



MANAGEMENT DISCUSSION & ANALYSIS OF

FINANCIAL CONDITIONS & RESULTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2014

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 months ended March 31, 2014. 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 months ended March 31, 2014 and 2013 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 for the year ended December 31, 2013, 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 May 27, 2014. 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.

HIGHLIGHTS OF THE FIRST QUARTER

- On February 28, 2014, Goldsource and Eagle Mountain Gold Corp. ("Eagle Mountain") completed their combination as jointly announced on November 26, 2013. As a result, the shareholders of Eagle Mountain became shareholders of Goldsource and a corporation into which Eagle Mountain was amalgamated became a wholly owned subsidiary of Goldsource. Pursuant to the combination, each common share of Eagle Mountain has been exchanged for 0.52763 of a common share of Goldsource. Accordingly, a total of 29,173,691 common shares of Goldsource were issued. As part of the transaction, all outstanding Eagle Mountain share purchase options and warrants were exchanged at the exchange ratio of 0.52763 resulting in 1,340,182 new Goldsource options and 16,981,001 new Goldsource warrants exercisable for common shares of Goldsource at exercise prices ranging from \$0.16 to \$3.79 per share. The options and warrants issued by Goldsource were on the same terms and conditions as those exchanged by the Eagle Mountain holders.
- On February 28, 2014, Goldsource completed a private placement of 17,142,858 units at a price of \$0.14 per unit for gross proceeds of \$2.4 million. Each unit consisted of one common share of Goldsource and one-half of a warrant of Goldsource, with each whole warrant being exercisable for one common share of Goldsource at a price of \$0.20 per share for a term of three years until February 28, 2017. Goldsource will have the right to accelerate the expiry date of the warrants if the Volume Weighted Average Price of the common shares of Goldsource on the TSX Venture Exchange is greater than \$0.65 per share for any 20 consecutive trading days after the first 18 months of the term. In such case, upon notice by Goldsource, any warrants which remain unexercised will expire 30 days after such notice. Proceeds from the equity finance are being used to advance the Eagle Mountain gold project and for general working capital purposes. No commission or finder's fee was payable on the Equity Finance.
- On March 5, 2014, Goldsource issued 250,000 shares at \$0.14 per share as a finder's fee in respect of the completed combination between Goldsource and Eagle Mountain.
- On March 6, 2014, the Company executed an Amendment Agreement with Omai Gold Mines Ltd. ("OGML"), a subsidiary of IAMGOLD Corporation with respect to the Eagle Mountain Gold Project (the "Project") in Guyana. The summary of amending terms includes:
 - I. Goldsource will issue to OGML 3,389,279 common shares (**Issued – see "Subsequent events" section**).
 - II. Goldsource shall pay OGML, US\$3,025,500.94 ("Initial Payment") in cash or, at Goldsource's option in common shares of Goldsource, at a price per share equal to a five percent (5%) discount to the Volume Weighted Average Price ("VWAP") of Goldsource's common shares for the twenty trading days prior to issuance, upon the earlier of:
 - a. If average market price of gold is US\$1,400/oz. or higher upon achieving total production of 40,000 ounces of gold, then the Initial Payment is due 90 days after 40,000 ounces have been produced, otherwise payment to be made 90 days after 50,000 ounces produced from the Project, or
 - b. Ninety days after having completed one year of gold production under a large scale Mining License issued by the Guyana Geology and Mines Commission ("GGMC"), or
 - c. Five days after the date on which the 20-day VWAP of Goldsource exceeds \$0.75 per share, provided such date is not earlier than March 1, 2015.
 - III. Goldsource shall pay OGML, an additional US\$5,000,000 ("Final Payment") in cash or at Goldsource's option, US\$2,500,000 cash and US\$2,500,000 in common shares of Goldsource, at a price per share equal to a five percent (5%) discount to the 20-day VWAP of Goldsource's common shares. The Final Payment shall be made one year after the earlier of:
 - a. The payment set out in, ("II a.") above has been made, or
 - b. After having completed one year of gold production under a large scale Mining License issued by the GGMC.

