CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

FOR THE YEAR ENDED DECEMBER 31, 2017

(Expressed in Canadian Dollars)

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Goldsource Mines Inc.

We have audited the accompanying consolidated financial statements of Goldsource Mines Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of operations and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Goldsource Mines Inc. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Goldsource Mines Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants
April 4, 2018

GOLDSOURCE MINES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
AS AT DECEMBER 31,

		2017		2016
ASSETS				
Current assets				
Cash and cash equivalents	$	268,849	$	291,219
Amounts receivable		21,287		5,161
Prepaid expenses		86,888		22,346
Held-for-trading securities (note 9)		12,180		95,850
Total current assets		389,204		414,576
Non-current assets				
Deposit (note 5)		244,575		261,856
Rent deposit (note 12)		46,576		46,576
Mineral property (note 5)		6,575,508		6,575,508
Property, plant and equipment (note 6)		4,330,903		4,949,760
Total non-current assets		11,197,562		11,833,700
TOTAL ASSETS	$	11,586,766	$	12,248,276
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities (note 10)	$	352,018	$	520,616
Loan payable (notes 7, 10)		100,000		1,754,601
Total current liabilities		452,018		2,275,217
Non-current liabilities				
Rehabilitation provision (note 8)		380,712		301,361
Total liabilities		832,730		2,576,578
Capital stock (note 11)		52,409,850		48,052,697
Private placement subscriptions received (note 17)		126,000		-
Reserves (note 11)		6,073,390		5,869,723
Deficit		(47,855,204)		(44,250,722)
Total shareholders' equity		10,754,036		9,671,698
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	11,586,766	$	12,248,276

Nature and continuance of operations (note 1)
Commitment (note 12)
Subsequent events (note 17)

Approved by the Board and authorized for issue on April 4, 2018.

"Ioannis Tsitos"	*"Graham C. Thody"*
Director	**Director**

The accompanying notes are an integral part of these consolidated financial statements.

GOLDSOURCE MINES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED DECEMBER 31,

	2017	2016
Accretion (note 8)	$ 14,409	$ 12,296
Borrowing costs (note 7)	22,443	174,042
Depreciation (note 6)	45,498	14,726
Disposal of property, plant and equipment (note 6)	122,590	-
Exploration and evaluation expenditures (note 5)	2,400,045	3,711,737
Foreign exchange loss (gain)	3,109	(36,062)
General exploration expenditures	-	24,647
Insurance	55,361	55,774
Interest income	(4,608)	(423)
Office and miscellaneous	12,920	18,756
Professional fees (note 10)	82,899	96,282
Realized loss on sale of held-for-trading securities (note 9)	35,490	-
Regulatory and transfer agent fees	28,647	29,265
Remuneration (note 10)	364,915	506,180
Rent and communications	85,281	117,955
Share-based compensation (notes 10, 11)	228,164	55,031
Shareholder and investor relations	88,774	83,594
Tradeshow and travel	72,689	83,917
Unrealized gain on held-for-trading securities (note 9)	(1,015)	(51,975)
Net and comprehensive loss for the year	(3,657,611)	(4,895,742)
Basic and diluted comprehensive loss per common share	$ (0.02)	$ (0.04)
Weighted average number of common shares outstanding	164,162,340	134,169,122

The accompanying notes are an integral part of these consolidated financial statements.

GOLDSOURCE MINES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED DECEMBER 31,

		2017		2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the year	$	(3,657,611)	$	(4,895,742)
Items not affecting cash:				
Accretion expense		14,409		12,296
Interest expense		22,443		174,042
Depreciation		859,906		537,326
Loss on disposal of property, plant and equipment		122,590		-
Foreign exchange gain		(1,259)		(23,339)
Interest income		(4,608)		-
Realized loss on sale of held-for-trading securities		35,490		-
Share-based compensation		256,796		113,283
Unrealized gain on held-for-trading securities		(1,015)		(51,975)
Changes in non-cash working capital items:				
Amounts receivable		(15,369)		-
Taxes receivable		(759)		17,399
Prepaid expenses		(64,542)		17,433
Accounts payable and accrued liabilities		(44,593)		120,523
Net cash used in operating activities		(2,478,122)		(3,978,754)
CASH FLOWS FROM FINANCING ACTIVITIES				
Loan drawdown		100,000		393,900
Loan principal paid		(1,729,255)		-
Loan interest and fee payments		(29,249)		(170,114)
Capital stock issued		4,459,687		3,306,502
Capital stock issuance costs		(102,534)		-
Private placement subscriptions receieved		126,000		-
Net cash provided by financing activities		2,824,649		3,530,288
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of held-for-trading securities		49,195		-
Purchase of property, plant and equipment		(422,702)		(1,339,845)
Proceeds received from sales related to Eagle Mountain		-		286,683
Interest received		4,610		-
Net cash used in investing activities		(368,897)		(1,053,162)
Change in cash and cash equivalents, during the year		(22,370)		(1,501,628)
Cash and cash equivalents, beginning of the year		291,219		1,792,847
Cash and cash equivalents, end of the year	$	268,849	$	291,219
Cash and cash equivalents is represented by:				
Cash		257,349		279,719
Cash equivalents		11,500		11,500
	$	268,849	$	291,219
Non-cash investing activities				
Capitalized to property, plant and equipment				
Rehabilitiation provision	$	64,942	$	85,375
Included in accounts payable and accrued liabilities				
Property, plant and equipment	$	57,418	$	181,423

The accompanying notes are an integral part of these consolidated financial statements.

