



**MANAGEMENT'S DISCUSSION & ANALYSIS OF**

**FINANCIAL CONDITIONS & RESULTS OF OPERATIONS**

**FOR THE YEAR ENDED DECEMBER 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 and twelve months ended December 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 audited consolidated financial statements for the years ended December 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 ("IASB"). 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 effective date of this MD&A is April 15, 2015. This MD&A contains forward looking information. Reference to the risk factors described on pages 10 to 11 and in the "Cautionary Statement" on page 12 of this MD&A is advised.

## **OVERVIEW OF THE BUSINESS**

Goldsource is a Canadian resource company engaged in mineral exploration and development and listed on the TSX Venture Exchange ("TSX-V") under the symbol GXS. On February 28, 2014, Goldsource and Eagle Mountain Gold Corp. ("Eagle Mountain") completed their amalgamation as jointly announced on November 26, 2013. In connection with the acquisition of Eagle Mountain, the Company indirectly acquired a 100% interest in the Eagle Mountain Gold Project located in Guyana, South America. Goldsource is led by an experienced management team, proven in making exploration discoveries, achieving construction on time and budget, and fast-tracking production. Goldsource's other mineral interests presently consist of coal exploration properties located in Saskatchewan.

## **OUTLOOK**

The Company's immediate focus is to progress the development of the Eagle Mountain Gold Project towards the commencement of initial staged production during the second half ("H2") of 2015. On December 30, 2014, the Company completed a non-brokered private placement of 47,138,166 units at a price of \$0.15 per unit for gross proceeds of \$7,070,725. The proceeds will be used to fund a significant portion of the development and capital costs for Phase I mine and processing plant construction for the Company's Eagle Mountain Gold Project as well as general working capital requirements for the next 12 months (refer to "Mineral Resources" section).

## **HIGHLIGHTS OF FOURTH QUARTER ("Q4") AND YEAR ENDED DECEMBER 31, 2014**

- On December 30, 2014, Goldsource completed a private placement of 47,138,166 units at a price of \$0.15 per unit for gross proceeds of \$7,070,725. 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 \$0.25 per share for a 36-month term. The private placement was completed in two tranches and the Company incurred \$116,207 in share issuance costs related to the private placement.
- On September 16, 2014, the Company filed a Preliminary Economic Assessment ("PEA") Technical Report (the "Report") compliant with National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101") for the Company's Eagle Mountain Gold Project. The PEA results suggest the project has low capital and operating costs, minimized technical risk and a short development timeline. The results exhibit very attractive rates of return. The phased construction approach, its modular design and the simplicity of the mining and processing of the low-strip ratio saprolite material have resulted in an optimized development scenario for this deposit (refer to "Mineral Resources" section for further discussion on PEA highlights).
- Goldsource's subsidiary Stronghold Guyana Inc. ("Stronghold") holds a prospecting license on the approximately 5,050 hectare Eagle Mountain Gold Project. In August 2014, the Guyana Geology and Mines Commission granted a Medium Scale Mining Permit (the "Permit") to Kilroy Mining Inc. ("Kilroy") to mine gold, diamonds, precious metals and minerals on a 250 hectare portion (the "Property") of the Eagle Mountain Gold Project. The Permit is required under Guyana law to be held by a Guyanese national. Stronghold has entered into agreements with Kilroy, a private arm's length Guyanese company pursuant to which Stronghold and Kilroy will jointly operate the Eagle Mountain Gold Project. Kilroy has granted Stronghold the exclusive right to conduct mining operations on the Eagle Mountain Gold Project including any additional areas acquired by Kilroy. Stronghold will fund all expenditures on the Eagle Mountain Gold Project and receive 100% of all revenues, subject to applicable government royalties and a 2% net smelter return royalty to Kilroy as compensation for its participation. As part of the agreements, Goldsource issued Kilroy 250,000 common shares of the Company, subject to a 12-month hold period.
- On April 14, 2014, the Company adopted a new "rolling 10%" Stock Option Plan (the "Stock Option Plan"), which was approved by shareholders of the Company on June 11, 2014. The Stock Option Plan replaces and supersedes the Company's previous fixed number stock option plan that was originally adopted in May 2009. The Stock Option Plan authorizes the grant of stock options to executive officers and directors, employees and consultants enabling them to acquire common shares of the Company to a maximum of 10% of the then issued and outstanding share capital. The exercise price of any option will be not less than the market price of the Company's shares as at the date of the grant. The options can be granted for a maximum term of 10 years with vesting determined by the Board of Directors.

