



**GOLDSOURCE  
MINES INC.**

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**QUARTERLY HIGHLIGHTS**

**MARCH 31, 2018**

**1. OVERVIEW**

Goldsource Mines Inc. (the “Company” or “Goldsource”) is headquartered in Vancouver, BC and its common shares trade on the TSX Venture Exchange (“TSX-V”) under the symbol GXS. This Interim Management’s Discussion and Analysis – Quarterly Highlights (“Interim MD&A”) is an overview of all material information about the Company’s operations, liquidity and capital resources for the three months ended March 31, 2018. The Interim MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2018 and 2017 and the related notes contained therein which have been prepared under International Accounting Standard 34 – Interim Financial Reporting as issued by the International Accounting Standards Board. The following should also be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2017 and 2016, and the related notes contained therein. All amounts are stated in Canadian dollars unless otherwise indicated. Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company’s website [www.goldsourcemines.com](http://www.goldsourcemines.com).

The first, second, third, and fourth quarters of the Company’s fiscal years are referred to as “Q1”, “Q2”, “Q3”, and “Q4”, respectively. All amounts are stated in Canadian dollars unless otherwise indicated.

The effective date of this Interim MD&A is May 29, 2018. This Interim MD&A contains forward looking information. Reference to “7. Cautionary Statements and Disclaimers” is advised.

**2. HIGHLIGHTS**

The Company’s key events and highlights during Q1, 2018 and to date include the following:

**a. Eagle Mountain Gold Project**

**Overview**

The Company’s main focus is its Eagle Mountain Gold Project (“Eagle Mountain”) located on its 100% owned Eagle Mountain Property (the “Property”), which consists of an area of approximately 5,050 hectares (12,480 acres) in central Guyana, South America.

Goldsource’s current objective is to increase saprolite resources to a minimum of 600,000 ounces grading 1.0 to 1.5 grams per tonne (“gpt”) gold (“Au”) with a strip ratio of less than 1:1 (waste:ore). The Company believes that this will support the completion of a Pre-Feasibility Study (“PFS”) on a low cost large-scale, 4,000 to 5,000 tpd, open pit gravity-cyanidation operation.

Currently, the Company’s resources<sup>1</sup> at Eagle Mountain are as follows:

Category	Tonnes	Gold Grade (gpt)*	Contained Ounces Gold
Indicated	<b>3,921,000</b>	<b>1.49</b>	<b>188,000</b>
Inferred	<b>20,635,000</b>	<b>1.19</b>	<b>792,000</b>

The following table shows only saprolite resources:

Category	Tonnes	Gold Grade (gpt)*	Contained Ounces Gold
Indicated	<b>1,590,000</b>	<b>1.45</b>	<b>74,100</b>
Inferred	<b>7,202,000</b>	<b>1.32</b>	<b>305,600</b>

\*Estimated at 0.5 gpt cut-off for gold.

To expand total saprolite resources as per above and re-categorize current saprolite resources from the Inferred category to the Indicated category, Goldsource has defined exploration targets within the Property and commenced a drill program as of May 2017.

<sup>1</sup> Refer to Technical Report titled “Preliminary Economic Assessment of the Eagle Mountain Saprolite Gold Project, Guyana”, effective June 14, 2014 and dated September 12, 2014 (“PEA”). The Company cautions that the PEA is preliminary in nature in that it is based on inferred mineral resources which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be characterized as mineral reserves, and there is no certainty that the results or recommendation of the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

