



**MANAGEMENT DISCUSSION & ANALYSIS FORM
51-102F1**

**MARCH 31, 2009
FIRST QUARTER**

PRELIMINARY INFORMATION

The Management Discussion and Analysis (MDA) is an overview of the activities of **Goldsource Mines Inc.** (the "Company") for the three month period ended March 31, 2009. 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.goldsources.com and on SEDAR at www.sedar.com.

The effective date of this Management Discussion & Analysis is May 22, 2009.

OVERALL PERFORMANCE

The Company's 2008 discovery of major, good quality coal occurrences in east-central Saskatchewan has resulted in the shift in exploration emphasis from 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 since focused its efforts on the delineation of coal occurrences identified on the Border Property in east/central Saskatchewan.

Highlights for the reporting period are as follows:

- Between December 1, 2008 and commencement of drilling in January, a 36 man camp and winter road access was established at the Border Property.
- On January 16, 2009, the Company commenced the winter drilling program at Border. This drilling was completed based on follow up to the 2008 results which consisted of 9 HQ core holes and 2 HQ core twin holes. Five of the 2008 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. From the 2008 holes, 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.
- Between start up and winter drilling completion on March 31, 2009, the Company constructed approximately 75 kilometres of winter road access and drilled 86 HQ core holes.
- 7 discrete coal bodies or sub-basins have been defined with drilling to date; Chemong 03, Chemong 06, Chemong 20, Pasquia 02, Pasquia 05, Split Leaf 39 and 48. All suffixes, i.e. ("03"), represent the initial discovery hole for each sub-basin.
- Of the 97 holes drilled at Border to date, 34 contain aggregate coal intercepts ranging from 10 to 100 metres in true thickness and coal was intercepted in a total of 44 holes.
- Approximately 17 samples were sent to Loring Labs in Calgary for proximate analysis.
- Approximately \$5.5 million was spent on the winter program prior to spring break up.
- Washability test work shows positive results with potential to decrease ash and sulphur with subsequent increase in heat value.

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 drilled during the winter period to further define the coal occurrences in the discovery area in preparation for a resource estimation and to test other potential coal targets within the larger permit areas.

The proposed business objectives of the Company involve a high degree of risk and there is no assurance that existing properties will be economic to develop or that future mineral property acquisitions or participations will be identified. Moreover the Company may determine that the current market, pricing conditions or terms of participation may make the development, 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 development, acquisition or participation are reasonable, additional funds may be required to complete the development, acquisition or participation, and the Company may not be able to obtain financing on the terms acceptable to the Company, or at all. Where development, 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

The Company incurred a net loss of \$205,583 for the three months ended March 31, 2009 compared to a net loss of \$40,900 in the comparative period.

The Company's working capital as at March 31, 2009 was \$8,206,810 which is sufficient to fund the exploration programs on its Border, Ballantyne and Manitoba Properties as well as its administrative obligations planned for 2009.

In the first quarter the Company incurred \$5,863,991 of mineral property expenditures exclusive of non-cash items. In addition equipment was purchased for \$32,011 and the advance on drilling contract was reduced by \$323,555.

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.

	March 31, 2009	December 31, 2008
	\$	\$
Cash	874,008	2,757,014
Short-term investments	8,891,395	11,723,757
Working capital	8,206,810	13,983,244

FINANCIAL SUMMARY***Three months ended March 31, 2009***

The Company reported a net loss of \$205,583 for the first quarter compared to a net loss of \$40,900 in the first quarter of 2008. The major differences between 2009 and 2008 are explained below.

- Investor relations expenses were \$33,603 compared to nil in the comparative period as the Company utilized various consulting services and web based advertising services.
- Office and general expenses increased by \$21,679 as the Company increase its operating activities in the quarter when compared to the comparative period.
- Shareholder communications increased by \$15,546 as the Company updated its website and print image.
- Stock-based compensation increased by \$92,096 as the Company amortized the fair value of stock options granted subsequent to the first quarter of 2008.
- Interest income increased by \$38,917 as there were increased funds on deposit during the quarter compared to the comparative period.

