MANAGEMENT'S DISCUSSION & ANALYSIS OF

FINANCIAL CONDITIONS & RESULTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2016

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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, 2016. 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, 2016 and 2015 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 dollar amounts are stated in Canadian dollars unless otherwise indicated and have been adjusted to reflect the impact of change in accounting policy for exploration and evaluation assets. The effective date of this MD&A is April 5, 2017. 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.

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 (as defined under section "1. Overview") 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; precious metals prices; 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; fluctuations in precious metals prices; currency fluctuations; political and economic 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 National Instrument 43-101 – Standards of Disclosure for Mineral Projects.

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1. OVERVIEW

Goldsource is headquartered in Vancouver, BC and its common shares trade on the TSX Venture Exchange ("TSX-V") under the symbol GXS. It is an advanced staged exploration company that is currently focused on its Eagle Mountain Gold Project ("Eagle Mountain") located on its 100% owned Eagle Mountain Property (the "Property") which consists of an area of approximately 5,050 hectares (12,480 acres) in central Guyana, South America.

Phase I of Eagle Mountain was based on a preliminary economic assessment 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 "PEA"). The PEA was prepared for the Company 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 or on the Company's website www.goldsourcemines.com.

The Company cautions that the PEA is preliminary in nature in that it is based 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 Eagle Mountain was 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 projected profits, if any.

Goldsource's other mineral interests comprising the Border Coal Project located in Saskatchewan are under care and maintenance. The Company currently holds four coal mineral licenses with the Saskatchewan Ministry of Energy and Resources over an area of 1,025 hectares. Additional information related to the Company's Border Coal Project is available on its website www.goldsourcemines.com.

2. HIGHLIGHTS

Eagle Mountain Gold Project

2016 Eagle Mountain Summary

Eagle Mountain's production statistics from mine commissioning commencement on January 28, 2016 to December 31, 2016 are as follows:

Eagle Mountain Gold Mine Statistics(2)(3)	Q4, 2016 Total	Q3, 2016 Total	Q2, 2016 Total	Q1, 2016 Total	2016 Total / Average
Mined tonnes	46,784	35,473	50,695	9,814	142,766
Processed tonnes at minus 2mm	39,513	35,043	48,098	8,742	131,396
Average tonnes per day ("tpd")(1) processed	527	467	641	162	477
Average estimated gold grade, grams per tonne	0.98	0.91	0.37	0.91	0.74
Estimated gravity recovery for plant	27%	25%	47%	40%	31%
Estimated gravity recovery for table	90%	75%	61%	60%	71%
Gold ounces produced	253.0	175.0	138.4	61.9	620.9
Gold ounces sold(4)	353.3	67.3	200.3	0.0	620.9

(1) Based on the Eagle Mountain PEA of 25 operating days per month.

(2) All numbers are rounded.

(3) Processing mass balance and reconciliation is based on daily sampling at site and offsite gold analysis at Actlabs in Georgetown, Guyana, which is an independent certified lab. Standard practice mined volumes are used and drill hole assays, also from Actlabs, are used for mine reconciliation.

(4) Gold sold to Guyana Gold Board at a weighted average realized price of US$1,248. During 2016, the Company received a total of $909,097 (US$721,834), net of royalty and smelter fees. The Company has recorded proceeds from gold sales up to June 20, 2016 (commissioning period) as a deduction to the Eagle Mountain plant and proceeds received after June 20, 2016 as a reduction of exploration and evaluation expenditures.