GOLDSOURCE MINES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

	Capital stock			Reserves	Deficit	Total
	Number	Amount	Subscriptions received	Share-based payments		
Balance at December 31, 2015	126,973,249	$44,531,420	$ -	$5,976,447	$(39,360,212)	$11,147,655
Exercise of options (note 11)	2,071,973	640,376	-	(204,460)	-	435,916
Exercise of warrants (note 11)	11,686,694	2,880,901	-	(10,315)	-	2,870,586
Share-based compensation (note 11)	-	-	-	(5,232)	-	(5,232)
Stock options forfeited (note 11)	-	-	-	113,283	5,232	118,515
Net and comprehensive loss for the year	-	-	-	-	(4,895,742)	(4,895,742)
Balance at December 31, 2016	140,731,916	48,052,697	-	5,869,723	(44,250,722)	9,671,698
Private placement (note 11)	26,233,450	4,459,687	-	-	-	4,459,687
Capital stock issuance costs (note 11)	-	(102,534)	-	-	-	(102,534)
Private placement subscriptions received	-	-	126,000	-	-	126,000
Share-based compensation (note 11)	-	-	-	256,796	-	256,796
Stock options expired or forfeited (note 11)	-	-	-	(53,129)	53,129	-
Net and comprehensive loss for the year	-	-	-	-	(3,657,611)	(3,657,611)
Balance at December 31, 2017	166,965,366	$52,409,850	$ 126,000	$6,073,390	$(47,855,204)	$10,754,036

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Goldsource Mines Inc. (the "Company" or "Goldsource") is a Canadian resource company engaged in exploration and development. The Company's primary business objective is to expand and improve the quality of its existing resources through exploration in order to enable it to become a low cost gold producer at its Eagle Mountain Gold Project, located on its Eagle Mountain Property, in Guyana, South America. Goldsource is incorporated under the Business Corporations Act (British Columbia). The common shares of the Company trade on TSX Venture Exchange under the symbol "GXS". The head office and principal address of the Company is 501-570 Granville Street, Vancouver, BC, Canada, V6C 3P1. The address of the Company's registered and records office is 19th Floor, 885 West Georgia Street, Vancouver, BC, Canada, V6C 3E8.

The Company currently has no proven or probable reserves and, on the basis of information to date, has not yet determined whether its Eagle Mountain Gold Project contains economically recoverable ore reserves. Consequently, the Company considers itself to be an exploration stage company. The production decision for the Eagle Mountain Gold Project was not based on a feasibility study of mineral reserves demonstrating economic and technical viability. Accordingly, this project has a much higher risk of economic or technical failure and may adversely impact the Company's projected profits, if any. On June 20, 2016, the Company completed commissioning of the processing plant for Phase I of the Eagle Mountain Gold Project by achieving an average minimum of 80% of the 1,000 tonnes per day name plate capacity and 45% recovery in gold concentrate, over a continuous 30 day period. However, subsequent to completion of commissioning, the Company experienced lower than expected throughput and recovery from the gravity processing pilot plant as well as unexpected downtime related to equipment and water availability for the Eagle Mountain Gold Project.

At December 31, 2017, the Company had cash and cash equivalents of $268,849, accumulated losses of $47.9 million, and a working capital deficiency of $62,814. Although the Company had gross proceeds of $1.8 million from the completion of a private placement subsequent to December 31, 2017 (note 17), the Company will require substantial additional funds to support its exploration and operational activities at its Eagle Mountain Property and meet working capital requirements in the next 12 months. These factors represent a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business.

These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts, the classification of liabilities, or the impact on the statement of operations that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of preparation and measurement

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The policies applied in these consolidated financial statements are based on IFRSs in effect as at December 31, 2017.

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. Additionally, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements were approved for issuance by the Board of Directors on April 4, 2018.

Basis of consolidation

These consolidated financial statements include the accounts of Goldsource and its wholly-owned subsidiaries Eagle Mountain Gold Corp., a Canadian corporation, and Stronghold Guyana Inc., a Guyana corporation.

Goldsource consolidates subsidiaries where the Company has the ability to exercise control. Control is achieved when the Company is exposed to variable returns from involvement with an investee and has the ability to affect the returns through power over the investee. Control is normally achieved through ownership, directly or indirectly, of more than 50 percent of the voting power. Control can also be achieved through power over more than half of the voting rights by virtue of an agreement with other investors or through the exercise of de facto control. All intercompany balances, transactions, income and expenses, and profits or losses have been eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Taxes receivable

Taxes receivable are comprised of refundable goods and services tax paid by the Company.

Foreign exchange

The presentation currency of the Company is the Canadian dollar. The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The Company considers the functional currency for all its entities to be the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standard ("IAS") 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations and comprehensive loss.

Property, plant and equipment

Property, plant and equipment ("PP&E") is recorded at historical cost less accumulated depreciation and impairment charges. The cost of an item of PP&E consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Carrying amounts of PP&E are depreciated to their estimated residual value over the estimated useful lives of the assets or the estimated life of the related mine or plant, if shorter. Where components of an asset have different useful lives, depreciation is calculated on each separate component. Depreciation is provided using the straight line method over the following terms:

Building	20 years	Equipment	5 years	Office equipment	5 years
Vehicles	5 years	Computers	2-3 years	Processing plant	7 years

The Company's PP&E is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the asset's recoverable amount is estimated. Impairment losses are recognized in the statement of operations and comprehensive loss. An impairment loss is reversed if there is evidence that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Commercial and pre-commercial production

Commercial production is deemed to have commenced when management determines that the operational commissioning of major mine and plant components is complete, operating results are being achieved consistently for a period of time, and that there are indicators that these operating results will continue. The following factors may indicate that commercial production has commenced:

- substantially all major capital expenditures have been completed to bring the plant or mine to the condition necessary for it to be capable of operating in the manner intended by management;
- the plant or mine has been transferred to operating personnel from internal development groups or external contractors;
- a significant portion of plant throughput capacity is achieved;
- all facilities are operating at a steady state of production;
- mineral recoveries are at or near the expected production levels; and
- a pre-determined, reasonable period of time has passed.

Prior to achieving commercial production, revenues and related expenses are recognized as reductions and increases, respectively, to related non-current assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Interest and other financing costs relating to the acquisition, development and construction, and production of qualifying assets are capitalized until they are complete and available for use, at which time they are transferred to the appropriate category within PP&E. Borrowing costs incurred after the asset has been placed into service as well as all other borrowing costs are charged to the statement of comprehensive loss.

