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**GOLDSOURCE MINES INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED JUNE 30, 2021**

**(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**

	June 30, 2021	December 31, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 13,509,896	\$ 4,052,594
Amounts receivable	30,763	38,177
Prepaid expenses and other	237,826	193,744
<b>Total current assets</b>	<b>13,778,485</b>	<b>4,284,515</b>
<b>Non-current assets</b>		
Deposit (note 3)	263,807	271,362
Rent deposit	36,053	36,053
Mineral property (note 3)	6,600,694	6,600,694
Property, plant and equipment (note 4)	704,133	739,558
<b>Total non-current assets</b>	<b>7,604,687</b>	<b>7,647,667</b>
<b>TOTAL ASSETS</b>	<b>\$ 21,383,172</b>	<b>\$ 11,932,182</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 6)	\$ 555,688	\$ 365,183
Lease liability (note 9)	55,720	55,720
<b>Total current liabilities</b>	<b>611,408</b>	<b>420,903</b>
<b>Non-current liabilities</b>		
Lease liability (note 9)	23,703	46,019
Rehabilitation provision (note 5)	404,240	359,913
<b>Total liabilities</b>	<b>1,039,351</b>	<b>826,835</b>
<b>Shareholders' equity</b>		
Capital stock (note 7)	83,505,762	70,500,853
Reserves (note 7)	7,135,538	7,018,101
Deficit	(70,297,479)	(66,413,607)
<b>Total shareholders' equity</b>	<b>20,343,821</b>	<b>11,105,347</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 21,383,172</b>	<b>\$ 11,932,182</b>

Nature and continuance of operations (note 1)

Contingencies (note 8)

Approved by the Board and authorized for issue on August 23, 2021.

*"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 AND SIX MONTHS ENDED JUNE 30,**

	Three months ended		Six months ended	
	2021	2020	2021	2020
Accretion (note 5)	\$ 11,785	\$ (4,409)	\$ 16,257	\$ 1,199
Depreciation (note 4)	9,463	14,440	18,926	30,088
Exploration and evaluation expenditures (note 3)	1,758,949	1,129,570	3,446,701	2,650,112
Foreign exchange (gain) loss	(162,030)	95,743	(106,282)	4,306
General and administrative expenses	53,765	38,901	83,966	70,694
Interest expense (note 9)	3,691	5,557	7,881	11,532
Interest income	(5,182)	(15,622)	(12,967)	(25,591)
Loss on change in rehabilitation provision (note 5)	16,512	-	28,070	-
Marketing	68,387	42,349	91,579	103,487
Professional fees (note 6)	62,669	39,654	81,539	67,179
Remuneration (note 6)	140,667	121,634	309,212	207,901
Share-based compensation (note 7)	16,595	5,396	34,034	18,338
<b>Net and comprehensive loss for the period</b>	<b>\$ (1,975,271)</b>	<b>\$ (1,473,213)</b>	<b>\$ (3,998,916)</b>	<b>\$ (3,139,245)</b>
<b>Basic and diluted comprehensive loss per common share</b>	<b>\$ (0.04)</b>	<b>\$ (0.04)</b>	<b>\$ (0.09)</b>	<b>\$ (0.09)</b>
<b>Weighted average number of common shares outstanding</b>	<b>45,932,043</b>	<b>37,480,361</b>	<b>43,198,161</b>	<b>34,691,775</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 SIX MONTHS ENDED JUNE 30,**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (3,998,916)	\$ (3,139,245)
Items not affecting cash:		
Accretion expense	16,257	1,199
Depreciation	174,730	488,319
Foreign exchange (gain) loss	7,555	(22,108)
Interest expense	7,881	11,532
Interest income	(12,967)	(25,591)
Loss on change in rehabilitation provision	28,070	-
Share-based compensation	34,034	18,338
Changes in non-cash working capital items:		
Amounts receivable	(8,851)	(544)
Taxes receivable	(7,743)	(4,032)
Prepaid expenses	(44,082)	(149,990)
Accounts payable and accrued liabilities	97,576	(193,415)
<b>Net cash used in operating activities</b>	<b>(3,706,456)</b>	<b>(3,015,537)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(143,207)	(105,132)
Interest received	36,975	58,519
<b>Net cash used in investing activities</b>	<b>(106,232)</b>	<b>(46,613)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital stock issued	14,169,000	6,656,915
Capital stock issuance costs	(868,813)	(589,019)
Payment of lease liabilities	(30,197)	(30,197)
<b>Net cash provided by financing activities</b>	<b>13,269,990</b>	<b>6,037,699</b>
<b>Change in cash and cash equivalents, during the period</b>	<b>9,457,302</b>	<b>2,975,549</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>4,052,594</b>	<b>3,159,068</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 13,509,896</b>	<b>\$ 6,134,617</b>
<b>Cash and cash equivalents is represented by:</b>		
Cash	13,498,396	273,020
Cash equivalents	11,500	5,861,597
	<b>\$ 13,509,896</b>	<b>\$ 6,134,617</b>
<b>Non-cash investing activities</b>		
Capitalized to property, plant and equipment		
Rehabilitation provision	\$ -	\$ 33,015
Accounts payable and accrued liabilities	\$ 10,726	\$ -
<b>Non-cash financing activities</b>		
Capital stock issuance costs in accounts payable and accrued liabilities	\$ 96,831	\$ -
Fair value of agents' warrants	\$ 230,451	\$ 290,708

