

**GOLDSOURCE MINES INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
December 31, 2004

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The Management Discussion and Analysis (MD&A) is an overview of the activities of GOLDSOURCE MINES INC. (the "Company") for the year ended December 31, 2004. The MD&A should be read in conjunction with the Company's audited consolidated financial statements for the period ended December 31, 2004 and the notes attached thereto. The effective date of this MD&A is March 21, 2005.

**OVERALL PERFORMANCE**

The Company is a natural resource company engaged in the acquisition, exploration and development of mineral properties. The summary of exploration activities for the year is presented in the following Results of Operations and Project Activity sections.

At a Special Meeting of shareholders held on December 23, 2003 approval was received to change the Company's name to Goldsource Mines Inc. from International Antam Resources Ltd. The name change and new trading symbol "GXS" became effective January 23, 2004 upon which date the common shares of the Company commenced trading on TSX Venture Exchange and the common shares of International Antam Resources Ltd. were de-listed. The Company is classified on the exchange as a Tier 2, "Mining (Non-Oil & Gas) and Exploration/Development" company.

Until September 30, 2003, the Company's principal business activity was the production and sale of gold and silver from its Cikidang mine in Java, Indonesia. The Company was also involved in the exploration and development of mineral properties in Indonesia. Effective September 30, 2003 the Company disposed of all its Indonesian assets and operations (See "Corporate Restructuring" below). Its principal business activity is now the exploration for and the development of precious metal deposits in North and Central America.

The Company currently has one mineral property interest in British Columbia in which it may earn an 80% interest by making certain cash payments and completing certain work requirements. A stage 1 exploration program was completed during the year consisting of mapping, geochemical sampling and an IP Geophysical survey (See "Results of Operations" below). The Company is actively seeking other property interests and business opportunities which will advance its corporate goal of acquiring or discovering significant gold based assets. In order to assist in the financing of these activities the Company completed a private placement, on July 21, 2004, of 1.5 million units at \$0.25 per unit with a two year warrant attached to raise gross proceeds of \$375,000.

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 other companies 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. Should an acquisition or participation be financed by the issuance of shares from the treasury, control of the Company may change and shareholders may suffer dilution to their investment in the shares of the Company.

### **CORPORATE RESTRUCTURING**

On October 2, 2003, the Company agreed to a major corporate restructuring of the Company with its majority shareholder, PT Antam TBK (“Antam”) whereby the Company would transfer all of its Indonesian mineral properties interests and other cash and liquid assets to Antam in exchange for the surrender by Antam of 11,428,571 common shares of the Company for cancellation (“the Transaction”).

Completion of the Transaction was subject to the approval of the TSX Venture Exchange, such other approvals as were required and compliance with all mandatory requirements of the Related Party Transaction Rules, including minority shareholder approval. The Company received approval for the Transaction from minority shareholders at a Special Meeting of the shareholders of the Company held December 23, 2003 and from the TSX Venture Exchange on December 29, 2003.

The Transaction was effected, in part by the transfer to Antam of the Company’s Indonesian subsidiary, PT Antam Resourcindo (PTAR) through which the Company held its Indonesian mineral property interests. These interests were originally acquired from Antam in 1997 in exchange for shares of the Company that gave Antam a controlling 81.9% interest in the Company.

In addition to the shares of PTAR, Antam received cash and other liquid assets of \$1,484,877, which in aggregate represented its proportionate share of the net asset value of the Company as at September 30, 2003. The cash remaining in the Company at closing approximated the minority shareholder’s 18.1% interest in the net asset value of the Company as at September 30, 2003, as determined by the Company’s independent financial valuator.

Since the Company and Antam were “related parties” for the purposes of applicable Canadian securities laws and under related party transaction rules, the acquisition of the Assets by Antam was a “related party transaction”. The Company established an Independent Committee of the board of directors to consider, and if thought fit, to approve the Transaction. The Company received an independent valuation report prepared by Snowden Mining Consultants as to the value of the mineral property assets. The Independent Committee retained Forum Capital Partners as independent financial advisors who provided an opinion that the consideration to be paid by Antam was fair, from a financial point of view, to the minority shareholders of the Company. On the basis of this opinion and full consideration of the other aspects of the Transaction, the Independent Committee approved the Transaction.