SUMMARY OF QUARTERLY RESULTS

Period	Revenue (\$)	Net Income (Loss) (\$)	Net Loss per Share (\$)
March 31, 2009	-	(205,583)	(0.01)
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)

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.

SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without nominal or par value

Unlimited Class A preference shares without nominal or par value (none outstanding)

Unlimited Class B preference shares without nominal or par value (none outstanding)

Issued and fully paid - common shares	Share Capital		Contributed Surplus
	Number	Amount	Amount
December 31, 2007	17,648,181	\$ 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
Issuance pursuant to exercise of stock options	25,000	14,500	(5,000)
Stock-based compensation	-	-	103,808
March 31, 2009	19,361,681	\$ 24,865,969	\$ 6,496,859

Stock options

During the three month period ended March 31, 2009, options to purchase 25,000 common shares were exercised for proceeds of \$9,500.

At March 31, 2009, 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
505,000	\$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
1,948,500		

Warrants

At March 31, 2009 share purchase warrants were outstanding enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
91,920	\$13.80	June 27, 2009

SHARE CAPITAL (continued)

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

Common shares issued	19,749,181
Stock options outstanding	3,111,000
Warrants outstanding	91,920
	<hr/>
	22,952,101

OFF-BALANCE SHEET ARRANGEMENTS

At March 31, 2009 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, 2009, the Company entered into the following transactions; paid fees of \$30,000 (2008 - \$22,500) for management services to Nemesis Enterprises Ltd., which is wholly owned and controlled by a Director and Officer of the Company.

In February 2009, the Board of Directors approved an increase in annual compensation of \$30,000 to Nemesis Enterprises Ltd retroactive to January 1, 2009. Nemesis Enterprises Ltd annual compensation is now \$120,000 compared to \$90,000 in 2008.

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 three month period ended March 31, 2009, the Company personnel performed the majority of investor relations services.

RESULTS OF OPERATIONS

(a) Border Property, Saskatchewan

In April of 2008, the Company was drilling for kimberlites and announced the completion of two holes on the Border property which intercepted a coal seam, including partings, of approximately 25.0 and 35.0 metres in thickness at a depth of approximately 80 metres. The holes were approximately 1.5 kilometres apart. No kimberlite was observed in the drill holes.

These two holes became the discovery holes for what is now developing into a new major coal deposit(s) with potential for district and regional coal occurrences. The coal seam(s) have been call the "Durango Seam" and the developing trend has been named the "Durango Trend".

Historic Activities

No recorded coal occurrences or drilling of coal previous within the Border Property.

RESULTS OF OPERATIONS (continued)

(a) Border Property, Saskatchewan (continued)

Current Activities at Border Property

Between January 12 and March 31, 2009 a total of 86 HQ core holes were drilled for 12,745.5 metres. Approximately 75 kilometres of winter access roads were established and reclaimed.

For the purpose of reporting of visual intercepts the Company has utilized two separate categories – “Coal Zone Interval” and “Estimated Aggregate Coal Thickness”. The “Coal Zone Interval” includes all sand and mudstone partings, bright to dull coal and highly carbonaceous sections that may ultimately contain high ash levels. The “Estimated Aggregate Coal Thickness” is the sum of individual coal intervals within the Coal Zone as determined by visual identification of bright to dull coal and identification of obvious coal intervals from down-hole geophysical logs.

Seven discrete coal bodies or sub-basins and areas have been defined with drilling to date; Chemong 03, Chemong 06, Chemong 20, Pasquia 02, Pasquia 05 and Split Leaf. All suffixes (“03”) represent the initial discovery hole for each sub-basin. Drill summaries for each sub-basin and area within the sub-basin are presented below.

PASQUIA SUB-BASIN

The coal in this sub-basin is developing in two areas centered on drill holes BD08-02 and BD08-05 and the 2008 and 2009 drill results are presented.

