GOLDSOURCE MINES INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011. The MD&A should be read in conjunction with the audited financial statements for the years ended December 31, 2011 and 2010 and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS"). Prior to 2011, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). Unless otherwise noted, comparative information has been prepared in accordance with 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 22, 2012. This MD&A contains forward looking information. Reference to the risk factors described in the "Cautionary Statement" on page 11 of this MD&A is advised.

FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2011 HIGHLIGHTS

- Terminated the Arrangement Agreement with ZEEP due to Zeep's failure to meet the closing conditions on a timely basis.
- Trading in Goldsource shares had been halted during consideration of the Arrangement Agreement with Zeep. The Company's shares resumed trading on December 15th.
- Conducted an 8 core hole drilling program at the Border Property to test several previously defined geophysical anomalies for potential coal resource expansion and upgrading of resource categories.
- Environmental baseline work under the direction of EBA Engineering Consultants continued with emphasis on data collection and reporting on results as a base for permitting and a possible Pre-Feasibility Study.
- The Company was notified by Westcore of its intent to carry out an extensive winter drill program on Westcore's Black Diamond property in Manitoba and the Hudson Bay North property in Saskatchewan in which the Company retains a 25% working interest.

OVERVIEW OF THE BUSINESS

Goldsource Mines Inc. (TSX-V: GXS) is a Canadian resource company engaged in the exploration and development of Canada's newest coal field in the province of Saskatchewan. Its mineral interests presently consist of coal exploration properties located in Saskatchewan and Manitoba in Canada referred to as the "Border Coal Project".

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, 2011 of approximately $18.4 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 Assessment (PA) report on the Border Coal Project, in March 2011 (as amended in March 2012). As part of the PA, 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 continues to focus its efforts on the delineation of the coal occurrences identified on the Border Property in east-central Saskatchewan and to examine potential markets and processes that can utilize Border coals.

EXPLORATION

BORDER COAL PROPERTY, Saskatchewan

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

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. 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

2011 Border Update

- The Company submitted an application to the Saskatchewan Ministry of Energy and Resources to convert a substantial number of the Company's exploration permits at the Border Coal property into coal mineral leases. Subsequent to the year end, the Ministry granted a total of 81 coal mineral leases comprising 56,109 hectares covering all of the Company's coal deposits as well as areas that are considered favorable for the discovery of additional coal deposits. The leases have an initial term of 15 years and may be maintained by paying annual rental fees of $5.50 per hectare.
- A total of 8 holes were drilled during the fall exploration program (see highlights below). This program was completed in mid-October.
- 107 coal samples were collected and sent to Loring Labs in Calgary for proximate analyses.
- Seven Holes further tested the Pasquia 98 (2 holes) and Niska 105 (5 holes) coal deposits for expansion and conversion to Inferred and Indicated resources.
- One hole was drilled to test an airborne geophysical anomaly in the Red Deer target located near the Border property in Manitoba.
- Environmental baseline work under the direction of EBA continued with emphasis on collecting data and reporting on results for permitting and a possible Pre-Feasibility Study.

Highlights of the 2011 fall exploration program are as follows:

- The most significant coal zone intervals occurred in the Niska sub-basin in holes BD11-143, 144 and 145 with true, aggregate thicknesses of approximately 119.0, 100.3 and 113.0 metres respectively (see table below).
- Infill drilling has given better definition to the Niska 105 deposits.
- Drilling has further defined a coal deposit at Pasquia 98. One drill hole intercepted coal seam 3 metres thick. Future drilling on this large geophysical anomaly will be contemplated.

EXPLORATION (continued)

Numbering of the drill holes for this phase of exploration continues sequentially from previous programs beginning at BD11-141. Names of deposits are based on an identifier in the general location and the areas are designated according to the discovery hole numbers.

Hole ID	From (m)	To (m)	Coal Zone Interval *(m)	Notes
BD11-142	73	76	3	Pasquia 98 deposit
BD11-143	80	199	119	Niska 105 deposit
BD11-144	85	185	100	Niska 105 deposit
BD11-145	61	174	113	Niska 105 deposit
BD11-146	71	161	90	Niska 105 deposit
BD11-147	74	143	69	Niska 105 deposit

*The coal zone intervals are based on visuals (coal and carbonaceous material) and by down hole, e-log density of 1.6 g/cc or less. Holes BD11-141 and 148 showed no significant coal intercepts.

