



**GOLDSOURCE**  
**MINES INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND NOTES**

**FOR THE THREE MONTHS ENDED MARCH 31, 2020**

**(Unaudited - Expressed in Canadian Dollars)**

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORTING**

The accompanying condensed consolidated interim financial statements of Goldsource Mines Inc. ("the Company") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the condensed consolidated interim financial statements, including responsibility for significant accounting estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**GOLDSOURCE MINES INC.**  
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**GOLDSOURCE MINES INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**  
**AS AT**

	March 31, 2020	December 31, 2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 7,674,881	\$ 3,159,068
Amounts receivable	30,013	62,641
Prepaid expenses	148,922	58,635
Marketable securities	1,015	507
<b>Total current assets</b>	<b>7,854,831</b>	<b>3,280,851</b>
<b>Non-current assets</b>		
Deposit (note 3)	301,165	268,387
Rent deposit	36,053	36,053
Mineral property (note 3)	6,575,508	6,575,508
Property, plant and equipment (note 4)	3,105,628	3,067,855
<b>Total non-current assets</b>	<b>10,018,354</b>	<b>9,947,803</b>
<b>TOTAL ASSETS</b>	<b>\$ 17,873,185</b>	<b>\$ 13,228,654</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 6)	\$ 698,704	\$ 475,417
Lease liability (note 9)	55,720	55,720
<b>Total current liabilities</b>	<b>754,424</b>	<b>531,137</b>
<b>Non-current liabilities</b>		
Lease liability (note 9)	75,969	85,093
Rehabilitation provision (note 5)	401,467	391,051
<b>Total liabilities</b>	<b>1,231,860</b>	<b>1,007,281</b>
<b>Shareholders' equity</b>		
Capital stock (note 7)	69,007,390	63,225,056
Reserves (note 7)	6,866,751	6,753,121
Deficit	(59,232,816)	(57,756,804)
<b>Total shareholders' equity</b>	<b>16,641,325</b>	<b>12,221,373</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 17,873,185</b>	<b>\$ 13,228,654</b>

Nature and continuance of operations (note 1)

Contingency (note 8)

Approved by the Board and authorized for issue on May 25, 2020.

*"Ioannis Tsitos"*

Director

*"Graham C. Thody"*

Director

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

**GOLDSOURCE MINES INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**  
**FOR THE THREE MONTHS ENDED MARCH 31,**

	<b>2020</b>	<b>2019</b>
Accretion (note 5)	\$ 5,608	\$ 4,508
Depreciation (note 4)	15,648	15,935
Exploration and evaluation expenditures (note 3)	1,476,272	641,666
Foreign exchange (gain) loss	(91,437)	16,231
Insurance	17,825	17,418
Interest expense (note 9)	5,975	7,467
Interest income	(9,969)	(30)
Office and miscellaneous expense	12,394	2,292
Professional fees (note 6)	27,525	20,040
Regulatory and transfer agent fees	11,648	4,747
Remuneration (note 6)	120,850	118,726
Share-based compensation (notes 7)	12,942	291,514
Shareholder and investor relations	36,063	33,665
Tradeshaw and travel	25,196	17,272
Unrealized loss on marketable securities	(508)	(508)
<b>Net and comprehensive loss for the period</b>	<b>\$ (1,666,032)</b>	<b>\$ (1,190,943)</b>
<b>Basic and diluted comprehensive loss per common share</b>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding</b>	<b>319,031,896</b>	<b>243,449,710</b>

