GOLDSOURCE MINES INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012. The MD&A should be read in conjunction with the audited financial statements for the years ended December 31, 2012 and 2011 and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS"). 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 March 26, 2013. This MD&A contains forward looking information. Reference to the risk factors described in the "Cautionary Statement" on page 9 of this MD&A is advised.

2012 HIGHLIGHTS

- Goldsource strengthened its land position by the conversion of its three year exploration permits to Coal Mineral Leases. In May, 2012, the Company renewed 53 of 81 coal mineral leases 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. The Company paid $195,958 in annual rentals for the period June 9, 2012 to June 8, 2013 for the 53 coal mineral leases comprising 35,629 hectares.
- Goldsource filed its "Updated Resource Estimate on the Border Coal Project Saskatchewan, Canada, NI 43-101 Technical Report", dated March 19, 2012, on SEDAR at www.sedar.com. Results of the new resource estimate show an increase of 47.8% in the Indicated Resources from 79.1 million tonnes of coal to 117.0 million tonnes of coal. (Refer to Exploration section for further discussion).

OVERVIEW OF THE BUSINESS

Goldsource Mines Inc. (TSX-V: GXS) is a Canadian resource company engaged in the exploration and development of a substantial coal field in the province of Saskatchewan. Its 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 new coal discovery. Since the initial discovery, Goldsource has drilled 154 holes, and found substantial coal resources in 17 deposits with an expenditure as at December 31, 2012 of approximately $18.8 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 Assessment 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").

Marston and EBA completed a Preliminary Economic Assessment (PEA) report on the Border Coal Project, in March 2011 (as amended in March 2012). 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. 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 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 intends to maintain 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. The current coal lease holdings will be reviewed annually and may be reduced periodically to minimize holding costs.

EXPLORATION

BORDER COAL PROPERTY, Saskatchewan

Updated Resource Estimates (NI 43-101 Technical Report, dated March 19, 2012)

Results of the most recent resource estimate show an increase of 47.8% in the Indicated Resources from 79.1 million tonnes of coal to 117.0 million tonnes of coal. The increase is solely based on the addition of the coal sub-basin, Niska 105 which was drilled the fall of 2011. As a result of the increase, Indicated Resources now exceed 100 million tonnes which Goldsource and its independent consultants consider a threshold for a potential economic coal project.

Revised Coal Resources at the Border Coal Project

Category	2009 (000's Tonnes)	2011 (000's Tonnes) *	2012 (000's Tonnes) *
Indicated	63,500	79,161	117,017
Inferred	89,600	33,003	33,003

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

2012 Border Update

In February 2012, Goldsource received proximate analyses for the 8 core holes completed during the Fall 2011 exploration program. Multiple intercepts of up to 32 metres of continuous thermal coal were encountered. Five of the 6 drill holes that intercepted significant coal were in the Niska 105 deposit.

Hole ID	Deposit	From	To	Coal	Ash (ad)	H20 (ar)	Sulphur (ar)	CV (ad)
		(m)	(m)	(m)	%	%	%	KJ/Kg
BD11-142	Pasquia 98	76.1	78.7	2.6	26.1	26.4	1.5	15,292
BD11-143	Niska 105	121.0	133.3	12.3	15.2	21.0	2.6	23,631
		140.0	143.1	3.1	20.9	19.5	2.6	21,556
		166.8	179.6	12.8	20.3	19.2	2.6	22,597
		189.0	201.4	12.4	12.6	25.4	2.6	24,193
BD11-144	Niska 105	82.0	93.3	11.3	21.8	22.3	3.5	21,570
		104.5	115.6	11.1	13.8	26.7	2.6	23,927
		148.3	155.5	7.2	15.3	21.5	2.7	24,063
		166.7	176.3	9.6	14.5	24.7	3.1	23,908
BD11-145	Niska 105	61.0	92.5	31.5	13.3	29.6	2.5	24,402
		103.0	107.1	4.1	13.4	32.2	2.6	24,952
		112.4	117.3	4.9	16.9	28.2	2.5	23,976
		123.9	133.8	9.9	36.1	27.1	1.9	17,632
BD11-146	Niska 105	73.0	105.6	32.6	19.9	26.0	2.3	22,570
		116.7	126.9	10.2	21.1	27.2	2.3	22,134
		136.9	142.0	5.1	17.1	25.3	2.1	21,353
BD11-147	Niska 105	76.0	85.0	9.0	18.5	28.2	2.8	21,380
		88.0	105.3	17.3	25.5	28.5	2.4	20,425
		112.6	117.8	5.2	20.4	24.8	2.3	21,396

The weighted average ash and calorific values on an air dried basis for the previously reported Indicated Resources were 24.4% and 17,555 KJ/Kg respectively and for the previously reported Inferred Resources these values were 25.11% and 19,620 Kj/Kg respectively. The weighted average ash and calorific values for the reported intercepts in respect of the six drill holes were 18.6 % and 22.570 KJ/Kg respectively. These results show a notable improvement in the general characteristics of the coal quality of Niska 105 that could make it one of the best deposits found to date.