• **PASQUIA - BD08-02 AREA**

Hole	From (metres)	To (metres)	Coal Zone* Interval (metres)	Estimated Aggregate Coal Thickness**	Note
BD08-02	81.6	105.0	23.4	22.2	Thickness confirmed by analyses, Thermal Coal
BD09-30	79.7	114.50	34.8	34.8	BD08-02 step out of 420m, Bright to Dull Coal Bright to Dull Coal
	124.1	145.0	20.9	20.9	
BD09-64	82.9	136.0	53.1	24.0	With carbonaceous mudstone and sand partings
BD09-69	86.8	142.5	55.7	34.7	With sand partings.
BD09-76	60.2	102.0	41.8	15.9	With carbonaceous sand and sands.
BD09-82	91.4	141.9	50.5	30.1	Poor core recovery – e log picks
BD09-83	73.2	112.0	38.8	25.2	Bright to Dull Coal
BD09-85	79.5	137.6	58.1	47.4	Bright to Dull Coal
BD09-89	57.3	58.6	1.3	1.3	Bright to Dull Coal
BD09-90	56.3	61.4	5.1	5.1	Bright to Dull Coal
Average			38.4	26.2	

* Visual identification of Coal Zone - contains coal, partings and highly carbonaceous materials (applies to all proceeding tables).

** Visual identification of bright and dull coal and includes use of down-hole geophysical logs for coal identification (applies to all proceeding tables).

Drill holes BD09-27, BD09-28, and BD09-76 to BD09-79, drilled in this area but did not intercept any significant coal.

RESULTS OF OPERATIONS (continued)

(a) Border Property, Saskatchewan (continued)

• **PASQUIA BD08-05 AREA**

Hole	From (metres)	To (metres)	Coal Zone* Interval (metres)	Estimated Aggregate Coal Thickness**	Note
BD08-05	78.4	114.45	36.0	10.5	Thickness confirmed by analyses, Thermal Coal
BD09-32	71.7	103.7	34.1	32.2	Bright to dull Coal
BD09-36	52.8	64.5	11.7	3.0	With sand partings
	76.8	80.4	3.6	2.9	Bright to dull coal
BD09-37	96.9	140.2	43.3	15.4	With carbonaceous partings and mudstone
	151.5	162.4	10.9	6.3	Bright to dull Coal
BD09-42	68.5	100.5	32.0	7.9	With carbonaceous mudstone
	124.5	133.5	9.0	7.8	Bright to dull coal
BD09-45	55.2	84.4	29.2	10.3	With carbonaceous mudstone
BD09-46	55.6	81.3	25.7	19.4	Bright to dull Coal
BD09-49	62.5	77.6	15.1	2.2	With carbonaceous mudstone
BD09-52	89.7	92.2	2.5	2.5	Bright to dull Coal
BD09-61	50.5	66.5	16.1	3.97	Bright to dull Coal
BD09-87	111.7	126.0	14.3	12.7	Bright to dull Coal
BD09-91	109.5	159.3	49.8	20.1	With sand partings
BD09-95	88.5	109.9	21.4	1.12	Mostly carbonaceous sand/sandstone
Average			27.2	12.0	

Drill Holes BD09-54, 54A, BD09-72 and BD09-75 were drilled in this area but did not intercept any significant coal. BD09-54A was the continuation of BD09-54 after that hole was lost.

CHEMONG SUB-BASIN

The coal in this sub-basin is occurring in three areas centered on drill holes BD08-03, BD08-06 and BD09-20.

• **CHEMONG BD08-03 AREA**

Hole	From (metres)	To (metres)	Coal Zone* Interval (metres)	Estimated Aggregate Coal Thickness**	Note
BD08-03	78.9	107.0	28.1	22.6	Thickness confirmed by analyses, Thermal Coal
BD08-03A	80.3	102.4	38.7	22.1	Bright to Dull Coal
BD09-18	46.4	49.6	3.2	2.0	Bright to Dull Coal
BD09-29	96.5	112.5	16.0	15.0	-50° angle hole. Est. true thickness 12 m
BD09-34	109.6	182.2	72.9	72.9	-50° angle hole, Est. true thickness 55m.
BD09-40	108.8	241.4	132.6	115.7	-50° angle hole, Est. true thickness 100m
Average			48.6	47.7	

* Visual identification of Coal Zone - contains coal, partings and highly carbonaceous materials.