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

**GOLDSOURCE MINES INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
**UNAUDITED - (EXPRESSED IN CANADIAN DOLLARS)**  
**FOR THE THREE MONTHS ENDED MARCH 31,**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (1,666,032)	\$ (1,190,943)
Items not affecting cash:		
Accretion expense	5,608	4,508
Depreciation	69,326	133,670
Foreign exchange (gain) loss	(32,778)	5,517
Interest expense	5,975	7,467
Interest income	(9,969)	(30)
Share-based compensation	12,942	337,579
Unrealized loss on marketable securities	(508)	(508)
Changes in non-cash working capital items:		
Amounts receivable	(838)	1,347
Taxes receivable	(1,020)	(10,356)
Prepaid expenses	(90,287)	(28,258)
Accounts payable and accrued liabilities	107,805	(48,446)
<b>Net cash used in operating activities</b>	<b>(1,599,776)</b>	<b>(788,453)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(89,154)	(33,493)
Interest received	44,455	-
<b>Net cash used in investing activities</b>	<b>(44,699)</b>	<b>(33,493)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital stock issued	6,656,915	998,136
Capital stock issuance costs	(481,528)	(38,939)
Payment of lease liabilities	(15,099)	(15,097)
<b>Net cash provided by financing activities</b>	<b>6,160,288</b>	<b>944,100</b>
<b>Change in cash and cash equivalents, during the period</b>	<b>4,515,813</b>	<b>122,154</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>3,159,068</b>	<b>398,144</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 7,674,881</b>	<b>\$ 520,298</b>
<b>Cash and cash equivalents is represented by:</b>		
Cash	6,540,953	508,798
Cash equivalents	1,133,928	11,500
	<b>\$ 7,674,881</b>	<b>\$ 520,298</b>
<b>Non-cash investing activities</b>		
Capitalized to property, plant and equipment		
Right of use asset recognized upon accounting policy change	\$ -	\$ 173,493
Rehabilitation provision	\$ (4,808)	\$ (44,252)
Accounts payable and accrued liabilities	\$ (13,137)	\$ 61,062
<b>Non-cash financing activities</b>		
Capital stock issuance costs in accounts payable and accrued liabilities	\$ 102,345	\$ 71,732
Fair value of agents' warrants	\$ 290,708	\$ -
Share subscription applied to share issuance	\$ -	\$ 438,404

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

**GOLDSOURCE MINES INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**

	Capital stock		Subscriptions received	Reserves	Deficit	Total
	Number	Amount		Share-based payments		
<b>Balance at December 31, 2018</b>	221,917,910	\$ 55,116,880	\$ 438,404	\$ 6,013,767	\$ (51,373,413)	\$ 10,195,638
Private placement	26,000,000	1,300,000	(438,404)	-	-	861,596
Capital stock issuance costs	-	(107,918)	-	-	-	(107,918)
Warrants exercised	1,365,400	136,540	-	-	-	136,540
Share-based compensation	-	-	-	337,579	-	337,579
Stock options expired	-	-	-	(3,471)	3,471	-
Net loss and comprehensive loss for the period	-	-	-	-	(1,190,943)	(1,190,943)
<b>Balance at March 31, 2019</b>	249,283,310	56,445,502	-	6,347,875	(52,560,885)	10,232,492
Private placements	62,330,000	7,479,600	-	-	-	7,479,600
Capital stock issuance costs	-	(975,570)	-	403,195	-	(572,375)
Warrants exercised	2,363,800	240,061	-	(3,105)	-	236,956
Share-based compensation	-	-	-	295,510	-	295,510
Stock options exercised	200,000	35,463	-	(15,463)	-	20,000
Stock options expired or forfeited	-	-	-	(274,891)	274,891	-
Net loss and comprehensive loss for the period	-	-	-	-	(5,470,810)	(5,470,810)
<b>Balance at December 31, 2019</b>	314,177,110	63,225,056	-	6,753,121	(57,756,804)	12,221,373
Private placements (note 7)	60,026,500	6,602,915	-	-	-	6,602,915
Capital stock issuance costs (note 7)	-	(874,581)	-	290,708	-	(583,873)
Warrants exercised (note 7)	600,000	54,000	-	-	-	54,000
Share-based compensation (note 7)	-	-	-	12,942	-	12,942
Stock options expired (note 7)	-	-	-	(190,020)	190,020	-
Net loss and comprehensive loss for the period	-	-	-	-	(1,666,032)	(1,666,032)
<b>Balance at March 31, 2020</b>	374,803,610	\$ 69,007,390	\$ -	\$ 6,866,751	\$ (59,232,816)	\$ 16,641,325

*The accompanying notes are an integral part of these condensed consolidated interim 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 the TSX Venture Exchange under the symbol “GXS” and on the OTCQB under the symbol “GXSFF”. 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, based on 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.