During 2016, the following events occurred at Eagle Mountain:

- Q1: On January 28, the Company commenced commissioning for Phase I of Eagle Mountain. During February and March, Goldsource re-designed and re-fabricated the mine grizzly and processing gold room. The first gold was poured at the end of March.
- Q2: The Company completed its first gold sale to the Guyana Gold Board in early April. On June 20, 2016, the Company completed commissioning on Phase I of its processing plant, which was defined as an average minimum of 80% of the 1,000 tpd name plate capacity and 45% recovery in gold concentrate, over a continuous 30 day period. Readers should caution that completion of commissioning or commercial production does not imply economic viability.
- Q3: At the end of July, the Company suspended operations due to low grades and a delay in the shipment of a 40-tonne truck to the Eagle Mountain site. Goldsource recommenced mining, stockpiling and processing of the higher-grade material towards the end of August. In September, Goldsource retained the services of Sepro Mineral Systems Corp ("Sepro"), the manufacturer of the Eagle Mountain plant, to perform a process audit. Sepro completed the process audit on September 18, 2016 and provided recommendations to improve the process plant performance and recovery. While the head-grade improved substantially, the gold recovery from the Falcon concentrators dropped to average of approximately 15% in September, short of the targeted minimum recovery rate of an estimated 30% for economic viability. As a result, the Company has deferred Phase II capital purchases in order to focus funds on the processing plant and recovery optimization rather than expansion.
- Q4: In October, Goldsource hired a qualified process engineer to optimize the plant at Eagle Mountain to improve throughput and recovery for the gravity only operation. Production was also materially impacted by equipment related downtime and water shortages due to the dry season. During November, the process was altered to bypass the recirculation of plus 2 millimetre oversize material and to stockpile it in inventory. This significantly decreased plant maintenance requirements with less downtime and improved throughput. Operations ran continuously at near capacity in the first three weeks of December and gravity gold recovery to concentrate in Q4 increased to 27% (up from 25% in Q3). However, as this recovery rate remained below the design of 35-40% for a gravity only operation, the process plant was shut down on December 23 and one-half of the workforce at Eagle Mountain was released to reduce in country costs while the Company completes further plant modifications intended to improve throughput and recovery.

Phase I capital costs as summarized in the Eagle Mountain PEA and actual costs spent by the Company are as follows:

PEA Estimates	
Capital expense item (Phase I)	**Estimated cost (US$)**
Mining equipment purchases	1,167,000
Process plant including, lab, refinery, and engineering, procurement and construction management ("EPCM")	2,345,000
Tailings	468,000
Road maintenance	315,000
Indirect (Includes working capital)	828,000
Contingency at 15%	769,000
Initial capital including contingency	**5,892,000**

Actual Costs			
Capital expense items	**As at December 31, 2015 (US$)**	**Additions 2016 (US$)**	**As at December 31, 2016 (US$)**
Mining equipment purchases	702,203	748,143	1,450,346
Process plant including, lab, refinery and EPCM	2,338,650	46,420	2,385,070
Tailings	55,515	2,456	57,971
Road maintenance	465,314	67,875	533,189
Indirect (Includes working capital)			
- Building costs	105,822	104,495	210,317
- Camp costs	331,748	569,355	901,103
- Operations and general	362,443	643,639	1,006,082
- Remuneration	423,718	1,128,030	1,551,748
Initial capital including contingency	**4,785,413**	**3,310,413**	**8,095,826**

Overall, as indicated above, actual costs are higher than the PEA estimates because of the following factors that have caused operation delays: the re-design and re-fabrication of equipment; delay in delivery of certain equipment; equipment downtime; and water shortage. Costs above include capital and working capital expenditures on plant and recovery optimization, which the Company plans on continuing in 2017.

2017 Eagle Mountain Plans

The Company's 2017 plans are as follows:

Install a Krebs cyclone in the Main Plant: As planned, the Krebs cyclone was installed on February 12, 2017. The cyclone is expected to assist with increased gold recovery through the Falcon concentrators. The Company has been running the processing plant as of February 17th on a test basis. Preliminary results on gold recovery are expected to be available in Q2 2017. Based on these results, the Company will decide on the next operational steps.