*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		Reserves	Deficit	Total
	Number	Amount	Share-based payments		
<b>Balance at December 31, 2019</b>	31,417,681	\$ 63,225,056	\$ 6,753,121	\$ (57,756,804)	\$ 12,221,373
Private placement	6,002,650	6,602,915	-	-	6,602,915
Capital stock issuance costs	-	(879,727)	290,708	-	(589,019)
Warrants exercised	60,000	54,000	-	-	54,000
Share-based compensation	-	-	18,338	-	18,338
Stock options expired	-	-	(190,020)	190,020	-
Net loss and comprehensive loss for the period	-	-	-	(3,139,245)	(3,139,245)
<b>Balance at June 30, 2020</b>	37,480,331	69,002,244	6,872,147	(60,706,029)	15,168,362
Capital stock issuance costs	-	3,250	-	-	3,250
Warrants exercised	1,604,349	1,495,359	(40,426)	-	1,454,933
Share-based compensation	-	-	459,363	-	459,363
Stock options expired	-	-	(272,983)	272,983	-
Net loss and comprehensive loss for the period	-	-	-	(5,980,561)	(5,980,561)
<b>Balance at December 31, 2020</b>	39,084,680	70,500,853	7,018,101	(66,413,607)	11,105,347
Private placement (note 7)	11,500,000	12,650,000	-	-	12,650,000
Capital stock issuance costs (note 7)	-	(1,196,095)	230,451	-	(965,644)
Warrants exercised (note 7)	1,640,000	1,476,000	-	-	1,476,000
Share-based compensation (note 7)	-	-	34,034	-	34,034
Stock options exercised (note 7)	65,000	75,004	(32,004)	-	43,000
Stock options expired (note 7)	-	-	(115,044)	115,044	-
Net loss and comprehensive loss for the period	-	-	-	(3,998,916)	(3,998,916)
<b>Balance at June 30, 2021</b>	52,289,680	\$ 83,505,762	\$ 7,135,538	\$ (70,297,479)	\$ 20,343,821

*The accompanying notes are an integral part 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 SIX MONTHS ENDED JUNE 30, 2021**

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Goldsource Mines Inc. (the “Company” or “Goldsource”) is a Canadian resource company engaged in exploration activities. The Company’s primary business objective is to advance the mineral properties at the Eagle Mountain Project through exploration and technical studies, targeting low-cost gold production 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.

Effective June 4, 2021, the Company completed a 10 to 1 share consolidation of its issued share capital on a ten (10) old for one (1) new basis. The Company will continue to trade under the symbol “GXS” on the TSX-V. All references to capital stock, warrants, options and per share data have been adjusted retrospectively and rounded down to reflect the Company’s 10 to 1 share consolidation.

At June 30, 2021, the Company had cash and cash equivalents of \$13.5 million. The Company believes its cash and cash equivalents will be sufficient to maintain its exploration activities at the Eagle Mountain Property 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 ongoing 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 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 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. 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. The recent increase in COVID-19 cases and variants globally may impact the Company’s operations due to additional government mandated shutdowns or closures.

**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, 2020, 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, respectively, 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 SIX MONTHS ENDED JUNE 30, 2021**

**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.

Certain comparative figures have been reclassified to conform to the current period's presentation.

These condensed consolidated interim financial statements were approved for issuance by the Board of Directors on August 23, 2021.