** Visual identification of bright and dull coal and includes use of down-hole geophysical logs for coal identification.

Holes BD09-10, BD09-14, BD09-17, BD09-26 and BD09-61 were drilled in the general area and did not intercept any significant coal.

RESULTS OF OPERATIONS (continued)

(a) Border Property, Saskatchewan (continued)

• **CHEMONG 06 AREA**

Hole	From (metres)	To (metres)	Coal Zone* Interval (metres)	Estimated Aggregate Coal Thickness**	Note
BD08-06	78.3	112.5	34.2	21.0	Thickness confirmed by analyses, Thermal Coal
BD08-06A	70.5	111.6	41.1	22.4	Thickness confirmed by analyses, Thermal Coal
BD09-13	79.5	126.2	46.7	39.5	Bright to Dull Coal
BD09-24	89.0	136.0	47.0	31.8	Carbonaceous parting, Mostly bright/dull Coal
BD09-43	104.5	159.0	54.5	28.4	-50° angle hole. Est. true thickness 41m. Partings of carbonaceous mudstone.
BD09-47	84.0	108.5	24.5	14.4	- 50° angle hole. Est. true thickness 18m. Sand partings.
Average			41.3	26.2	

Hole numbers BD09-11, BD09-14 to BD09-17, and BD09-19 which were previously reported as having no significant coal intercepts were re-examined for possible extension drilling below a depth of 100 metres. Initially, holes BD09-11, 14-17 and 19 were drilled until they intersected limestone thought to underlay the coal zone. The occurrence of one or more limestone beds appear sporadically above the coal and these holes were believed to have stopped prematurely within this limestone unit before reaching the coal zone. This theory was tested with holes BD09-31, BD09-50 and BD09-51 all of which encountered the Devonian limestone and no significant coal zones.

• **CHEMONG 20 AREA**

This area was newly discovered and resulted from drilling a specific geophysical anomaly.

Hole	From (metres)	To (metres)	Coal Zone* Interval (metres)	Estimated Aggregate Coal Thickness**	Note
BD09-20	95.5	147.4	50.9	44.6	Bright to Dull Coal
BD09-22	74.5	121.5	47.0	29.5	With sandstone and mudstone partings.
BD09-74	63.5	80.3	16.8	10.4	Bright to Dull Coal
BD09-86	57.7	64.0	6.3	4.2	Bright to Dull Coal
BD09-88	49.2	55.0	5.7	0.8	Poor Recovery – e log picks
Average			25.3	17.9	

SPLIT-LEAF SUB-BASIN

The Split-Leaf coal discovery was made by drilling a geophysical anomaly with signatures similar to those exhibited by the 2008 discovery holes and numerous other holes which intercepted significant coal intercepts.

RESULTS OF OPERATIONS (continued)

(a) Border Property, Saskatchewan (continued)

SPLIT-LEAF SUB-BASIN (continued)

• **SPLIT-LEAF 39 AREA**

Hole	From (metres)	To (metres)	Coal Zone* Interval (metres)	Estimated Aggregate Coal Thickness**	Note
BD09-39	103.4	114.0	10.6	10.6	New discovery, Bright to Dull Coal
BD09-41	127.7	163.4	35.3	25.5	New discovery, Bright to Dull Coal
BD09-73	117.8	163.0	45.1	40.2	New discovery, Bright to Dull Coal
Average			30.3	25.4	

Holes BD09-38, BD09-81 and BD09-84 were drilled in the general area but did not intercept any significant coal.