Subject to the successful testing of the cyclone and results from continued optimization of the process plant optimization:

- Install a high density polyethylene (HDPE) slurry pipeline: The current 1.2 kilometre polyvinyl chloride (PVC) slurry line remains a source of downtime for the plant due to pipe wear and bursts.
- Install and operate a low cost secondary gravity operation: Testing of a Marok pumping system for transporting feed from Pit #4 to the process plant has started in March. This method of slurry transport may significantly reduce on-site mining costs and downtime related to weather conditions impacting site roads. The Marok pumping system has been sequestered from the planned secondary gravity operation for testing purposes.
- Complete a low cost drilling campaign: Auger drilling data has been compiled along with grade reconciliation. This information, along with previous exploration data, is being used to plan the upcoming drill program targeting expansion of the saprolite resource within both the Kilroy Mining Permit and the surrounding 100% owned Eagle Mountain Prospecting License of approximately 5,000 hectares. The Company's current saprolite (indicated and inferred) resources as per the PEA are estimated at 380,000 gold ounces.
- Complete a Pre-Feasibility Study ("PFS"): Depending on results for saprolite resource expansion in H1 2017, the Company plans to initiate a PFS in H2 2017 for a large scale, low strip, Gravity – CIL operation at Eagle Mountain. As part of this study, the Company plans to do further environmental work to start the permitting process for a large scale operation. The Company has already completed relevant biodiversity studies over the Property's Prospecting License in 2014.

In the event that the installation of the cyclone does not yield sufficient recovery improvement to cover in country costs, Management will consider alternative plans for Eagle Mountain. This includes the potential to put the gravity plant on care and maintenance to reduce the burn rate and focus on site efforts on the expansion of the saprolite resource to support the completion of a PFS on a large-scale gravity – CIL operation at Eagle Mountain. Excluding capital items, the Company's burn rate under this alternative plan is estimated to be US$120,000 per month.

Corporate

Financing

During 2016, the Company capital expenditures and exploration and evaluation activities at Eagle Mountain and general corporate expenditures were funded by three sources:

- Equity financing: The Company received gross proceeds of $2,870,586 from the exercise of warrants to purchase 11,686,694 common shares of the Company at prices ranging between $0.20 and $0.34 per share and received gross proceeds of $435,916 from the exercise of options to purchase 2,071,973 common shares of the Company at prices ranging between $0.16 and $0.24 per share.
- Debt financing: See "Loan Payable" below for details of a US$1.3 million ($1.8 million) loan facility from Mitan Holdings Ltd. ("Mitan"), a company related to a director of Goldsource.
- Gold sales: The Company received $286,683 from the sale of gold ounces produced from Eagle Mountain during the commissioning of the process plant and recorded the amount as a reduction of the property plant and equipment

amount. After the commissioning phase, the Company received $622,414 from the sale of gold ounces from Eagle Mountain and recognized the amount as a recovery of exploration and evaluation expenditures.

Subsequent to December 31, 2016, the Company completed a non-brokered private placement (the "Private Placement") of 26,233,450 units ("Unit") at a price of $0.17 per Unit for gross proceeds of $4.5 million. Each Unit consisted of one common share and one common share purchase warrant of Goldsource, with each warrant being exercisable for one common share of Goldsource at a price of $0.23 for a two year term until February 8, 2019. The Company paid 6% finders' fees totalling $28,529 in respect of the placement of certain Units. As planned, the proceeds of the Private Placement have been applied to the capital and operating improvements completed to date as outlined in the 2017 Eagle Mountain plans above, repayment of the Mitan loan principal and interest totalling $1.8 million (US$1.3 million) and general corporate purposes. The Company intends to use the balance of the proceeds of the Private Placement for remaining 2017 Eagle Mountain plans and for general working capital for the next 12 months.

Loan Payable

On December 21, 2015, the Company obtained a loan from Mitan (the "Facility") for US$1.0 million ($1.4 million) that was initially repayable in full twelve months after the drawdown with interest at a rate of 12% per annum, payable quarterly. Goldsource had pledged the shares of its wholly-owned subsidiary, Eagle Mountain Gold Corp., to Mitan as security for the Loan Payable and paid a commitment fee of $19,660 (US$15,000) upon execution of the Facility.

To assist with cash flow, in December 2016, the Company obtained a six-months' extension to June 21, 2017 for repayment of the Facility upon payment of an extension fee of $12,792 (US$10,000) and received an additional US$300,000 ($393,900) increase to the Facility that was repayable no later than two months from the date of the advance. During 2016, the Company made interest payments totalling $157,322 (US$120,000) under the Facility.

