



**GOLDSOURCE
MINES INC.**

**MANAGEMENT'S DISCUSSION & ANALYSIS OF
FINANCIAL CONDITIONS & RESULTS OF OPERATIONS**

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

FORM 51-102F1

This Management's Discussion and Analysis ("MD&A") is an overview of the activities of **Goldsource Mines Inc.** (the "Company" or "Goldsource") for the three and nine months ended September 30, 2013. The MD&A is intended to help the reader understand the Company's operations, financial performance and present and future business environment. The MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2013 and 2012 and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The following should also be read in conjunction with the audited financial statements, the related MD&A and Annual Information Form for the year ended December 31, 2012, and all other disclosure documents of the Company. 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 and on the Company's website www.goldsourcemines.com. The effective date of this MD&A is November 21, 2013. This MD&A contains forward looking information. Reference to the risk factors described in the "Cautionary Statement" on page 7 of this MD&A is advised.

OVERVIEW OF THE BUSINESS

Goldsource Mines Inc. (TSX-V: GXS) is a Canadian resource company engaged in exploration and development. Goldsource's mineral interests presently consist of coal exploration properties located in Saskatchewan, referred to as the "Border Coal Project" and a 25% joint venture interest in certain coal lands in Saskatchewan and Manitoba, in Canada.

The Company's discovery of major thermal coal occurrences in east-central Saskatchewan in 2008 resulted in aggressive exploration and development of this coal discovery. Since the initial discovery, Goldsource has drilled 154 holes, and found substantial coal resources in 17 deposits with an expenditure as at September 30, 2013 of approximately \$19.0 million since the discovery. Overall, the estimated coal resources at Border consist of 117 million Indicated tonnes and 33.0 million Inferred tonnes, as stated in the "Updated Resource Estimate on the Border Coal Project Saskatchewan, Canada, NI 43-101 Technical Report", dated March 19, 2012, that was prepared by N. Eric Fier, CPG, P.Eng., Chief Operating Officer and Qualified Person for the Company and posted on SEDAR at www.sedar.com. This Updated Resource Estimate relies on work completed and reported on in the Preliminary Economic Assessment ("PEA") Report on the Border Coal Project Saskatchewan, Canada (effective date February 15th, 2011 and amended March 5th, 2012) that was independently prepared by Marston Consultants of Calgary, AB ("Marston") and EBA Engineering Consultants of Vancouver, BC ("EBA").

As part of the PEA, Marston examined the economic viability of establishing a facility to convert the Border coals to liquids (CTL). Marston relied on CTL sources for the capital cost estimates associated with such a facility. The total installed cost of the facility has been estimated to be \$1.94 billion and was allocated over five years with commencement depending on the rate of advancement of Pre-Feasibility and Feasibility studies. Marston estimates there would be an additional \$90 million dollars of sustaining capital required over the life the project. All capital and operating costs are to a Preliminary Economic Assessment level and were established using quotes, experience, and factored industry standard numbers. Costs are to a +/-30% accuracy as are typical for this level of evaluation. Under the assumptions of the economic model and using a 5% discount rate, the discounted Net Present Value of the project is estimated to be \$256 million.

Management recognizes the project requires a special expertise and financial capacity to bring it to fruition and will actively seek out a participant with these capabilities. The Company is maintaining the Border Property on a care and maintenance basis until such time as a suitable market and/or applicable conversion process can be identified or until such time as an appropriate partner can be identified to advance the project.

OUTLOOK

While the Company intends to continue its efforts to surface value for the Border Property, Management and the Board of Directors have determined that it is prudent business to examine opportunities in commodities other than coal which may not require such significant amounts of capital and can be readily developed in a more timely fashion than the Border coal. The Company has been actively reviewing potential acquisitions in Mexico, South America, Canada and the United States for base metals and gold projects that fit certain selective criteria.

EXPLORATION

BORDER COAL PROPERTY, Saskatchewan

In May 2013, the Company renewed 34 coal mineral leases (16,074 hectares) granted by the Saskatchewan Ministry of Energy and Resources that cover all of the coal deposits discovered to date as well as areas that are considered favourable for the discovery of additional coal deposits.