Mineral property and exploration and evaluation assets

Pre-exploration costs are expensed in the period in which they are incurred. Once the legal right to explore a mineral property has been acquired, all costs related to the acquisition of mineral properties are capitalized by property. All exploration and evaluation expenditures are expensed until properties are determined to have economically recoverable resources. These direct expenditures include such costs as materials used, surveying costs, geological studies, drilling costs, payments made to contractors and depreciation of plant and equipment during the exploration phase.

Mineral property acquisition costs for each mineral property are carried forward as an asset provided that one of the following conditions is met:

- Such costs are expected to be recouped in full through successful development and exploration of the mineral property or alternatively, by sale; or
- Exploration and evaluation activities in the mineral property have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves; however; active and significant operations in relation to the mineral property are continuing, or planned for the future.

The carrying values of capitalized amounts are reviewed annually, or when indicators of impairment are present. In the case of undeveloped properties, there may be only inferred resources to allow management to form a basis for the impairment review. The review is based on the Company's intentions for the development of such a property. If a mineral property does not prove viable, all unrecoverable costs associated with the property are charged to the statement of operations and comprehensive loss at the time the determination is made.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mining assets", within PP&E. Exploration and evaluation acquisition costs accumulated are also tested for impairment before they are transferred to development properties.

Impairment of tangible and intangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell ("FVLCS") and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of operations and comprehensive loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of operations and comprehensive loss.

Rehabilitation provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Rehabilitation provision (continued)

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

Share-based compensation and payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. The cost of stock options granted is recorded based on the estimated fair-value at the grant date and charged to the statement of operations and comprehensive loss over the vesting period. Where stock options are subject to vesting, each vesting tranche is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes Option Pricing Model. Compensation expense is recognized over the tranche's vesting period by a charge to the statement of operations and comprehensive loss, with a corresponding increase to share-based payment reserve on the number of options expected to vest. Consideration paid for the shares on the exercise of stock options is credited to capital stock. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in share-based payment reserve is transferred to deficit. The number of options expected to vest is reviewed at least annually, with any impact being recognized immediately.

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve the issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are valued using the residual value method and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share-based payments.

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Taxation

Income tax expense comprises current and deferred income taxes. Current and deferred income taxes are recognized in the statement of operations and comprehensive loss except to the extent that they relate to items recognized directly in equity. Current income tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

The Company follows the asset and liability method of accounting for income taxes whereby deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws expected to apply in the years in which temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in operations in the period that includes the substantive enactment date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recorded. Deferred income tax assets and liabilities are presented as non-current in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

Held-to-maturity ("HTM")

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale ("AFS")

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

The Company classified its financial assets as follows:

- Cash and cash equivalents and held-for-trading securities as FVTPL; and
- Deposit as loans and receivable.

Financial liabilities

Financial liabilities are classified into one of two categories:

- Fair value through profit or loss; and
- Other financial liabilities.

Fair value through profit or loss

This category comprises derivatives, or liabilities, acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities

This category includes accounts payable and loan payable, all of which are recognized at amortized cost.

The Company classified its financial liabilities as follows:

- Accounts payable and loan payable as other financial liabilities.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.
For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets *(continued)*

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Related party transactions
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, and related parties may be individuals, including immediate family members of the individual, or corporate entities, including the Company's wholly-owned subsidiaries. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. CRITICAL JUDGMENTS AND ESTIMATES

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts and the valuation of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenditures during the year.

These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the estimates. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. Information about such judgments and estimates is contained in the description of accounting policies (note 2) and/or other notes to the financial statements. Management has made the following critical judgments and estimates:

Critical judgments in applying accounting policies

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

Functional currency
The functional currency for each of the Company's operations is the currency of the primary economic environment in which the entity operates. The Company has determined that the functional currency for all entities is the Canadian dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Exploration and evaluation assets
The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Management is required to assess impairment in respect of exploration and evaluation assets. The triggering events for exploration and evaluation asset impairment are defined in IFRS 6 Exploration and Evaluation of Mineral Resources and are as follows:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

3. CRITICAL JUDGMENTS AND ESTIMATES (continued)

Critical judgments in applying accounting policies (continued)

Exploration and evaluation assets (continued)

- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Estimates and assumptions made may change if new information becomes available. If, after acquisition costs are capitalized, information becomes available suggesting that the recovery of costs is unlikely, the amount capitalized is recognized in loss in the period that the new information becomes available.

Completion of commissioning
The determination of the date on which a mine or plant enters the production stage is a significant judgment since capitalization of certain costs ceases and depletion and amortization of capitalized costs commence upon entering production. As a mine or plant is constructed and commissioned, costs incurred are capitalized and proceeds from mineral sales are offset against the capitalized costs. This continues until the mine or plant is capable of operating in the manner intended by management, which requires significant judgment in its determination.

Impairment of non-current assets
Non-current assets are tested for impairment when indicators of impairment are present. Calculating the estimated fair values of cash generating units for non-current asset impairment tests requires management to make estimates and assumptions with respect to metal selling prices, future capital expenditures, reductions in the amount of recoverable reserves, resources, and exploration potential, production cost estimates, discount rates and exchange rates. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future non-expansionary capital expenditures, reductions in the amount of recoverable reserves, resources, and exploration potential, and/or adverse current economics can result in a write-down of the carrying amounts of the Company's non-current assets.

Key sources of estimation uncertainty

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

Income taxes
Management is required to make estimations regarding the tax basis of assets and liabilities and related deferred income tax assets and liabilities, the measurement of income tax expense and indirect taxes. A number of these estimates require management to make estimates of future taxable profit, and if actual results are significantly different than estimates, the ability to realize the deferred tax assets recorded on the statement of financial position could be impacted. The Company is subject to assessments by tax authorities who may interpret the tax law differently. These factors may affect the final amount or the timing of tax payments.

Share-based payments
The Company uses the Black-Scholes Option Pricing Model for the valuation of share-based payments. Option pricing models require the input of the subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's net loss and share-based payment reserve.