The Transaction was completed on December 29, 2003 and made effective September 30, 2003. Upon completion of the Transaction, the Company had 2,514,431 million shares outstanding, and Antam’s ownership of the Company was reduced to nil.

### **ANNUAL GENERAL MEETING AND CHANGES TO BOARD OF DIRECTORS**

The Company’s Annual General Meeting was held on June 22, 2004 in Vancouver. Mr. Donald Berkey joined the previous directors Messrs. J Scott Drever, Steven B. Simpson and Graham C. Thody, all of whom were elected as Directors until the next AGM. Subsequent to the Meeting Mr. Drever was appointed President of the Company and Mr. Thody was appointed Chief Financial Officer. Mr. Berkey has extensive experience in underwriting and financing of junior mining companies, having spent 25 years in the securities industry, most recently with Canaccord Capital Inc. as Vice President of sales. Mr. Berkey was a welcome addition to the Board and has provided valuable market insight in the continuing development of Goldsource.

Shareholders also approved the appointment of Ernst & Young LLP as auditors for the Company’s 2004 year and a stock option plan.

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**LIQUIDITY AND CAPITAL RESOURCES**

The Company is in a strong financial position with \$1,152,634 in working capital, including cash and short term investments of \$1,175,684 as at December 31, 2004. A \$375,000 private placement was finalized on July 21, 2004.

The Company's follow-up exploration program on the ROX 1 mining claim is still in the planning stage however, management is confident that even if the next phase includes an initial drilling program, there are sufficient funds in the treasury to carry out a stage 2 program. The Company will likely require additional capital to implement any program of property acquisitions. The Company currently has no source of income and is entirely reliant upon raising equity capital to fund its operations and general administrative costs.

**FINANCIAL SUMMARY**

***Three months ended December 31, 2004***

General and administrative expenses, excluding stock based compensation, for the three months ended December 31, 2004 were \$56,457 compared to general and administrative expenses from continuing operations of \$109,582 for the three months ended December 31, 2003. The decrease of \$53,125 is attributable to a reduction in operating activity in the Company. During the comparative quarter the Company incurred substantial administrative costs related to the corporate restructuring referred to above. Stock-based compensation of \$16,303 was recorded for the current period as a result of the issuance of 100,000 director and officer stock options. Interest income was \$4,961 during the current period compared to \$523 in the comparable period due to an increase in cash and short term investment balances. The net loss from continuing operations decreased to \$67,809 from \$183,225 in the comparative period.

***Twelve months ended December 31, 2004***

General and administrative expenses, exclusive of stock based compensation, for the twelve months ended December 31, 2004 were \$239,878. This compares to general and administrative expenses from continuing operations of \$394,152 for the twelve months ended December 31, 2003. This decrease of \$154,274 is mainly due to the level of expenses related to the corporate restructuring that occurred in the comparative period. Consulting fees declined by \$57,795, management fees declined by \$45,000, professional fees declined by \$77,084 and travel declined by \$10,627. Stock-based compensation of \$71,868 was recorded for the year as a result of the issuance of 400,000 director and officer stock options. Interest income increased by \$10,203 during the year due to an increase in cash and short term investment balances.

A foreign exchange gain of \$23,821 was realized in the twelve months ended December 31, 2004 related to the currency valuation of US dollars held by the Company. A foreign exchange loss of \$105,502 was recorded in the comparative period. The Company closed out its US dollar bank account during the year thus minimizing foreign exchange exposure. The net loss for the year ended December 31, 2004 was \$276,479 compared to a net loss from continuing operations of \$498,401 and net income from discontinued operations of \$466,164 for combined net loss for the comparative period of \$32,237.

At December 31, 2004 the Company's working capital had increased by \$184,940 to \$1,152,634 compared to working capital of \$967,694 at December 31, 2003. The increase in working capital during the twelve months ended December 31, 2004, was due primarily to receipt of proceeds of \$141,750 related to the exercise of 675,000 stock options in January and by receipt of \$375,000 pursuant to a private placement that closed on July 21, 2004. Expenditures on mineral properties were \$127,209 for the twelve months ended December 31, 2004 including \$28,408 for the three months ended December 31, 2004 compared to \$20,000 for the year and quarter ended December 31, 2003.

