GOLDSOURCE MINES INC.
MANAGEMENT DISCUSSION & ANALYSIS
Form 51-102F1

DECEMBER 31, 2006

FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance of achievements of the company to materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made.

PRELIMINARY INFORMATION

The Management Discussion and Analysis (MDA) is an overview of the activities of **Goldsource Mines Inc.** (the "Company") for the year ended December 31, 2006. The MDA should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2006 and the notes attached thereto which are available on the Company's website www.goldsource.com and on SEDAR at www.sedar.com.

The effective date of this Management Discussion & Analysis is April 13, 2007.

OVERALL PERFORMANCE

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

On October 25, 2005 the Company finalized an agreement with BEC International Corporation ("BEC") of Saskatoon, Saskatchewan to acquire a 90% interest in two blocks of mineral claims comprising 163,200 hectares in the Big River Area of Saskatchewan (the "Property"). These lands are prospective for the diamondiferous kimberlites. The Company has acquired additional exploration lands in Saskatchewan bringing its total land holdings to approximately 614,000 hectares. The Company flew nearly 15,000 line kilometres of Fugro GEOTEM surveys in 4 separate areas and carried out an initial 6 hole drill program to test geophysical anomalies in the Sturgeon Lake area. 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 $4,210,243 (2005 - $6,312,476) in working capital, including cash and short term investments of $4,213,837 (2005 - $6,339,014). These funds are sufficient to meet the planned 2007 exploration programs for the Company's properties and to finance general and administrative expenses for the next year. Mineral property expenditures are estimated to be approximately $700,000 for 2007 and may vary depending on results achieved.

During the year the Company received $330,750 from the exercise of 945,000 warrants.

The Company currently has no source of income and is entirely reliant upon raising equity capital to fund its operations and general administrative costs.

	December 31, 2006	December 31, 2005
Cash and cash equivalents	$ 4,213,837	$ 1,332,144
Short-term investments	$ -	$ 5,006,870
Working capital	$ 4,210,243	$ 6,312,476

FINANCIAL SUMMARY

Three months ended December 31, 2006

General and administrative expenses, net of stock based compensation, for the three months ended December 31, 2006 were $101,320 compared to $88,215 for the three months ended December 31, 2005. Investor relations activities incurred an expense of $3,850 and management fees increased as the monthly fee paid to Nemesis Enterprises Ltd. increased to $7,500 from $5,000 effective January 1, 2006 to reflect the increasing time commitment. The largest increase in expenses was $19,591 paid for trade shows and conferences as the Company presented at investment conferences in Switzerland, Paris, Brussels and San Francisco during the fourth quarter. Partially offsetting the increase in general and administrative expense was a $12,170 decline in office and general expenses.

Interest income increased by $24,183 in the fourth quarter due to interest earned on the Company's cash and short term investments. Stock based compensation was $4,688 for the quarter which reflects vesting of consultants options during the quarter. During the fourth quarter the Company revised the corporate income tax rate applicable to the Future Income Tax liability from 34.12% to 31.00% and accordingly recorded a $69,417 future income tax recovery.

Year ended December 31, 2006

General and administrative expenses, net of stock based compensation, for the year ended December 31, 2006 were $466,476 (2005 - $246,181). $92,822 was spent on investor relations during the year with North American and European activities being split evenly. The Company contracted the services of Stockgroup Media Inc., of Vancouver and Value Relations of GMBH of Frankfurt, Germany during the year. Management fees increased by $30,000 as the management contract with Nemesis Enterprises Ltd. was updated to reflect the increasing time commitment involved with the Company's increased activity. Attendance at trade shows and conferences cost $73,971 for the year. The Company had a booth and/or made presentations in Frankfurt, Geneva, Zurich, Switzerland, Paris and Brussels, two shows in Vancouver B.C., one in Saskatoon, Saskatchewan, San Francisco, California and Calgary, Alberta.

Stock based compensation declined significantly as the Company granted only 75,000 stock options during the year. Interest income increased by $145,140 which reflects receiving interest on its cash balances and short term investments for the entire year. $17,352 was received during the year from a Mineral Exploration Tax Credit related to an abandoned project.

