



**INTERIM MANAGEMENT DISCUSSION & ANALYSIS**

**QUARTERLY HIGHLIGHTS**

**SEPTEMBER 30, 2016**

This Interim Management's Discussion and Analysis – Quarterly Highlights ("Interim MD&A") is an overview of all material information about Goldsource Mines Inc.'s (the "Company" or "Goldsource") operations, liquidity and capital resources for the three and nine months ended September 30, 2016. The Interim MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2016 and 2015 and the related notes contained therein which have been prepared under International Accounting Standard 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board. The following should also be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2015 and 2014, and the related notes contained therein. All amounts are stated in Canadian dollars unless otherwise indicated. Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website [www.goldsourcemines.com](http://www.goldsourcemines.com). The effective date of this Interim MD&A is November 22, 2016. This Interim MD&A contains forward looking information. See "Cautionary Statement and Forward-Looking Statement Disclaimer" on page 8.

**HIGHLIGHTS**

**Eagle Mountain Gold Project**

Phase I of the Eagle Mountain PEA

In early 2015, the Company proceeded with development of Phase I of the Eagle Mountain Gold Project ("Eagle Mountain") located in Guyana, South America, approximately 230 kilometres southwest of the capital, Georgetown.

Phase I is 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](http://www.sedar.com) or on the Company's website [www.goldsourcemines.com](http://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. Although the Company's processing plant reached commercial production in June 2016, which is defined as at a minimum 800 tonnes per day ("tpd") processed over a continuous 30 day period and recovery of 45% of gold into Falcon concentrates, the plant is not currently in commercial production and the Company considers itself to be an exploration stage company.

Financing for the Phase I capital expenditures was initially completed on December 30, 2014. During 2015, the Company received a loan of US\$1 million to support the operating capital requirements during the commissioning phase. During 2016, the Company also received \$3.3 million from the exercise of warrants and stock options which has provided additional working capital to partially offset monthly operating deficits. As at September 30, 2016, the Company had incurred US\$7,105,193 (CAD\$9,158,697) in Phase I capital costs, of which US\$3,244,036 (CAD\$4,178,879) was recorded as property, plant and equipment and US\$3,861,157 (CAD\$4,979,819) was recorded under exploration and evaluation assets on the Consolidated Statement of Financial Position.

The Phase I capital costs summary as per the Eagle Mountain PEA and the Company's actual costs spent are as follows:

	<b>PEA Estimates</b>			
	<b>Estimated cost (US\$)</b>	<b>As at December 31, 2015 (US\$)</b>	<b>Additions (US\$)</b>	<b>As of September 30, 2016 (US\$)</b>
<b>Capital expense item (Phase I)</b>				
Mining equipment purchases	1,167,000	702,203	563,935	1,266,138
Process plant including, lab, refinery, construction and EPCM	2,345,000	2,338,650	46,421	2,385,071
Tailings	468,000	55,515	1,349	56,864
Road maintenance	315,000	465,314	22,721	488,035
Indirect (Includes Working Capital)	828,000	1,223,731	1,685,354	2,909,085
Contingency at 15%	769,000	-	-	-
<b>Initial capital including contingency</b>	<b>5,892,000</b>	<b>4,785,413</b>	<b>2,353,175</b>	<b>7,105,193</b>

Nine months ended September 30, 2016

The Company commenced commissioning for Phase I of Eagle Mountain on January 28, 2016 and completed commissioning on June 20, 2016, reaching commercial production 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. Commercial production does not imply economic viability. The Company has recorded proceeds from gold sales as of June 20, 2016 as a deduction to the Eagle Mountain plant and proceeds received subsequent to June 20, 2016 as a reduction of exploration and evaluation assets on the statement of financial position.

The following table is a summary of the Eagle Mountain production statistics from January 28, 2016 to September 30, 2016.

<b>Eagle Mountain Gold Mine Statistics<sup>(2)(3)(4)</sup></b>	<b>Q3, 2016 Total</b>	<b>Q2, 2016 Total</b>	<b>% Change (Q3 vs Q2)</b>	<b>Q1, 2016 Total</b>	<b>9 months Total / Average</b>
Mined tonnes	36,282	50,695	(28%)	9,814	96,791
Processed tonnes at minus 2mm	34,955	48,098	(27%)	8,742	91,795
Average tpd <sup>(1)</sup> processed	466	641	(27%)	162	454
Average estimated gold grade, gpt	0.99	0.37	168%	0.91	0.66
Estimated recovery of gold after Dore	16%	24%	(33%)	24%	19%
Estimated gravity recovery for plant	32%	47%	(32%)	40%	39%
Estimated gravity recovery for table	55%	61%	(10%)	60%	56%
Gold ounces produced	174.6	138.4	26%	61.9	374.9
Gold ounces sold <sup>(4)</sup>	67.3	200.3	(66%)	0.0	267.6

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

<sup>(2)</sup> All numbers are rounded.