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**SELECTED ANNUAL INFORMATION**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total revenues	-	-	-
Net loss from continuing operations	(276,479)	(498,401)	(309,026)
Loss per share	(0.07)	(0.05)	(0.02)
Net earnings (loss) for the year	(276,479)	(32,237)	105,419
Net earnings (loss) per share	(0.07)	(0.01)	0.01
Total assets	1,324,263	1,022,817	6,805,478
Total long term financial liabilities	-	-	66,665
Cash dividends per share	-	-	-

- (1) All per share amounts are calculated on a weighted average, basic and fully diluted basis.
- (2) Total assets increased in 2004 as a result of the cash realized from the exercise of stock options and the proceeds from the closing of the private placement.
- (3) Total assets decreased in 2003 as a result of the Corporate Restructuring detailed in a previous section.

**SUMMARY OF QUARTERLY RESULTS**

<b>Period</b>	<b>Revenue</b>	<b>Income (loss)</b>	<b>Income (loss)</b>	<b>Net income</b>	<b>Net Income</b>
	<b>(\$)</b>	<b>before</b>	<b>per Share (\$)</b>	<b>(loss) (\$)</b>	<b>(loss) per</b>
		<b>discontinued</b>			<b>Share (\$)</b>
		<b>operations (\$)</b>			
December 31, 2004	-	(67,809)	(.01)	(67,809)	(.01)
September 30, 2004	-	(110,639)	(.03)	(110,639)	(.03)
June 30, 2004	-	(27,614)	(.01)	(27,614)	(.01)
March 31, 2004	-	(70,417)	(.02)	(70,417)	(.02)
Dec. 31, 2003	-	(183,225)	(.02)	(183,225)	(.02)
Sept. 30, 2003	2,313,940	(172,839)	(.01)	224,836	.02
June 30, 2003	1,068,313	(97,618)	(.01)	(73,850)	(.01)
March 31, 2003	932,416	(44,719)	(.00)	-	(.00)

- (1) All per share amounts are calculated on a weighted average, basic and fully diluted basis.
- (2) Refer to corporate restructuring for variations in revenue.

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**OUTSTANDING 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)

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<b>Issued and fully paid - common shares</b>	<b>Number</b>
Balance, December 31, 2003	2,514,431
Exercise of stock options	675,000
Issued pursuant to a private placement	1,500,000
Balance, December 31, 2004	4,689,431

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**WARRANTS**

As of the date of this report the Company has warrants outstanding to purchase 1,500,000 common shares at a price of \$.35 per share for a two year period expiring July 21, 2006. If the closing trading price for common shares of the Company is \$1.00 per share or greater for ten consecutive trading days, the Company may elect to provide notice to holders of the Warrants and the Warrants will then expire 30 days after the date notice is given.

**STOCK OPTIONS**

The Company has a stock option plan under which it is authorized to grant stock options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The exercise price of each option equals the market price of the Company's stock as calculated on the date of the grant. The options can be granted for a maximum term of 5 years.

At December 31, 2004, the Company had outstanding stock options, enabling holders to acquire common shares as follows:

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<b>Number of Shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
300,000	\$0.35	July 8, 2009
100,000	\$0.30	December 8, 2009

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**STOCK OPTIONS** (cont'd....)

Stock option transactions and the number of stock options outstanding are summarized as follows:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
As at December 31, 2003	675,000	\$ 0.21
Granted	400,000	0.34
Exercised	(675,000)	0.21
As at December 31, 2004	400,000	\$ 0.34
Number of options currently exercisable	400,000	\$ 0.34

**RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2004, the Company paid fees of \$75,000 (2003 - \$120,000) for management services to Nemesis Enterprises Ltd., which is wholly owned and controlled by a Director and Officer of the Company.