**HIGHLIGHTS OF Q4 AND YEAR ENDED DECEMBER 31, 2014 (continued)**

- 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 terms of the Amendment Agreement are summarized as follows:
  - I. Goldsource will issue to OGML 3,389,279 common shares (issued).
  - II. Goldsource shall pay OGML, US\$3,025,501 (“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 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.
- On February 28, 2014, Goldsource and 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 was exchanged for 0.52763 of a common share of Goldsource resulting in the issuance of 29,173,691 common shares. 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 with the terms and condition of such options and warrants otherwise remaining unchanged.
- On February 28, 2014, concurrent to the amalgamation with Eagle Mountain, 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 three years until February 28, 2017. No commission or finder’s fee was payable on the private placement. The Company incurred \$39,704 in share issuance costs during the year ended December 31, 2014. Proceeds from the private placement were used for general working capital purposes and expenditures advancing the Eagle Mountain Gold Project.

**SUBSEQUENT EVENTS**

The following events took place subsequent to December 31, 2014:

**Eagle Mountain Gold Project**

- Goldsource announced in March 2015 that construction had commenced for Phase I at the Eagle Mountain Gold Project. The Phase I development consists of a 1,000 tonnes per day open pit - gravity plant for an eight year mine life with estimated pre-production capital costs of US\$5.9 million and expected cash operating costs of US\$480 per ounce of gold. The commencement of construction activities at Eagle Mountain is a major milestone for Goldsource and Management anticipates that Goldsource will become a low cost gold producer in 2015 (refer to “Mineral Resources” section for details on the significant Phase I development activities).

**Corporate**

- N. Eric Fier, Chief Operating Officer, has taken a partial leave of absence to deal with certain matters of personal health. Ioannis Tsitos, President, together with J. Scott Drever, Chief Executive Officer of the Company, will assume certain of Mr. Fier’s responsibilities on a temporary basis. Mr. Fier will resume his full duties upon his return. Goldsource will also rely on the depth and experience of its management to professionally execute its stated business objectives.
- The Company granted stock options to directors, officers, employees and consultants to purchase an aggregate of 3,140,000 common shares of the Company at an exercise price of \$0.20 per share for a five year term expiring February 16, 2020. 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.
- 42,210 incentive stock options priced at \$3.79 per share expired unexercised.

**MINERAL RESOURCES****EAGLE MOUNTAIN GOLD PROJECT, Guyana**

Eagle Mountain Gold Project 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 kilometres southwest of the capital Georgetown and 45 kilometres from the historical Omai gold mine, which was in production from 1993 to 2005. Guyana is a republic within the British Commonwealth. The official language is English. The currency is the Guyanese dollar and the legal system is based mainly on the English common law.

In September 2014, Goldsource filed a PEA report titled "Preliminary Economic Assessment of the Eagle Mountain Saprolite Gold Project, Guyana", dated September 12, 2014 with an effective date of June 15, 2014. The Report was completed by A.C.A. Howe International Limited of Toronto, Canada and can be found under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company's website [www.goldsourcemines.com](http://www.goldsourcemines.com).

**Resource Estimate (NI 43-101 Technical Report, with effective date June 15, 2014)**

Category	Tonnes <sup>(1)</sup>	Au g/t	Ounces Au
Indicated	3,921,000	1.49	188,000
Inferred	20,635,000	1.19	792,000

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

The current resource covers only a small portion of the property so there is excellent potential for expansion. The deposit remains open in three lateral directions and at depth, showing strong mineralization along its edges.

The PEA's conceptual approach encompasses a "Phase I" starter open cut for mining at 1,000 tonnes per day ("tpd") with subsequent low impact and low cost gravity-only processing. Upon successful completion of Phase I, the Company plans to systematically install and operate three additional similar plants over a four-year schedule with a cumulative production rate of 3,500 tpd to 4,000 tpd. Conceptually, additional processing plants are expected to be financed through operating cash flow. The project has several potential opportunities to accelerate PEA-defined production once initial success in Phase I is achieved.

The Company cautions that the PEA is preliminary in nature in that it is based largely 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. Management's production decision for the Eagle Mountain Gold Project is not based on a feasibility study of mineral reserves demonstrating economic and technical viability. This project has a much higher risk of economic or technical failure and may adversely impact the Company's future profitability if any.