Rehabilitation provisions
The Company's rehabilitation provision represents management's best estimate of the present value of the future cash outflows required to settle the liability. Management assesses these provisions on an annual basis or when new information becomes available. This assessment includes the estimation of the future rehabilitation costs, the timing of these expenditures, inflation, and the impact of changes in discount rates, interest rates and foreign exchange rates. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

(EXPRESSED IN CANADIAN DOLLARS)

3. CRITICAL JUDGMENTS AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

Estimating useful life of property, plant, and equipment
Depreciation of PP&E is charged so as to write down the value of those assets to their residual value over their respective estimated useful lives. Management is required to assess the useful economic lives and residual values of the assets such that depreciation is charged on a systematic basis to the current carrying amount. The useful lives are estimated having regard to such factors such as asset maintenance, rate of technical and commercial obsolescence, and asset usage. The useful lives of key assets are reviewed annually.

4. NEW STANDARDS NOT YET ADOPTED

In July 2014, the IASB issued the final version of IFRS 9 – *Financial instruments* ("IFRS 9) 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.

The Company has determined that adopting IFRS 9 will not have a material impact on its consolidated financial statements.

IFRS 15 – *Revenue from contracts with customers* ("IFRS 15") 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.

The Company has determined that adopting IFRS 15 will not have a material impact on its consolidated financial statements.

On January 13, 2016, the IASB issued IFRS 16 – *Leases* ("IFRS 16"), 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 16 will have on its consolidated financial statements, or whether to early adopt this new requirement.

5. MINERAL PROPERTY AND EXPLORATION AND EVALUATION EXPENDITURES

Eagle Mountain Gold Project – Guyana

	As at December 31, 2015	Additions during the year	As at December 31, 2016	Additions during the year	As at December 31, 2017
Mineral property acquisition costs					
Mineral property acquired	$ 5,722,081	$ -	$ 5,722,081	$ -	$ 5,722,081
Shares issued	853,427	-	853,427	-	853,427
Total mineral property acquisition costs	$ 6,575,508	$ -	$ 6,575,508	$ -	$ 6,575,508

(EXPRESSED IN CANADIAN DOLLARS)

5. MINERAL PROPERTY AND EXPLORATION AND EVALUATION EXPENDITURES (continued)

	Cumulative to December 31, 2015	Expenditures during the year	Cumulative to December 31, 2016	Expenditures during the year	Cumulative to December 31, 2017
Exploration and evaluation expenditures:					
Assays	139,658	32,078	171,736	54,183	225,919
Borrowing costs	24,210	-	24,210	-	24,210
Camp costs	459,429	763,602	1,223,031	323,370	1,546,401
Depreciation (note 6)	130,634	522,600	653,234	814,408	1,467,642
Drilling	2,230	2,517	4,747	21,220	25,967
Operations and general	571,161	1,288,709	1,859,870	314,316	2,174,186
Road maintenance	594,788	90,119	684,907	-	684,907
Sale of gold ounces (1)	-	(622,414)	(622,414)	(101,170)	(723,584)
Salaries (note 10)	802,365	1,494,423	2,296,788	829,631	3,126,419
Share-based compensation (notes 10, 11)	23,592	58,252	81,844	28,632	110,476
Tailings	14,473	3,250	17,723	-	17,723
Technical services and consulting	213,877	78,601	292,478	115,455	407,933
Total exploration and evaluation expenditures	2,976,417	3,711,737	6,688,154	2,400,045	9,088,199

(1) As at and during the year ended December 31, 2017, a majority of the Company's mineral resources are inferred whereby economic viability of such resources cannot be determined. Accordingly, the removal of the gold concentrate from the Company's Eagle Mountain Gold Project is considered an exploration and evaluation activity, and as such, all costs associated with the removal of gold concentrate are recognized as an exploration and evaluation activity. Prior to completion of the commissioning phase, sales were credited against the cost of the processing plant under Construction in Progress (note 6). Sales received from the Eagle Mountain Gold Project after commissioning are recognized as a recovery of exploration and evaluation expenditures given that the Company has not yet completed a positive economic analysis of its mineral interests.

In connection with the acquisition of Eagle Mountain Gold Corp. in 2014, the Company acquired a 100% interest in the Eagle Mountain Gold Project located in Guyana. On March 6, 2014, the Company executed an Amendment Agreement with Omai Gold Mines Ltd. ("OGML"), a subsidiary of IAMGOLD Corporation with respect to the Eagle Mountain Gold Project in Guyana. 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 twenty trading days prior to issuance, upon the earlier of:

  a. If average market price of gold is US$1,400/oz. or higher upon achieving total production of 40,000 ounces of gold, then the Initial Payment is due 90 days after 40,000 ounces have been produced, otherwise payment to be made 90 days after 50,000 ounces produced from the Project, or
  b. Ninety days after having completed one year of gold production under a large scale Mining License issued by the Guyana Geology and Mines Commission("GGMC"), or
  c. Five days after the date on which the 20-day VWAP of Goldsource exceeds $0.75 per share, provided such date is not earlier than March 1, 2015.

III. Goldsource shall pay OGML, an additional US$5,000,000 ("Final Payment") in cash or at Goldsource's option, US$2,500,000 cash and US$2,500,000 in common shares of Goldsource, at a price per share equal to a five percent (5%) discount to the 20-day VWAP of Goldsource's common shares. The Final Payment shall be made one year after the earlier of:

  a. The payment set out in, ("II a.") above has been made, or
  b. After having completed one year of gold production under a large scale Mining License issued by the GGMC.

The Company pledged a $244,575 (US$194,540) (2016 – $261,856 (US$194,540)) reclamation site bond, in the form of a non-interest bearing bank guaranteed deposit, to the Guyana Geology and Mines Commission for exploration permits on the Eagle Mountain Gold Project.