The net loss declined by $497,389 due primarily to the reduction in stock based compensation and write offs of mineral properties.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, short term investments, accounts receivable, accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair market value of these financial instruments, approximate their carrying values unless otherwise noted.

SELECTED ANNUAL INFORMATION

	2006 $	2005 $	2004 $
Total revenues	-	-	-
Net loss from continuing operations	(263,712)	(761,101)	(276,479)
Loss per share	(0.02)	(0.13)	(0.07)
Net loss for the year	(263,712)	(761,101)	(276,479)
Net loss per share	(0.02)	(0.13)	(0.07)
Total assets	8,024,108	7,967,462	1,324,263
Total long term financial liabilities	-	-	-
Future Income Taxes	689,710	388,925	-
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 2005 as a result of raising a net $5,712,095 from the issuance of share capital by means of a private placement and the exercise of warrants and by the acquisition of the Big River Property.

(3) 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.

SUMMARY OF QUARTERLY RESULTS

Period	Revenue ($)	Net Income (Loss) ($)	Net Loss per Share ($)
December 31, 2006	-	19,403	(0.00)
September 30, 2006	-	(42,729)	(0.00)
June 30, 2006	-	(107,214)	(0.01)
March 31, 2006	-	(133,172)	(0.01)
December 31, 2005	-	(617,906)	(0.10)
September 30, 2005	-	(42,265)	(0.01)
June 30, 2005	-	(46,338)	(0.01)
March 31, 2005	-	(54,592)	(0.01)

(1) The net loss per share is calculated on a weighted average, basic and fully diluted basis.

(2) There were no discontinued operations or extraordinary items to report during the most recent eight quarters.

SHARE CAPITAL

Authorized

Unlimited number of common shares without nominal or par value
Unlimited Class "A" preference shares without nominal or par value (none outstanding)
Unlimited Class "B" preference shares without nominal or par value (none outstanding)

Issued and fully paid - common shares

	Number	Share Capital Amount	Contributed Surplus Amount
December 31, 2004	4,689,431	2,392,643	4,243,287
Issued pursuant to acquisition of the Big River Mineral Property	2,188,750	875,500	-
Exercise of warrants	225,000	78,750	-
Issued pursuant to a private placement of flow-through shares	1,550,000	1,085,000	-
Issued pursuant to a private placement			
- for cash	7,932,500	4,759,500	-
- for services	67,500	40,500	-
Share issue costs	-	(320,917)	69,262
Stock-based compensation	-	-	399,000
December 31, 2005	16,653,181	8,910,976	4,711,549
Exercise of warrants	945,000	330,750	-
Issuance pursuant to acquisition of the Border Property	50,000	30,000	-
Future income taxes on renunciation of flow through shares	-	(370,202)	-
Stock-based compensation	-	-	58,375
December 31, 2006	17,648,181	$ 8,901,524	$ 4,769,924

SHARE CAPITAL (continued)

Stock options

Stock option transactions for the year ended December 31, 2006 are summarized as follows:

	Number of Options	Weighted Average Exercise Price	
As at December 31, 2005	1,200,000	$	0.71
Granted	75,000	$	0.60
As at December 31, 2006	1,275,000	$	0.71
Number of options currently exercisable	1,237,500	$	0.71

Warrants

Warrant transactions for the year ended December 31, 2006 are summarized as follows:

	2006	2005
Balance, beginning of the year	5,517,370	1,500,000
Issued	-	4,242,370
Exercised	(945,000)	(225,000)
Expired	(330,000)	-
Balance, end of the year	4,242,370	5,517,370

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

	2006	2005
Common shares issued	17,648,171	16,653,181
Stock options outstanding	1,275,000	1,200,000
Warrants outstanding	4,242,370	5,517,370
	23,165,541	23,370,551

OFF-BALANCE SHEET ARRANGEMENTS

At December 31, 2006 the Company had no off-balance sheet arrangements, such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instrument obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

(a) Paid management fees of $90,000 (2005 - $60,000) to a company owned by an officer and director of the Company.

(b) Paid or accrued $17,878 (2005 - $73,522) for legal fees paid to a law firm in which an officer of the Company is a partner, which were included in professional fees and share issue costs.

(c) Paid $989 (2005 - $NIL) for tax services paid to an accounting firm in which an officer and director is a partner, which were included in professional fees.