**PRELIMINARY ECONOMIC ASSESSMENT HIGHLIGHTS (NI 43-101 Technical Report, June 15, 2014)**

The PEA incorporates a gold price of US\$1,250 per ounce gold. Highlights of the Base Case economic estimates are as follows:

- Pre-tax Net Present Value ("NPV") (5%) of US\$69.4 million and after-tax NPV (5%) of US\$45.6 million.
- Pre-tax NPV (7%) of US\$61.1 million and after-tax NPV (7%) of US\$39.8 million.
- Pre-tax Internal Rate of Return ("IRR") of 84% and after-tax IRR of 63%.
- Phase I, pre-production capital costs of US\$5.9 million including a 15% contingency.
- Total capital costs including all proposed expansions (Phase II, III & IV expansions) and sustaining capital are estimated at US\$24.2 million.
- Cash operating costs, exclusive of sustaining capital, for saprolite mine life averages US\$480 per ounce gold including a 15% contingency.
- Cost per tonne of processing plant feed averages US\$8.96.
- Pre-tax undiscounted operating cash flow before capital expenditures totalling US\$123.4 million.
- 8-year LOMP PEA mine plan totalling 8.6 million tonnes at an average grade of 1.20 g/tonne gold (diluted and recoverable).
- Of the 8.6 million tonnes to be processed, only 7.3 million tonnes (undersize sub-2mm) grading 1.20 g/tonne gold will be (processed through the entire gravity separation plant) conceptually processed. The remaining tonnes (oversize larger than 2mm) would be stockpiled for further metallurgical test work and potential further processing.
- Conceptually, the first four years of gold production would be 5,600, 14,400, 21,600 and 28,800 ounces gold, respectively.
- Life of mine production of estimated 168,700 ounces gold from gravity-only processing at estimated 60% recovery.
- Inventory of 161,900 ounces gold in settlement ponds from gravity-only processing rejects for potential future reprocessing using standard technologies.

**MINERAL RESOURCES (continued)**

The Eagle Mountain Gold Project mining and processing schedules are based on a phased-approach model with four phases proposed over four years. Phase I mining rates would be 1,000 tpd (one 12-hour shift, 7-days per week) in year one ramping up to 4,000 tpd by year four. Conventional open cut mining of soft weathered rock (gold mineralized saprolite) is proposed using a team of excavators, bulldozers and wheel-loaders to excavate and separate materials within the open cut with downhill gravity transport by slurry to the processing facility. The stripping ratio is low and estimated at an average of 0.9:1 (waste:ore) over mine life. No blasting or truck hauling is required for mineralized saprolite. The Phase I capital costs summary is as follows:

Capital expense item (Phase I)	Estimated cost (US\$)	As of December 31, 2014 (US\$)	As of date hereof (US\$)
Mining equipment purchases	\$ 1,167,000	\$ -	\$ -
Process plant including, lab, refinery, construction and EPCM	\$ 2,345,000	\$ -	\$ 703,600
Tailings	\$ 468,000	\$ -	\$ -
Road Rehabilitation and Maintenance	\$ 315,000	\$ -	\$ 239,775
Indirect (Includes Working Capital)	\$ 828,000	\$ -	\$ -
Contingency at 15%	\$ 769,000	\$ -	\$ -
<b>Initial Phase I capital costs including contingency</b>	<b>\$ 5,892,000</b>	<b>\$ -</b>	<b>\$ 943,375</b>

Financing for the Phase I capital expenditures was completed on December 30, 2014. As at December 31, 2014, the Company had not incurred any Phase I capital costs. As at the date hereof, the Company incurred US\$943,375 in Phase I capital costs.

**PHASE I DEVELOPMENT STATUS**

Currently the significant development activities are as follows:

- Purchase of a 100 tonnes per hour processing plant from Sepro Mineral Systems Corp., Langley, Vancouver, British Columbia (deposits completed).
- Detailed engineering and final design of Sepro processing plant (completed).
- Construction of Sepro processing plant in Vancouver (Q1 to Q3 2015).
- Rehabilitation of the existing 10 kilometre road between Mahdia town (main interior highway and commercial airport) and Eagle Mountain Gold Project (underway).
- Procurement of longer-lead mining equipment (underway).
- Pre-production drilling program for confirmation and condemnation (underway).
- Camp facility rehabilitation and upgrades (underway).
- Recruitment of key operations personnel (underway).
- Site preparation of plant and initial mining area (Q2 2015).

**RECOMMENDATIONS & FUTURE OPPORTUNITIES**

The majority of the proposed plant feed consists of Inferred mineral resources. Further sampling and surveying will be carried out within and surrounding the proposed pits in an effort to upgrade Inferred blocks with adequate quality assurance and quality control and additional density data collection.

Resources are open in most lateral directions and good potential exists to initially expand mineralized saprolite. Further drilling is recommended to potentially expand resources for consideration in the phased development of the project.