While the Company currently has no source of revenue, management believes its cash and cash equivalents of \$7.7 million, as of March 31, 2020, will be sufficient to fund its minimum exploration activities and general working capital for the next 12 months. These condensed consolidated interim 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 condensed consolidated interim 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.

The Company’s business could be adversely affected by the effects of the recent outbreak of respiratory illness caused by the novel coronavirus (“COVID 19”). Since early March 2020, significant measures have been implemented in Canada, Guyana, and the rest of the world by governmental authorities in response to COVID-19. The Company cannot accurately predict the impact COVID 19 will have on the ability of third parties to meet their obligations with the Company, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In particular, the continued spread of the COVID-19 globally could materially and adversely impact the Company’s business including without limitation, employee health, limitations on travel, the availability of industry experts and personnel, restrictions on planned drill programs, and other factors that depend on future developments beyond the Company’s control. In addition, COVID-19 has resulted in a widespread health crisis that has adversely affected the economies and financial markets of many countries (including Canada and Guyana), resulting in an economic downturn that may negatively impact the Company’s financial position, financial performance, cash flows, and its ability to raise capital, in 2020. In compliance with directives issued by the Guyanese government, the Company suspended exploration activities at the Eagle Mountain Property on April 5, 2020 and they remain suspended as of May 25, 2020. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on the Company’s exploration activities, including the impact on the timing of its planned pre-feasibility study, cannot be reasonably estimated at this time.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of Compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2019, which include information necessary or useful to understanding the Company’s business and financial statement presentation. In particular, the Company’s significant accounting policies and use of judgments and estimates were presented in notes 2 and 3 of those consolidated financial statements, and have been consistently applied in the preparation of these condensed consolidated interim financial statements.



**GOLDSOURCE MINES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020**

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of preparation and measurement**

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. Additionally, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These condensed consolidated interim financial statements were approved for issuance by the Board of Directors on May 25, 2020.

**Basis of consolidation**

These condensed consolidated financial interim statements include the accounts of Goldsource and its wholly owned subsidiaries Eagle Mountain Gold Corp., a Canadian corporation, and Stronghold Guyana Inc. ("Stronghold"), a Guyanese 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.

**Use of estimates and judgements and COVID-19**

The preparation of these condensed consolidated interim 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 condensed consolidated interim financial statements and the reported amounts of revenues and expenditures during the period.

COVID-19 has led to the suspension of the Company's exploration activities and has severely disrupted the global economy and financial markets. It is difficult to estimate the nature, timing, and extent of the business and economic impact on the Company's financial performance and this uncertainty could materially affect the Company's operations and financial condition. This uncertainty could also materially affect estimates including the valuation of long-lived assets, including property and equipment and mineral property assets. Actual results may materially differ from these estimates.

**3. MINERAL PROPERTY AND EXPLORATION AND EVALUATION EXPENDITURES**

**Eagle Mountain Gold Project – Guyana**

	As at December 31, 2018	Additions during the year	As at December 31, 2019	Additions during the period	As at March 31, 2020
Mineral property acquisition costs					
Mineral property acquired	\$ 5,814,856	\$ 33,271	\$ 5,848,127	\$ -	\$ 5,848,127
Shares issued	853,427	-	853,427	-	853,427
Impairment	-	(126,046)	(126,046)	-	(126,046)
<b>Total mineral property acquisition costs</b>	<b>\$ 6,668,283</b>	<b>\$ (92,775)</b>	<b>\$ 6,575,508</b>	<b>-</b>	<b>\$ 6,575,508</b>

During 2018, the Company entered into an option agreement to acquire a 100% interest in the Bishop Growler Property, located three kilometres from the Eagle Mountain Gold Project, for total consideration of US\$1,025,000. To December 31, 2019, the Company made two option payments (US\$75,000 and US\$25,000) totaling US\$100,000.