(EXPRESSED IN CANADIAN DOLLARS)

5. MINERAL PROPERTY AND EXPLORATION AND EVALUATION EXPENDITURES (continued)

Goldsource's subsidiary Stronghold Guyana Inc. ("Stronghold") holds a prospecting license on the Eagle Mountain 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 within the Eagle Mountain 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 the Eagle Mountain Gold Project. Kilroy has granted Stronghold the exclusive right to conduct mining operations on the Eagle Mountain Gold Project including any additional areas acquired by Kilroy. Stronghold will fund all expenditures on the Eagle Mountain Gold Project and receive 100% of all revenues, subject to applicable government royalties and a 2% net smelter return royalty to Kilroy as compensation for its participation.

6. PROPERTY, PLANT AND EQUIPMENT

	Eagle Mountain Gold Project				
	Construction in progress[1]	Processing plant[2][3]	Other equipment[4]	Corporate office	Total
Cost					
As at December 31, 2015	$ 3,292,903	$ -	$ 1,078,441	$ 60,848	$ 4,432,192
Additions	612,506	-	835,177	-	1,447,683
Sale of gold ounces	(286,683)	-	-	-	(286,683)
Changes in asset retirement obligation	(203,690)	289,065	-	-	85,375
Reclassification	(3,265,562)	3,050,153	215,409	-	-
As at December, 31, 2016	149,474	3,339,218	2,129,027	60,848	5,678,567
Additions	100,513	38,002	155,412	4,770	298,697
Changes in asset retirement obligation	-	64,942	-	-	64,942
Reclassification	(162,593)	22,305	140,288	-	-
Disposals	-	(120,903)	(50,523)	-	(171,426)
As at December 31, 2017	$ 87,394	$ 3,343,564	$ 2,374,204	$ 65,618	$ 5,870,780
Accumulated depreciation					
As at December 31, 2015	$ -	$ -	$ 130,633	$ 60,848	$ 191,481
Depreciation for the year	-	233,542	303,784	-	537,326
As at December 31, 2016	-	233,542	434,417	60,848	728,807
Depreciation for the year[5]	-	460,186	398,242	1,478	859,906
Disposals	-	(30,433)	(18,403)	-	(48,836)
As at December 31, 2017	$ -	$ 663,295	$ 814,256	$ 62,326	$ 1,539,877
Carrying amounts					
As at December 31, 2016	$ 149,474	$ 3,105,676	$ 1,694,610	$ -	$ 4,949,760
As at December 31, 2017	$ 87,394	$ 2,680,269	$ 1,559,948	$ 3,292	$ 4,330,903

(1) Assets under construction at the Eagle Mountain Gold Project were capitalized as "Construction in Progress" and were presented as a separate asset within PP&E. Construction in Progress included any costs directly attributable to bringing the assets under construction into working condition for their intended use. Sales of gold ounces and related expenses from the commissioning period from the Eagle Mountain Gold Project were credited against the costs of the processing plant under Construction in Progress. During the period from January 1, 2016 to June 20, 2016, the Company capitalized sales proceeds of $286,683 related to the commissioning phase from the Eagle Mountain Gold Project's Processing Plant.

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

(EXPRESSED IN CANADIAN DOLLARS)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

(3) Additions to processing plant during the 2017 included the purchase and installation of a Krebs cyclone and Marok pumping system.

(4) Other Equipment consists of vehicles, buildings, and equipment.

(5) During 2017, depreciation of $814,408 (2016 – $522,600) was included in exploration and evaluation expenditures (note 5).

7. LOAN PAYABLE

		2017		2016
Balance, beginning of year	$	1,754,601	$	1,388,550
Interest expense		22,443		174,042
Repayment		(1,758,504)		(170,114)
Foreign exchange		(18,540)		(31,777)
Drawdown		100,000		393,900
Balance, end of year	$	100,000	$	1,754,601

On December 21, 2015, the Company obtained a loan of $1.4 million (US$1.0 million) (the “Loan”) with Mitan Holdings Ltd. (“Mitan Holdings”), a company controlled and directed by a former director of the Company. The purpose of the Loan was to provide the Company with additional funds, which were necessary for capital requirements towards the Eagle Mountain Gold Project. The Loan was repayable in full, twelve months after the draw-down and bore interest at a rate of 12% per annum, payable quarterly. Goldsource pledged the shares of its wholly-owned subsidiary, Eagle Mountain Gold Corp., to Mitan Holdings as security for the Loan and paid a commitment fee of $19,660 (US$15,000) upon execution of the Loan.

On December 14, 2016, the Company obtained a loan of $393,900 (US$300,000) (the “Additional Loan”) with Mitan Holdings. The purpose of this loan was to provide short-term working capital. The Additional Loan was repayable in full upon maturity at March 14, 2017 and bore interest at a rate of 12% per annum, payable upon maturity.

During 2017, the Company paid the principal of both the Loan and Additional Loan in full. The Company incurred interest of $22,443 (US$17,021) (2016 – $161,250 (US$121,676)). Total interest paid during the year was $29,249 (US$22,183) (2016 – $170,114 (US$130,000)). During 2016, in addition to interest, borrowing costs also included an extension fee of $12,792 (US$10,000) which extended the maturity date of the Loan by six months to June 21, 2017.

On December 21, 2017, the Company entered into a promissory note of $100,000 with Maverick Mining Consultants Inc. (“Maverick”), a company controlled by the Company’s Chief Operating Officer. The purpose of this loan was to provide short-term working capital. The loan was due on demand and bore interest at a rate of 5% per annum. Subsequent to December 31, 2017, the Company repaid the promissory note in full and all accrued interest was forgiven by Maverick.

8. REHABILITATION PROVISION

The rehabilitation provision relates to the construction of the Eagle Mountain Gold Project. Significant reclamation and closure activities include land rehabilitation, the removal of buildings and processing plant, and other costs.

		2017		2016
Balance, beginning of year	$	301,361	$	203,690
Changes in obligation		41,118		79,141
Accretion expense		14,409		12,296
Changes in estimates		23,824		6,234
Balance, end of year	$	380,712	$	301,361

The present value of rehabilitation provision, using an effective discount rate of 5% (2016 – 5%), is currently estimated at $380,712 (US$262,515) (2016 – $301,361 (US$212,589)), reflecting anticipated cash flows to be incurred over approximately the next five years. The undiscounted value of these obligations is $410,828 (US$318,000) (2016 – $376,419 (US$282,000)), calculated using a long-term inflation rate assumption of 2.1% (2016 – 0.8%).