<sup>(3)</sup> 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.

<sup>(4)</sup> 107.3 gold ounces in inventory, as at September 30, 2016, sold on October 3 and 25, 2016.

During the third quarter ("Q3"), 2016, the Company processed 34,955 tonnes of material compared to the second quarter ("Q2") of 2016 of 48,098 processed tonnes. The average throughput was 466 tpd during Q3, 2016 (Q2, 2016 – 641 tpd). As previously indicated in the Company's news release dated August 25, 2016, operations were suspended on July 23, 2016 due to low grades and a delay in the shipment of a 40-tonne truck to site. In late August, the Company recommenced mining, stockpiling and processing of the higher-grade material in Pit 4. In September, the mine operated for 29 days, processing 20,981 tonnes of material at an average throughput rate of 723 tpd. As a result, Eagle Mountain, since August 2016 has performed below commercial production levels achieved on June 20, 2016.

In Q3, 2016, the Company poured 174.6 ounces of gold and sold 67.3 ounces of gold at an average realized price of US\$1,321 per ounce. Estimated gravity recovery to concentrate decreased to 32% for Q3, 2016 (Q2, 2016 – 47%) from previous estimate.

While the average grade has improved substantially with the arrival of the 40-tonne truck and the commencement of production from Pit 4, optimization work to balance quantity of tonnes with quality of recovery continues on the process plant. 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 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 ("Falcon") dropped to average of approximately 15% in September and an estimated 17% in October, short of the targeted minimum recovery rate of an estimated 30% for economic viability. In early October, Goldsource hired a qualified process engineer to optimize the plant at Eagle Mountain to improve throughput and recovery for the gravity only operation. The most recent production results for the first week in November suggests that recovery has improved to an estimated 24% with further optimization work ongoing. Actual recovery will not be available until the return of assay results in early December. There is no assurance that this estimated recovery improvement will be confirmed.

#### Subsequent to September 30, 2016

Subsequent to September 30, 2016, the Company processed 25,754 tonnes over 43 days, with an average throughput of 599 tpd. During the same period, the Company produced 143 ounces of gold and sold 206 ounces of gold at a weighted average price of US\$1,264 per ounce. Production subsequent to September 30, 2016 was materially impacted by equipment related downtime and water shortages due to the dry season. Critical equipment is currently being upgraded to reduce downtime and a new reservoir is expected to be online in late-November, which will improve water availability. Onsite management is also testing the potential to improve throughput by liberating more gold from the oversize material using a small crusher. The Company is working closely with Sepro to understand and test the current estimated plant recoveries of 20 to 25% versus lab test work showing optimized gravity recoveries of 50 to 60% provided in the Eagle Mountain PEA.

#### 2016 Guidance Update

As disclosed in the Company's news release dated November 14, 2016, Goldsource anticipates total production of approximately 600 to 800 ounces of gold for 2016, down from the previous guidance of 1,400 to 2,100 ounces of gold for 2016 (news release August 25, 2016). The revised production forecast is based on the following assumptions:

- Average throughput of 500 tonnes per day (tpd) in November 2016 and 750 tpd for December 2016, down from the previous guidance of 1,200 tpd in November and 1,500 tpd in December 2016.
- Average net recovery to dore of 20-25%, down from budgeted net gold recovery of 25-30% for H2 2016.
- Average head-grade of 1.2 g/t gold, down from an average head-grade of 1.4 g/t gold.

The Company previously announced that a night shift would commence in Q4 2016 to increase throughput to 1,500 tpd by

December 2016. Given the recovery issues and water related throughput constraints, the Company has deferred the night shift until the process plant has been optimized for designed throughput and recovery.

#### Outlook

The sub-optimal performance of the gravity recovery plant requires further test work which will result in a delay in the phased expansion of the Eagle Mountain Mine. The Company has deferred Phase II capital purchases in order to focus funds on plant and recovery optimization rather than expansion. Management is targeting the completion of further test work on plant optimization with potential improvement to gold recovery rates by mid-December.