Current Resource Estimate (NI 43-101 Technical Report, dated March 19, 2012)

Category	(000's Tonnes) *
Indicated	117,017
Inferred	33,003

*based on using an average coal density of 1.38 from lab and downhole geological test work

In the event a suitable market or applicable conversion process can be identified, the likely next steps in the development of the Border Coal Project would be to collect a cumulative 5-10 tonne coal bulk sample by way of large diameter drilling, do coal technology (coal to liquids ("CTL") and gasification) laboratory test work including sodium and sulphur reduction testing and continue collecting environmental baseline data. For further information, please refer to News Release dated March 19, 2012, on the Company's website at www.goldsource.com, and filed on SEDAR at www.sedar.com.

Given the nature of the Company's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. In fiscal, 2011 the Company had objective evidence from negotiations that the fair value was in excess of the carrying value at that time. However, in the absence of recent similar transactions or other evidence, the Company concluded in fiscal, 2012 that it would be appropriate to apply alternative valuation techniques to support the carrying value of the project. Such valuation techniques result in a wide range of possible values being ascribed to the property. The fair value less costs to sell ("FVLCS") for the Border Property was determined based on the Company's market capitalization as adjusted to reflect the premium a market participant would pay to acquire the entire Company. It is the Company's opinion, that this represents the low-end of the possible range of values that could be applied to the Border Property. However, in the absence of similar transactions or a report from third-party specialists to provide an alternative measure of FVLCS, the Company believes that an estimate based on the Company's market capitalization is the most objective basis for estimating the FVLCS of the Border Property.

The Company is maintaining the Border Property on a care and maintenance basis until such time as a suitable market and/or applicable conversion process can be identified or until such time as an appropriate partner can be identified to advance the project.

Westcore Energy Ltd. Agreement

In March 2011, the Company executed a definitive Joint Venture Agreement with Westcore Energy Ltd. ("Westcore") pursuant to a letter agreement dated December 10, 2009 by which Goldsource earned a 25% working interest in certain of Westcore's Manitoba and Saskatchewan coal permits. Under the terms of JV Agreement, Goldsource has the option to participate as to its 25% in any subsequent coal lands acquired by Westcore in Manitoba and Saskatchewan.

The Company does not consider its 25% interest in the Black Diamond Property, earned under this agreement, to be material to the Company at this time. The Company wrote-off the accumulated carrying value of \$750,000 in fiscal 2012, to the statement of operations and comprehensive loss. Westcore has not notified the Company of any planned programs for 2013 under its Joint Venture Agreement.

RESULTS OF OPERATION AND FINANCIAL CONDITION**Summary of Quarterly Results**

The following financial data is selected information for the Company for the eight most recently completed financial quarters, prepared in accordance with IFRS:

	Q3 September 30, 2013	Q2 June 30, 2013	Q1 March 31, 2013	Q4 December 31, 2012	Q3 September 30, 2012	Q2 June 30, 2012	Q1 March 31, 2012	Q4 December 31, 2011
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Comprehensive loss for the period	(177,451)	(286,281)	(111,566)	(15,809,181)	(80,551)	(152,472)	(165,941)	(103,747)
Loss per share - basic and diluted	(0.01)	(0.01)	(0.00)	(0.58)	(0.00)	(0.01)	(0.01)	(0.00)
Total assets ⁽¹⁾	4,185,946	4,313,789	4,597,943	4,693,453	20,509,271	20,608,013	20,870,738	21,361,720
Total liabilities ⁽²⁾	77,705	53,006	83,064	67,009	73,646	91,836	202,090	550,699

¹⁾ The decrease in assets in the fourth quarter of 2012 resulted from impairment charges taken on the carrying value of the Border Property and the Joint Venture with Westcore.

²⁾ Liabilities generally fluctuate if an exploration drill program is taking place. There is currently no ongoing exploration drill program.

Comparison of the three and nine months ended September 30, 2013 to September 30, 2012

The loss and comprehensive loss was \$177,451 for the third quarter and \$575,298 for the first nine months of 2013, compared to \$80,551 and \$398,964, respectively for 2012. The principal differences and significant amounts of note are as follows:

- General and administrative expenses increased to \$147,790 (2012 - \$79,181) for the third quarter and \$468,689 (2012 - \$368,239) for the first nine months of 2013, primarily by incurring greater general exploration costs. The Company has paid a total of \$138,024 in general exploration costs which includes \$88,404 in annual rental fees to renew 34 coal leases relating to the Border Coal Project and \$30,600 on the review other potential exploration projects in Mexico and South America.
- Share-based compensation recorded was \$24,909 (2012 - \$Nil) for the third quarter and \$57,095 (2012 - \$22,742) for the first nine months of 2013. In June, 2013 stock options for the purchase of 2,575,000 common shares, were reduced to options for the purchase of 825,000 common shares with an amended exercise price of \$0.16 per share for a five-year term expiring on June 11, 2018. The Company also granted new stock options to two executive officers of the Company for the purchase of up to 50,000 common shares of the Company at an exercise price of \$0.16 per share for a five-year term expiring on June 11, 2018.
- Under IFRS, held-for-trading securities are to be recorded at fair value at each reporting date, with the resulting gains or losses recorded in the statement of operations. At September 30, 2013, the Company's held-for-trading securities consist of 675,000 (2012 - 675,000) Westcore common shares. The Company recorded an unrealized loss on held-for-trading securities of \$Nil (2012 - \$3,375) for the third quarter and \$54,000 (2012 - \$77,625) during the nine months.

OFF-BALANCE SHEET ARRANGEMENTS

As at September 30, 2013, 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.

CASHFLOWS

The Company has financed its operations to date primarily through the issuance of common shares. The Company currently has no operations from which to derive revenues.

For the periods ended September 30,	Three months ended		Nine months ended	
	2013	2012	2013	2012
Cash-flows from:				
Operating Activities	(116,993)	(49,551)	(451,677)	(407,659)
Investing Activities	100,297	(53,082)	432,954	129,408
Net decrease in cash	(16,696)	(102,633)	(18,723)	(278,251)
Cash beginning of period	28,768	239,421	30,795	415,039
Cash end of period	12,072	136,788	12,072	136,788

Operating Activities

Refer to results of operation section above for discussion on operating activities.

Investing Activities

The Company redeemed short term investments of \$100,000 (2012 – \$Nil) during the third quarter and \$425,000 (2012 – \$750,000) during the first nine months of 2013. Goldsource incurred \$638,004 on exploration and evaluation expenditures at the Border Coal Project during the nine month period ended September 30, 2012.

Goldsource received \$297 (2012 - \$333) during the third quarter and \$7,954 (2012 - \$17,412) during the first nine months of 2013, from interest on short term investments.

LIQUIDITY AND CAPITAL RESOURCES

		September 30, 2013		December 31, 2012
Assets				
Cash and short term investments	(i)	\$ 338,519	\$	785,710
Other current assets	(i)	41,636		92,824
Non-current assets		3,805,791		3,814,919
Total Assets		4,185,946		4,693,453
Liabilities				
Current liabilities	(ii)	77,705		67,009
Working Capital	(i-ii)	\$ 302,450	\$	811,525

Cash and short term investments decreased primarily from the redemption of \$425,000 in short term investments, which were used to fund 2013 corporate activities and general exploration costs. 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 programs, availability of financing and industry conditions. The Company's ability to continue for the next 12 months is dependent on the ability of the Company to raise debt or equity financings. Management would need to raise the necessary capital to meet its planned business objectives. The Company believes it will be able to raise capital as required in the short term, but recognizes there will be risks involved that may be beyond its control.

Other current assets decreased primarily from the fair value change in held-for-trading securities. At September 30, 2013, the fair value of the Company's 675,000 (2012 – 675,000) Westcore common shares amounted to \$20,250 (2012 - \$91,125).

RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

Legal Fees

Paid or accrued \$59,173 (2012 - \$53,302) for legal fees, which were included in professional fees to Koffman Kalef LLP, a law firm in which the Company's Corporate Secretary is partner, and recognized \$1,631 (2012 - \$843) in share-based payments to this officer.

Key Management Compensation

		2013		2012
Salaries and short-term benefits ⁽¹⁾				
Remuneration on the statement of operations	\$	123,750	\$	113,750
Capitalized to the Border Property		-		65,000
		123,750		178,750
Share-based payments		52,202		20,244
	\$	175,952	\$	198,994

⁽¹⁾ Total remuneration paid to the President, Chief Operating Officer and Chief Financial Officer of Goldsource.

Other Transactions

The Company shares rent, salaries, and administrative services with SilverCrest Mines Inc., a company related by common directors and officers. The Company incurred \$62,599 (2012 - \$78,888) for their share of rent, salaries, and administrative expenses.

OUTSTANDING SHARE CAPITAL

Capital stock

- a) Unlimited number of common shares without nominal or par value authorized.
- b) Unlimited number of preferred shares without nominal or par value (none outstanding) authorized.

As at September 30, 2013, the Company had 27,033,729 common shares outstanding. In addition the Company had 1,400,000 outstanding share purchase options which, if exercised, would result in fully diluted common shares outstanding of 28,433,729.