In February 2012, Goldsource received proximate analyses for the 8 core holes completed during the Fall 2011 exploration program. Five of the 6 drill holes that intercepted significant coal were in the Niska 105 deposit. 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 was 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 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.

The 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.

Depending on the availability of funds the bulk sampling program could be carried out during the 2012 winter drilling season. The cost to complete further exploration, the bulk sampling and test work program prior to any Pre-Feasibility Study is estimated at $5 million.

For further information, please refer to News Releases dated November 4, 2011, February 1, 2012 and March 19, 2012 on the Company's website at www.goldsource.com, and filed on SEDAR at www.sedar.com.

EXPLORATION (continued)

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.

During 2011, Westcore announced the preliminary results of its successful 2011 winter exploration program in which 23 drill holes of a total 39 hole program were drilled on the Black Diamond Property in which Goldsource holds a 25% interest. The program focused on 4 principal targets (Ambit, Cyclops, Athena and Calypso) and 2 satellite deposits (Ambit and Athena). Substantial thickness of coal ranging from 22.1 metres to 75.2 metres were encountered in 11 of the 23 holes in the six deposits drilled.

The Company has been notified by Westcore of its intent to carry out an extensive winter drill program on Westcore's Black Diamond property in Manitoba and the Hudson Bay North property in Saskatchewan in which the Company retains a 25% working interest. The primary objectives of the program are 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 expects to drill 30 to 38 holes (3600 metres) at Black Diamond and has been approved for up to 20 holes for the Hudson Bay North property, drilling of which will be contingent on the successful results from the Black Diamond drilling.

In March, 2012, Westcore announced preliminary results of 7 holes drilled at different targets. All 7 holes successfully intercepted coal zones, with composite thickness ranging from 13 metres to 73.6 metres in different deposits. The results have eclipsed Westcore's previous thickest coal intercepts and they expect them to add significant tonnage to their upcoming resource calculation.

RESULTS OF OPERATION AND FINANCIAL CONDITION

Selected Annual Information - Audited

YEAR ENDED DECEMBER 31,		2011 IFRS		2010 IFRS		2009 CANADIAN GAAP
Total revenues	$	Nil	$	Nil	$	Nil
Loss and comprehensive loss for the year	$	(1,035,685)	$	(2,868,364)	$	(2,151,595)
Loss per share	$	(0.04)	$	(0.14)	$	(0.11)
Total assets	$	21,361,720	$	18,258,477	$	20,090,107
Total non-current financial liabilities	$	60,095	$	Nil	$	Nil
Shareholders' equity	$	20,811,021	$	18,084,200	$	19,480,163
Cash dividends declared per share	$	Nil	$	Nil	$	Nil

Summary of Quarterly Results - Audited

The following financial data is selected information for the Company for the eight most recently completed financial quarters:

Period				Revenues		Net Gain (Loss)		Net Gain (Loss) per Share
Q4	December 31, 2011	IFRS	$	Nil	$	(118,497)	$	(0.00)
Q3	September 30, 2011	IFRS	$	Nil	$	(548,757)	$	(0.02)
Q2	June 30, 2011	IFRS	$	Nil	$	(265,134)	$	(0.01)
Q1	March 31, 2011	IFRS	$	Nil	$	(103,297)	$	(0.01)
Q4	December 31, 2010	IFRS	$	Nil	$	(3,240,153)	$	(0.16)
Q3	September 30, 2010	IFRS	$	Nil	$	(71,452)	$	(0.00)
Q2	June 30, 2010	IFRS	$	Nil	$	(638,655)	$	(0.03)
Q1	March 31, 2010	IFRS	$	Nil	$	1,081,896	$	0.05

The net gain for the first quarter of 2010 was due primarily from service income of $1,510,000 relating to the Westcore Agreement. The large net loss for the fourth quarter of 2010 was due primarily from the write-off of mineral property expenditures.