During the three months ended March 31, 2020, the Company terminated its option to purchase the Bishop Growler property, as exploration activities on the Bishop Growler property indicated that the property did not have the potential to be included in a large-scale mining operation. Accordingly, during the year ended December 31, 2019, the Company recorded impairment expense of \$126,046 for all related capitalized acquisition costs.

**GOLDSOURCE MINES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020**

**3. MINERAL PROPERTY AND EXPLORATION AND EVALUATION EXPENDITURES (continued)**

**Eagle Mountain Gold Project – Guyana (continued)**

The following table details the exploration and evaluation expenditures on the Company's Eagle Mountain Gold Project:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Exploration and evaluation expenditures:		
Assays	\$ 73,044	\$ 20,017
Camp costs	166,150	88,494
Depreciation (note 4)	53,678	117,735
Drilling	664,002	29,609
Operations and general	62,365	80,012
Salaries (note 6)	337,773	238,619
Share-based compensation	-	46,065
Technical services and consulting	119,260	21,115
<b>Total exploration and evaluation expenditures</b>	<b>\$ 1,476,272</b>	<b>\$ 641,666</b>

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. 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;
  - 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.
- 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 \$292,178 (US\$206,200) (December 31, 2019 – \$268,387 (US\$206,200)) reclamation site bond, included in deposits on the statement of financial position, held by the Guyana Geology and Mines Commission for exploration permits on the Eagle Mountain Gold Project.

Goldsource's subsidiary Stronghold holds a prospecting license on the Eagle Mountain Property ("EMPL"), which was renewed on October 18, 2019 for a three-year period. 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 Guyanese 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.

**GOLDSOURCE MINES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**FOR THE THREE MONTHS ENDED MARCH 31, 2020**

**4. PROPERTY, PLANT AND EQUIPMENT**

	Eagle Mountain Gold Project			Right of use asset	Corporate office	Total
	Construction in progress	Processing plant <sup>(3)</sup>	Other equipment <sup>(2)</sup>			
<b>Cost</b>						
As at December, 31, 2018	\$ 87,394	\$ 3,355,224	\$ 2,411,846	\$ -	\$ 68,507	\$ 5,922,971
Recognition of right of use asset upon initial adoption of accounting policy	-	-	-	173,493	-	173,493
Additions	-	-	124,800	-	2,080	126,880
Changes in asset retirement obligation	-	(37,935)	-	-	-	(37,935)
Disposals	(87,394)	(61,640)	-	-	-	(149,034)
<b>As at December 31, 2019</b>	<b>-</b>	<b>3,255,649</b>	<b>2,536,646</b>	<b>173,493</b>	<b>70,587</b>	<b>6,036,375</b>
Additions	21,155	-	81,136	-	-	102,291
Changes in asset retirement obligation	-	4,808	-	-	-	4,808
<b>As at March 31, 2020</b>	<b>\$ 21,155</b>	<b>\$ 3,260,457</b>	<b>\$ 2,617,782</b>	<b>\$ 173,493</b>	<b>\$ 70,587</b>	<b>\$ 6,143,474</b>
<b>Accumulated depreciation</b>						
As at December, 31, 2018	\$ -	\$ 1,141,578	\$ 1,251,059	\$ -	\$ 65,993	\$ 2,458,630
Depreciation for the year	-	111,299	383,145	37,853	2,683	534,980
Disposal	-	(25,090)	-	-	-	(25,090)
<b>As at December 31, 2019</b>	<b>-</b>	<b>1,227,787</b>	<b>1,634,204</b>	<b>37,853</b>	<b>68,676</b>	<b>2,968,520</b>
Depreciation for the period <sup>(1)</sup>	-	(19,614)	79,055	9,463	422	69,326
<b>As at March 31, 2020</b>	<b>\$ -</b>	<b>\$ 1,208,173</b>	<b>\$ 1,713,259</b>	<b>\$ 47,316</b>	<b>\$ 69,098</b>	<b>\$ 3,037,846</b>
<b>Carrying amounts</b>						
As at December 31, 2019	\$ -	\$ 2,027,862	\$ 902,442	\$ 135,640	\$ 1,911	\$ 3,067,855
<b>As at March 31, 2020</b>	<b>\$ 21,155</b>	<b>\$ 2,052,284</b>	<b>\$ 904,523</b>	<b>\$ 126,177</b>	<b>\$ 1,489</b>	<b>\$ 3,105,628</b>

<sup>(1)</sup> During the three months ended March 31, 2020, depreciation expense of \$53,678 (March 31, 2019 – \$117,735) was recorded in exploration and evaluation expenditures (note 3).