**Basis of consolidation**

These condensed consolidated interim financial 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 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, 2019	Additions during the year	As at December 31, 2020 and June 30, 2021
Mineral property acquisition costs			
Mineral property acquired	\$ 5,848,127	\$ 25,186	\$ 5,873,313
Shares issued	853,427	-	853,427
Impairment	(126,046)	-	(126,046)
<b>Total mineral property acquisition costs</b>	<b>\$ 6,575,508</b>	<b>\$ 25,186</b>	<b>\$ 6,600,694</b>

During 2020, the Company terminated its option agreement to acquire a 100% interest in 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 2019, the Company recorded impairment expense of \$126,046 for all related capitalized acquisition costs.

On October 20, 2020, the Company entered into an option and purchase agreement to acquire a 100% interest in the Ann Mining Claim, at the Minnehaha Creek area, for total consideration of US\$290,000. The terms of the agreement include immediate access to the land for exploration purposes for 2 years, the right to purchase the claim for US\$250,000, and the right to terminate the agreement at any time. In 2020, the Company made an option payment of \$25,186 (US\$20,000) upon the signing of the agreement.

**GOLDSOURCE MINES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2021**

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

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

The payments are scheduled as follows:

- i. US\$20,000 upon signing of the agreement (paid);
- ii. US\$20,000 in October 2021; and
- iii. US\$250,000 upon exercise of the option for the acquisition of the property.

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

	Six months ended June 30, 2021	Six months ended June 30, 2020
Exploration and evaluation expenditures:		
Assays	\$ 156,682	\$ 88,954
Camp costs	394,000	216,156
Depreciation (note 4)	155,804	458,231
Drilling	1,315,484	701,120
Operations and general	181,654	318,795
Salaries (note 6)	843,935	736,754
Technical services and consulting	399,142	130,102
<b>Total exploration and evaluation expenditures</b>	<b>\$ 3,446,701</b>	<b>\$ 2,650,112</b>

The Company pledged a \$255,585 (US\$206,200) (December 31, 2020 – \$262,718 (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**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2021**

**4. PROPERTY, PLANT AND EQUIPMENT**

	Eagle Mountain Gold Project			Right of use asset	Corporate office	Total
	Exploration camp in progress	Processing plant <sup>(3)</sup>	Other equipment <sup>(2)</sup>			
<b>Cost</b>						
As at December 31, 2019	\$ -	\$ 3,255,649	\$ 2,536,646	\$ 173,493	\$ 70,587	\$ 6,036,375
Additions	56,230	-	99,954	-	-	156,184
Changes in asset retirement obligation	-	(40,545)	-	-	-	(40,545)
Reclassification	(21,847)	-	21,847	-	-	-
Impairment	-	(3,215,104)	-	-	-	(3,215,104)
<b>As at December 31, 2020</b>	<b>34,383</b>	<b>-</b>	<b>2,658,447</b>	<b>173,493</b>	<b>70,587</b>	<b>2,936,910</b>
Additions	19,267	-	120,038	-	-	139,305
Reclassification	(34,383)	-	34,383	-	-	-
<b>As at June 30, 2021</b>	<b>\$ 19,267</b>	<b>\$ -</b>	<b>\$ 2,812,868</b>	<b>\$ 173,493</b>	<b>\$ 70,587</b>	<b>\$ 3,076,215</b>
<b>Accumulated depreciation</b>						
As at December 31, 2019	\$ -	\$ 1,227,787	\$ 1,634,204	\$ 37,853	\$ 68,676	\$ 2,968,520
Depreciation for the year	-	322,673	416,856	37,852	1,911	779,292
Impairment	-	(1,550,460)	-	-	-	(1,550,460)
<b>As at December 31, 2020</b>	<b>-</b>	<b>-</b>	<b>2,051,060</b>	<b>75,705</b>	<b>70,587</b>	<b>2,197,352</b>
Depreciation for the period <sup>(1)</sup>	-	-	155,804	18,926	-	174,730
<b>As at June 30, 2021</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,206,864</b>	<b>\$ 94,631</b>	<b>\$ 70,587</b>	<b>\$ 2,372,082</b>
<b>Carrying amounts</b>						
<b>As at December 31, 2020</b>	<b>\$ 34,383</b>	<b>\$ -</b>	<b>\$ 607,387</b>	<b>\$ 97,788</b>	<b>\$ -</b>	<b>\$ 739,558</b>
<b>As at June 30, 2021</b>	<b>\$ 19,267</b>	<b>\$ -</b>	<b>\$ 606,004</b>	<b>\$ 78,862</b>	<b>\$ -</b>	<b>\$ 704,133</b>

<sup>(1)</sup> During the six months ended June 30, 2021, depreciation expense of \$155,804 (June 30, 2020 – \$458,231) was recorded in exploration and evaluation expenditures (note 3).