RESULTS OF OPERATION AND FINANCIAL CONDITION (continued)

Comparison of the three months ended December 31, 2011 and December 30, 2010

The loss and comprehensive loss for the three months ended December 31, 2011 is $118,497 as compared to $3,240,153 in 2010. The principal differences and significant amounts of note are as follows:

- General and administrative expenses decreased to $129,728 (2010 - $155,115) due a reduced level of corporate activity.
- Share-based compensation decreased to $38,526 (2010 - $651,038) due to a decrease in the number of options vesting.
- Transaction costs amounted to $256,086 (2010 - $Nil) which relates to professional costs incurred in relation to the ZEEP Arrangement Agreement of which $150,000 were reimbursed by ZEEP.
- Unrealized loss on held-for-trading securities amounted to $67,500 (2010 – $207,000) on valuation of the Company's 625,000 (2010 - 1.1million) Westcore common shares. Under IFRS, held-for-trading securities are to be recorded at fair value at each reporting date and the resulting gains or losses are to be included in the results for the period.
- Write–off of mineral property expenditures was $Nil (2010 - $2,229,056). In the fourth quarter in 2010, management allowed certain permits on the Ballantyne and Manitoba properties to lapse on their expiry date and elected to record the accumulated expenditures in operations for the period.

Comparison of the twelve months ended December 31, 2011 and December 31, 2010

The loss and comprehensive loss for the twelve months ended December 31, 2011 is $1,035,685 as compared to $2,868,364 in 2010. The principal differences and significant amounts of note are as follows:

- General and administrative expenses decreased to $604,960 (2010 - $688,408) due a reduced level of corporate activity.
- Gain on held-for-trading securities amounted to $17,661 (2010 – $Nil) from the sale of 425,000 Westcore common shares.
- Service income amounted to $Nil (2010 - $1,510,000) which comprised $710,000 from the initial value attributed to 1million Westcore common shares, $750,000 from the initial value attributed to the 25% working interest earned in Westcore's existing coal lands in Saskatchewan and Manitoba and $50,000 from the initial value attributed to 100,000 Westcore common shares (see Westcore Energy Ltd. Agreement section) booked against the Border Property in 2009 and reclassed to service income.
- Share-based compensation decreased to $269,553 (2010 - $1,176,779) due to fewer stock options vesting. The Company granted Nil (2010 – 725,000) incentive stock options with a weighted average fair value per option granted of $Nil (2010 – $0.84).
- Transaction costs amounted to $175,780 (2010 - $Nil), unrealized loss on held-for-trading securities amounted to $23,500 (2010 – 297,000) and write-off of mineral property expenditures to $NIL (2010 - $2,229,056) as noted above.

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, 2011. 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 on a regular basis to present the affairs and merits of the Company to potential investors.

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,		Twelve months ended December 31,	
	2011	2010	2011	2010
Cash-flows from:				
Operating Activities	(216,514)	(176,995)	(697,259)	(371,901)
Financing Activities	-	-	3,305,839	8,990
Investing Activities	487,724	77,259	(2,326,175)	139,794
Net Increase/(decrease) in cash and cash equivalents	271,210	(99,736)	282,405	(223,117)
Cash beginning of period	143,829	232,370	132,634	355,751
Cash end of period	415,039	132,634	415,039	132,634

Operating Activities

The cash outflows from operating activities for the three and twelve months ended 31 December, 2011, were $216,514 and $697,259 compared to $176,995 and $371,901 for three and twelve months ended December 31, 2010. Cash outflows have increased significant for the twelve months mainly due to changes in working capital items.

Financing Activities

On May 19, 2011 the Company completed two offerings to raise gross proceeds of $3,708,400. 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.

Each Unit and PP Unit consists of one common share of the Company (a “Common Share”) and one-half of one common share purchase warrant of the Company (each whole warrant, a “Warrant”), with each Warrant being exercisable to purchase one Common Share at a price of $0.70 until May 19, 2013. The offerings were conducted by Canaccord Genuity Corp. 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.

Investing Activities

During the three months ended December 31, 2011, the Company redeemed short term investments of $1,250,000 (2010 - $250,000) and spent $769,033 (2010 - $255,495) on the Border Coal Project. The Company received $NIL (2010 - $82,405) as refunds of deposits from quarry permit applications.

During the twelve months ended December 31, 2011 the Company purchased short term investments for $3,000,000 (2010 -$Nil) with the proceeds from the May 2011, offerings. The Company redeemed short term investments of $2,250,000 (2010 - $3,500,000) and spent $1,887,224 (2010 - $4,705,119) primarily on the Border Coal Project. The Company received $NIL (2010 - $1,330,818) as refunds of deposits from quarry permit applications.