Subsequent to December 31, 2016, the Company fully repaid all amounts owing to Mitan under the Facility from the proceeds of the Private Placement and general working capital. As a result, the Company's pledge of the shares of its wholly-owned subsidiary, Eagle Mountain Gold Corp., as security for the loan has also been discharged.

Stock Options

During 2016, the Company granted stock options to employees and consultants exercisable for 420,000 common shares of the Company at exercises prices ranging between $0.28 per share and $0.42 per share for a five year term. Of the stock options granted, 25,000 are subject to a 12-month vesting schedule pursuant to which 25% vested on May 1, 2016 and a further 25% shall vest every 3 months thereafter until fully vested.

Subsequent to December 31, 2016, the Company granted stock options to directors, officers, employees and consultants exercisable for 2,325,000 common shares, of the Company at exercise prices ranging between $0.16 per share and $0.18 per share for a five year term. Of the stock options granted, 50,000 are subject to a 12-month vesting schedule pursuant to which 25% vested on May 21, 2017 and a further 25% shall vest every 3 months thereafter until fully vested.

Results of Annual General Meeting

Goldsource held its Annual General Meeting of Shareholders ("AGM") on Wednesday, June 22, 2016, in Vancouver, BC. Shareholders voted in favour of all items of business, including fixing the number of directors at four and the re-election of each of the director nominees: N. Eric Fier, Steven B. Simpson, Graham C. Thody and Ioannis Tsitos. In addition, shareholders voted and re-appointed Davidson & Company LLP, Chartered Professional Accountants, as auditor of the Company and approved the Company's "rolling 10%" Stock Option Plan and Advance Notice Policy. J. Scott Drever has retired as Chief Executive Officer and a director of Goldsource. Mr. Drever did not stand for re-election as a director at this year's AGM. Mr. Drever continues to be available to the Company as a consultant on an as needed basis. At the Board of Directors meeting following the AGM, the Board re-appointed Mr. Thody as Chairman of the Board, Mr. Tsitos as President, Mr. Fier as Chief Operating Officer, Nicholas Campbell as Chief Financial Officer and Bernard Poznanski as Corporate Secretary.

Effective March 28, 2017, the Company appointed Mr. Haytham Hodaly to the Board.

3. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

All figures in have been adjusted to reflect the impact of change in accounting policy for exploration and evaluation costs. See "11. Change in Accounting Policies" below.

Selected Annual Information

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

		2016	2015 Restated	2014 Restated
Loss and comprehensive loss for the year [(1)]	$	(4,895,742) $	(3,590,175) $	(1,873,757)
Loss per share - basic and diluted	$	(0.04) $	(0.03) $	(0.03)
Total assets [(2)]	$	12,248,276 $	13,032,150 $	14,222,395

(1) Loss and comprehensive loss increased significantly in 2015 from 2014 as the Company commenced mine construction at Eagle Mountain in early January 2015. By January 2016, construction was substantially complete and the Company began the commissioning phase. Excluding plant and equipment construction costs and purchases, the Company spent $2.2 million and $3.5 million on Eagle Mountain in 2015 and 2016 respectively.

(2) In 2014, assets of $14.2 million included cash of $7.2 million and mineral property acquisition costs of $6.6 million. As a result of Eagle Mountain's Phase I mine and plant construction in 2015, cash decreased to $1.8 million and property, plant and equipment increased to $4.2 million.