Effective March 31, 2004, the Company entered into a new management agreement with Nemesis Enterprises Ltd. ("Nemesis") whereby the Company retained Nemesis to provide managerial, administrative and consulting services to the Company and, in particular, to provide the services of J. Scott Drever to serve as President and a Director of the Company. Nemesis is a company wholly-owned by Mr. Drever.

**INVESTOR RELATIONS ACTIVITIES**

Investor relations activities were handled by the Company and no professional fees were incurred using consultants.

**RESULTS OF OPERATIONS**

On December 18, 2003 the Company entered into an option agreement to acquire a 100% interest in 20 claim units covering an area of 500 hectares in the Omineca Mining Division of British Columbia. The Company can earn an initial 80% interest in the claims by making staged cash payments of \$145,000 and completing exploration expenditures of \$500,000 over a four year period. Upon the exercise of the initial option, the Company has a further option to acquire the remaining 20% by paying \$750,000 in cash or at the discretion of the Company, a combination of cash and common shares of the Company provided that the share component does not exceed 50% of the value of the total payment. An initial option payment of \$20,000 was made upon execution of the agreement. A second option payment of \$25,000 was made in December, 2004 as required under the agreement to maintain the option in good standing until December, 2005. Work commitments of \$50,000 for 2004 were more than satisfied by the stage 1 expenditures.

The ROX 1 mineral claim is situated in the Central Interior of the Province of British Columbia, approximately 90 kilometres south of the town of Houston, BC. The claim lies in the Omineca Mining Division on NTS map sheet 093E/15W. The vendor acquired the Property by staking in September 1997 and holds the property under mineral tenure No. 372796. The Rox 1 claim was converted from a four post claim and Rox 2 and Rox 3 claims comprising 401 hectares and 344 hectares respectively were added in January, 2005.

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**RESULTS OF OPERATIONS (cont'd...)**

The Rox prospect lies within the Stikine Terrane, on the Skeena Arch, in an area underlain by marine sedimentary rocks of the Middle Jurassic Smithers Formation, Tertiary volcanics of the Endako Group (basalts) and Ootsa Lake Group (mostly rhyolite) and a few Upper Cretaceous Bulkley intrusions (Foye and Owsjacki, 1995; Carter, 1981; Duffell, 1959). The Bulkley intrusions are particularly noteworthy because they host several porphyry copper systems in the region, including the Huckleberry mine.

The property is underlain by clastic sedimentary rocks of the Middle Jurassic Smithers Formation of the Hazelton Group, which are overlain or in faulted contact with volcanic rocks of the Eocene Endako Group. Fieldwork led to the discovery of subcroppings of bedrock containing silicified zones, stringers, and brecciated zones with open spaces filled with sphalerite, galena and pyrite.

Limited diamond drilling by the previous owner on the property during the 2001 field season indicated the presence of precious and base metal mineralization. In order to ascertain the extent and grade of this mineralization, the owner continued the diamond drill program in the 2002 field season guided by the previous work and by limited surveying using electromagnetic techniques.

The property is considered to be at an early stage of exploration and has no known mineral reserves. The technical report states that from the surface exposures and sampling completed, the mineralization encountered indicates the presence of an epithermal precious metal system filling veins or cavities in the country rock. The level of information is not sufficient to estimate the grade or width of the occurrence. Electromagnetic surveying has proven to be of use in generating drill targets.

In December 2003, the Company retained Peter L. Ogryzlo, M.Sc., P. Geo. (BC) as an independent Qualified Person to provide a technical report on the property. The technical report, dated December 2003 was filed on Sedar on February 10, 2004. In the technical report, a program of additional geological mapping, geophysical surveying and diamond drilling was recommended at a cost of Cdn. \$93,300 as set out below.