• **SPLIT-LEAF 48 AREA**

This discovery is approximately 12 kilometres southeast of the original discovery in the Chemong area and approximately 6 kilometres southeast of Split-Leaf 39 and was identified as a potential coal area by airborne geophysics.

Hole	From (metres)	To (metres)	Coal Zone* Interval (metres)	Estimated Aggregate Coal Thickness**	Note
BD09-48	108.0	117.4	11.3	11.3	New discovery, bright to dull Coal
	133.9	166.8	32.9	32.9	

Holes BD09-53, BD09-67, BD09-68, BD09-70 and BD09-71 were drilled in the area but did not intercept significant coal.

Of the 97 holes drilled at Border to date, 34 contain aggregate coal intercepts ranging from 10 to 100 metres in true thickness and coal was discovered in a total of 44 holes.

Several other targets were tested in the western portion of the permit area which encountered minor intercepts of coal. A number of priority targets in the western portion of the property remain to be tested as do priority targets to the north and east of the original 2008 discovery area. Once all the results of the current program have been compiled and interpreted, a follow up program will be designed to test these additional targets.

In late 2008, Border composite samples from drill core were selected to test the beneficiating characteristics of intervals of better quality, lower ash coal (less than 25%) as well as intervals of carbonaceous materials that exhibited higher ash content. The samples were washed at specific gravities ranging from 1.4 to 1.7. A summary of results is presented in the following table.

RESULTS OF OPERATIONS (continued)

(b) Border Property, Saskatchewan (continued)

2008 WASHABILITY TEST RESULTS

Area	Hole Number	Recovery %	Moisture % (ad)*		Ash % (ad)*		Sulphur % (ad)*		Calorific Value KJ/Kg (ad)*		BTU/lb	Upgraded CV Δ %
		Washed	Original	Washed	Original	Washed	Original	Washed	Original	Washed	Washed	
Pasquia 02	BD08-02	86.3	6.1	3.9	19.2	16.3	1.3	1.1	20643	21148	9,092	2.4%
	BD08-02	73.9	5.3	3.2	25.1	18.2	1.5	1.0	17991	19333	8,311	7.5%
Pasquia 05	BD08-05	52.6	7.4	3.6	37.9	34.4	3.0	2.5	15825	18395	7,908	16.2%
Chemong 03	BD08-03A	76.6	15.1	5.1	14.7	10.4	2.5	1.5	20370	23562	10,129	15.7%
	BD08-03A	69.5	13.6	3.8	13.2	10.5	1.6	1.6	20861	23450	10,081	12.4%
	BD08-03A	71.2	15.6	5.8	18.7	11.3	2.8	2.3	18823	23610	10,150	25.4%
Chemong 06	BD08-06A	34.5	4.1	3.7	49.1	20.7	0.6	2.3	12779	22333	9,601	74.8%
	BD08-06A	84.7	10.5	5.0	17.1	13.9	2.1	1.7	20589	22554	9,696	9.5%
	BD08-06A	91.3	10.4	4.3	15.0	12.6	2.9	2.4	22201	24336	10,462	9.6%
	BD08-06A	80.3	6.4	4.3	24.2	20.0	2.5	2.8	20114	21616	9,293	7.5%
Average		72.1	9.4	4.3	23.4	16.8	2.1	1.9	19020	22034	9,472	15.8%

* ad = air dried

A composite from hole BD08-06A which had a high ash content of 49.1% and was considered to be a carbonaceous mudstone showed an impressive increase in calorific value after washing from 12,779 (5,500 BTU/lb ad) to 22,333 kj/kg (9,600 BTU/lb ad). While the majority of the coal discovered so far at Border is good quality, thermal coal, there is a significant amount of high ash (greater than 30%), carbonaceous coaly material that potentially could be washed and upgraded to add to any overall potential coal resources. Noteworthy is the comparison of the “as received” coal moistures of 24.8% to 37.9% to the moisture content of the “air dried” values of 5.3% to 15.6% and the washed product of 3.2% to 5.8% moisture in the above table. This considerable reduction in moisture makes a significant positive impact on the calorific values of the coal. Preliminary indications suggest that there is high “surface” moisture content and relatively low “inherent” moisture in the coal which allows for substantial beneficiating of the coal through washing and air drying. Additional washability testing and review is planned to further determine the applicability of this process to the coal at Border.

