranges from sub-bituminous C to bituminous C in rank. The coal ranges in calorific value from 20,640 kj/kg (8,874 Btu/lb) to 23,358 kj/kg (10,042 Btu/lb) on a “dry” basis. The seam has raw ash values ranging from 11.4 % to 18.7 % and moisture contents from 24.8 % to 37.9% on an “as received basis” after 3 days of “air dry”, moisture content is reduce to 2 to 5%. This decrease in moisture can positively impact the calorific value and marketability of the coal for various potential markets. By way of comparison, the average calorific value of the Border coal is generally higher than those of the Alberta thermal coal fields and the major producers of the Powder River basin.

The selection of coal intervals for reporting purposes was based on a combination of visible logs, interval picks from down-hole density and gamma logs and the lab analysis of core samples. Generally, good thermal coal is carbonaceous material with less than 25% ash on a dry basis. Therefore, for the purpose of identifying the coal seam(s), intervals with composite ash analyses on a dry basis of approximately 25% or less were used and are reported in the table below.

RESULTS OF OPERATIONS (continued)

(a) Border Property, Saskatchewan (continued)

Current Activities at Border Property

Weighted average values for the Border Coal:

Hole Number	Interval (metres)	Width (metres)	Moisture % (ar)	Moisture % (ad)	Ash % (ar)	Ash % (d)	Volatile Matter % (d)	Fixed Carbon % (d)	Sulphur % (d)	CV Kj/Kg (d)	CV Btu/lb (d)
BD08-02	**81.6 - 103.8**	**22.2**	**29.16**	**4.04**	**14.52**	**20.93**	**35.07**	**44.00**	**1.83**	**21,183**	**9,107**
BD08-03	**79.9 - 102.5**	**22.6**	**28.11**	**5.20**	**14.21**	**19.72**	**35.10**	**45.18**	**2.20**	**23,125**	**9,941**
BD08-03A	**80.3 - 102.4**	**22.1**	**24.81**	**17.21**	**14.60**	**19.17**	**35.68**	**45.15**	**2.72**	**23,092**	**9,928**
BD08-05	**102.6 - 111.4**	**8.8**	**28.50**	**10.02**	**18.71**	**26.03**	**31.10**	**42.87**	**3.54**	**21,268**	**9,143**
BD08-06	**80.0 - 101.0**	**21.0**	**28.13**	**7.72**	**18.16**	**25.28**	**31.64**	**43.08**	**1.95**	**20,640**	**8,874**
BD08-06A	**71.2 - 93.6**	**22.4**	**37.98**	**10.36**	**11.38**	**18.27**	**37.01**	**44.73**	**2.64**	**23,358**	**10,042**
WT. AVE.		**19.9**	**29.58**	**8.98**	**14.83**	**21.01**	**34.65**	**44.32**	**2.36**	**22,225**	**9,555**

(ar) "as received"; (ad) "air dried"; (d)-"dried"

The Free Swelling Index (FSI) tests received to date, that may be an indication of potential coking coal characteristics, did not produce any positive results. However, as only 11 holes have been drilled to year end in the permit area which encompasses approximately 1,280 square kilometers, potential still exists to find coal with coking characteristics.

Subsequent to the end of the year, a winter drill program commenced in mid-January with approximately 300 hole locations permitted and a 58 drill hole program planned for the winter season.

(b) Ballantyne Property, Saskatchewan

The Company has received an additional 250 coal permits (approximately 184,496 hectares) in Saskatchewan to the northwest of its current holdings at the Border Project. A 20 hole drill program is planned for 2009.

(c) Big River and Crossroads Properties, 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

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 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. Only one minor intercept of kimberlite was encountered in the hole drilled nearest to the Sturgeon Lake occurrence.

RESULTS OF OPERATIONS (continued)

(c) Big River and Crossroads Properties, Saskatchewan (continued)

Historic Activities (continued)

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.

Current Activities

Completion of an extensive exploration program did not identify any kimberlites. The Company allowed the mineral claims to lapse and has accordingly written-off all related mineral property expenditures.

(d) Manitoba Properties

The Company has also applied for quarry permits to cover prospective coal deposits in twelve areas in Manitoba which required deposits totalling $4,252,752. Subsequent to the initial applications but prior to the issuance of the quarry permits, the Company re-configured and reduced the number of hectares applied for such that $2,845,325 of the initial deposits were refunded. The remaining Manitoba quarry deposit of $1,407,427 is refundable upon completion of a qualifying work program.

INDUSTRY AND ECONOMIC FACTORS AFFECTING PERFORMANCE

Certain factors affect the Company's ability to finance and to carry on normal business. These include commodities 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 on exploration and development of natural resources, the availability of equity funds is a very important factor.

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.

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.

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 of achievements of the company to materially different 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.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2008 the Company adopted 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.

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.

FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, and interest rate risk. Where material these risks are reviewed and monitored by the Board of Directors.

a. Capital Risk Management

The Company manages its capital to safeguard the Company's ability to continue as a going concern, to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company considers the items included in the shareholder's equity as capital. The Company manages the capital structure and makes adjustment to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets, incur debt, or return capital to shareholders. As of December 31, 2008 the Company did not have any debt and is not subject to externally imposed capital requirements.

b. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient cash balances to meet current working capital requirements. The Company is considered to be in the exploration stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is invested in business accounts with quality financial institutions and which is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

c. Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet it contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and equivalents and amounts receivable. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and equivalents with high-credit quality financial institutions.

The majority of the Company's cash and cash equivalents and short term investment are held with major Canadian based financial institutions.

d. Interest Rate Risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash and cash equivalents. The Company's practice has been to invest cash at floating rates of interest, in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash and cash equivalents as they are generally held with large financial institutions.

SUBSEQUENT EVENTS

a) On March 12, 2009 options to purchase 25,000 common shares were exercised for proceeds of $9,500.

b) On April 12, 2009 the Company paid $100,000 and issued 75,000 common shares pursuant to the Minera Pacific Inc. Agreement.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

DISCLAIMER

This document contains forward-looking statements, which address future events and conditions, which are subject to various risks and uncertainties. The Company's actual results, programs and financial position could differ materially from those anticipated in such forward-looking statements as a result of numerous factors, some of which may be beyond the Company's control. These factors include: the availability of funds; the timing and content of work programs; results of exploration activities and development of mineral properties, the interpretation of drilling results and other geological data, the uncertainties of resource and reserve estimations, receipt and security of coal permits and mineral property titles; project cost overruns or unanticipated costs and expenses, fluctuations in product prices; currency fluctuations; and general market and industry conditions. Forward-looking statements are based on the expectations and opinions of the Company's management on the date the statements are made. The assumptions used in the preparation of such statements, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.

The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. It should be read in conjunction and in context with all other disclosure documents of the Company. The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented.

Certain data included in this document may be historical in nature and as such may not conform to the requirements of NI- 43-101, may not have been verified by the Company's qualified person and therefore should not be relied upon.