As at September 30, 2016, the Company has cash on hand of approximately \$689,000 and gold inventory of 107 ounces, subsequently sold for approximately \$157,000 (US\$119,000). As at November 22, 2016, the Company had cash on hand of approximately \$280,000. The Company is exploring financing alternatives to address working capital requirements. In the absence of receiving additional capital, the Company will not be able to meet its ongoing obligations after mid-December 2016. The current monthly rate of expenditures is approximately US\$300,000, excluding revenue from gold sales. In addition, the Company is exploring options to fund optimization capital to increase throughput and recovery of the Eagle Mountain process plant. Although the Company has been successful in the past, there is no assurance that it can raise sufficient capital to fund ongoing operations or capital additions in the future.

#### **Corporate**

##### 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 (Yannis) 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.

##### Stock Options

During the nine months ended September 30, 2016, a total of 1,676,250 incentive stock options priced between \$0.16 and \$0.24 were exercised for aggregate proceeds of \$344,900 and 11,418,837 share purchase warrants priced between \$0.20 and \$0.25 were exercised for aggregate proceeds of \$2,817,015. In addition, a total of 38,750 incentive stock options priced between \$0.20 and \$0.28 were forfeited.

During the nine months ended September 30, 2016, the Company granted stock options to employees and consultants exercisable for 385,000 common shares and 35,000 common shares of the Company at exercises price of \$0.28 per share and \$0.42 per share, respectively, for a five year term. Of the stock options granted, 25,000 will be 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.

##### Loan Extension

In June 2016, the Company received a six months extension on its US\$1 million loan (the “Loan”) from Mitani Holdings Ltd. (“Mitani”), a company controlled by a director of Goldsource. In consideration for extending the term of the Loan from December 21, 2016 to June 21, 2017, the Company paid Mitani a fee of US\$10,000. The Loan extension gives the Company greater financial flexibility to further optimize Eagle Mountain. Refer to the “Highlights – Eagle Mountain Gold Project – Outlook” section for more information.

##### Subsequent Events

Subsequent to September 30, 2016, 267,857 share purchase warrants priced at \$0.20 were exercised for gross proceeds of \$53,571 and 395,723 incentive stock options priced at \$0.23 were exercised for gross proceeds of \$91,016.

#### **RESULTS OF OPERATION AND FINANCIAL CONDITION**

##### **Comparison of the nine months ended September 30, 2016 with the same period in 2015**

The net loss and comprehensive loss was \$929,666 for the first nine months of 2016, compared to \$740,666 for the same period in 2015. The principal differences and significant amounts to note are as follows:

- Share-based compensation decreased to \$54,445 (September 30, 2015 – \$316,913) for the first nine months of 2016. The Company granted 420,000 (September 30, 2015 – 3,140,000) incentive stock options the nine months ended September 30, 2016, with a weighted average fair value per option granted of \$0.14 (September 30, 2015 – \$0.11) for total value of \$60,432 (September 30,

2015 – \$343,534). Since December 2015, except for options granted to employees and consultants performing investor relations activities, option granted are fully vested on the date of grant.

- Rent and communications increased to \$88,746 (September 30, 2015 – \$22,759) for the first nine months of 2016 as a result of entering into an operating lease agreement during the fourth quarter of 2015 for shared office space at the Company's head office with SilverCrest Metals Inc. ("SilverCrest Metals").
- Remuneration expense increased to \$398,416 (September 30, 2015 – \$368,457) for the first nine months of 2016. The change was primarily from change in CFO and the increase in allocation of corporate staff time that is shared between the Company and SilverCrest Metals in 2016.
- Shareholder and investors relations decreased to \$45,452 (September 30, 2015 – \$75,470) for the first nine months of 2016 as a result of due to a reduction in number of investor related services rendered September 30, 2016 when compared to the same period in 2015.
- Tradeshow and travel increased to \$76,460 (September 30, 2015 – \$30,216) for the first nine months of 2016 as a result of an increase in the number of tradeshow attended and the number of personnel attending the events.