Comparison of the Twelve Months Ended December 31, 2016 to December 31, 2015

The net loss and comprehensive loss was $4,895,742 for 2016, compared to $3,590,175 for 2015. The principal differences and significant amounts to note are as follows:

- Exploration and evaluation expenditures at Eagle Mountain increased to $3,711,737 (2015 – $2,234,987) during 2016 due to an overall increase in activity and headcount at Eagle Mountain. During 2016, the Company increased camp costs by $339,545, depreciation by $412,957, operations and general by $825,417, and salaries by $952,806. Costs in 2016 were offset by sale of gold by $622,414 and decrease of road maintenance by $504,669.
- Remuneration increased to $506,180 (2015 – $454,884) during 2016. The increase in remuneration was due primarily to the change in CFO, effective January 1, 2016.
- Borrowing costs increased to $174,042 during 2016 primarily as a result of incurring interest for a full year on the Facility provided by Mitan and incurred an extension fee for the Facility. During 2015, borrowing costs of $24,210 were recorded within exploration and evaluation expenditures. See "Loan Payable" under "2. Highlights – Corporate".
- Rent and communications increased to $117,955 (2015 – $54,536) during 2016 as a result of entering into an operating lease agreement for shared office space at the Company's head office during the fourth quarter of 2015 with SilverCrest Metals Inc. ("SilverCrest Metals"), a company having some directors and officers in common with Goldsource.
- Tradeshows and travel increased to $83,917 (2015 – $55,694) for 2016 as a result of management attending additional tradeshows in North America and Europe.
- Shareholder and investors relations decreased to $83,594 (2015 – $106,353) for 2016 as a result of a reduction in the number of news writer providers.
- The Company granted 420,000 (2015 – 5,315,000) incentive stock options during 2016, with a weighted average fair value per option granted of $0.15 (2015 – $0.12) for total value of $60,432 (2015 – $610,820). During 2016, the Company recognized share-based compensation of $60,357 (2015 – $616,865), for the vested portion of these options, of which $3,396 (2015 – $603,817) was expensed as share-based compensation and $56,961 (2015 – $13,048) was included in exploration and evaluation expenditures. Also during 2016, the Company recognized sharebased

compensation of $52,926 for the vested portion of stock options previously granted in 2015, of which $51,635 was expensed as share-based compensation and $1,291 was included in exploration and evaluation expenditures.

- Unrealized gain on held-for-trading securities increased to $51,975 (2015 – $15,375) as a result of the increased market value of Para Resources Inc. ("Para Resources"). As at December 31, 2016, the Company had 300,000 common shares of Para Resources.
- Other income of $49,937 received and recorded in 2015 related to a refund of a consultation deposit held by the Government of Manitoba.

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 (as restated – see "11. Change in Accounting Policies"):

	Q4 December 31, 2016	Q3 September 30, 2016	Q2 June 30, 2016	Q1 March 31, 2016	Q4 December 31, 2015	Q3 September 30, 2015	Q2 June 30, 2015	Q1 March 31, 2015
Comprehensive loss for the period [1]	(1,087,647)	(1,378,303)	(1,221,422)	(1,208,370)	(1,681,231)	(587,053)	(513,621)	(808,270)
Loss per share - basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)

[1] The increase in loss in Q4, 2015 compared to Q3, 2015 was primarily from increase in share-based compensation to $286,904 related to 2,140,000 options granted to directors, officers, employees and consultants during Q4, 2015 and exploration and evaluation expenditures of $1.1 million at Eagle Mountain.

Fourth Quarter Changes

The net loss and comprehensive loss was $1,087,647 for Q4, 2016, compared to $1,681,231 for Q4, 2015. The principal differences and significant amounts to note are as follows:

- During Q4, 2016, including the recovery of gold sales totalling $483,808 (Q4, 2015 – $nil), exploration and evaluation expenditures at Eagle Mountain decreased to $965,177 (Q4, 2015 – $1,066,709). Overall during Q4, 2016, the Company had more equipment in use and contractors and personnel on site than compared to in Q4, 2015. As a result, the significant increases in Q4, 2016 when compared to Q4, 2015 include increase in depreciation by $128,790 and salaries by $263,760. These increases during Q4, 2016 were offset by road maintenance of $236,061 incurred during Q4, 2015. Road maintenance for the rehabilitation of the existing ten kilometre road between Mahdia town and Eagle Mountain camp was completed by the end of 2015.
- Total share-based compensation decreased to $700 (Q4, 2015 – $297,355) in Q4, 2016 as a result of the timing and quantity of stock options granted. The Company did not grant options during Q4, 2016 but granted 2,140,000 options during Q4, 2015. During Q4, 2016, the Company expensed $586 (Q4, 2015 – $286,904) for corporate personnel and expensed $114 (Q4, 2015 – $10,451) within exploration and evaluation expenditures.