This project envisions screening-out any material that is larger than 2mm and stockpiling it for potential further processing. If this material were ground finer in a grinding mill, it could be fed into the proposed processing plant. Further metallurgical testing and economic analysis should be carried out to determine whether this gold could be profitably recovered.

Using gravity processing methods alone, gold recovery is expected to be 60% with the remainder of the gold flowing to the tailings storage area. Most of this gold may be recovered with further processing such as flotation or cyanidation. Further metallurgical testing and economic analysis should be carried out to determine whether this gold could be profitably recovered from the tailings. This work should also include further tailings characterization and deposition properties.

**EXPLORATION****BORDER COAL PROJECT, Saskatchewan**

The Company currently holds 23 coal mineral licenses comprising 12,214 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 certain areas that are considered favourable for the discovery of additional coal deposits. Additional information related to the Company's Border Coal Project is available on Goldsource's website [www.goldsourcemines.com](http://www.goldsourcemines.com). For the year ended December 31, 2014, the Company incurred \$67,176 (2013 – \$88,404) in annual rental fees, which are included in general exploration on the statement of operations and comprehensive loss.

Management recognizes the project requires a special expertise and financial capacity to bring it to fruition and has been searching for 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 \$80,000.

**RESULTS OF OPERATION AND FINANCIAL CONDITION****Selected Annual Information**

The following financial data has been prepared in accordance with IFRS:

<b>YEAR ENDED DECEMBER 31,</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Total revenues <sup>(1)</sup>	\$ Nil	\$ Nil	\$ Nil
Loss and comprehensive loss for the year <sup>(2)</sup>	\$ (1,132,327)	\$ (4,442,516)	\$ (16,208,145)
Loss per share - basic and diluted <sup>(3)</sup>	\$ (0.02)	\$ (0.16)	\$ (0.60)
Total assets <sup>(4)</sup>	\$ 14,963,825	\$ 588,229	\$ 4,693,453
Total non-current financial liabilities	\$ Nil	\$ Nil	\$ Nil
Shareholders' equity <sup>(4)</sup>	\$ 14,770,236	\$ 492,260	\$ 4,626,444
Cash dividends declared per share	\$ Nil	\$ Nil	\$ Nil

<sup>1)</sup> The Company currently has no operations from which to derive revenues.

<sup>2)</sup> The increase in losses in fiscal 2013 and 2012 were primarily from impairment charges of \$3,800,000 in 2013 and \$14,971,248 in 2012 taken on the carrying value of the Border Coal Project. Goldsource is holding the Border Coal 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.

<sup>3)</sup> All per share amounts are calculated on a weighted average basis.

<sup>4)</sup> The significant increase in assets and shareholders' equity in 2014 resulted primarily from the completion of two non-brokered private placements for gross proceeds of approximately \$9.5 million and from the amalgamation with Eagle Mountain and the related net assets acquired of approximately \$5.3 million.

**RESULTS OF OPERATION AND FINANCIAL CONDITION (continued)****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:

	Q4 December 31, 2014	Q3 September 30, 2014	Q2 June 30, 2014	Q1 March 31, 2014	Q4 December 31, 2013	Q3 September 30, 2013	Q2 June 30, 2013	Q1 March 31, 2013
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Comprehensive loss for the period	(195,253)	(329,082)	(398,928)	(209,064)	(3,867,218)	(177,451)	(286,281)	(111,566)
Loss per share - basic and diluted	(0.00)	(0.00)	(0.01)	(0.01)	(0.14)	(0.01)	(0.01)	(0.00)
Total assets <sup>(1) (2)</sup>	14,963,825	8,123,024	8,364,952	8,167,491	588,229	4,185,946	4,313,789	4,597,943
Total liabilities <sup>(2)</sup>	193,589	155,439	176,570	535,271	95,969	77,705	53,006	83,064

<sup>1)</sup> The increase in losses and decrease in assets in the fourth quarter of 2013 resulted primarily from a \$3.8 million impairment charge taken on the carrying value of the Border Project.

<sup>2)</sup> The increase in assets in Q4 2014 resulted primarily from the completion of a non-brokered private placement for gross proceeds of approximately \$7.1 million. The significant increase in assets in Q1 2014, primarily relates to the amalgamation with Eagle Mountain and the net assets acquired of approximately \$5.3 million and the non-brokered private placement for gross proceeds of \$2.4 million.