In view of uncertainties concerning asset retirement obligations, the ultimate costs could be materially different from the amounts estimated. The estimate of future asset retirement obligations is subject to change based on amendments to applicable laws and legislation. Future changes in asset retirement obligations, if any, could have a significant impact.

(EXPRESSED IN CANADIAN DOLLARS)

9. HELD-FOR-TRADING SECURITIES

		2017		2016
Opening balance	$	95,850	$	43,875
Proceeds from sale of marketable securities		(49,195)		-
Loss on sale of marketable securities		(35,490)		-
Changes in marked-to-market value		1,015		51,975
Closing balance	$	12,180	$	95,850

Held-for-trading securities are recorded at fair value at each reporting date and the resulting gains or losses are included in the results for the year. During 2017, the Company sold 33,500 of its Westcore Energy Ltd. ("Westcore") and 300,000 of its Para Resources Inc. ("Para Resources") common shares for total proceeds of $49,195. As a result, the Company recorded a loss of $35,490. For 2017, the Company's 101,500 (2016 – 135,000) Westcore and Nil (2016 – 300,000) Para Resources common shares had an unrealized marked-to-market gain of $1,015 (2016 – $51,975).

10. RELATED PARTY TRANSACTIONS

During the 2017, the Company entered into the following transactions with related parties:

Legal fees

Legal fees of $28,715 (2016 – $41,690), included in professional fees, and capital stock issuance costs of $45,396 (2016 – $Nil) were paid or accrued to Koffman Kalef LLP, a law firm of which an officer of the Company is a partner, of which $12,782 (2016 – $11,857) was payable at December 31, 2017.

Key management compensation

The Company's key management personnel have the authority and responsibility for planning, directing, and controlling the activities of the Company and include the Company's President, Chief Operating Officer, Chief Financial Officer, and former Chief Executive Officer. Key management personnel compensation is summarized as follows:

		2017		2016
Management fees included in remuneration (1)	$	205,521	$	331,000
Share-based compensation(2)		186,428		29,440
	$	391,949	$	360,440

(1) Management fees were paid to companies controlled by the former Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and President of the Company.
(2) Share-based compensation is the fair value of the vested portion of stock options that have been granted to directors and officers of the Company.

Other transactions

The Company paid remuneration of $28,696 (2016 – $72,121) and recognized share-based compensation of $6,778 (2016 – $4,762) to an employee who is an immediate family member of the Chief Operating Officer. Remuneration and share-based payments incurred to this employee were recorded as exploration and evaluation expenditures (note 5).

On October 1, 2015, the Company entered into a cost sharing agreement with SilverCrest Metals Inc. ("SilverCrest"), a company related by common directors and officers, whereby the Company shares salaries, administrative services, and other reimbursable expenses. During 2017, the Company was allocated $176,174 (2016 – $183,675) for its share of these expenses, of which $61,104 (2016 – $40,360) was payable to SilverCrest at December 31, 2017.

The Company incurred interest costs of $22,443 (2016 – $161,250) on, and fully repaid, the Loan with Mitan, a company controlled by a former director of the Company (note 7).

The Company obtained a promissory note from a company controlled by the Company's Chief Operating Officer (note 7).

(EXPRESSED IN CANADIAN DOLLARS)

11. CAPITAL STOCK

Authorized shares

The Company's authorized capital stock consists of an unlimited number of common shares and an unlimited number of preferred shares without nominal or par value.

Issued and outstanding

At December 31, 2017, the Company had 166,965,366 common shares and no preferred shares outstanding.

2017

The Company completed a private placement of 26,233,450 units at a price of $0.17 per unit for gross proceeds of $4,459,687. Each unit contained one common share and one warrant. Each warrant is exercisable at a price of $0.23 until February 8, 2019. In connection with the private placement, the Company incurred $102,534 in capital stock issuance costs.

2016

During 2016, the Company issued 2,071,973 common shares with a weighted average price of $0.21 for gross proceeds of $435,916 for the exercise of options. The Company also issued 11,686,694 common shares with a weighted average price of $0.25 for gross proceeds of $2,870,586 for the exercise of warrants.

Stock options

The Company has a "rolling 10%" Stock Option Plan which authorizes the grant of stock options to directors, officers, employees, and consultants, enabling them to acquire common shares of the Company to a maximum of 10% of the then issued and outstanding common shares. The exercise price of each option shall equal the market price of the Company's stock as at the date of the grant. The options can be granted for a maximum term of 10 years with vesting determined by the Board of Directors. Options granted to investor relations consultants shall vest over a period of at least one year. The Company has not granted options for periods exceeding five years.

The Company's stock option transactions during the year are as follows:

	2017			2016		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Outstanding, beginning of year	7,474,012	$	0.22	9,164,735	$	0.21
Issued	3,025,000		0.15	420,000		0.29
Exercised	-		-	(2,071,973)		0.21
Expired	(354,012)		0.32	-		-
Forfeited	(410,000)		0.26	(38,750)		0.27
Outstanding, end of year	9,735,000	$	0.19	7,474,012	$	0.22

2017

The Company granted:

- 25,000 stock options to an employee that can be exercised at a price of $0.18 per share until February 1, 2022. These stock options vest immediately;
- 1,800,000 stock options to directors, officers, employees, and consultants that can be exercised at a price of $0.17 per share until February 21, 2022. These stock options vest immediately except for 50,000, which vest over a one year period with 25% vesting after each of three months, six months, nine months, and twelve months after the grant date, respectively;
- 500,000 stock options to a newly appointed director that can be exercised at a price of $0.16 per share until March 28, 2022. These stock options vest immediately;
- 200,000 stock options to employees and contractors that can be exercised at a price of $0.13 per share until May 30, 2022. These stock options vest immediately except for 100,000, which vest over a one year period with 25% vesting after each of three months, six months, nine months, and twelve months after the grant date, respectively; and
- 500,000 stock options to a consultant that can be exercised at a price of $0.10 per share until December 6, 2020. These stock options vest immediately.