**Comparison of the three months ended September 30, 2016 with the previous quarter**

The net loss and comprehensive loss was \$370,298 for Q3, 2016, compared to \$324,906 for Q2, 2016. The principal differences and significant amounts to note are as follows:

- General exploration expenditure decreased to \$3,482 (Q2, 2016 – \$13,136) for Q3, 2016, primarily for the renewal of four leases related to its Border Coal Property in Q2.
- Share-based compensation decreased to \$8,717 (Q2, 2016 – \$16,789) for Q3, 2016. The Company granted 35,000 (Q2, 2016 – nil) incentive stock options during Q3, 2016, with a weighted average fair value per option granted of \$0.20 (Q2, 2016 – \$nil) for total value of \$6,980 (Q2, 2016 – \$nil).
- Professional fees decreased to \$21,216 (Q2, 2016 – \$31,997) for Q3, 2016, primarily from the legal services rendered for the Company's AGM on June 22, 2016 and additional accounting and audit costs for fiscal 2015 not previously accrued for in Q2.
- Rent and communications increased to \$30,325 (Q2, 2016 – \$28,044) for Q3, 2016 as a result from a one-time operating fee adjustment in Q2.
- Remuneration expense decreased slightly to \$127,844 (Q2, 2016 – \$134,239) for Q3, 2016, as a result of changes in the allocation of corporate staff time that is shared between the Company and SilverCrest Metals in 2016.
- Shareholder and investors relations decreased to \$10,978 (Q2, 2016 – \$20,101) for Q3, 2016 as the Company distributed corporate material and held its AGM in Q2.

**CASHFLOWS**

As at September 30, 2016, cash and cash equivalents were \$689,440 compared to \$1,792,847 at December 31, 2015 and \$2,307,780 at September 30, 2015.

<b>Nine months ended September 30,</b>	<b>2016</b>	<b>2015</b>
Cash flows provided by (used in):		
Operating Activities	\$ (1,021,236)	\$ (488,557)
Financing Activities	3,044,117	-
Investing Activities	(3,126,288)	(4,449,487)
Net decrease in cash and cash equivalents	(1,103,407)	(4,938,044)
Cash and cash equivalents, beginning of period	1,792,847	7,245,824
<b>Cash and cash equivalents, end of period</b>	<b>\$ 689,440</b>	<b>\$ 2,307,780</b>

**Financing Activities**

During the nine months ended September 30, 2016, the Company made scheduled interest payments of US\$90,000 (\$117,798), in relation to a US\$1.0 million loan obtained in December 2015, and obtained a six month extension to this loan by paying extension fee of US\$10,000 (\$12,792).

In addition, during the nine months ended September 30, 2016, the Company received gross proceeds of \$2,817,015 from the issuance of 11,418,837 common shares for the exercise of warrants and gross proceeds of \$344,900 from the issuance 1,676,250 common shares for the exercise of options. The Company did not have any financing activity during the nine months ended September 30, 2015.

**Investing Activities**

In relation to Eagle Mountain, the Company paid towards property plant and equipment \$62,768 (Q3, 2015 – \$1,206,469) during Q3, 2016 for a total of \$836,868 (2015 – \$3,392,246) during the nine months ended September 30, 2016. In addition, the Company paid towards exploration and evaluation expenditures, \$900,294 (Q3, 2015 – \$496,305) during Q3, 2016 for a total of \$2,289,764 (2015 – \$1,084,962) during the nine months ended September 30, 2016. During the nine months ended September 30, 2016, the Company had

deducted from property, plant and equipment and exploration and evaluation assets by \$269,303 and \$138,606, respectively, for sales proceeds received for gold production from Eagle Mountain. Refer to "Liquidity and Capital Resources – Assets" section for more information.

Goldsource received \$344 (2015 – \$27,721) during the nine months ended September 30, 2016 from interest on cash and cash equivalents.

**LIQUIDITY AND CAPITAL RESOURCES**

		<b>September 30, 2016</b>	<b>December 31, 2015</b>
<b>Assets</b>			
Cash and cash equivalents	(i)	\$ 689,440	\$ 1,792,847
Other current assets	(i)	150,676	106,214
Non-current assets		17,620,791	14,109,506
<b>Total Assets</b>		<b>18,460,907</b>	<b>16,008,567</b>
<b>Liabilities</b>			
Current liabilities	(ii)	1,715,763	1,680,805
Working capital	(i – ii)	\$ (875,647)	\$ 218,256

**Assets**

At September 30, 2016, Goldsource held cash and cash equivalents of \$689,440 (December 31, 2015 – \$1.8 million). Goldsource continues to monitor cash resources against expenditures forecasts associated with advancing Eagle Mountain. Other current assets consist of taxes receivable of \$6,828, prepaid expenses of \$60,673 and held-for-trading securities for \$83,175.