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 year the Company utilized the services of Stockgroup Media Inc. and Value Relations GmbH to increase awareness in the investment community. At December 31, 2006 the Company's officers were performing all investor relation functions.

RESULTS OF OPERATIONS

(a) Big River Property, Saskatchewan

On October 25, 2005 the Company finalized an agreement with BEC International Corporation ("BEC") of Saskatoon, Saskatchewan to acquire a 90% interest in two blocks of mineral claims in the Big River Area of Saskatchewan (the "Property"). A detailed technical report (NI 43-101 complaint) supporting the acquisition, was prepared by independent Qualified Persons and is filed on SEDAR.

Historic Activities

Prior to the Company's efforts, the most recent, serious exploration work on the Big River Property (Sturgeon Lake claims) was carried out more than 10 years ago. Although the area includes the site of the first discovery of diamonds in Saskatchewan, it has never been systematically explored using current geophysical techniques or applying the extensive knowledge base that has been developed for the kimberlite pipes of the Fort à la Corne area. Work carried out by previous operators on the Sturgeon Lake claim block and immediate area included 5 core and 27 rotary drill holes. Intercepts of kimberlite were reported in 19 holes in four widely separated areas. The two holes for which detailed analyses are available reported recoveries of micro-diamonds and significant indicator minerals from both holes.

Current Activities

Early in 2006, the Company acquired additional claims in the general area of its Cowan Lake and Sturgeon Lake claim blocks acquired from BEC and engaged Fugro Airborne Surveys Corp to carry out a 3,900 line kilometer geotem and magnetic survey over the Sturgeon Lake claim block. The survey was completed in February, 2006 and results identified several drill targets that could represent diamondiferous kimberlites.

Subsequent to the initial property acquisition, the Company acquired an additional 186,000 hectares of mineral claims (the "Deban" claim block) covering the favourable geologic horizons between its Sturgeon Lake block and its Cowan Lake block to the northwest. The Company controls a 90% interest in the Big River Property which now comprises a block of contiguous claims totalling approximately 459,260 hectares.

The Company utilized the services of Dr. Jovan Silic, Ph. D (Geophysics) of Flagstaff GeoConsultants, Australia for on-site supervision of the airborne geophysical programs and interpretation of the data. The Fugro data gathering system, in conjunction with interpretation using Dr. Silic's proprietary software has been extremely successful in identifying and delineating kimberlite bodies in the Fort à la Corne area of Saskatchewan.

The Company completed 6 drill holes on its Sturgeon Lake claim block. Three holes tested priority geophysical targets that exhibited electro-magnetic resistivity ("EM") signatures somewhat similar to those generally associated with kimberlite pipes in the Fort à la Corne area. One of these holes intersected approximately 2.2 metres of what appears to be a fine grained pyroclastic unit within mudstones that are stratigraphically the same units that contain kimberlites in the Fort à la Corne area. This unit was sampled for further study but did not result in the identification of a previously unidentified kimberlite.

RESULTS OF OPERATIONS (continued)

(a) Big River Property, Saskatchewan

Current Activities

The remaining three drill holes tested kimberlite occurrences identified by previous operators in the Sturgeon Lake area. These holes served to confirm local stratigraphy and helped to define the extent and nature of the known kimberlite occurrences and their relationship to the recently acquired magnetic and electro-magnetic data. Only one minor intercept of kimberlite was encountered in the hole drilled nearest to the Sturgeon Lake occurrence.

Mineral Property Expenditures – Big River Property

		2006		2005
Acquisition and staking costs	$	56,043	$	1,018,280
Geophysical surveys		781,401		110,983
Drilling		573,696		-
Technical consulting		81,477		16,759
Assays and laboratory		1,581		-
Exploration and other		1,520		2,333
Future income taxes		-		453,431
	$	1,495,718	$	1,601,786

(b) Border and Crossroads Properties, Saskatchewan

Current Activities

The Company is presently compiling and re-evaluating all the available data to determine if there are other potential targets to be drilled. The Company expects to drill a at least 2 more holes in the Sturgeon Lake area. The Company also flew approximately 3,200 line kilometers of Fugro airborne geophysics in the Cowan Lake area of the Big River project. This survey identified 2 high priority geophysical anomalies as well as several second priority targets in the same general area. These targets are expected to be drilled early in 2007.