<sup>(2)</sup> Other equipment consists of vehicles, buildings, and equipment.

<sup>(3)</sup> During the year ended December 31, 2019, the Company changed its estimate for the remaining useful life for the processing plant. The Company now estimates that the processing plant's useful life will end in 2027. The change in estimated useful life has resulted in a reduction in depreciation of \$19,614 for the period ended March 31, 2020. The total effect of these changes on actual and expected depreciation expense, included in exploration and evaluation expenditures, is as follows:

	2019	2020	2021	2022	2023	Later
(Decrease) increase in depreciation expense	(201,565)	(201,565)	(201,565)	(201,565)	1,316	804,946

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020**

**5. 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.

	Three months ended March 31, 2020	Year ended December 31, 2019
Balance, beginning of period (year)	\$ 391,051	\$ 410,709
Changes in obligation	1,985	7,601
Accretion expense	5,608	18,277
Changes in estimates	2,823	(45,536)
<b>Balance, end of period (year)</b>	<b>\$ 401,467</b>	<b>\$ 391,051</b>

During the year ended December 31, 2019, the Company changed its estimate for when rehabilitation costs would be realized. The Company now estimates that rehabilitation costs will be incurred in 2027. As a result, the Company recorded a reduction of the rehabilitation provision, and a corresponding reduction of the related asset, of \$45,536.

The present value of the rehabilitation provision, using an effective discount rate of 5% (December 31, 2019 – 5%), is currently estimated at \$401,467 (US\$246,288 (December 31, 2019 – \$391,051 (US\$242,706))), reflecting anticipated cash flows to be incurred over approximately the next eight years (December 31, 2019 – nine years). The undiscounted value of these obligations is \$431,534 (US\$333,750) (December 31, 2019 – \$429,185 (US\$332,000)), calculated using a long-term inflation rate assumption of 2.5% (December 31, 2019 – 2.4%).

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.

**6. RELATED PARTY TRANSACTIONS**

**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, COO, Chief Financial Officer ("CFO"), and directors. Key management personnel compensation is summarized as follows:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Management remuneration <sup>(1)</sup>	\$ 75,750	\$ 73,125
Directors fees	9,000	-
Share-based compensation <sup>(2)</sup>	-	258,562
	<b>\$ 84,750</b>	<b>\$ 331,687</b>

<sup>(1)</sup> The Company paid management fees to companies controlled by the COO and the President, and paid remuneration and short-term benefits to the CFO.

<sup>(2)</sup> Share-based compensation is the vested portion of the fair value at grant date of stock options awarded to all directors and officers of the Company.

**Legal fees**

During the three months ended March 31, 2020, legal fees of \$10,859 (March 31, 2019 – \$6,846), included in professional fees, and capital stock issuance costs of \$85,252 (March 31, 2019 – \$33,738) were paid or accrued to Koffman Kalef LLP, a law firm of which an officer of the Company is a partner, of which \$88,039 (December 31, 2019 – \$1,377) was payable at March 31, 2020.

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**6. RELATED PARTY TRANSACTIONS (continued)**

**Other transactions**

During the three months ended March 31, 2020, the Company paid remuneration of \$Nil (March 31, 2019 – \$1,667) and recognized share-based compensation of \$Nil (March 31, 2019 – \$4,607) to employees who are immediate family members of the COO. Remuneration and share-based payments incurred to these employees were recorded as exploration and evaluation expenditures (note 3).

The Company has 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 expenses. During the three months ended March 31, 2020, the Company was allocated \$37,378 (March 31, 2019 – \$56,453) for its share of these expenses, of which \$34,862 (December 31, 2019 – \$36,428) was payable to SilverCrest at March 31, 2020.

