



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

JUNE 30, 2005  
SECOND QUARTER

---

---

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

For the three month period ended June 30, 2005

---

The Management Discussion and Analysis (MDA) is an overview of the activities of GOLDSOURCE MINES INC. (the "Company") for the three month period ended June 30, 2005. The MDA should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2004 and the notes attached thereto. The effective date of this Management Discussion & Analysis is August 9, 2005.

**OVERALL PERFORMANCE**

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

The Company currently has a mineral property interest in British Columbia in which it may earn an initial 80% interest by making certain cash mineral payments and completing certain work requirements. A further 20% may be earned by paying \$750,000 in a combination of cash and shares of the Company. A stage 1 exploration program was completed late in 2004 which included mapping, geochemical sampling and an IP Geophysical survey (See "Results of Operations" below).

Subsequent to the period, the Company entered into an agreement to acquire a 90% interest in two blocks of mineral claims comprising of 163,200 hectares in the Big River area of Saskatchewan. These lands are prospective for the diamondiferous kimberlites (see subsequent events below). The Company is actively seeking other property interests and business opportunities which will advance its corporate goal of acquiring or discovering significant mineral assets.

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

**LIQUIDITY AND CAPITAL RESOURCES**

The Company is in a strong financial position with \$1,047,400 in working capital, including cash and cash equivalents of \$1,051,477. Additional funds may be required if the Company makes any significant acquisitions or undertakes extensive exploration programs on the ROX 1 mining claim unit.

The Company's follow-up exploration program on the ROX 1 mining claim is in the final planning stage. Management is confident however, that even if the next phase includes an initial drilling program, there are sufficient funds in the treasury to carry out a second stage 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 June 30, 2005***

General and administrative expenses for the three months ended June 30, 2005 were \$50,747 compared to general and administrative expenses of \$44,755 for the three months ended June 30, 2004. The accounts with the largest increases were office and general expenses, increasing by \$2,461 and professional fees, increasing by \$3,628. Shareholder communications declined by \$1,839 and transfer agent and regulatory fees declined by \$1,018.

**GOLDSOURCE MINES INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
For the three month period ended June 30, 2005

**FINANCIAL SUMMARY (cont'd)**

***Six months ended June 30, 2005***

General and administrative expenses for the six months ended June 30, 2005 were \$110,239. This compares to general and administrative expenses of \$123,276 for the six months ended June 30, 2004.

The largest increase was for professional fees which increased by \$15,950 as a result of due diligence conducted on various projects. Management fees declined by \$15,000 compared to the period ended June 30, 2004 as a result of the corporate reorganization that was finalized in December, 2003. Shareholder communications declined by \$6,925 and transfer agent and regulatory fees declined by \$4,649 in comparison with non-recurring expenses incurred related to the Company's reorganization, extraordinary general meeting and change of name during the period ended June 30, 2004. Working capital for the six month period ended June 30, 2005 declined by \$105,234 compared to December 31, 2004 due mainly to general and administrative expenses of \$110,239.

**SELECTED ANNUAL INFORMATION**

	December 31, 2004	December 31, 2003	December 31, 2002
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.

**SUMMARY OF QUARTERLY RESULTS**

Period	Revenue (\$)	Loss before discontinued operations (\$)	Loss per Share (\$)	Net income (loss) (\$)	Net income (loss) per Share (\$)
June 30, 2005	-	(46,338)	(0.01)	(46,338)	(0.01)
March 31, 2005	-	(54,592)	(0.01)	(54,592)	(0.01)
December 31, 2004	-	(67,809)	(0.01)	(67,809)	(0.01)
September 30, 2004	-	(110,639)	(0.03)	(110,639)	(0.03)
June 30, 2004	-	(27,614)	(0.01)	(27,614)	(0.01)
March 31, 2004	-	(70,417)	(0.02)	(70,417)	(0.02)
Dec. 31, 2003	-	(183,225)	(0.02)	(183,225)	(0.02)
Sept. 30, 2003	2,313,940	(172,839)	(0.01)	224,836	0.02

- (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.

**OUTSTANDING SHARE CAPITAL**

***Authorized***

Unlimited number of common shares without nominal or par value  
Unlimited Class "A" preference shares without nominal or par value  
Unlimited Class "B" preference shares without nominal or par value

**GOLDSOURCE MINES INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
For the three month period ended June 30, 2005

---

---

**OUTSTANDING SHARE CAPITAL (cont'd)**

<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 and June 30, 2005	4,689,431

**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 June 30, 2005, the Company had outstanding stock options, enabling holders to acquire common shares as follows:

<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

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	<u>(675,000)</u>	0.21
As at December 31, 2004 and June 30, 2005	400,000	\$ 0.34
Number of options currently exercisable	400,000	\$ 0.34

**GOLDSOURCE MINES INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
For the three month period ended June 30, 2005

---

**RELATED PARTY TRANSACTIONS**

During the three month period ended June 30, 2005, the Company paid fees of \$15,000 (2004 - \$15,000) 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 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.

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.

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.

**GOLDSOURCE MINES INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
For the three month period ended June 30, 2005

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

**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>

Subsequent to the completion of the Stage 1 Program the Company has incurred an additional \$4,304 in exploration expenditures.

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.

**PROJECT ACTIVITY**

There was no project activity carried out during the period. \$544 was spent on miscellaneous assays during the second quarter and \$3,760 was expended on preparation of assessment reports and acquisition of addition claims in the first quarter.

Exploration work is expected to continue in 2005 in the area of the south eastern IP anomaly zone. The southern part of the grid may 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 dependent upon further interpretation of the geophysical results.

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

**SUBSEQUENT EVENT**

On August 4, 2005 the Company announced that it entered into 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") comprising 163,200 hectares. The Company will carry all costs of exploration and development on the Property to the conclusion of a positive Bankable Feasibility Study. BEC may then elect to back-in to a 25% working interest in the Property by reimbursing to the Company 25% of all past expenditures, or retain a 10% carried working interest in the Property whereby the Company will fund BEC's share of capital and operating costs to be recovered solely from 80% of BEC's share of cash flow from any future production from the Property.

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

For the three month period ended June 30, 2005

---

**SUBSEQUENT EVENT (cont'd)**

As consideration for the 90% interest in the Property, the Company will, upon closing of the transaction, pay BEC \$55,000 in cash and issue an aggregate of up to 2.0 million common shares ("Purchase Shares") to BEC and such other persons as BEC shall direct at an issue price of \$0.30 per share. Of the 2.0 million Purchase Shares, 1.1 million Purchaser Shares will be issuable at Closing and the balance will be issuable only at such time as the aggregate number of Purchase Shares represents less than 20% of the issued and outstanding common shares of the Company. Closing of the transaction is subject to due diligence satisfactory to the Company as well as regulatory and TSX-V Exchange approvals.

BEC is at arm's length to the Company and its insiders and their associates and affiliates. In connection with the transaction, the Company will, upon Closing, pay a finder's fee of \$56,625 to Minera Pacific Inc., a private company at arm's length to the Company and its insiders and their associates and affiliates, payable in common shares at a deemed issue price of \$0.30 per share, subject to the approval of the TSX Venture Exchange.

**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.