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

LIQUIDITY AND CAPITAL RESOURCES

December 31,			2011		2010
Assets					
Cash and short term investments	(i)	$	1,925,839	$	885,626
Other current assets	(i)		239,835		521,845
Non-current assets			19,196,046		16,851,006
Total Assets			21,361,720		18,258,477
Liabilities					
Current liabilities	(ii)		490,604		174,277
Non-current liabilities			60,095		-
Total Liabilities		$	550,699	$	174,277
Working Capital	(i-ii)	$	1,675,070	$	1,233,194

Assets

Cash and short term investments increased from proceeds of the May 2011, offerings. The Company will continue to monitor cash resources against expenditures forecasts to assess financing requirements.

Other current assets decreased primarily from the fair value change in held-for-trading securities. In May 2011, the Company sold 425,000 common shares of Westcore for proceeds of $298,411. At December 31, 2011, the fair value of the Company's 675,000 (2010 – 1,100,000) Westcore common shares was $168,750 (2010 - $473,000).

Non-current assets increased from exploration costs incurred and technical work performed on the Border Coal Project.

Liabilities

Current liabilities increased to $490,604 (2010 - $174,277) mainly due to outstanding payables relating to the 2011 Border exploration program.

Non-current liabilities of $60,095 (2010 - $Nil) relates to the tax benefits given up on the flow through financing in May 2011.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2011, 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.

RELATED PARTY TRANSACTIONS

Refer to Note 11 of the audited financial statements for the years ended December 31, 2011 and 2010.

SUBSEQUENT EVENTS

The Company received 81 Coal Mineral Leases comprising 56,109 hectares from the Saskatchewan Ministry of Energy and Resources that cover all of the coal deposits discovered to date as well as areas that are considered favorable for the discovery of additional coal deposits. The leases are for a period of 15 years renewable upon the terms and conditions set out in the Regulations which include an annual rental fee of $5.50 per hectare.

On March 1, 2012 the common shares of the Company were suspended from trading on the TSX-V when the British Columbia Securities Commission issued a cease trade order ("CTO") against Goldsource on the basis that the Company's independent Technical Report (the "PA") filed on March 15, 2011 and subsequent disclosure documents on the Border Coal Project were not in the required form because they disclosed coal resources in a "Speculative" category that is not permitted under National Instrument 43-101 – Standards of Disclosure for Mineral Projects. The Company has since retracted all references to Speculative coal resources in these documents, and the CTO was revoked effective March 9, 2012. On March 16, 2012, Goldsource's common shares were reinstated for trading.

SUBSEQUENT EVENTS (Continued)

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. (Refer to Exploration section for further discussion).

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, 2011, the Company had outstanding 27,033,729 common shares. In addition the Company had outstanding 3,595,500 share purchase options and 3,336,192 share purchase warrants for total diluted shares outstanding of 33,964,921.

As at the date hereof, there had been no change in the total diluted 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, 2011, 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, short term investments and amounts receivable. 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. Receivables are due primarily from the government.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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, 2011, 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.

FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that IFRS will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The Company has adopted IFRS with an adoption date of January 1, 2011, and a transition date of January 1, 2010.

The audited financial statements for the years ended December 31, 2011 and 2010 have been prepared in accordance with IFRS. Notes 2 and 4 of these financial statements provide more detail on our key Canadian GAAP to IFRS differences, our accounting policy decision and IFRS 1, First-Time Adoption of International Financial Reporting Standards, optional exemptions for significant or potentially significant areas that have had an impact on our financial statements on transition to IFRS or may have an impact in future periods.

As a result of the accounting policy choices selected, and the changes required to be made on transition to IFRS, there was no material impact on the Company's opening financial position as at January 1, 2010. The table below outlines the effect on the Company's assets, liabilities and equity on adoption of IFRS on January 1, 2010, and December 31, 2010, for comparative purposes.