**7. 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 March 31, 2020, the Company had 374,803,610 common shares and no preferred shares outstanding.

*Three months ended March 31, 2020*

The Company issued 600,000 common shares at \$0.09 per common share for gross proceeds of \$54,000 on the exercise of warrants.

The Company completed a private placement of 60,026,500 units at a price of \$0.11 per unit for gross proceeds of \$6,602,915. Each unit consisted of one common share and one-half warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.16 until September 24, 2022. The Company determined that the warrants did not have any residual value. The Company paid cash commissions of \$371,777, and issued 3,571,590 agents’ warrants with a total fair value of \$290,708. Each agent warrant is exercisable to acquire one common share at a price of \$0.11 until March 24, 2022. The Company incurred capital stock issuance costs of \$212,096 in connection with the private placement.

*Year ended December 31, 2019*

The Company completed a private placement of 26,000,000 units at a price of \$0.05 per unit for gross proceeds of \$1,300,000. Each unit consisted of one common share and one warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.09 until January 17, 2021. The Company determined that the warrants did not have any residual value. The Company paid finder’s fees of \$28,500 and incurred capital stock issuance costs of \$79,418 in connection with the private placement.

The Company completed a private placement of 62,330,000 units at a price of \$0.12 per unit for gross proceeds of \$7,479,600. Each unit consisted of one common share and one-half warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.20 until April 11, 2021. The Company determined that the warrants did not have any residual value. The Company paid cash commissions of \$503,756 and issued 3,739,800 agents’ warrants with a total fair value of \$403,195. Each agent warrant is exercisable to acquire one common share at a price of \$0.12 per share until April 11, 2021. The Company incurred capital stock issuance costs of \$68,619 in connection with the private placement.

The Company issued 3,700,400 common shares at \$0.10 per common share and 28,800 common shares for \$0.12 per common share for gross proceeds of \$373,496 upon the exercise of warrants. Accordingly, the company reallocated \$3,105 from reserves to capital stock. The Company also issued 200,000 common shares at \$0.10 per common share for gross proceeds of \$20,000 upon the exercise of stock options. Accordingly, the Company reallocated \$15,463 from reserves to capital stock.

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**7. CAPITAL STOCK (continued)**

**Warrants**

Warrant transactions during the period (year) are as follows:

	Three months ended March 31, 2020		Year ended December 31, 2019	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
Outstanding, beginning of period (year)	102,980,872	\$ 0.13	72,038,722	\$ 0.15
Issued	33,584,840	0.15	60,904,800	0.15
Exercised	(600,000)	0.09	(3,729,200)	0.10
Expired	(32,957,600)	0.10	(26,233,450)	0.23
Outstanding, end of period (year)	103,008,112	\$ 0.15	102,980,872	\$ 0.13

The warrants outstanding at March 31, 2020 are as follows:

Expiry date	Exercise price	Remaining life (years)	Number of Warrants
August 10, 2020	\$ 0.09	0.36	9,147,272
January 17, 2021	\$ 0.09	0.80	25,400,000
April 11, 2021	\$ 0.20	1.03	31,165,000
April 11, 2021	\$ 0.12	1.03	3,711,000
March 24, 2022	\$ 0.11	1.98	3,571,590
September 24, 2022	\$ 0.16	2.48	30,013,250
			103,008,112

The weighted average remaining life of warrants outstanding is 1.37 years.

**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 period (year) are as follows:

	Three months ended March 31, 2020		Year ended December 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period (year)	16,135,000	\$ 0.13	9,535,000	\$ 0.18
Issued	-	-	8,800,000	0.10
Exercised	-	-	(200,000)	0.10
Expired	(1,750,000)	0.20	(1,400,000)	0.24
Forfeited	-	-	(600,000)	0.21
Outstanding, end of period (year)	14,385,000	\$ 0.12	16,135,000	\$ 0.13

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**7. CAPITAL STOCK (continued)**

**Stock options (continued)**

During the three months ended March 31, 2020, no stock options were granted by the Company.