***Eagle Mountain Activities***

- During Q1, 2018, the Company entered into an option agreement to acquire a 100% interest in the Bishop Growler Property, located three kilometres along the mineralized trend from Eagle Mountain, by making total payments of US\$525,000 over three years, with an additional US\$500,000 due upon the exercise of the option. The first payment of \$92,073 (US\$75,000) was paid in March 2018 upon execution of a definitive agreement.
- In January 2018, the diamond drill rig, which was purchased in Q3, 2017, became operational and was added to the Eagle Mountain exploration program. During Q1, 2018, the Company drilled an additional 39 Geoprobe “Sonic” drill core holes, 18 diamond drill core holes, and Nil auger holes. From May 2017 to May 22, 2018, the Company has drilled a cumulative 201 Geoprobe core holes, 35 diamond core holes, and 269 auger holes over 4,810 metres and sampled 31 trenches over 713 metres. Refer to “2018 Drilling and Trenching Summary” section below.
- The Company collected 24 representative samples, totaling 500 kilograms in late 2017. The samples were sealed and, in January 2018, were exported to SGS Canada Inc., for ongoing PFS work. Subsequent to March 31, 2018, gravity and cyanidation metallurgical results showed average total gold recoveries of 97.3%. The laboratory head assays showed sample grades ranging from 0.39 to 1.29 gpt gold (average of 0.98 gpt) for the drill core samples, 0.77 gpt gold for the existing gravity tailings, and 1.99 gpt gold for the stockpiled coarse materials (+2 mm). Refer to the Company’s news release dated May 17, 2018 for more information.

***2018 Drilling and Trenching Summary***

- A summary of completed drill-holes and trenches from May 2017 to May 2018 is as follows:

Time Period and Type of Drilling	Number of Holes or Trenches	Metres
<i>2017 Program (May to December)</i>		
Geoprobe Core Drilling	119	1,172
Auger Drilling	226	830
<i>2018 Program (January to May 22<sup>th</sup>)</i>		
Diamond Core Drilling	35	947
Geoprobe Core Drilling	82	956
Auger Drilling	43	75
Sampling along Trenches	31	713
<i>Total Program to May 22<sup>th</sup> 2018</i>		
Total Core Drilling	236	3,905
Total Auger Drilling	269	905
Total Trenching	31	713

- The Company announced initial drill results for its drill program on August 28, 2017, November 16, 2017, and May 24, 2018. The most significant results from initial drilling and trenching are:
  - Hole EMCR17-32, with 19.0 metres grading 3.04 gpt gold;
  - Hole EMCR17-06, with 6.7 metres grading 7.51 gpt gold;
  - Hole EMCR17-26, with 12.0 metres grading 1.31 gpt gold;
  - Hole EMCR17-83, with 11.0 metres grading 1.99 gpt gold;
  - Hole EMCR17-86, with 10.5 metres grading 1.35 gpt gold;
  - Hole EMD18-011, with 6.0 metres grading 1.51 gpt gold;
  - Hole EMD18-018, with 21.4 metres grading 1.22 gpt gold;
  - Hole EMC18-057, with 8.0 metres grading 2.65 gpt gold; and
  - Trench TRSB18-002, with 123.0 metres (horizontal width) grading 1.92 gpt gold.

Please refer to August 28, 2017, November 16, 2017, and May 24, 2018 news releases available on Goldsource’s website [www.goldsourcemines.com](http://www.goldsourcemines.com) for more details.

- Given the success of the exploration program to date, the Company has extended its drill program to follow up on newly discovered mineralized saprolite areas, at a minimum of 1,500 metres. Subsequent to completion of this drilling program, the Company plans to release an updated resource estimate in H2, 2018.

**b. Corporate**

The Company's Q1, 2018 corporate highlights since January 1, 2018, are as follows:

- In January 2018, the Company completed a private placement of 36,418,000 units at a price of \$0.05 per unit for gross proceeds of \$1.8 million, of which \$126,000 was received prior to December 31, 2017. Each unit consisted of one common share and one common share purchase warrant of Goldsource, with each warrant being exercisable for one common share of Goldsource at a price of \$0.10 per share until January 18, 2020. Finder's fees totaling \$51,930 were paid in connection with the private placement, of which \$39,930 was paid in cash. The remaining \$12,000 was paid with 240,000 units at a price of \$0.05 per unit. Each unit consisted of one common share and one warrant, which are exercisable on the same terms as those issued in the private placement except that they are non-transferrable. Proceeds from the private placement have been and continue to be used for the Company's Eagle Mountain resource expansion, pre-feasibility study costs, and general corporate purposes. At May 29, 2018, the Company had cash of approximately \$538,000.
- In January 2018, Goldsource granted 1,800,000 stock options to directors, officers, employees, and consultants that can be exercised at a price of \$0.10 per share until January 31, 2023. These stock options vest immediately except for 100,000, which vest over a one year period with 25% vesting after each of three months, six months, nine months, and twelve months after the grant date, respectively.
- In February 2018, the Company announced that N. Eric Fier, a Director and the Chief Operating Officer ("COO") of the Company had also been appointed as the Executive Chairman of the Board of Directors. The former Chairman of the Board of Directors, Graham Thody, remained an Independent Director and Chairman of the Audit Committee of Goldsource and was appointed Lead Director of the Company.

**c. Subsequent Events**

Subsequent to March 31, 2018, 50,000 stock options expired unexercised.

**3. RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

The net loss and comprehensive loss was \$978,322 for Q1, 2018, compared to \$1,029,491 for the same period in 2017. The principal differences and significant amounts to note are as follows:

- Borrowing costs decreased to \$Nil (Q1, 2017 – \$22,443) in Q1, 2018 as the Company had a significantly lower loan balance as compared to Q1, 2017. During Q1, 2018, the Company repaid the remaining \$100,000 loan with proceeds from the private placement.
- Exploration and evaluation expenditures increased to \$655,178 (Q1, 2017 – \$571,740) for Q1, 2018. This difference was due to increased exploration activity at the Eagle Mountain Gold Project as the Company focused work on expanding the Company's saprolite resource through drilling. During Q1, 2018, when compared to the same period in 2017, the Company increased assay costs by \$16,171, drilling by \$23,495, salaries by \$43,563 and technical services by \$32,984. These increases were offset by the decrease in operations and general by \$63,899 and sales of gold by \$50,636.
- Remuneration expense decreased to \$92,939 (Q1, 2017 – \$127,595) in Q1, 2018. The change was primarily from the decrease in allocation of corporate staff time that was shared between the Company and SilverCrest Metals Inc. ("SilverCrest") in Q1, 2018.
- Share-based compensation decreased to \$112,049 (Q1, 2017 – \$207,482) for Q1, 2018. The Company granted 1,800,000 (Q1, 2017 – 2,325,000) incentive stock options during Q1, 2018, with a weighted average fair value per option granted of \$0.07 (Q1, 2017 – \$0.10) for total value of \$131,675 (Q1, 2017 – \$233,424).
- Shareholder and investor relations increased to \$23,966 (Q1, 2017 – \$5,582) for Q1, 2018 as the Company engaged in a larger amount of marketing activity and contracted additional investor relations consultants, as compared to Q1, 2017.

**4. LIQUIDITY AND CAPITAL RESOURCES**

**a. Assets**

At March 31, 2018, Goldsource held cash and cash equivalents of \$929,034 (December 31, 2017 – \$268,849). Goldsource continues to monitor cash resources against anticipated expenditures associated with advancing Eagle Mountain. Other current assets totalling \$139,526 consist primarily of prepaid expenses of \$96,060 (December 31, 2017 – \$86,888).

The Company has a deposit of \$251,234 (US\$194,540) which is pledged as a reclamation site bond in the form of a non-interest-bearing bank guarantee deposit to the Guyana Geology and Mines Commission for exploration permits on the Property.

Mineral property increased to \$6,668,318 (December 31, 2017 – \$6,575,508) as the Company entered into an agreement to acquire a 100% interest in the Bishop Growler Property (see section 2. Highlights, above, and Note 4 of the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2018).

Property, plant and equipment decreased to \$4,153,572 (December 31, 2017 – \$4,330,903), primarily due to depreciation offsetting equipment purchases. The significant additions during Q1, 2018 were the purchase of additional equipment for the portable sonic drill rig, and other equipment, totalling \$38,643. In comparison, during Q1, 2017, significant additions included the purchase and installation of the Krebs cyclone, Marok pump, and other equipment totalling \$163,160.