During December, 2016, the Company received an additional US$300,000 ($393,900) under the Facility from Mitan that was to be payable no later than two months from the date of the advance. See "Loan Payable" under "2. Highlights – Corporate" for more information.

4. LIQUIDITY AND CAPITAL RESOURCES

Assets

At December 31, 2016, Goldsource held cash and cash equivalents of $291,219 (2015 – $1.8 million). Goldsource continues to monitor cash resources against anticipated expenditures associated with advancing Eagle Mountain. Other current assets totalling $123,357 consist primarily of held-for-trading securities, valued at $95,850 (2015 – $43,875) including 300,000 common shares of Para Resources and 135,000 common shares of Westcore Energy Inc.

The Company has a deposit of $261,856 (US$194,540) which is pledged as a reclamation site bond in the form of a non-interest bearing bank guarantee deposit to the Guyana Geology and Mines Commission for exploration permits on the Property.

Property, plant and equipment increased to $4,949,760 (2015 – $4,240,711). The significant items incurred during 2016 were additional cost for Phase I construction in progress and other equipment of $1,447,683, offset by gold sales of $286,683 and change in estimate of rehabilitation provision of $85,375. Other equipment purchased during 2016 included various field vehicles of $170,530, excavators of $342,457 and an articulating truck of $225,302 and completion of camp facilities of $215,409. In comparison, during 2015, property, plant and equipment included the acquisition and delivery of the Sepro processing plant for $2,987,976, a bull dozer for $245,633, a front loader for $74,843, an excavator for $261,937, camp vehicles for $116,092, a trommel for $65,313 and a generator for $71,336.

On June 20, 2016, the Company completed commissioning of the processing plant for Phase I of Eagle Mountain, by achieving an average minimum of 80% of the 1,000 tpd name plate capacity and 45% recovery in gold concentrate, over a continuous 30 day period. At the completion of commissioning of the processing plant, the Company reclassified the carrying amount of $3,050,153 from Construction in Progress to Processing Plant. See "2. Highlights – 2016 Eagle Mountain Summary" for more information. Depreciation also commenced for the Processing Plant on a straight-line basis over seven years.

Liabilities

At December 31, 2016, current liabilities include accounts payable and accrued liabilities of $520,616 (2015 – $292,255), which relate to various contractual commitments in the normal course of business, and the loan payable of $1,754,601 (2015 – $1,388,550) under the Facility from Mitan that was fully repaid in February 2017.

As at December 31, 2016, the Company recorded rehabilitation provision of $301,361 (2015 – $203,690), which was also included in property, plant and equipment. The present value of rehabilitation provision, using an effective discount rate of 5%, is currently estimated at US$212,589 (2015 – $147,175), reflecting anticipated cash flows to be incurred over approximately the next seven years. The undiscounted value of these obligations is $376,419 (US$282,000) (2015 – $283,028 (US$204,500)), calculated using a long-term inflation rate assumption of 0.8% (2015 – 0.02%).

Liquidity Outlook and Risks

As at December 31, 2016, the Company had cash of $291,219 (2015 – $1.8 million), accumulated losses of $44.3 million (2015 – $39.4 million) and working capital deficiency of $1.9 million (2015 – working capital of $218,256), including the Facility of $1.8 million (or US$1.3 million) (2015 – $1.4 million, or US$1.0 million) due June 21, 2017. Subsequent to December 31, 2016, the Company received gross proceeds of $4.5 million upon the closing of the Private Placement. The Company used part of the proceeds to fully repay the Facility. The Company plans to use the remaining proceeds from the Private Placement as outlined in "2. Highlights – 2017 Eagle Mountain Plans" and for working capital. Despite the completion of the Private Placement the Company may require additional funds to maintain its operations and meet its working capital requirements for the next twelve 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 ability to continue as a going concern is dependent on its ability to raise debt or equity financing, profitably operate Eagle Mountain and discover additional economically viable mineral deposits. Production at the name plate capacity for each phase of the Eagle Mountain may be delayed or disrupted, 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 or debt facilities 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.