The proximate analyses were completed by Loring Labs in Calgary, Alberta. The compilation of drill results were completed which enabled the Company to prepare an updated NI 43-101 technical report dated March 19, 2012 on the resource estimate at the Border Coal property. The revised resource estimate shows an increase in Indicated Resources with the sole addition of coal deposit, Niska 105. There are a number of priority targets yet to be tested that could add to the overall resource base of the area.

EXPLORATION (continued)

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 Releases dated February 1, 2012, and March 19, 2012, on the Company's website at www.goldsource.com, and filed on SEDAR at www.sedar.com.

For the year ended December 31, 2012 an impairment charge of $14,971,248 was recognized in respect of the Border Property. The triggers for the impairment tests were primarily the effect of current market conditions being experienced in the junior exploration market and the decline in price of thermal coal.

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 has concluded 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.

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 provided Westcore with specific drill sites on its Saskatchewan and Manitoba coal lands. Drilling of theses prime coal targets was successful in intersecting substantial thicknesses of coal and accordingly Goldsource received 1,100,000 shares of Westcore and 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. Westcore is also required to spend $3.0 million on exploration of the permits prior to Goldsource contributing its 25% share.

In 2011, Westcore announced the preliminary results of its successful 23 hole winter exploration program on the Black Diamond Property, which is one of the Westcore Properties in which the Company retains a 25% working interest.

In March 2012, Westcore completed an extensive winter drill program on the Black Diamond property by drilling 13 new holes for a total of 1,604 metres. The program's goal was to delineate previously identified coal deposits and to test several new geophysical targets identified from interpretation of airborne geophysics carried out in 2010 and 2011.

Westcore has received government approval to carry out a 20 hole drill program on its Hudson Bay North property, which also constitutes one of the Westcore Properties in which the Company retains a 25% working interest.

On November 26, 2012, Westcore announced an initial coal resource evaluation ("Evaluation") from the first four drill programs at the Black Diamond Property. The Evaluation was completed by Heartstone Consulting Ltd. in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"). For further details, see Westcore's news release dated November 26, 2012.

A NI 43-101 Technical Report for the Black Diamond Coal Property, Manitoba dated November 21, 2012 and prepared by Peter Graham, P.Geo., an independent qualified person, and Ellen MacNeil, P.Geo., was filed by Westcore on SEDAR and is available at www.sedar.com.

The Company does not consider its interest in the Black Diamond Property to be material to the Company at this time. The Company wrote-off the accumulated carrying value of $750,000 to the statement of operations and comprehensive loss effective December 31, 2012. The Company is awaiting notification from Westcore of any planned programs for 2013.

RESULTS OF OPERATION AND FINANCIAL CONDITION

Selected Annual Information

The following financial data has been prepared under IFRS:

YEAR ENDED DECEMBER 31,		2012		2011		2010
Total revenues [1]	$	Nil	$	Nil	$	Nil
Loss and comprehensive loss for the year [2]	$	(16,208,145)	$	(1,035,685)	$	(2,868,364)
Loss per share - basic and diluted	$	(0.60)	$	(0.04)	$	(0.14)
Total assets	$	4,693,453	$	21,361,720	$	18,258,477
Total non-current financial liabilities	$	Nil	$	60,095	$	Nil
Shareholders' equity	$	4,626,444	$	20,811,021	$	18,084,200
Cash dividends declared per share	$	Nil	$	Nil	$	Nil

1) The Company currently has no operations from which to derive revenues.

2) The large loss in fiscal 2012 was primarily from impairment charges taken on the carrying value of the Border Property and JV Agreement with Westcore.

3) All per share amounts are calculated on a weighted average basis.

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, 2012	Q3 September 30, 2012	Q2 June 30, 2012	Q1 March 31, 2012	Q4 December 31, 2011	Q3 September 30, 2011	Q2 June 30, 2011	Q1 March 31, 2011
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Comprehensive loss for the period	(15,809,181)	(80,551)	(152,470)	(165,943)	(103,747)	(548,757)	(265,134)	(118,047)
Loss per share - basic and diluted	(0.58)	(0.00)	(0.01)	(0.01)	(0.00)	(0.02)	(0.01)	(0.01)
Total assets [1]	4,693,453	20,509,271	20,608,013	20,870,738	21,361,720	21,791,314	21,842,438	18,609,926
Total liabilities [2]	67,009	73,646	91,836	202,090	550,699	901,186	464,261	511,643

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 JV Agreement with Westcore.

