GOLDSOURCE MINES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the three month period ended March 31, 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 March 31, 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 May 20, 2005.

OVERALL PERFORMANCE

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

The Company currently has one 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). 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.

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 $1,094,282 in working capital, including cash and cash equivalents of $1,092,517. Additional funds will 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 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 funds it operations and general administrative costs.

FINANCIAL SUMMARY

Three months ended March 31, 2005

General and administrative expenses for the three months ended March 31, 2005 were $59,492 compared to general and administrative expenses of $78,521 for the three months ended March 31, 2004. This decrease of $19,029 is attributed mainly to a decrease of $15,000 in management fee expense paid to Nemesis. Professional fees increased $12,321 as a result of due diligence costs related to a potential acquisition that did not proceed.

FINANCIAL SUMMARY (cont'd)

At March 31, 2005 the Company's working capital decreased by $58,352 to $1,152,634 compared to working capital of $1,152,634 at December 31, 2004. The decrease in working capital during the three month period ended March 31, 2005, was due primarily to administrative expenses of $59,492 and mineral properties expenses of $3,760.

Cash utilized in operating activities totaled $79,047 and included the loss for the period of $54,592, an increase in receivables of $3,395 and a reduction of accounts payable of $21,420. A total of $905,320 was provided by investing activities resulting from $3,760 invested as mineral property expenditures and the reclassification of $909,080 invested in variable rate guaranteed investment certificates from short term investments to cash equivalents. Cash at the end of the period, therefore increased by $825,913.

SELECTED ANNUAL INFORMATION

	2004 **$**	**2003** **$**	**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 ($)**
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
June 30, 2003	1,068,313	(97,618)	(0.01)	(73,850)	(0.01)

(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

Issued and fully paid - common shares	Number
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 March 31, 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 March 31, 2005, the Company had outstanding stock options, enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
300,000	$0.35	July 8, 2009
100,000	$0.30	December 8, 2009

STOCK OPTIONS (cont'd)

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

	Number of Options	Weighted Average Exercise Price
As at December 31, 2003	675,000	$ 0.21
Granted	400,000	0.34
Exercised	(675,000)	0.21
As at December 31, 2004 and March 31, 2005	400,000	$ 0.34
Number of options currently exercisable	400,000	$ 0.34

RELATED PARTY TRANSACTIONS

During the three month period ended March 31, 2005, the Company paid fees of $15,000 (2004 - $30,000) 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.

RESULTS OF OPERATIONS (cont'd)

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

Task	Budget	Actual	Variance
	$	$	$
Camp costs	-	5,805	5,805
Drilling	49,000	-	(49,000)
Engineering consulting	-	3,760	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)
TOTAL	$ 93,300	$ 105,969	$ 8,909

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. Finalization of the geophysical report was delayed to a point where follow up work was precluded due to the lateness of the year.

PROJECT ACTIVITY

There was no project activity carried out during the period. A total of $3,760 was expended on preparation of assessment reports and acquisition of addition claims.

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.

GOLDSOURCE MINES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the three month period ended March 31, 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.