**b. Liabilities**

At March 31, 2018, current liabilities include accounts payable and accrued liabilities of \$294,167 (December 31, 2017 – \$352,018), which relate to various contractual commitments in the normal course of business. A promissory note of \$100,000 outstanding as of December 31, 2017 was fully repaid in January 2018.

As at March 31, 2018, the Company recorded rehabilitation provision of \$389,014 (December 31, 2017 – \$380,712), which was also included in property, plant and equipment. The present value of the rehabilitation provision was calculated using an effective discount rate of 5% (December 31, 2017 – 5%) and reflects anticipated cash flows to be incurred over approximately the next four years. The undiscounted value of these obligations is \$413,041 (US\$319,750) (December 31, 2017 – \$410,828 (US\$318,000)), calculated using a long-term inflation rate assumption of 2.2% (December 31, 2017 – 2.1%).

**c. Liquidity Outlook and Risks**

As at March 31, 2018, the Company had cash and cash equivalents of \$929,034 (December 31, 2017 – \$268,849), accumulated losses of \$48.8 million (December 31, 2017 – \$47.9 million) and working capital of \$774,393 (December 31, 2017 – deficiency of \$62,814). During Q1, 2018, the Company received gross proceeds of \$1.8 million upon the closing of a private placement. The Company used part of the proceeds to fully repay a promissory note of \$100,000. Goldsource has and continues to use the remaining proceeds for operating, exploration and improvements at Eagle Mountain and for working capital. Despite the completion of the private placement, the Company will require substantial additional funds to maintain its operations and meet its working capital requirements in the immediate future. These factors represent a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern. Please refer to Note 1 of the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2018.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets which are revised periodically based on the results of its exploration and development programs, availability of financing, and industry conditions. The Company's ability to continue as a going concern is dependent on its ability to raise debt or equity financing, profitably operate Eagle Mountain, and discover additional economically viable mineral deposits. Ongoing exploration work at Eagle Mountain may be delayed or disrupted, will require substantial additional financing, and is subject to a number of factors many of which are beyond the Company's control. Although the Company has been successful in raising funds to date, there is no assurance that future equity capital or debt facilities will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to it, if at all.

**5. COMMITMENT, EVENTS AND UNCERTAINTIES**

Other than disclosed below, there was no commitment, event or uncertainty which materially affected the Company's operations, liquidity and capital resources during Q1, 2018, or which may have a material effect going forward.

On October 1, 2015, as amended May 7, 2018, the Company entered into an operating lease agreement for office space which required the Company to make the following lease payments:

	2019	2020	2021	2022	2023
Office lease	60,132	60,132	60,132	60,132	35,077

**6. RELATED PARTY TRANSACTIONS**

During Q1, 2018, the Company entered into the following transactions with related parties:

**Legal fees**

Legal fees of \$414 (Q1, 2017 – \$6,394), included in professional fees, legal fees of \$737 (Q1, 2017 – \$Nil), capitalized as acquisition costs, and capital stock issuance costs of \$37,375 (Q1, 2017– \$45,396) were paid or accrued to Koffman Kalef LLP, a law firm of which an officer of the Company is a partner, of which \$3,862 (December 31, 2017 – \$12,782) was payable at March 31, 2018.

**Key management compensation**

The Company’s key management personnel have the authority and responsibility for planning, directing, and controlling the activities of the Company and include the Company’s President, COO, and Chief Financial Officer (“CFO”). Key management personnel compensation is summarized as follows:

	Three months ended March 31, 2018	Three months ended March 31, 2017
Management remuneration <sup>(1)</sup>	\$ 55,875	\$ 72,708
Share-based compensation <sup>(2)</sup>	92,778	186,428
	<u>\$ 148,653</u>	<u>\$ 259,136</u>

<sup>(1)</sup> During Q1, 2018, the Company paid management fees to companies controlled by the COO and the President of the Company, and paid remuneration and short-term benefits to the CFO. During Q1, 2017, the Company paid management fees to companies controlled by the CFO and the President of the Company.