**ROX 1 - STAGE 1**

<b>Task</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	\$	\$	\$
Camp costs	-	5,805	5,805
Drilling	49,000	-	(49,000)
Engineering consulting	-	2,092	2,092
Filing fees	-	1,300	1,300
Geological services	14,500	7,300	(7,200)
Geophysical Surveying	8,000	65,969	57,969
Line Cutting	6,400	19,743	13,343
Sampling, assay, freight	5,000	-	(5,000)
Reclamation	2,000	-	(2,000)
Contingency	9,400	-	(9,400)
<b>TOTAL</b>	<b>\$ 93,300</b>	<b>102,209</b>	<b>8,909</b>
	\$	\$	\$

**RESULTS OF OPERATIONS (cont'd....)**

Contingent upon the results of this program, the technical report stated that provision should be made for additional drilling at a cost of approximately \$132,400 for a total of \$225,700. The stage 1 program was somewhat over budget due to difficult operating conditions and the need to expand the initial proposed grid area and the decision to carry out a more detailed geophysical survey. The program required approximately 21 days to complete rather than the proposed 10 days with the attendant increases in overall costs. Camp costs to-date are \$5,805, engineering consulting \$2,092, geological services \$7,300, geophysical survey \$65,969 and line cutting \$19,743 for an interim total of \$102,209. Finalization of the geophysical report was delayed to a point where drilling was precluded due to the lateness of the year.

**PROJECT ACTIVITY**

During the second quarter the Company commenced the stage 1 exploration program on its optioned ROX 1 mining claims. The program carried out included geological mapping, soil and rock chip sampling and 28.8 kilometres of linecutting and IP geophysics. The project work was supervised by Anthony L'Orsa, P.Geo. and Qualified person for the purposed of NI 43-101. The geophysics was carried out by SJ Geophysics Ltd. of Delta, B.C.

During the third quarter \$1,300 was spent on filing fees and \$2,108 was incurred in connection with the preparation of the interpretive geophysical report.

Geophysical and preliminary geological and geochemical surveys were carried out on the ROX 1 mineral claim during June and July, 2004, following in part the Stage 1 work program proposed by Ogryzlo (2003). A 3D-IP survey was conducted by SJ Geophysics Ltd over an approximately two square kilometre grid area (Rastad, 2004) and twenty-eight line kilometres of grid were laid out for IP control. The linecutting, grid survey, camp setup and maintenance were handled by Lowprofile Exploration of Houston, B.C.

The 3D-IP survey outlined three main zones of anomalous chargeability, as described in Shawn Rastad's report (2004). The strong anomaly in the southeastern corner of the grid is not completely resolved because it extends off the survey grid. However, pyrite and an occurrence of sphalerite and chalcopyrite have been found in the general area and incomplete geochemical coverage shows an anomaly for zinc and a few other metals in the soils above part of the anomaly.

Forty-five soil and silt samples were collected in a reconnaissance survey in selected areas of the ROX 1 claim, mainly to test the IP anomalies as field results became available during the IP survey in the southern and north central parts of the grid. The soil samples were retrieved with an auger from the B soil horizon where possible, placed in standard kraft soil bags and air dried. The samples were analysed for 36 elements (aqua regia, ICP-MS) by Acme Analytical Laboratories Ltd of Vancouver, B.C.

This very limited geochemical survey revealed the outlines of an anomaly for Zn (#537 ppm) and Pb (#85.4 ppm) spatially associated with the strong IP anomaly in the southeastern corner of the survey grid and open to the southeast. There were also a few anomalous results for Au (#19.1 ppb), Ag (#1.1 ppm) and one for Cu (89.2 ppm) in the same area.

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**PROJECT ACTIVITY** (cont'd....)

Exploration work is expected to continue in 2005 in the area of the south eastern IP anomaly zone. The southern part of the grid will be extended with a flagged grid to the east past the chalcopyrite outcrop, and south until the Tertiary basalts are reached. Geochemical samples will be collected along the new grid lines and in other selected areas. Depending upon the results of the geochemical survey and prospecting, the grid lines may be cut out and an extension IP survey conducted. Diamond drilling will be considered but will be conditional upon the results of the sampling and the further interpretation of the geophysical results.. In addition, a base map will be prepared from recent aerial photographs to serve as a control for all surveys, including geological mapping.

Budgeting for the above phase 2 exploration program is being considered by the Company's Qualified Person and will be finalized in the second quarter of 2005.

**DISCLAIMER**

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 statements contained in this document constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: silver exploration and development costs and results, fluctuations of silver prices, foreign operations and foreign government regulations, competition, uninsured risks, recovery of reserves, capitalization and commercial viability and requirement for obtaining permits and licenses.

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.