**Comparison of the three and twelve months ended December 31, 2014 to December 31, 2013**

The net loss and comprehensive loss was \$195,253 for the fourth quarter and \$1,132,327 for fiscal 2014, compared to \$3,867,218 and \$4,442,516 respectively for 2013. The principal differences and significant amounts of note are as follows:

- General and administrative expenses increased to \$142,962 (2013 – \$52,573) for the fourth quarter and \$893,366 (2013 – \$521,262) for fiscal 2014. The increase in general and administrative expenses increased primarily due to an increase in remuneration, professional fees, shareholder and investor relations and tradeshow and travel costs.
  - During the fourth quarter, remuneration expense increased to \$80,518 (2013 – \$57,025). For fiscal 2014, remuneration expense increased to \$389,641 (2013 – \$222,966) and professional fees increased to \$148,643 (2013 – \$80,116). The increase in costs results from the addition of new corporate personnel and additional professional fees from the amalgamation with Eagle Mountain.
  - During the fourth quarter, shareholder and investor relations costs increased to \$18,278 (2013 – \$4,168). For fiscal 2014, shareholder and investor relations costs increased to \$78,153 (2013 – \$13,147) and tradeshow and travel costs amounted to \$34,860 (2013 – \$Nil). The increase in costs results from additional marketing activity and tradeshow attendance to explain the amalgamation with Eagle Mountain and promote the Eagle Mountain Gold Project.
- Share-based compensation increased to \$35,847 (2013 - \$22,036) for the fourth quarter, and \$259,013 (2013 – \$79,131) for fiscal 2014 with the vesting of a greater number of stock options. The Company granted 2,075,000 (2013 – 875,000) incentive stock options during the year ended December 31, 2014 to directors, officers, employees and consultants, with a weighted average fair value per option granted of \$0.15 (2013 – \$0.12) for a total value of \$302,284 (2013 – \$108,167).
- 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 and comprehensive loss. At December 31, 2014, the Company's held-for-trading securities consist of 675,000 (2013 – 675,000) Westcore Energy Ltd. ("Westcore") common shares and 300,000 (2013 – Nil) Para Resources Inc. ("Para Resources") common shares. The Company recorded an unrealized loss on held-for-trading securities of \$22,500 (2013 – gain of \$6,750) for the fourth quarter, and an unrealized loss of \$43,500 (2013 – \$47,250) for fiscal 2014.
- During Q4 2013, the Company recorded a total of \$3,800,000 impairment charge with respect to the Border Coal Project, bringing the book value of the asset to \$Nil, as the Company is currently pursuing opportunities in commodities other than coal.
- Other income for fiscal 2014 was \$50,000 (2013 – \$Nil). The Company recovered \$50,000 from Para Resources in relation to a promissory note receivable that Eagle Mountain had written off during fiscal 2013.

**OFF-BALANCE SHEET ARRANGEMENTS**

As at December 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.

	Three months ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
<b>Cash-flows from:</b>				
<b>Operating Activities</b>	\$ (228,652)	\$ (64,968)	\$ (1,655,991)	\$ (516,646)
<b>Financing Activities</b>	7,059,750	244,576	9,398,693	244,576
<b>Investing Activities</b>	(109,615)	20,941	(709,498)	453,895
<b>Net increase in cash and cash equivalents</b>	6,721,483	200,549	7,033,204	181,825
<b>Cash and cash equivalents, beginning of period</b>	524,341	12,071	212,620	30,795
<b>Cash and cash equivalents, end of period</b>	\$ 7,245,824	\$ 212,620	\$ 7,245,824	\$ 212,620

**Operating activities**

Refer to "Results of Operation and Financial Condition" section above for discussion on operating activities.

**Financing activities**

On December 30, 2014, Goldsource completed a private placement of 47,138,166 units at a price of \$0.15 per unit for gross proceeds of \$7,070,725. 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 \$0.25 per share for a 36-month term. The private placement was completed in two tranches and the Company incurred \$116,207 in share issuance costs related to the private placement, of which \$16,952 has been paid during 2014 and \$99,255 has been recorded as accrued liabilities. Proceeds from the private placement will be used for Phase I of Eagle Mountain Gold Project and general working capital purposes (Refer to "Mineral Resources" section for details of the estimated budget).

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 three years until February 28, 2017. No commission or finder's fee was payable on the private placement. The Company incurred \$39,704 in share issuance costs during the year ended December 31, 2014. Proceeds from the private placement were used for general working capital purposes and expenditures advancing the Eagle Mountain Gold Project.

On December 16, 2013, the Company completed a private placement of 2,140,000 units at a price of \$0.12 per unit for gross proceeds of \$256,800. 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 24-month term until December 16, 2015. The Company incurred \$12,224 in share issuance costs related to the private placement.