<sup>(2)</sup> Share-based compensation is the fair value of the vested portion of stock options that have been granted to directors and officers of the Company.

**Other transactions**

The Company paid remuneration of \$1,125 (Q1, 2017 – \$12,537) and recognized share-based compensation of \$4,862 (Q1, 2017 – \$6,778) to Nathan Fier, an employee who is an immediate family member of the COO. Remuneration and share-based payments incurred were recorded as exploration and evaluation expenditures.

The Company has a cost sharing agreement with SilverCrest, which is related by the common directors and officers Graham Thody, N. Eric Fier, and Nicholas Campbell, whereby the Company shares salaries, administrative services, and other reimbursable expenses. During Q1, 2018, the Company was allocated \$45,118 (Q1, 2017 – \$49,375) for its share of these expenses, of which \$60,168 (December 31, 2017 – \$61,104) was payable to SilverCrest at March 31, 2018.

During Q1, 2018, the Company fully repaid a promissory note to a company controlled by the COO. During Q1, 2017, the Company incurred interest costs of \$22,443 on, and fully repaid, the Loan with Mitan Holdings Ltd., a company controlled by a former director of the Company.

**7. CAUTIONARY STATEMENTS AND DISCLAIMERS**

**a. Risk Factors**

In addition to liquidity risks described in section 4, readers of this Interim MD&A are directed to read the “Risk Factors” contained in the Company’s Annual MD&A dated April 4, 2018, available on [www.goldsourcemines.com](http://www.goldsourcemines.com) and under the Company’s SEDAR profile on [www.sedar.com](http://www.sedar.com). Important risk factors to consider among others are:

- Risks inherent in the mining business;
- No history of operations or earnings;
- Licenses and permits;
- Mineral resource estimates;
- Mining capital and operating costs;
- Financing risks;
- Key employees; and
- Environmental risks and hazards.

**b. Forward-Looking Statement**

This Interim MD&A contains “forward-looking statements” within the meaning of Canadian securities legislation. Such forward-looking statements involve a number of 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 expressed or implied by such forward-looking statements. In particular, the Interim MD&A contains forward-looking statements pertaining to the following: exploration and drilling programs at Eagle Mountain and Bishop Growler; information regarding high grade areas projected from sampling results; timing and completion of a preliminary feasibility study on a low cost large scale open pit gravity cyanidation operation; information with respect projected capital and operating costs, the amount of future production of gold over any period, the amount of expected grades and ounces of metals, gold recoveries mine life and gold production rates of Eagle Mountain; and expectations regarding the Company’s ability to manage capital resources and meet working capital requirements.

Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect. Assumptions have been made regarding, among other things: the conditions in general economic and financial markets; precious metals prices; ability to realize the PEA and develop and finance the project; accuracy of the interpretations and assumptions used in calculating inferred mineral resource estimates; availability of mining equipment; availability of skilled labour; timing and amount of capital expenditures; performance of available laboratory and other related services; effects of regulation by governmental agencies; and future operating costs.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Interim MD&A: 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 estimations; receipt, maintenance and security of permits and mineral property titles; environmental and other regulatory risks; project cost overruns or unanticipated costs and expenses; uncertainty as to actual capital costs, operating costs, production and economic returns; uncertainty that development will result in a profitable mining operation at Eagle Mountain; reliance on the PEA; operating and hazards risks and limitations on insurance; fluctuations in precious metals prices; currency fluctuations; political and economic risks; 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, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made. The Company undertakes no obligation to update or revise any forward-looking statements included in this Interim MD&A if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law.

**c. Qualified Person**

Technical information contained in this Interim MD&A has been prepared by or under the supervision of N. Eric Fier, CPG, P.Eng, and Executive Chairman and Chief Operating Officer for Goldsource, who is a 'Qualified Person' for the purpose of NI 43-101.