(EXPRESSED IN CANADIAN DOLLARS)

11. CAPITAL STOCK (continued)

Stock options (continued)

2016

The Company granted:

- 385,000 stock options to employees and consultants that can be exercised at a price of $0.28 per share until February 1, 2021. These stock options vest immediately except for 25,000, which vest over a one year period with 25% vesting after each of three months, six months, nine months, and twelve months after the grant date, respectively; and
- 35,000 stock options to an employee that can be exercise at a price of $0.42 per share for until August 24, 2021. These stock options vest immediately.

Stock options outstanding and exercisable at December 31, 2017 are as follows:

		Options outstanding		Options exerciseable
Expiry date	Exercise price	Number of shares issuable on exercise	Remaining life (years)	Number of shares issuable on exercise
May 14, 2018	$ 0.16	50,000	0.37	50,000
June 25, 2018	$ 0.16	700,000	0.48	700,000
April 10, 2019	$ 0.24	1,650,000	1.27	1,650,000
February 16, 2020	$ 0.20	2,325,000	2.13	2,325,000
October 1, 2020	$ 0.16	35,000	2.75	35,000
December 6, 2020	$ 0.10	500,000	2.93	500,000
December 16, 2020	$ 0.21	1,975,000	2.96	1,975,000
February 1, 2021	$ 0.28	100,000	3.09	100,000
February 21, 2022	$ 0.17	1,700,000	4.15	1,687,500
March 28, 2022	$ 0.16	500,000	4.24	500,000
May 30, 2022	$ 0.13	200,000	4.41	150,000
		9,735,000		9,672,500

The weighted average remaining life of options outstanding is 2.59 years.

Share-based compensation

The fair value of options granted during 2017 and 2016 was estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	2017	2016
Expected option life (years)	4.19	3.00
Expected volatility	77%	76%
Expected dividend yield	-	-
Risk-free interest rate	0.87%	0.44%
Expected forfeiture rate	1.00%	1.00%
Fair value per share	$ 0.09	$ 0.15
Total fair value	$ 257,702	$ 60,432

During 2017, the Company recognized share-based compensation of $256,609, for the vested portion of options granted during the year, of which $228,088 was expensed and $28,521 was considered exploration expenditures (note 5). The Company also recognized share-based compensation of $187 for the vested portion of options previously granted of which $76 was expensed and $111 was considered exploration expenditures (note 5).

During 2016, the Company recognized share-based compensation of $60,357 for vested portion of options granted during that period, of which $3,396 was expensed and $56,961 was considered exploration expenditures (note 5). The Company also recognized share-based compensation of $52,926 for the vested portion of options previously granted of which $51,635 was expensed and $1,291 was considered exploration expenditures (note 5).

(EXPRESSED IN CANADIAN DOLLARS)

11. CAPITAL STOCK (continued)

Share-based payment reserve

The share-based payment reserve records items recognized as share-based compensation and the fair value of warrants issued based on the residual method. When stock options or warrants are exercised, the corresponding amount is reallocated to share capital or, if cancelled or expired, the corresponding amount is reallocated to deficit.

A summary of share-based payment reserve transactions is as follows:

		2017		2016
Balance, beginning of year	$	5,869,723	$	5,976,447
Share-based compensation		256,796		113,283
Warrants exercised, reallocated to capital stock		-		(10,315)
Stock options exercised, reallocated to capital stock		-		(204,460)
Stock options expired, reallocated to deficit		(53,129)		(5,232)
Balance, end of year	$	6,073,390	$	5,869,723

Warrants

Warrant transactions during the year are as follows:

	2017			2016		
	Number of Warrants		Weighted average exercise price	Number of Warrants		Weighted average exercise price
Outstanding, beginning of year	29,850,912	$	0.27	41,537,606	$	0.26
Issued	26,233,450		0.23	-		-
Exercised	-		-	(11,686,694)		0.25
Expired	(29,850,912)		0.27	-		-
Outstanding, end of year	26,233,450	$	0.23	29,850,912	$	0.27

The warrants outstanding at December 31, 2017 are as follows:

Expiry date	Exercise price		Remaining life (years)	Number of Warrants
February 8, 2019	$	0.23	1.11	26,233,450

12. COMMITMENT

The Company has entered into an operating lease agreement for office space and paid a deposit of $46,576 (2016 – $46,576) toward this commitment, which represents five months' rent. Total lease payments for 2018 are $33,034.

(EXPRESSED IN CANADIAN DOLLARS)

13. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2017	2016
Loss before income taxes	$ (3,657,611)	$ (4,985,742)
Combined federal and provincial statutory tax rate	26.00%	26.00%
Expected income tax	$ (951,000)	$ (1,273,000)
Effect of changes in statutory rates including foreign subsidaries	(588,000)	(53,000)
Permanent difference	66,000	31,000
Share issue costs	(27,000)	-
Adjustment to prior years provision versus statutory tax returns	13,000	(54,000)
Impact of foreign exchange on deferred income tax assets and liabilities	221,000	143,000
Change in unrecognized deductible temporary differences	1,173,000	1,291,000
Other	93,000	(85,000)
Total income tax recovery	$ -	$ -

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2017 and 2016 are presented below:

	2017	2016
Deferred tax assets:		
Non-capital losses	$ 4,632,000	$ 4,073,000
Capital loss carry-fowards	2,952,000	2,828,000
Share issue costs and other	78,000	107,000
Exploration and evaluation assets	9,444,000	9,107,000
Capital assets	378,000	200,000
Asset retirement oblitgation	7,000	-
Net unrecognized deferred income tax asset	$ 17,491,000	$ 16,315,000

As at December 31, 2017, the Company has non-capital loss carry-forwards of approximately $17,086,000 for income tax purposes. The non-capital losses may be utilized to reduce future years' taxable income expiring up to 2037 if unutilized. In addition the Company has approximately $21,753,000 of capital losses available for carry-forward. The Company also has exploration and development expenditures of approximately $40,675,000 which may be available to reduce taxable income of future years. Deferred tax assets, which may arise as a result of these losses and resource expenditures, have not been recognized as the Company determined that, as at December 31, 2017, their realization is uncertain.