2) Liabilities fluctuate if an exploration program is taking place. The increase in liabilities in the third quarter of 2011 related to outstanding payables from the 2011 fall exploration program at the Border Coal Project.

Comparison of the three and twelve months ended December 31, 2012 to December 31, 2011

The loss and comprehensive loss was $15,809,181 for the fourth quarter and $16,208,145 for 2012, compared to $103,747 and $1,035,685 respectively for 2011. The principal differences and significant amounts of note are as follows:

- General and administrative expenses decreased to $73,039 (2011 - $129,728) during the fourth quarter and $441,277 (2011 - $604,960) for 2012, due to a reduced level of corporate activity and less remuneration paid to management.
- Share-based compensation recorded was $Nil (2011 - $38,526) during the fourth quarter and $22,742 (2011 - $269,553) for 2012, related to vesting of previously granted options. The Company has not granted incentive stock options since fiscal 2010.
- Impairment charges recorded were $15,721,248 (2011 - $NIL) during the fourth quarter and for 2012 as a result of management impairment assessments on the Border Project and JV Agreement with Westcore.
- 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 December 31, 2012, the Company's held-for-trading securities consist of 675,000 (2011 – 675,000) Westcore common shares. The Company recorded an unrealized loss on held-for-trading securities of $16,875 (2011 – $67,500) during the fourth quarter and $94,500 (2011 - $23,500) for 2012.
- Transaction costs amounted to $Nil (2011 – $43,914) for the fourth quarter and $Nil (2011 - $325,779) for 2012, for professional costs related to the proposed business combination of Goldsource and ZEEP, which was terminated in December, 2011, of which $150,000 were reimbursed by ZEEP.

INVESTOR RELATIONS ACTIVITIES

Management and company personnel currently perform all investor relation services. There are no external investor relation contracts or commitments at December 31, 2012. Investor relations activities consist mainly of web-site and print advertising. Shareholder communications comprises communicating with existing shareholders, broadcasting news releases, printing, production work for the Company's website, and direct website expenses. The Company also attends trade shows to present the affairs and merits of the Company to potential investors.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2012, 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,	
	2012	**2011**	**2012**	**2011**
Cash-flows from:				
Operating Activities	(77,278)	(216,514)	(484,934)	(697,259)
Financing Activities	-	-	-	3,305,839
Investing Activities	(28,715)	487,724	100,690	(2,326,175)
Net (decrease)/increase in cash	(105,993)	271,210	(384,244)	282,405
Cash beginning of period	136,788	143,829	415,039	132,634
Cash end of period	30,795	415,039	30,795	415,039

Operating Activities

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

Financing Activities

In May, 2011, the Company completed two offerings to raise gross proceeds of $3,708,400 and incurred $402,561 in share issuance costs. The Company completed a short form offering of 3,636,000 units (“Units”) at $0.55 per Unit for gross proceeds of $1,999,800. The Company completed a private placement of 2,170,000 units (“PP Units”) at $0.55 per PP Unit and 858,500 flow-through common shares (“Flow-Through Shares”) at $0.60 per share, the Company raised gross proceeds of $1,708,600. The Company paid a 6.5% agent’s fee in cash on the gross proceeds of the offerings and issued a total of 433,192 agent’s warrants (the "Agent’s Warrants"). Each Agent’s Warrant is exercisable to purchase one Common Share at a price of $0.70 until May 19, 2013.

The following table sets out the proposed and actual uses of proceeds from the Company’s May 2011 offerings to December 31, 2012.

Principal Purpose	**Amount per prospectus**	**Actual expenditure as at December 31, 2012**	**Transferred to / (from) general working capital**	**Remaining to be spent**
Estimated expenses of the Offering	$0.40 million	$0.40 million	-	-
Exploration program at the Border Coal Project				
Lease rental payments *(1)*	$0.13 million	$0.51 million	($0.38) million	-
Bulk sample (including drilling) *(2)*	$1.77 million	-	$1.77 million	-
Exploration drilling *(3)*	$0.60 million	$1.40 million	($0.80) million	-
Environmental Base Line	$0.18 million	$0.09 million	$0.09 million	-
Pre-feasibility Study *(2)*	$0.32 million	-	$0.32 million	-
General working capital	$0.30 million	$0.50 million	($0.2) million	-
Total	**$3.70 million**	**$2.90 million**	**$0.80 million**	-

Footnotes

(1) Payments cover annual rentals for the period June, 2011 to June, 2013 for the Company’s coal mineral leases at the Border Coal Project.