OVERVIEW OF THE BUSINESS

Goldsource Mines Inc. (TSX-V: GXS) is a Canadian resource company engaged in exploration and development. Goldsource is working to advance its 100%-owned Eagle Mountain gold project in Guyana with initial staged production expected within 2014. Staged gold production from Eagle Mountain may generate strong cash flow to grow operations as a junior gold producer targeting to become a mid-tier gold producer. Goldsource's other mineral interests presently consist of coal exploration properties located in Saskatchewan, referred to as the "Border Coal Project".

OUTLOOK

The Company's current focus is to accelerate the development of Eagle Mountain gold project. The Company is working aggressively towards the commencement of initial production in 2014, which may generate strong cash flow to accelerate growth. The Company anticipates completing construction financing in the coming months which will enable the commencement of development work.

EXPLORATION

EAGLE MOUNTAIN GOLD PROJECT, Guyana

Eagle Mountain is an advanced, 100%-owned gold project. The project consists of an area of approximately 5,050 hectares (12,480 acres) in central Guyana, South America, approximately 200 kilometers southwest of the capital Georgetown and 45 kilometers from the historical Omai gold mine, which was in production from 1993 to 2005.

Current Resource Estimate (NI 43-101 Technical Report, dated November 21, 2012)

Category	Tonnes	Au g/t	Ounces Au
Indicated	3,921,000	1.49	188,000
Inferred	20,635,000	1.19	792,000

⁽¹⁾ A block cut-off value of 0.5 g/t Au was applied to all resource blocks. All numbers are rounded.

Strong gold grades and mineralization starting from surface make the deposit potentially suitable for lower-cost, open-pit production. Mineralogical and metallurgical testing completed at SGS Laboratories in Toronto since 2010, by IAMGOLD Corp. shows strong recovery potential of up to 92%, which is in line with historical recoveries from mines in the region. With the current resource covering only a small portion of the property there is excellent potential for expansion. The deposit remains open in three lateral directions and at depth, showing strong mineralization along its edges.

DEVELOPMENT UPDATE

Final detailed work is being completed on the project in preparation for development and construction in H2, 2014. This ongoing work includes;

- Metallurgical test work at Met Solve labs in Langley, BC, Canada.
- Finalizing process flowsheet for design and construction with assistance from Sepro Mineral Systems of Langley, BC, Canada.
- Mining equipment quotes for purchasing a fleet and processing plant.
- On April 30, 2014, the Company initiated the mining permitting process for a mid-scale operation in Guyana. It is expected the process will be concluded and permits received in late Q2, 2014.
- ACA Howe of Toronto, Ontario was contracted in May 2014, to complete a Preliminary Economic Assessment ("PEA") on the saprolite portion of the project. This report is anticipated to be complete by late Q2 2014.

With the receipt of a mining permit and PEA, the Company anticipates completing a construction financing and start development work in Q3 2014.

BORDER COAL PROJECT, Saskatchewan

The Company holds 34 coal mineral licenses comprising 16,074 hectares. These licenses were granted by the Saskatchewan Ministry of Energy and Resources and 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

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 holding the project 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. The annual care and maintenance cost for the project is approximately \$100,000.

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:

	Q1 March 31, 2014	Q4 December 31, 2013	Q3 September 30, 2013	Q2 June 30, 2013	Q1 March 31, 2013	Q4 December 31, 2012	Q3 September 30, 2012	Q2 June 30, 2012
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Comprehensive loss for the period	(209,064)	(3,867,216)	(177,451)	(286,281)	(111,565)	(15,809,181)	(80,551)	(152,472)
Loss per share - basic and diluted	0.00	(0.14)	(0.01)	(0.01)	(0.00)	(0.58)	(0.00)	(0.01)
Total assets ^{(1) (2)}	8,167,491	588,229	4,185,946	4,313,789	4,597,943	4,693,453	20,509,271	20,608,013
Total liabilities ⁽²⁾	535,271	95,969	77,705	53,006	83,064	67,009	73,646	91,836

¹⁾ The significant loss and corresponding decrease in assets recorded in the fourth quarter of 2012 and 2013 resulted primarily from impairment charges taken on the carrying value of the Border Coal Project and the Joint Venture with Westcore.

²⁾ The significant increase in assets and liabilities in Q1 2014, primarily relates to the combination with Eagle Mountain and the related net assets acquired.