**Investing activities**

The Company redeemed short term investments of \$Nil (2013 – \$200,000) during the fourth quarter and \$125,000 (2013 – \$625,000) in 2014, for general working capital purposes.

During fiscal 2014, the Company incurred \$200,860 (2013 – \$180,205) in transaction costs and acquired \$36,711 (2013 – \$Nil) in cash relating to the amalgamation with Eagle Mountain.

The Company incurred \$115,667 (2013 – \$Nil) during the fourth quarter and \$684,843 (2013 – \$Nil) in fiscal 2014 on exploration and evaluation expenditures on the Eagle Mountain Gold Project. The significant exploration and evaluation expenditures incurred include \$260,748 (2013 – \$Nil) in salaries, \$179,140 (2013 – \$Nil) in technical services and consulting, \$107,868 (2013 – \$Nil) in operations and general and \$107,171 (2013 – \$Nil) on assay costs.

Goldsource received \$6,056 (2013 – \$1,146) during the fourth quarter and \$14,494 (2013 – \$9,100) in fiscal 2014, from interest on cash, cash equivalents and short term investments.



**LIQUIDITY AND CAPITAL RESOURCES**

		2014	2013
<b>Assets</b>			
Cash, cash equivalents and short term investments	(i) \$	7,245,824	\$ 338,562
Other current assets	(i)	144,521	46,054
Non-current assets		7,573,480	203,613
<b>Total Assets</b>		<b>14,963,825</b>	<b>588,229</b>
<b>Liabilities</b>			
Current liabilities	(ii)	193,589	95,969
<b>Working Capital</b>	(i-ii) \$	<b>7,196,756</b>	<b>\$ 288,647</b>

At December 30, 2014, Goldsource closed a \$7.1 million private placement which is the primary reason for the significant increase in cash, cash equivalents and short term investments compared to the ending balance at December 31, 2013.

While the Company currently has no source of revenue, management believes the Company's working capital of approximately \$7.2 million (at December 31, 2014), will be sufficient to fund a significant portion of the development and capital costs for Phase I mine and processing plant construction for the Company's Eagle Mountain Gold Project as well as general working capital requirements for the next 12 months. 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 financial success is dependent on its ability to discover economically viable mineral deposits. The development process of the Eagle Mountain Gold Project may be delayed, 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 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.

**RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2014, the Company entered into the following transactions with related parties:

**Legal fees**

Legal fees of \$80,299 (2013 – \$48,891), which were included in professional fees, \$98,029 (2013 – \$15,799) for share issuance costs and \$92,580 (2013 – \$62,812) for transaction costs, were paid or accrued to Koffman Kalef LLP, a law firm of which an officer of the Company is a partner, of which \$61,087 (2013 – \$36,034) was payable as December 31, 2014. The Company recognized \$3,796 (2013 – \$2,261) in share-based payments to this officer.

**Key management compensation <sup>(1)</sup>**

		2014	2013
<b>Salaries and short-term benefits <sup>(2)</sup></b>			
Remuneration on the statement of operations	\$	290,000	\$ 165,000
		290,000	165,000
Share-based payments		237,139	72,348
	\$	527,139	\$ 237,348

<sup>(1)</sup> Goldsource's key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company.

<sup>(2)</sup> Total remuneration recorded in the statement of operations paid to the President, Chief Executive Officer, Chief Operating Officer and Chief Financial Officer of Goldsource.

**Other transactions**

The Company shares rent, salaries, administrative services and other reimbursable expenses with SilverCrest Mines Inc., a company related by common directors and officers. During year ended December 31, 2014, the Company incurred \$174,122 (2013 – \$86,188) for its share of these expenses, of which \$16,947 (2013 – \$24,328) was payable at December 31, 2014.

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company's financial instruments consist of cash and cash equivalents, short term investments, held-for-trading securities, deposit and 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, foreign currency risk, credit risk, interest rate risk and market risk. Where material, these risks are reviewed and monitored by the Board of Directors.

**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 and cash equivalents of \$7,245,824 (at December 31, 2014) are in business accounts with quality financial institutions and is available on demand for the Company's programs, and is not invested in any asset backed commercial paper. As at December 31, 2014, the Company's financial liabilities included accounts payable and accrued liabilities of \$193,589, all of which are due within six months.

**Foreign Currency Risk**

The Company operates in Canada and Guyana, and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency. The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Guyanese dollar will, consequently, have an impact upon the reporting results of the Company, and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

**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 cash equivalents and short term investments. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents and short term investments with high-credit quality financial institutions. The carrying amount of financial assets, as stated in the consolidated statement of financial position, represents the Company's maximum credit exposure.