	December 31, 2010	January 1, 2010
Total assets under Canadian GAAP	$ 18,258,477	$ 20,090,107
Adjustment	-	-
Total assets under IFRS	$ 18,258,477	$ 20,090,107
Total liabilities under Canadian GAAP	$ 174,277	$ 609,944
Adjustment	-	-
Total liabilities under IFRS	$ 174,277	$ 609,944
Total shareholders' equity under Canadian GAAP	$ 18,084,200	$ 19,480,163
Adjustment	-	-
Total shareholders' equity under IFRS	$ 18,084,200	$ 19,480,163

The following is a summary of the adjustment to comprehensive loss for the year ended December 31, 2010 under IFRS.

	December 31, 2010
Loss and comprehensive loss under Canadian GAAP	$ (2,868,364)
Adjustment	-
Loss and comprehensive loss under IFRS	$ (2,868,364)

There was no material cash flow impact. Goldsource continues to monitor changes in IFRS. IAS 7, Statement of Cash flows requires that cash flows relating to finance costs/interest to be separately disclosed within the statement classifications. Under Canadian GAAP, these amounts were previously disclosed as a note to the statement of cash flows. These amounts have been separately disclosed under 'operating and investing activities' within the statement of cash flows under IFRS.

Management continues to monitor changes in IFRS. The standard setting bodies that determine IFRS have significant ongoing projects that could impact the IFRS accounting policies Goldsource has selected. In particular, management expect that there may be additional new or revised IFRSs or IFRICs in relation to financial instruments, consolidation, joint arrangements, disclosure of interests in other entities, fair value measurement and stripping costs in the production phase of a surface mine. The International Accounting Standards Board is currently working on an extractive industries project, which could significantly impact our financial statements primarily in the areas of capitalization of exploration costs and disclosures. The Company has processes in place to ensure that potential changes are monitored and evaluated. The impact of any new IFRSs and IFRIC interpretations will be evaluated as required.

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, 2012 or later and may affect the Company's future financial statements. Management is currently assessing the impact of these pronouncements and does not expect the application to have a pervasive impact on accounting procedures or other business activities.

IFRS 9 - Financial Instruments ("IFRS 9") - In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in Other Comprehensive Income, and guidance on financial liabilities and derecognition of financial instruments. In December 2011, the IASB issued an amendment that adjusted the mandatory effective date of IFRS 9 from January 1, 2013 to January 1, 2015.

IFRS 10 - Consolidated Financial Statements ("IFRS 10") - In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements to replace IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The new consolidation standard changes the definition of control so that the same criteria apply to all entities, both operating and special purpose entities, to determine control. The revised definition focuses on the need to have both power and variable returns before control is present. IFRS 10 must be applied starting January 1, 2013 with early adoption permitted.

NEW STANDARDS NOT YET ADOPTED (continued)

IFRS 11 - Joint Arrangements ("IFRS 11") - In May 2011, the IASB issued IFRS 11 Joint Arrangements to replace IAS 31, Interests in Joint Ventures. The new standard defines two types of arrangements: Joint Operations and Joint Ventures. Focus is on the rights and obligations of the parties involved to reflect the joint arrangement, thereby requiring parties to recognize the individual assets and liabilities to which they have rights or for which they are responsible, even if the joint arrangement operates in a separate legal entity. IFRS 11 must be applied starting January 1, 2013 with early adoption permitted.

IFRS 12 - Disclosure of Interests in Other Entities ("IFRS 12") - In May 2011, the IASB issued IFRS 12 Disclosure of Interests in Other Entities to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e. special purpose entities). IFRS 12 must be applied starting January 1, 2013 with early adoption permitted.

IFRS 13 - Fair Value Measurement ("IFRS 13") - In May 2011, the IASB issued IFRS 13 Fair Value Measurement as a single source of guidance for all fair value measurements required by IFRS to reduce the complexity and improve consistency across its application. The standard provides a definition of fair value and guidance on how to measure fair value as well as a requirement for enhanced disclosures. IFRS 13 must be applied starting January 1, 2013 with early adoption permitted.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine ("IFRIC 20") - In October 2011, the IASB issued IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. IFRIC 20 provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity from the stripping activity: useable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. IFRIC 20 must be applied starting January 1, 2013 with early adoption permitted.

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 16, 2012. 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
- Substantial volatility of share price

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 of 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 audited 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.

MANAGEMENT'S REPORT ON DISCLOSURE CONTROLS AND PROCEDURES

Management of the Company, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operations of internal controls over financial reporting. There have been no changes in the Company's disclosure controls and procedures during the three month period ended December 31, 2011.

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").