The Company has a deposit of \$256,097 (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 Eagle Mountain.

Property, plant and equipment increased to \$4,887,764 (December 31, 2015 – \$4,240,711). The significant items incurred during the nine months ended September 30, 2016 were additional cost for Phase I construction in progress of \$691,928, offset by gold sales of \$269,303, change in estimate of rehabilitation provision of \$62,710, and other equipment (including costs towards the purchase of an excavator) of \$492,293. In comparison, during the nine months ended September 30, 2015, property, plant and equipment increased to \$3,403,206 which included the acquisition and delivery of the Sepro processing plant for \$2,438,705, a bull dozer for \$245,633, a front loader for \$74,843, an excavator for \$261,937, camp vehicles for \$99,179 and a trommel for \$67,549 and a deposit for 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 \$3,069,105 from Construction in Progress to Processing Plant. Depreciation also commenced for the Processing Plant on a straight-line basis over 7 years.

At September 30, 2016, exploration and evaluation assets increased to \$12,430,354 (December 31, 2015 – \$9,551,925) from expenditures incurred at Eagle Mountain. The significant items recorded as exploration and evaluation assets during the nine months ended September 30, 2016 were \$592,727 for camp costs, \$864,138 for operations and general costs, \$939,995 for salaries and \$62,921 for technical services and consulting, offset by sale of gold ounces of \$138,606. In addition, the Company incurred other exploration expenditures during Q3, 2016 of \$557,254, which comprised mainly of \$131,869 for borrowing costs, \$58,138 for share-based payments, \$29,846 for road maintenance and \$322,923 of depreciation from Eagle Mountain property, plant and equipment. In comparison, during the year ended December 31, 2015, the significant items incurred were \$424,057 for camp costs, \$463,293 for operations and general costs, \$594,788 for road maintenance and \$541,617 for salaries and \$211,232 for other exploration expenditures, which comprised mainly of \$32,487 for assays, \$109,643 of depreciation on Eagle Mountain equipment and \$34,737 for technical services and consulting.

**Liabilities**

At September 30, 2016, current liabilities include accounts payable and accrued liabilities of \$397,214 (December 31, 2015 – \$292,255), which relates to various contractual commitments in the normal course of business and loan payable of \$1,318,549 (December 31, 2015 - \$1,388,550), which relates to the Loan as described in the "Highlights – Corporate" section above.

As at September 30, 2016, the Company recorded rehabilitation provision of \$276,240 (December 31, 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 \$276,240 (US\$195,609) (December 31, 2015 – \$203,690 (US\$147,175)), reflecting anticipated cash flows to be incurred over approximately the next 7 years. The undiscounted value of these obligations is \$343,543 (US\$263,500) (December 31, 2015 – \$283,028 (US\$204,500)), calculated using a long-term inflation rate assumption of 0.5% (December 31, 2015 – 0.2%).

**Liquidity Outlook**

As at September 30, 2016, the Company has cash on hand of \$689,440 (December 31, 2015 – \$1.8 million) and gold inventory of 107 ounces, subsequently sold for approximately \$157,000 (US\$119,000), accumulated losses of \$37.3 million (December 31, 2015 – \$36.4 million) and a working capital deficiency of \$875,647 (December 31, 2015 – working capital of \$218,256) inclusive of a current loan payable (note 7 in the accompanying interim financial statements) of \$1.3 million (December 31, 2015 – \$1.4 million) due June 21, 2017. Subsequent to September 30, 2016, the Company received gross proceeds of \$144,587 for the exercise of warrants and options and approximately \$323,000 (US\$242,000) from recent gold sales. The Company will require additional funds to maintain its operations and meet its working capital requirements for the next twelve months. Refer to the “Highlights – Eagle Mountain Gold Project – Outlook” section for more information.

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 financings, profitably operate Eagle Mountain and discover additional economically viable mineral deposits. Production at the name plate capacity for Phase I 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.

**COMMITMENT, EVENTS AND UNCERTAINTIES**

As at September 30, 2016, these commitments totalled approximately \$2,363,609 (paid) (December 31, 2015 – \$2,363,609 (paid)) related to the construction of the plant at Eagle Mountain and totalled approximately \$1,792,972 (\$1,562,202 paid) (December 31, 2015 – \$1,643,801 (\$1,340,305 (paid)) related to other contractual agreements for Eagle Mountain.