**Interest Rate Risk**

The Company's exposure to interest rate risk arises from the interest rate impact on its cash and cash equivalents and short term investments. The Company's practice has been to invest cash at floating rates of interest, in cash equivalents and 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 term deposit or guaranteed bank investment certificates, as they are held with a large and stable financial institution. As at December 31, 2014, with all other variables unchanged, a 1 percentage point change in interest rates would not have a significant impact on the Company's net loss and comprehensive loss for the year.

**Market Risk**

The Company's exposure to market risk arises from its held-for-trading securities in Westcore and Para Resources. 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 and Para Resources, being mining exploration companies.

**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 December 31, 2014, the Company had 126,517,723 common shares outstanding. In addition the Company had 4,041,945 outstanding share purchase options with exercise prices ranging from \$0.16 and \$3.79 per share and 50,191,512 outstanding share purchase warrants with exercise prices ranging from \$0.19 and \$0.36 per share which, if exercised, would result in fully diluted common shares outstanding of 180,751,180.

More information on these instruments and the terms of their conversion is set out in note 12 of the Company's audited consolidated financial statements.

As at the date hereof, the Company had 126,517,723 common shares outstanding. In addition the Company had 7,181,945 outstanding share purchase options with exercise prices ranging from \$0.16 and \$0.82 per share and 50,191,512 outstanding share purchase warrants with exercise prices ranging from \$0.19 and \$0.36 per share which, if exercised, would result in fully diluted common shares outstanding of 183,891,180. Refer to "Subsequent Events" section for details of share purchase option activity.

**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; and
- IFRIC 21 – Levies.

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

**NEW STANDARDS NOT YET ADOPTED**

The IASB issued the following pronouncements that are effective for years beginning January 1, 2016, or later and may affect the Company's future consolidated financial statements:

- IFRS 9 – Financial Instruments; and
- IAS 16 – Property, Plant & Equipment and IAS 38 – Intangibles.

These new and revised accounting standards have not yet been adopted by Goldsource, and the Company has not yet completed the process of assessing the impact that they will have on its consolidated financial statements, or whether to early adopt these new requirements.

**RISK FACTORS**

Risk management is an ongoing exercise upon which the Company spends a substantial amount of time. The following factors are those which are the most applicable to the Company. The discussion which follows is not inclusive of all potential risks.

**Risks Inherent in the Mining Business**

The business of exploring for mineral resources is inherently risky. Few properties that are explored are ultimately developed into producing mines. The business involves significant financial risks over a significant period of time that even a combination of careful evaluation, experience and knowledge may not eliminate. It is impossible to ensure that the Company's current or proposed exploration programs, and in particular, the Eagle Mountain Gold Project, will result in commercially viable mining operations.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. There is no certainty that the expenditures made by the Company towards the search, evaluation and development of mineral deposits will result in commercial quantities of ore.

**No History of Earnings or Production Revenues**

The Company has no history of earnings and has not commenced commercial production on any of its properties. The Company has experienced losses from operations and expects to continue to incur losses for the foreseeable future. There can be no assurance that the Company will be profitable in the future. The Company's operating expenses and capital expenditures are likely to increase in future years as needed consultants, personnel and equipment associated with advancing exploration, development and potentially, commercial production of its properties, are added.

The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of additional properties, government regulatory processes and other factors, many of which are beyond the Company's control. The Company expects to continue to incur losses unless and until such time as its properties enter into commercial production and generate sufficient revenues to fund its continuing operations. The development of the Eagle Mountain Gold Project will require the commitment of substantial resources. There can be no assurance that the Company will generate any revenues or achieve profitability.

**Licenses and Permits**

The Company's operations require licenses and permits from various governmental authorities. A medium scale mining permit is required under Guyana law to be held by a Guyanese national. The Company, through its wholly owned subsidiary, has entered into an agreement with a private arm's length Guyanese company to jointly operate the Eagle Mountain Gold Project. Although the required permits have been obtained by its joint operator, management believes the Company and its joint operator hold all material licenses and permits required under applicable laws and regulations for operation of the Property on the Eagle Mountain Gold Project and that they are presently complying in all material respects with the terms of such licenses and permits. However, the terms and conditions of such licenses and permits are subject to change in various circumstances. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop its properties and, with reference to

**RISK FACTORS (continued)**

development of a mining operation on the Property, commence construction or operation of mining facilities or to maintain continued operations that economically justify the cost.