Comparison of the three months ended March 31, 2014 to March 31, 2013

The loss and comprehensive loss was \$209,064 for the first quarter, compared to \$111,565 for same period in 2013. The principal differences and significant amounts of note are as follows:

- General and administrative expenses increased to \$183,068 (2013 - \$105,947) for the first quarter, primarily due to an increase in regulatory and transfer agent fees and remuneration expenses. Regulatory and transfer agent fees increased to \$26,361 (2013 - \$6,322) during the first quarter from increased activity with the Eagle Mountain combination. Remuneration expenses increased to \$74,375 (2013 - \$55,064) with the addition of new corporate personal personnel resulting from the amalgamation with Eagle Mountain.
- 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 March 31, 2014, the Company's held-for-trading securities consist of 675,000 (2013 - 675,000) Westcore common shares and 300,000 (2013 - Nil) Para Resources Inc. common shares (discussed in note 6 of the condensed consolidated interim financial statements). The Company recorded an unrealized loss on held-for-trading securities of \$15,750 (2013 - \$7,425) for the first quarter of 2014.

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2014, 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 period ended March 31,	2014	2013
Cash-flows from:		
Operating Activities	(544,359)	(87,049)
Financing Activities	2,350,039	-
Investing Activities	(5,940)	100,779
Net decrease in cash	1,799,740	13,730
Cash beginning of period	212,620	30,795
Cash end of period	2,012,360	44,525

Operating Activities

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

CASHFLOWS (continued)

Financing Activities

On February 28, the Company completed a private placement of \$2.4 million comprised of 17,142,858 units at a price of \$0.14 per unit priced pursuant to a price protection notice filed January 28, 2014. Each unit will consist of one common share and one-half of one common share purchase warrant of Goldsource, with each whole warrant being exercisable for one common share of Goldsource at a price of \$0.20 per share for a term of 3 years. As a result of the combination, finder's fee and the private placement, Goldsource has 75,740,278 common shares outstanding and has an aggregate of 29,212,629 common shares reserved for issuance upon exercise of outstanding options and warrants. The Company incurred \$49,961 (2013 - \$Nil) in share issuance cost during the first quarter.

Investing Activities

During the three months ended March 31, 2014 the Company redeemed short term investments of \$125,000 (2013 - \$100,000)

The Company paid \$144,823 (2013 - \$Nil) for transaction costs, and acquired \$36,711 (2013 - \$Nil) in cash with relation to the combination with Eagle Mountain.

Goldsource received \$1,801 (2013 - \$779) during the first quarter of 2014, from interest on short term investments.

LIQUIDITY AND CAPITAL RESOURCES

		March 31, 2014		December 31, 2013
Assets				
Cash and short term investments	(i)	\$ 2,012,360	\$	338,562
Other current assets	(i)	96,090		46,054
Non-current assets		6,059,041		203,613
Total Assets		8,167,491		588,229
Liabilities				
Current liabilities	(ii)	535,271		95,969
Working Capital	(i-ii)	\$ 1,573,179	\$	288,647

Cash and short term investments increased primarily from the completion of the \$2.4 million private placement. 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 has sufficient funds available to continue operations for the next 12 months but 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 assets and liabilities have increased significantly during the first quarter of 2014, in relation to the combination with Eagle Mountain.

RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

Legal Fees

Paid or accrued \$5,219 (2013 - \$35,123) for legal fees which were included in professional fees, \$26,618 (2012 - \$Nil) for share issuance costs and \$92,580 (2013 - \$Nil) for transaction costs to a law firm of which an officer of the Company is a partner, of which \$46,371 was payable at March 31, 2014. The Company recognized \$317 (2013 - \$Nil) in share-based payments to this partner.

Key Management Compensation

		2014		2013
Salaries and short-term benefits ⁽¹⁾				
Remuneration on the statement of operations	\$	53,750	\$	41,250
		53,750		41,250
Share-based payments		10,153		-
	\$	63,903	\$	41,250

⁽¹⁾ Total remuneration paid to the President, Chief Executive Officer, 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 paid or accrued \$36,982 (2013 - \$23,002) for its share of rent, salaries, and administrative expenses, of which \$36,982 was payable at March 31, 2014.

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 March 31, 2014, the Company had 75,740,278 common shares outstanding. In addition the Company had 2,347,471 outstanding share purchase options and 26,622,430 outstanding warrants which, if exercised, would result in fully diluted common shares outstanding of 104,710,179.