On April 12, 2006 the Company finalized an agreement with Minera Pacific Inc., (“Minera”) for the exclusive rights to use certain information generated from Minera’s proprietary UMSERT Methodology which will assist the Company in identifying areas in Saskatchewan and Manitoba that may be prospective for diamonds.

In order to maintain the exclusive rights to use the Information, the Company has agreed to pay staged cash payments over a period of two years to Minera totaling $160,000 ($35,000 paid) and issue a total of 325,000 common shares of the Company (50,000 shares issued) over a period of four years and, by the end of the fifth year, pay an additional $500,000 or issue 250,000 common shares, whichever is the lesser, as determined by the Company in its sole discretion.

The Company has also agreed to pay to Minera $1,000,000 (Feasibility Payment) in the event that the Company completes an independent feasibility study on any property acquired by the Company as a result of the UMSERT Methodology. The Company has agreed to make non-refundable payments to Minera of $100,000 in each of the third, fourth and fifth years from the effective date of the Agreement as advances against the Feasibility Payment. Minera is further entitled to receive a 2% gross overriding royalty (“GOR”) on commercial production from any such property, and the Company is entitled at any time to purchase one-half of the GOR for $2,000,000.

The Agreement may be terminated by the Company at any time upon written notice to Minera, in which case Minera may elect to receive an assignment of any properties acquired by the Company as a result of the UMSERT Methodology.

Based on this independent research, the Company acquired 100% interest in approximately 148,600 hectares of mineral claims (the Border claim block) in the eastern portion of the province and has staked an additional 11,484 hectares to cover a second prospective area (the “Cross Roads” claim block). An airborne geophysical survey of approximately 7,750 line kilometers using the Fugro Geotem system was completed covering both areas. The data has been interpreted and several drill targets that may be potential kimberlite pipes have been identified. The priority targets will possibly be subject to follow-up ground geophysical programs and the priority targets will be drilled in early 2007. A subsequent examination of a number of secondary targets will follow, depending in part on the results obtained from the priority targets.

RESULTS OF OPERATIONS (continued)

(b) Border and Crossroads Properties, Saskatchewan

Current Activities

The Company's entire land position in Saskatchewan is now in the order of 620,000 hectares which will serve as a basis for ongoing exploration work in an effort to discover Saskatchewan's second major diamondiferous kimberlite field.

Mineral Property Expenditures – Border Block

	2006	2005
Acquisition and staking costs	$ 116,847	$ -
Geophysical surveys	516,344	-
Technical consulting	23,986	-
	$ 657,176	$ -

Mineral Property Expenditures – Crossroads Block

	2006	2005
Acquisition and staking costs	$ 22,968	$ -
Technical consulting	12,367	-
	$ 35,335	$ -

The estimated budget for exploration work on all properties in Saskatchewan for 2007 is approximately $700,000. This budget is subject to management discretion and may change substantially depending upon ongoing results and the success on each of the programs undertaken.

INDUSTRY AND ECONOMIC FACTORS AFFECTING PERFORMANCE

Certain factors affect the Company's ability to finance and to carry on normal business. These include precious metal 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 exclusively on exploration and development of diamond resources, diamond prices, and the availability of equity funds are important factors.

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 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.

RISKS AND UNCERTAINTIES (continued)

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.

DISCLOSURE CONTROLS AND PROCEDURES

Management has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to them by others particularly during the period in which the annual filings are being prepared, and are disclosed in public documents as required.

As at December 31, 2006, the CEO and CFO, with participation of the Company's management, have concluded that the design and operation of the Company's disclosure controls and procedures were effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The company has designed appropriate internal controls over financial reporting for the nature and size of the Company's business, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Due to the limited number of management staff at the Company it is not feasible to achieve complete segregation of incompatible duties. This weakness in the Company's internal controls over financial reporting may result in a more than remote likelihood that a misstatement would not be prevented or detected. Management and the board of directors work to mitigate the risk of a material misstatement in financial reporting, however, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

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.

ADDITIONAL INFORMATION

Additional information about the Company is available on SEDAR at www.sedar.com and at the Company's website www.goldsourcemines.com.