**Mineral Reserve and Resource Estimates**

Where used by the Company, figures for mineral resources are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that reasonable levels of recovery will be realized. The Eagle Mountain Gold Project PEA Technical Report is preliminary in nature in that it is based largely 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 PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability. There is no assurance that mineral resources will be upgraded to mineral reserves as a result of continued exploration. Until reserves or resources are actually mined and processed, the quantities of mineralization and metal grades must be considered as estimates only. Any material change in the quantity of mineral reserves, mineral resources, grades and recoveries may affect the economic viability of the Eagle Mountain Gold Project. In addition, there can be no assurance that gold recoveries or other metal recoveries in small scale laboratory tests will be duplicated in a larger scale test under on-site conditions or during production. Fluctuations in gold and other base or precious metals prices, results of drilling, metallurgical testing and production and the evaluation of studies, reports and plans subsequent to the date of any estimate may require revision of such estimate. Any material reductions in estimates of mineral resources or reserves could have a material adverse effect on the Company's results of operations and financial condition.

**Mining Capital and Operating Costs**

The capital costs required by the Eagle Mountain Gold Project may be significantly higher than anticipated. Capital and operating costs, production and economic returns, and other estimates contained in the Company's current PEA may differ significantly from those provided for in future studies and estimates and from management guidance, and there can be no assurance that the Company's actual capital and operating costs will not be substantially higher than currently anticipated. In addition, delays to construction and exploration schedules may negatively impact the net present value and internal rates of return from the Eagle Mountain Gold Project as estimated in the PEA. Similarly, there can be no assurance that rates of production, grades of ore processed, rates of recoveries or mining cash costs estimated in the PEA will not experience fluctuations or differ significantly over the course of actual mining operations if and when commenced by the Company.

Additional risks and uncertainties currently not known to the Company or that the Company considers immaterial may also impair the business operations of the Company. If any such risks or uncertainties actually were to occur, the Company's business, prospects, financial condition and operating results could be materially harmed. While it is not possible to eliminate all of the risks inherent to the mining business, the Company strives to manage these risks, to the greatest extent possible, to ensure that its assets are protected.

**Financing Risks**

The Company's financial resources are limited. Substantial financial resources and sources of operating cash flow will be required in order to advance the exploration and development of the Eagle Mountain Gold Project. There can be no assurance that the Company has adequate financing to bring the Eagle Mountain Gold Project into production or that the Company will be able to obtain additional financing if required, or that the terms of such financing will be favourable. Failure to obtain such financing could result in delay or indefinite postponement of development of the Eagle Mountain Gold Project or further exploration and development of other mineral exploration projects with the possible loss of such properties.

**Environmental risks and hazards**

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The Company believes it is currently in compliance in all material respects with all applicable environmental laws and regulations. There is no assurance that any future changes in environmental regulation, will not adversely affect the Company's operations or affect the mineral resource estimates of the Eagle Mountain Gold Project. The costs of compliance with changes in environmental regulations have the potential to reduce the profitability of future operations.

Mining is subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of exploration and production. Environmental liability may result from mining activities conducted by others prior to the Company's ownership of a property and unknown to the Company. To the extent the Company is subject to uninsured environmental liabilities, the payment of such liabilities would negatively impact the Company's financial position and could have a material adverse effect on the Company. Should the Company be unable to fully fund the cost of remedying an environmental problem, it might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy, which could have a material adverse effect on the Company. The Company may not have coverage for certain environmental losses and other risks as such coverage cannot be purchased at a commercially reasonable cost.

As at December 31, 2014, the Company pledged a \$206,825 (US\$194,540) reclamation site bond, in the form of a non-interest bearing bank guaranteed deposit, to the Guyana Geology and Mines Commission for exploration permits on the Eagle Mountain Gold Project.

**CAUTIONARY STATEMENT AND DISCLAIMER**

Certain statements contained in this MD&A and elsewhere constitute “forward-looking statements” within the meaning of applicable 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 MD&A contains forward-looking statements pertaining to the following: strategic plans and expectations in the PEA for the development of the Eagle Mountain Gold Project; information with respect to the metal price assumptions, cash flow forecasts, internal rate of return, 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 the Eagle Mountain Gold Project; 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; 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 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 the Eagle Mountain Gold Project; reliance on the PEA; operating and hazards risks and limitations on insurance risk; fluctuations in commodity product prices; currency fluctuations; political and economical 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 MD&A if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law.

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.

**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 Chief Operating Officer for Goldsource, who is a ‘Qualified Person’ for the purpose of NI 43-101.