As at the date hereof, Goldsource had 79,129,557 common shares outstanding. In addition the company had 4,422,471 outstanding share purchase options and 26,622,430 outstanding warrants which, if exercised, would result in fully diluted common shares outstanding of 110,174,458. (Refer to subsequent event section for further details).

More information on these instruments and the terms of their conversion is set out in note 9 of our unaudited condensed consolidated interim financial statements.

COMMITMENT

The Company has entered into an operating lease agreement for office space. This agreement requires the Company to make the following lease payments:

	Office Lease
Commitment to March 31, 2015	29,789
Commitment to March 31, 2016	9,930
	<u>\$ 39,719</u>

SUBSEQUENT EVENTS

- In April 2014, the Company adopted of a new “rolling 10%” Stock Option Plan (the “New Plan”), which was approved by the Board of Directors. The New Plan replaces and supersedes the Company’s previous fixed number stock option plan that was originally adopted in May 2009. The New Plan must be approved by the shareholders and re-approved on an annual basis by the shareholders at each annual general meeting of the Company as required by the policies of the TSX Venture Exchange. The next annual general meeting of shareholders of the Company will be held on June 11, 2014.

The Company also granted stock options to directors, officers, employees and consultants to purchase an aggregate of 2,075,000 common shares of the Company at an exercise price of \$0.24 per share for a five year term expiring April 10, 2019. The options will be subject to an 18-month vesting schedule pursuant to which 25% shall vest immediately as of the date of grant and a further 25% shall vest every 6 months thereafter until fully vested.

Of the stock options granted, options to purchase a total of 1,050,000 common shares were granted under the New Plan and are subject to the Company receiving the necessary shareholder and regulatory approvals of the New Plan and the option grants. If such approvals are not obtained, the options granted under the New Plan will terminate.

- On April 23, 2014, Goldsource issued to OGML 3,389,279 common shares in consideration of OGML agreeing to the terms of the Amending Agreement (note 7 of the condensed consolidated interim financial statements). The common shares are subject to a hold period of four months and one day from the date of issuance.

FINANCIAL INSTRUMENTS

The Company’s financial instruments consist of cash, short term investments, held-for-trading securities, taxes receivable, deposit and accounts payable and accrued liabilities. The carrying value of taxes receivable and accounts payable and accrued liabilities approximate their fair values due to the short periods until settlement. The Company’s cash, short term investments and held-for-trading securities are measured using the fair value hierarchy level 1 inputs. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

CRITICAL JUDGMENTS AND ESTIMATES

The preparation of Goldsource's condensed consolidated interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts and the valuation of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of expenditures during the period.

These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the estimates. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. Information about such judgments and estimates is contained in the description of accounting policies and/or other notes to the financial statements. Management has made the following critical judgments and estimates:

Functional currency

The functional currency for each of the Company's operations is the currency of the primary economic environment in which the entity operates. The Company has determined the functional currency for all entities within the Group is the Canadian dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Impairment of Non-Current Assets

Non-current assets are tested for impairment annually, or when indicators of impairment are present. Calculating the estimated fair values of cash generating units for non-current asset impairment tests requires management to make estimates and assumptions with respect to metal selling prices, future capital expenditures, reductions in the amount of recoverable reserves, resources, and exploration potential, production cost estimates, discount rates and exchange rates. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future non-expansory capital expenditures, reductions in the amount of recoverable reserves, resources, and exploration potential, and/or adverse current economics can result in a write-down of the carrying amounts of the Company's non-current assets.

Income Taxes

Management is required to make estimations regarding the tax basis of assets and liabilities and related deferred income tax assets and liabilities, the measurement of income tax expense and indirect taxes. A number of these estimates require management to make estimates of future taxable profit, and if actual results are significantly different than estimates, the ability to realize the deferred tax assets recorded on the statement of financial position could be impacted. The Company is subject to assessments by tax authorities who may interpret the tax law differently. These factors may affect the final amount or the timing of tax payments.

CHANGES IN ACCOUNTING STANDARDS

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IFRS 8 – Operating Segments, IAS 32 – Financial Instruments: Presentation, IAS 36 – Impairment of Assets, IFRIC 21 – Levies.

The adoption of these new accounting standards had no material impact on the Company's condensed consolidated interim 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, and COO for Goldsource Mines, who is a ‘Qualified Person’ for the purpose of National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (“NI 43-101”).