5. COMMITMENTS

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

		Office lease
2017	$	77,622
2018		45,279
	$	122,901

As at December 31, 2016, the Company had prepaid $46,576 towards this commitment.

6. CONTINGENCIES

Eagle Mountain

On March 6, 2014, the Company executed an Amendment Agreement with Omai Gold Mines Ltd. ("OGML"), a subsidiary of IAMGOLD Corporation with respect to the Property. The summary of amending terms includes:

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 20 trading days prior to issuance, upon the earliest to occur of the following:
   a. If average market price of gold is US$1,400 per ounce 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 is to be made 90 days after 50,000 ounces have been produced from Eagle Mountain;
   b. 90 days after having completed one year of gold production under a large scale Mining License issued by the Guyana Geology and Mines Commission("GGMC"); and
   c. Five days after the date on which the 20-day VWAP of Goldsource exceeds $0.75 per share.

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 to occur of the following:
   a. The payment set out in II a above has been made,; and
   b. One year of gold production having been completed under a large scale Mining License issued by the GGMC.

The Company pledged a $261,856 (US$194,540) (2015 – $270,294 (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 Property.

Goldsource's subsidiary Stronghold Guyana Inc. ("Stronghold") holds a prospecting license on the Property. 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 portion of the Property. As 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 Eagle Mountain. Kilroy has granted Stronghold the exclusive right to conduct mining operations on Eagle Mountain including any additional areas acquired by Kilroy. Stronghold will fund all expenditures on Eagle Mountain 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 to Kilroy 250,000 common shares of the Company.

Border Coal Project

Minera Pacific Inc., a company controlled by an officer of Goldsource, is entitled to receive a $700,000 feasibility payment if the Company completes an independent positive feasibility study on the Border Coal Project and is entitled to a 2% gross overriding royalty on commercial production.

Para Resources Inc.

As at December 31, 2016, Goldsource held 300,000 commons shares of Para Resources. Para Resources also granted to the Company a 2% net smelter royalty ("NSR") from the production of minerals from Para Resources' Tucuma Property, subject to Para Resources' right to purchase the NSR from Goldsource for $1.5 million, which is exercisable at any time.

7. RELATED PARTY TRANSACTIONS

During 2016, the Company was involved in the following transactions with related parties:

Legal Fees

Legal fees of $41,690 (2015 – $32,970), which were included in professional fees were paid or accrued to Koffman Kalef LLP, a law firm of which an officer of the Company is a partner, of which $11,857 (2015 – $4,583) was payable at December 31, 2016. The Company recognized $389 (2015 – $6,390) in share-based payments to this officer.

Key Management Compensation

		2016		2015
Key management short-term benefits [1]	$	331,000	$	315,000
Share-based payments [2]		29,440		489,754
	$	360,440	$	804,754

[1] Goldsource's key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company. Total key management remuneration was recorded in the statements of operations and comprehensive loss and paid to the President, former Chief Executive Officer, Chief Operating Officer and Chief Financial Officer of Goldsource.

[2] Share-based payments recorded for all directors and officers the Company and recognized in the statement of operations and comprehensive loss.

Other Transactions

During 2016, the Company paid remuneration $72,121 (2015 – $49,588) for technical and administrative services, and incurred $4,762 (2015 – $4,087) in share-based payments to one (2015 – two) employee who is an immediate family member of key management personnel. During 2016, remuneration and share-based payments incurred to this employee was considered exploration and evaluation expenditures.