During the year ended December 31, 2019, the Company granted:

- 3,400,000 stock options to directors, officers, employees, and consultants that can be exercised at a price of \$0.13 per share until January 25, 2024. These stock options vest immediately except for 150,000, 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.
- 450,000 stock options to employees and consultants that can be exercised at a price of \$0.14 per share until June 13, 2024. These stock options vest immediately except for 300,000, 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.
- 450,000 stock options to a consultant that can be exercised at a price of \$0.14 per share until June 13, 2022. These stock options 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 of the Company that can be exercised at a price of \$0.08 per share until November 18, 2024. These stock options vest immediately.
- 4,000,000 stock options to directors, officers, employees, and consultants that can be exercised at a price of \$0.06 per share until December 23, 2024. These stock options vest immediately except for 150,000, 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.

Stock options outstanding and exercisable at March 31, 2020 are as follows:

Expiry date	Exercise price	Options outstanding		Options exercisable
		Number of shares issuable on exercise	Remaining life (years)	Number of shares issuable on exercise
October 1, 2020	\$ 0.16	35,000	0.50	35,000
December 16, 2020	\$ 0.21	1,625,000	0.71	1,625,000
February 1, 2021	\$ 0.28	75,000	0.84	75,000
February 21, 2022	\$ 0.17	1,700,000	1.90	1,700,000
March 28, 2022	\$ 0.16	500,000	1.99	500,000
May 30, 2022	\$ 0.13	50,000	2.16	50,000
June 13, 2022	\$ 0.14	450,000	2.20	337,500
January 31, 2023	\$ 0.10	1,600,000	2.84	1,600,000
January 25, 2024	\$ 0.13	3,400,000	3.82	3,400,000
June 13, 2024	\$ 0.14	450,000	4.21	375,000
November 18, 2024	\$ 0.08	500,000	4.64	500,000
December 23, 2024	\$ 0.06	4,000,000	4.73	3,887,500
		14,385,000		14,085,000

The weighted average remaining life of options outstanding is 3.28 years.

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**7. CAPITAL STOCK (continued)**

**Share-based compensation**

The fair value of agents' warrants issued and stock options granted during the three months ended March 31, 2020 and 2019, respectively, was estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Expected option life (years)	2.00	4.44
Expected volatility	137%	119%
Expected dividend yield	-	-
Risk-free interest rate	0.59%	1.88%
Expected forfeiture rate	1.00%	1.00%
Fair value per option	\$ 0.08	\$ 0.10
<b>Total fair value</b>	<b>\$ 290,708</b>	<b>\$ 346,087</b>

During the three months ended March 31, 2020, the Company recognized share-based compensation of \$290,708, for the agents' warrants issued during the period, all of which was considered capital stock issuance costs. The Company also recognized share-based compensation expense of \$12,942 for the vested portion of options previously granted during 2019.

During the three months ended March 31, 2019, the Company recognized share-based compensation of \$337,441, for the vested portion of options granted during the period, of which \$291,376 was expensed and \$46,065 was considered exploration expenditures (note 3). The Company also recognized share-based compensation expense of \$138 for the vested portion of options previously granted during 2018.

**Share-based payment reserve**

The share-based payment reserve records items recognized as share-based compensation and the fair value of compensatory warrants. 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:

	Three months ended March 31, 2020	Year ended December 31, 2019
Balance, beginning of period (year)	\$ 6,753,121	\$ 6,013,767
Share-based compensation	12,942	633,089
Fair value of agents' warrants	290,708	403,195
Stock options exercised, reallocated to capital stock	-	(15,463)
Agents' warrants exercised, reallocated to capital stock	-	(3,105)
Stock options expired, reallocated to deficit	(190,020)	(278,362)
<b>Balance, end of period (year)</b>	<b>\$ 6,866,751</b>	<b>\$ 6,753,121</b>

**8. CONTINGENCY**

In November 2019, Kilroy received a demand for foregone customs duty and taxes from the Guyana Revenue Agency ("GRA"). The GRA alleges that the joint venture agreement between Kilroy and Stronghold, a wholly owned subsidiary of the Company, has breached the terms of the customs duty and tax exemption granted to Kilroy during 2015 and 2016 on the purchase of mining equipment. The GRA seeks payment of \$486,620 (\$73,056,644 Guyanese dollars). Management believes that these claims are without merit and intends to defend against the claim. Accordingly, the Company has not accrued any amounts related to this claim.