As at the date hereof, Goldsource had 27,033,729 common shares outstanding. In addition the company had 1,300,000 outstanding share purchase options with exercise prices ranging between CAD\$0.16 and CAD\$1.50 per share which if exercised, would result in fully diluted common shares outstanding of 28,333,729. (Refer to subsequent event section for further details)

More information on these instruments and the terms of their conversion is set out in Note 10 of our unaudited consolidated interim financial statements.

SUBSEQUENT EVENT

100,000 incentive stock options with an exercise price of \$1.33 per share expired.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, short term investments, securities, taxes receivable, accounts payable and accrued liabilities. They are initially recorded at amounts that approximate their fair values.

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, interest rate risk and market risk. Where material these risks are reviewed and monitored by the Board of Directors.

a. Capital Risk Management

The Company manages its capital to safeguard the Company's ability to continue as a going concern, to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company considers the items included in the shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets, incur debt, or return capital to shareholders. As at September 30, 2013, the Company did not have any debt and is not subject to externally imposed capital requirements.

b. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company's cash is invested in business accounts with a quality financial institution and which is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

However, the Company will require significant additional funding in the future to continue to explore and develop its Border Coal Project and examine opportunities in new projects. Accordingly, there is a risk that the Company may not be able to secure adequate funding on reasonable terms, or at all, at that future date.

c. Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and short term investments. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and short term investments with a high-credit quality financial institution.

d. Interest Rate Risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash and short term investments. The Company's practice has been to invest cash at floating rates of interest, in short term investments, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in short term investments as they are generally held with a large and stable financial institution. As at September 30, 2013, with all other variables unchanged, a 1 percentage point change in interest rates would not have a significant impact on the Company's loss and comprehensive loss for the period.

e. Market Risk

The Company's exposure to market risk arises from its held-for-trading securities in Westcore. There is a risk the Company would recognize a loss as a result of a decrease in the fair value of the investment given the nature of Westcore, a mining exploration company.

CRITICAL ACCOUNTING ESTIMATES

The preparation of Goldsource's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Mineral Properties

The cost of acquiring, exploring and developing mineral properties and the cost to increase future output by providing access to additional reserves or resources, are deferred. After a mine commences production, these costs are depleted using the unit of production method.

The Company considers both internal and external sources of information in assessing whether there are any indicators that the Company's mineral properties are impaired. External sources of information considered include changes in market conditions, the economic and legal environment in which the Company operates that are not within its control and the impact these changes may have on the recoverable amount. Internal sources of information include the manner in which the mineral properties are being used or are expected to be used and indications of the economic performance of the assets.

In estimating the recoverable amount of the Company's mineral properties, management generally estimates the discounted future after-tax cash flows expected to be derived from the Company's mineral properties and the appropriate discount rate. Reductions in commodity price forecasts, increases in estimated future costs of production, increases in estimated future capital costs and reductions in the amount of recoverable reserves and resources could each result in a write-down of the carrying amount of the Company's mineral properties.

Share based payments

The Company uses assumptions to determine the fair value of share based payments.

CHANGES IN ACCOUNTING STANDARDS

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities, IFRS 13, Fair Value Measurement, IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine

The adoption of these new accounting standards had no material impact on the Company's financial statements.

CAUTIONARY STATEMENT AND DISCLAIMER

Readers of this MD&A are encouraged to read the "Risk Factors" contained in the Company's revised Annual Information Form ("AIF") dated March 26, 2013. There have been no major changes from the reported risks factors outlined in this AIF. Important risk factors to consider, among others, are

- Financing risks
- Licenses and permits risks
- Mineral reserve and resource estimate risks
- Exploration and Development risks
- Operating hazards and risks
- Fluctuating commodity price risk

Certain statements contained in this MD&A and elsewhere constitute "forward-looking statements" within the meaning of Canadian securities legislation and the United States Securities Litigation Reform Act of 1995. 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. These factors include: the availability of funds; the timing and content of work programs; results of exploration and evaluation activities, the interpretation of drilling results and other geological data, the uncertainties of resource and reserve estimations, receipt and security of coal permits and mineral property titles; project cost overruns or unanticipated costs and expenses, fluctuations in product prices; currency fluctuations; 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 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.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this MD&A, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

QUALIFIED PERSON

Technical information contained in this MD&A has been prepared by or under the supervision of N. Eric Fier, CPG, P.Eng, who is a 'Qualified Person' for the purpose of National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101").