(2) These costs will not be incurred until completion of a new financing and an appropriate market or applicable conversion process is identified. The remaining proceeds have been reallocated, for general working capital purposes.

(3) Costs incurred to complete the fall 2011 core hole drill program at the Border Coal Project.

Investing Activities

Goldsource purchased short term investments for $3,000,000 during the third quarter of 2011, with the proceeds from the May 2011 offerings.

Goldsource redeemed short term investments of $Nil (2011 - $1,250,000) during the fourth quarter and $750,000 (2011 - $2,250,000) in 2012, for exploration activities at the Border Coal Project and working capital commitments. Goldsource spent $28,715 (2011 - $769,033) during the fourth quarter and $666,719 (2011 - $1,887,224) in 2012, on the Border Coal Project.

Goldsource received $NIL (2011 - $6,756) during the fourth quarter and $17,409 (2011 – $12,638) in 2012, from interest on short term investments.

In May 2011, the Company sold 425,000 common shares of Westcore for proceeds of $298,411.

LIQUIDITY AND CAPITAL RESOURCES

Year Ended December 31,			2012		2011
Assets					
Cash and short term investments	(i)	$	785,710	$	1,925,839
Other current assets	(i)		92,824		239,835
Non-current assets			3,814,919		19,196,046
Total Assets			4,693,453		21,361,720
Liabilities					
Current liabilities	(ii)		67,009		550,699
Working Capital	(i-ii)	$	811,525	$	1,614,975

Assets

Cash and short term investments decreased primarily from the redemption of $750,000 in short term investments, which were used to settle payables outstanding at December 31, 2011, and fund 2012 corporate activities. The Company will continue to monitor cash resources against our forecasted expenditures to assess financing requirements.

Other current assets decreased primarily from the fair value change in held-for-trading securities. At December 31, 2012, the fair value of the Company's 675,000 (2011 – 675,000) Westcore common shares amounted to $74,250 (2011 - $168,750).

Non-current assets decreased from impairment charges taken on the carrying value of the Border Property and JV Agreement with Westcore.

Liabilities

Current liabilities decreased to $67,009 (2011 - $550,699) from settlement of outstanding payables relating to the 2011 fall exploration program and the Company spent the required qualifying expenditures eliminating the flow-through premium liability of $60,095 which got recorded on the statement of operations and comprehensive loss during 2012.

RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

Legal Fees

Paid or accrued $53,302 (2011 - $38,013) for legal fees which were included in professional fees, $NIL (2011 - $88,379) for share issuance costs and $NIL (2011 - $236,287) for transaction costs to a law firm of which an officer of the Company is a partner.

Key Management Compensation

		2012		2011
Salaries and short-term benefits [1]				
Remuneration on the statement of operations	$	140,000	$	210,000
Capitalized to the Border Property		80,000		120,000
		220,000		330,000
Share-based payments		20,244		247,789
	$	240,244	$	577,789

[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 a company related by common directors and officers. The Company incurred $98,152 (2011 - $141,068) for their share of rent, salaries, and administrative expenses.

Minera Pacific Inc. has two directors and officers in common with the Company. In 2011, the Company issued 358,696 common shares and paid $25,000 in cash pursuant to the terms of the MPI Agreement.

OUTSTANDING SHARE CAPITAL

Capital stock

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

As at December 31, 2012 and the date hereof, the Company had 27,033,729 common shares outstanding. In addition the Company had 3,595,000 outstanding share purchase options and 3,336,192 outstanding share purchase warrants which, if exercised, would result in fully diluted common shares outstanding of 33,964,921.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, short term investments, securities, amounts 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 December 31, 2012, 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. 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 December 31, 2012, 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 year.

e. Market Risk

The Company's exposure to market risk arises from their 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 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.

NEW STANDARDS NOT YET ADOPTED

The International Accounting Standards Board ("IASB") issued the following pronouncements that are effective for years beginning January 1, 2013, or later and may affect the Company's future financial statements.

- IFRS 9, Financial Instruments
- IFRS 10, Consolidated Financial Statements
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosure of Interests in Other Entities
- IFRS 13, Fair Value Measurement
- IAS 32, Financial Instruments Presentation
- IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine

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 financial statements, or whether to early adopt any of the new requirements.

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
- Mineral reserve and resource estimates
- Operating hazards and risks
- Fluctuating prices

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").