Generally, these initial results from 2008 summer drilling show that the coal at Border can be potentially upgraded to a higher quality product for the receiving markets with an increase in calorific value and decrease in ash and sulphur content. Also, preliminary results show that high ash content, carbonaceous coaly mudstones may potentially be washed to create a marketable product, which could have a significant positive impact on project economics. Further detailed test work is planned on the coal zone intervals recovered during this winter’s program and the results will be released once they are received and compiled.

(b) Ballantyne Property, Saskatchewan

The Company has received issuance of 250 coal permit certificates from the Saskatchewan Ministry of Energy and Resources for coal applications filed by the Company. The permits cover the Ballantyne property located southeast of Wapawekka Hills, Saskatchewan. The area is easily accessible with highways and secondary improved gravel roads and is approximately 50km southwest of the village of Deschambault Lake.

The initial coal permits comprise a total of approximately 184,496 hectares (1,844 square kilometres). The permits allow the Company to explore the area for coal over a period of three years with two possible 6 month extensions. The permits are convertible to a 15 year mining lease with subsequent renewals.

RESULTS OF OPERATIONS (continued)**(b) Ballantyne Property, Saskatchewan (continued)**

In 1970, Anglo American drilled 4 core holes located in the area covered by the Ballantyne permits. Two of these holes intercepted a coal zone including partings with thicknesses of 17 metres and 24 metres at depths of 13 - 30 metres and 191 – 215 metres respectively. In 1994, Consolidated Pine Channel Gold Corp. drilled 18 core holes in the area of interest. Thirteen holes intercepted varying thicknesses of coal and/or carbonaceous mudstone. The coal intercepted in previous drilling appears to be within the Mannville Group of Cretaceous age. This is the same lithology as the Company's Border Coal Discovery and the area is believed to have basinal and depositional similarities to that of the Border Coal Project area.

The Company is currently permitting a drill program for the Ballantyne prospect with approximately 10 - 15 holes to be completed in fall 2009. Priority drill locations are accessible year-round. The program is being designed to test the historic coal intercepts and identify potentially shallower targets, provide preliminary information on coal quality, and give insight into the extent of potential coal basin(s). An airborne geophysical survey is being completed for the Ballantyne permits in June 2009 which will enable the application of proprietary information as compiled at the Border Coal Project, to assist in defining priority targets.

(c) Manitoba Properties

The Company has also applied for quarry permits to cover prospective coal deposits in twelve areas in Manitoba which required deposits totaling \$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. Quarry Permits for all Manitoba properties are still pending.

An airborne geophysical survey is being completed for the Ballantyne permits in June 2009 which will enable the application of proprietary information as compiled at the Border Coal Project, to assist in defining priority targets.

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.

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 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.

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 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.

FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT (continued)a. Capital Risk Management (continued)

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 its 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.

11. SUBSEQUENT EVENTS

- a. Subsequent to March 31, 2009 options to purchase 312,500 common shares were exercised for proceeds of \$109,750.
- b. On April 12, 2009 the Company paid \$100,000 and issued 75,000 common shares pursuant to the Minera Pacific Inc. agreement.
- c. Subject to shareholder approval at the companies next Annual General Meeting, the company has:
 - i) amended its stock option plan from a rolling 10% plan to a fixed 20% plan
 - ii) repriced 100,000 stock options from \$6.45 to \$1.33 per option
 - iii) repriced 100,000 stock options from \$2.20 to \$1.33 pre option
- d. Subject to the approval of the new stock option plan the Company granted 1,475,000 stock options at a price of \$1.33 per option exercisable for five years with 25% vesting immediately and 25% at every six month anniversary until fully vested.

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.