**RELATED PARTY TRANSACTIONS**

During the nine months ended September 30, 2016, the Company entered into the following transactions with related parties:

**Legal fees**

Legal fees of \$30,169 (September 30, 2015 – \$18,457), 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 \$3,003 (December 31, 2015 – \$4,583) was payable at September 30, 2016. The Company recognized \$389 (September 30, 2015 – \$2,885) in share-based payments to this officer.

**Key management compensation**

	<b>September 30, 2016</b>		<b>September 30, 2015</b>	
Key management short-term benefits <sup>(1)</sup>	\$	261,500	\$	236,250
Share-based payments <sup>(2)</sup>		29,440		239,281
	\$	290,940	\$	475,531

<sup>(1)</sup> 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.

<sup>(2)</sup> Share-based payments recorded for all directors and officers the Company and recognized in the statement of operations and comprehensive loss.

**Other Transactions**

During the nine months ended September 30, 2016, the Company paid remuneration \$50,006 (September 30, 2015 – \$34,256) for technical and administrative services, and incurred \$4,647 (September 30, 2015 – \$1,131) in share-based payments to one (September 30, 2015 – two) employee who is an immediate family member of key management personnel. During the nine months ended September 30, 2016, remuneration and share-based payments incurred to these employees were capitalized to the costs of the Eagle Mountain Gold Project, under exploration and evaluation assets.

The Company shared rent, salaries, administrative services and other reimbursable expenses with SilverCrest Mines Inc. (“SilverCrest Mines”), a company related by common directors and officers until September 30, 2015. During the nine months period ended September 30, 2015, the Company incurred \$161,001 for its share of these expenses, of which \$32,592 was payable to SilverCrest Mines at September 30, 2015. Effective October 1, 2015, the Company and SilverCrest Mines terminated their agreement dated January 1, 2011 and concurrently, the Company and SilverCrest Metals Inc. (“SilverCrest Metals”), a newly incorporated company related by common directors and a common officer, entered into an allocation of costs agreement to share salaries, administrative services and other reimbursable expenses. During the nine months ended September 30, 2016, the Company incurred \$143,315 for its share of these expenses, of which \$15,998 (December 31, 2015 - \$78,565) was payable to SilverCrest Metals at September 30, 2016.

**CAUTIONARY STATEMENT AND FORWARD-LOOKING STATEMENT DISCLAIMER**

**Risk factors**

Readers of this Interim MD&A are directed to read the "Risk Factors" contained in the Company's Annual MD&A dated April 21, 2016, available on [www.goldsourcemines.com](http://www.goldsourcemines.com) and under the Company's SEDAR profile on [www.sedar.com](http://www.sedar.com). Important risk factors to consider among others are:

- Risks inherent in the mining business
- No history of operations or earnings
- Licenses and permits
- Mineral reserve and resource estimates
- Mining capital and operating costs
- Financing risks
- Environmental risks and hazards

As of the date hereof, the Company also considers Key Employees a risk factor in addition to the previously reported risk factors outlined in the Annual MD&A. 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.

**Forward-looking statement**

This Interim MD&A contains "forward-looking statements" within the meaning of 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 Interim MD&A contains forward-looking statements pertaining to the following: strategic plans and expectations for the development of the Eagle Mountain Gold Project based on the PEA; variations to mining plans as mining operations progress and decreased gold production is encountered; precious 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; timing, plans and expectations for receiving a cyanide leach permit, completing a pre-feasibility study and carrying out Phase II 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, development and financing of the project; ability to adjust mining operations when assumptions and expectations on which mining operations are based are not fully met; 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 Interim 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 for mining operations and on management decisions to appropriately adjust mining operations and depart from mining plans contemplated in the PEA; operating and hazards risks and limitations on insurance risk; fluctuations in precious metals prices; currency fluctuations; political and economical risks; and general market and industry conditions.

Forward-looking statements are based on the expectations and opinions of the Company's management on the date the statements are made. The assumptions used in the preparation of such statements, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made. The Company undertakes no obligation to update or revise any forward-looking statements included in this MD&A if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law.



**QUALIFIED PERSON**

Technical information contained in this Interim MD&A has been prepared by or under the supervision of N. Eric Fier, CPG, P.Eng and Chief Operating Officer for Goldsource, who is a 'Qualified Person' for the purpose of NI 43-101.