Until September 30, 2015, the Company shared rent, salaries, administrative services and other reimbursable expenses with SilverCrest Mines Inc. ("SilverCrest Mines"), a company having some directors and officers in common with Goldsource. During 2015, the Company incurred $157,001 for its share of these expenses. Effective October 1, 2015, the Company and SilverCrest Mines terminated their agreement dated January 1, 2011 and, concurrently, the Company and SilverCrest Metals entered into an allocation of costs agreement to share salaries, administrative services and other reimbursable expenses. During 2016, the Company incurred $183,675 (2015 – $114,528) for its share of these expenses, of which $40,360 (2015 – $78,565) was payable to SilverCrest Metals at December 31, 2016.

During 2016, the Company drew additional funds from and incurred interest on the Facility with Mitan, a company controlled by a director. See "Loan Payable" under "2. Highlights – Corporate" for more information.

8. OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2016, 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.

9. PROPOSED TRANSACTIONS

As at December 31, 2016 and the date hereof, the Company had no proposed asset or business acquisitions or dispositions.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, held-for-trading securities, deposits, accounts payable and loan payable. The carrying value of accounts payable approximates the fair value due to the short periods until settlement. The Company's cash and cash equivalents and held-for-trading securities are measured using level 1 inputs. 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. Please refer to Note 15 of the of the audited consolidated financial statements for the year ended December 31, 2016. Where material, these risks are reviewed and monitored by the Board of Directors.

11. CHANGE IN ACCOUNTING POLICIES

Effective December 31, 2016, the Company voluntarily changed its accounting policy exploration and evaluation costs under IFRS 6 from recognition of costs directly related to the exploration and evaluation of mineral properties as exploration and evaluation assets to expensing as incurred. The Company believes that this change to accounting policy will provide more relevant and useful information to the users of the financial statements. This change in accounting policy has been applied retrospectively. An explanation of how the transition from the amounts previously reported has affected the Company's financial position, financial performance and cash flows is set out in Note 18 of the audited consolidated financial statements for the year ended December 31, 2016.

12. NEW STANDARDS NOT YET ADOPTED

In July 2014, the IASB issued the final version of IFRS 9 – Financial instruments 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. The amended standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption still permitted.

IFRS 15 – Revenue from contracts with customers was issued by the IASB on May 28, 2014, and will replace IAS 18 – Revenue, IAS 11 – Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018.

On January 13, 2016, the IASB issued IFRS 16 – Leases, the new leases standard. The standard is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 has also been applied.

The Company has not yet completed the process of assessing the impact that IFRS 9, IFRS 15, and IFRS 16 will have on its consolidated financial statements, or whether to early adopt these new requirements.

13. OUTSTANDING SHARE CAPITAL

As of the date hereof, the Company had the following common shares, share purchase warrants and options issued and outstanding:

	$ per share	Expiry	
Issued & Outstanding Shares:			166,965,366
Warrants:	$0.20 - $0.36	September 10, 2017 – February 8, 2019	48,932,575
Options:	$0.16 - $0.47	September 20, 2017 – March 28, 2022	9,353,289
Fully Diluted			225,251,230

14. 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 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 ongoing development of the Eagle Mountain Gold Project will continue to 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. Required permits have been obtained by the Company's joint operator and management believes that the Company and its joint operator hold all material licenses and permits required under applicable laws and regulations for operation of the Eagle Mountain Gold Project on the Eagle Mountain Property 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 further explore and develop its properties and, with reference to development of a mining operation on Eagle Mountain, operation of mining facilities or to maintain continued operations that economically justify the cost.

Mineral 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 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 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 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 have been significantly higher than anticipated. Capital and operating costs, production and economic returns, and other estimates contained in the Company's current PEA may also 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 at Eagle Mountain.

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 at a consistent rate or that the Company will be able to obtain additional financing if required, or that the terms of such financing will be favorable. 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.

Key Employees

The Company is dependent on the services of its key executives, in particular, the Company's President, Chief Financial Officer, Chief Operating Officer, as well as other highly skilled and experienced executives and personnel. Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in acquisition, exploration, development and operation of mining properties is limited and competition for such persons is intense. The departure of any of its key executives and failure of the Company to replace any key executives or employees could impair the efficiency of its operations and have an adverse impact on the Company's future development.

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, 2016, the Company pledged a US$194,540 ($261,856) 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.