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**9. LEASE LIABILITY**

Lease liability	March 31, 2020		December 31, 2019	
Lease liability	\$	131,689	\$	140,813
Less: current portion		(55,720)		(55,720)
Long-term portion	\$	75,969	\$	85,093

Changes to the Company's lease liability was as follows:

	Three months ended		Year ended	
	March 31, 2020		December 31, 2019	
Opening balance	\$	140,813	\$	-
Lease liability due to initial application of IFRS 16		-		173,493
Interest expense		5,975		27,714
Interest paid		(5,975)		(27,714)
Payment of principal portion of lease liabilities		(9,124)		(32,680)
Balance, end of period (year)	\$	131,689	\$	140,813

**10. 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:

	Canada	Guyana	Total
<b><u>Comprehensive loss</u></b>			
<b>Three months ended March 31, 2020</b>			
Net loss for the period	\$ 217,229	\$ 1,448,803	\$ 1,666,032
<b>Three months ended March 31, 2019</b>			
Net loss for the period	\$ 537,827	\$ 653,116	\$ 1,190,943
<b><u>Non-current assets and liabilities</u></b>			
<b>March 31, 2020</b>			
Deposit	\$ -	\$ 301,165	\$ 301,165
Rent deposit	\$ 36,053	\$ -	\$ 36,053
Mineral property	\$ -	\$ 6,575,508	\$ 6,575,508
Property, plant and equipment	\$ 127,665	\$ 2,977,963	\$ 3,105,628
<b>December 31, 2019</b>			
Deposit	\$ -	\$ 268,387	\$ 268,387
Rent deposit	\$ 36,053	\$ -	\$ 36,053
Mineral property	\$ -	\$ 6,575,508	\$ 6,575,508
Property, plant and equipment	\$ 137,550	\$ 2,930,305	\$ 3,067,855

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**11. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT**

**Financial instruments carrying value and fair value**

The Company's financial instruments consist of cash and cash equivalents, marketable securities, deposit, accounts payable, and loan payable. The carrying value of the deposits and accounts payable approximates the fair value due to the short-term nature of these instruments. The fair value of the Company's long-term deposit approximates its' carrying value as it is a bond held at a financial institution.

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 marketable securities are measured using level 1 inputs.

The following table summarizes the classification and carrying values of the Company's financial instruments:

		FVTPL	Amortized cost (financial assets)	Amortized cost (financial liabilities)	Total
<b>March 31, 2020</b>					
<b>Financial assets</b>					
Cash and cash equivalents	\$	-	\$ 7,674,881	\$ -	\$ 7,674,881
Amounts receivable		-	30,013	-	30,013
Held-for-trading securities		1,015	-	-	1,015
<b>Total financial assets</b>	<b>\$</b>	<b>1,015</b>	<b>\$ 7,704,894</b>	<b>\$ -</b>	<b>\$ 7,705,909</b>
<b>Financial liabilities</b>					
Accounts payable and accrued liabilities	\$	-	\$ -	\$ 698,704	\$ 698,704
Lease liability		-	-	131,689	131,689
<b>Total financial liabilities</b>	<b>\$</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 830,393</b>	<b>\$ 830,393</b>
<b>December 31, 2019</b>					
<b>Financial assets</b>					
Cash and cash equivalents	\$	-	\$ 3,159,068	\$ -	\$ 3,159,068
Amounts receivable		-	62,641	-	62,641
Held-for-trading securities		507	-	-	507
<b>Total financial assets</b>	<b>\$</b>	<b>507</b>	<b>\$ 3,221,709</b>	<b>\$ -</b>	<b>\$ 3,222,216</b>
<b>Financial liabilities</b>					
Accounts payable and accrued liabilities	\$	-	\$ -	\$ 475,417	\$ 475,417
Lease liability		-	-	140,813	140,813
<b>Total financial liabilities</b>	<b>\$</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 616,230</b>	<b>\$ 616,230</b>