14. SEGMENTED INFORMATION

The Company primarily operates in one reporting operating segment, being the acquisition, exploration and evaluation of resource properties located in two geographical segments, Canada and Guyana.

Geographical segmented information is presented as follows:

Sunday, December 31, 2017	Canada	Guyana	Total
Net loss for the year	$ 1,119,639	$ 2,537,972	$ 3,657,611
Asset information			
Deposit	$ -	$ 244,575	$ 244,575
Rent deposit	$ 46,576	$ -	$ 46,576
Mineral property	$ -	$ 6,575,508	$ 6,575,508
Property, plant and equipment	$ 3,292	$ 4,327,611	$ 4,330,903

14. SEGMENTED INFORMATION (continued)

Saturday, December 31, 2016	Canada	Guyana	Total
Net loss for the year	$ 1,035,810	$ 3,859,932	$ 4,895,742
Asset information			
Deposit	$ -	$ 261,856	$ 261,856
Rent deposit	$ 46,576	$ -	$ 46,576
Mineral property	$ -	$ 6,575,508	$ 6,575,508
Property, plant and equipment	$ -	$ 4,949,760	$ 4,949,760

15. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, foreign currency risk, credit risk, interest rate risk, and market risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company's cash and cash equivalents of $268,849 are in business accounts with quality financial institutions and are available on demand for the Company's exploration programs, and are not invested in any asset backed commercial paper. As at December 31, 2017, the Company's financial liabilities included accounts payable and accrued liabilities of $352,018 and loan payable of $100,000, all of which are due within twelve months.

Foreign Currency Risk
The Company operates in Canada and Guyana and incurs expenditures in the Canadian, United States, and Guyanese dollars, and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency. The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the United States dollar and Guyanese dollar will, consequently, have an impact upon the reporting results of the Company, and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. As of December 31, 2017, a 10% appreciation (depreciation) in the United States dollar against the Canadian and Guyanese dollars, with all other variables held constant, would result in approximately a $23,000 increase (decrease) in the Company's net loss for the year.

Credit Risk
Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality financial institutions. The carrying amount of financial assets, as stated in the consolidated statements of financial position, represents the Company's maximum credit exposure.

Interest Rate Risk
The Company's exposure to interest rate risk arises from the interest rate impact on its cash and cash equivalents and loan payable. The Company's practice has been to invest cash at floating rates of interest, in cash equivalents and short term investments, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any term deposit or guaranteed bank investment certificates, as they are held with a large and stable financial institution. As at December 31, 2017, with all other variables unchanged, a 1 percentage point change in interest rates would not have a significant impact on the Company's net and comprehensive loss for the year.

Market Risk
The Company's exposure to market risk arises from its held-for-trading securities in Westcore. There is a risk the Company would recognize a loss as a result of a decrease in the fair value of the investment given the nature of Westcore being a mining exploration company.

15. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT (continued)

Financial instruments carrying value and fair value

The Company's financial instruments consist of cash and cash equivalents, held-for-trading securities, deposit, accounts payable, and loan payable. The carrying value of the deposits, accounts payable and loan payable approximates the fair value due to the short periods until settlement.

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The Company's cash and cash equivalents and held-for-trading securities are measured using level 1 inputs.

16. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to support the exploration and development of its Eagle Mountain Gold Project, acquire additional mineral property interests, and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The capital of the Company consists of items included in shareholders' equity.

The Company manages and adjusts its capital structure when changes to the risk characteristics of the underlying assets or changes in economic conditions occur. To maintain or adjust the capital structure, the Company may attempt to issue new equity, dispose of certain assets, or incur debt.

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. There are no external restrictions on the management of capital.

In order to maximize ongoing efforts at the Eagle Mountain Gold Project, the Company does not pay out dividends. The Company's investment policy is to invest any excess cash in liquid short term interest-bearing instruments. When utilized, these instruments are selected with regard to the expected timing of expenditures from continuing operations. As at December 31, 2017, the Company has cash and cash equivalents on hand of $268,849 and a working capital deficiency of $62,814. Although the Company received gross proceeds of $1.8 million from the completion of a non-brokered private placement subsequent to December 31, 2017 (note 17), the Company will require additional funds to maintain its operations and meet its working capital requirements for the next twelve months. The Company's financial success is dependent on its ability to discover economically viable mineral deposits.

17. SUBSEQUENT EVENTS

Subsequent to December 31, 2017, the Company:

- Completed a private placement of 36,418,000 units at a price of $0.05 per unit for gross proceeds of $1,820,900, of which $126,000 was received prior to December 31, 2017. Each unit consisted of one common share and one warrant. Each warrant entitles the holder to purchase one common share at a price of $0.10 until January 18, 2020. Finder's fees totaling $51,930 were paid in connection with the private placement, of which $39,930 was paid in cash. The remaining $12,000 was paid with 240,000 units at a price of $0.05 per unit. Each unit consisted of one common share and one warrant, which are exercisable on the same terms as those issued in the private placement except that they are non-transferrable;
- Granted 1,800,000 stock options to directors, officers, employees, and consultants that can be exercised at a price of $0.10 per share until January 31, 2023. These stock options vest immediately except for 100,000, which vest over a one year period with 25% vesting after each of three months, six months, nine months, and twelve months after the grant date, respectively; and
- Entered into an option agreement to acquire a 100% interest in the Bishop Growler Property, located three kilometres from the Eagle Mountain Gold Project, by making total payments of US$525,000 over three years, with an additional US$500,000 due upon the exercise of the option. The first payment of US$75,000 was paid on March 29, 2018 upon execution of a definitive agreement.