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

<sup>(3)</sup> During the year ended December 31, 2020, management assessed that indicators of impairment exist for the processing plant. In 2020, damage to the processing plant caused by exposure to heavy rain, vegetation, and high humidity was identified. Management determined that the carrying value of the processing plant was impaired. Accordingly, the Company recorded impairment expense of \$1,664,644 to reduce the net book value of the processing plant to \$Nil.

**5. REHABILITATION PROVISION**

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

	Six months ended	Year ended
	June 30, 2021	December 31, 2020
Balance, beginning of period (year)	\$ 359,913	\$ 391,051
Changes in obligation	3,624	7,048
Accretion expense	16,257	9,407
Changes in estimates	24,446	(47,593)
<b>Balance, end of period (year)</b>	<b>\$ 404,240</b>	<b>\$ 359,913</b>

The present value of the rehabilitation provision, using an effective discount rate of 5% (December 31, 2020 – 5%), is currently estimated at \$404,240 (US\$304,598) (December 31, 2020 – \$359,913 (US\$269,403)), reflecting anticipated cash flows to be incurred over approximately the next seven years. The undiscounted value of these obligations is \$442,938 (US\$342,500) (December 31, 2020 – \$438,573 (US\$339,000)) calculated using a long-term inflation rate assumption of 1.8% (December 31, 2020 – 0.8%). The Company estimates that rehabilitation costs will be incurred in 2027.

**GOLDSOURCE MINES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2021**

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**5. REHABILITATION PROVISION** (continued)

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 Chief Executive Officer ("CEO"), President, Executive Chairman and Vice President of Finance ("VP Finance"), former Chief Financial Officer ("former CFO"), and directors. Key management personnel compensation is summarized as follows:

	Six months ended June 30, 2021	Six months ended June 30, 2020
Management remuneration <sup>(1)</sup>	\$ 252,500	\$ 178,713
Directors fees	22,500	18,000
Share-based compensation <sup>(2)</sup>	30,743	-
	<u>\$ 305,743</u>	<u>\$ 196,713</u>

<sup>(1)</sup> The Company paid management fees to companies controlled by the President and VP Finance and remuneration to the CEO. Remuneration was paid to the former CFO during the six months ended June 30, 2020.

<sup>(2)</sup> Share-based compensation is the vested portion of the fair value at the grant date of stock options awarded to key management personnel.

**Legal fees**

During the six months ended June 30, 2021, legal fees of \$36,030 (June 30, 2020 – \$39,908), included in professional fees, and capital stock issuance costs of \$85,484 (June 30, 2020 – \$90,414) were paid or accrued to Koffman Kalef LLP, a law firm of which an officer of the Company is a partner. As at June 30, 2021, \$94,222 (December 31, 2020 – \$Nil) was payable to Koffman Kalef LLP.

**Other transactions**

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 six months ended June 30, 2021, the Company was allocated \$56,739 (June 30, 2020 – \$81,245) for its share of these expenses, of which \$30,001 (December 31, 2020 – \$32,849) was payable to SilverCrest at June 30, 2021.

**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**

Effective June 4, 2021, the Company completed 10 to 1 share consolidation of its issued share capital on a ten old for one new basis. All references to capital stock, warrants, options and per share data have been adjusted retrospectively and rounded down to reflect the Company's 10 to 1 share consolidation.

At June 30, 2021, the Company had 52,289,680 common shares and no preferred shares outstanding.

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**7. CAPITAL STOCK (continued)**

**Issued and outstanding (continued)**

*Six months ended June 30, 2021*

The Company issued 1,640,000 common shares at a price of \$0.90 per share for gross proceeds of \$1,476,000 upon the exercise of warrants.

The Company completed a private placement of 11,500,000 units at a price of \$1.10 per unit for gross proceeds of \$12,650,000. 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 \$1.40 until May 20, 2023. The Company determined that the warrants did not have any residual value. The Company paid cash commissions of \$729,000, and issued 330,716 agents' warrants with a total fair value of \$230,451. Each agent warrant is exercisable to acquire one common share at a price of \$1.10 until May 20, 2023. The Company incurred capital stock issuance costs of \$236,644 in connection with the private placement.

The Company issued 65,000 common shares at prices ranging from \$0.60 to \$1.00 per common share for gross proceeds of \$43,000 upon the exercise of options. Accordingly, the Company reallocated \$32,004 from reserves to capital stock.

*Year ended December 31, 2020*

The Company issued 1,664,349 common shares at prices ranging from \$0.90 to \$1.20 per common share for gross proceeds of \$1,508,933 upon the exercise of warrants. Accordingly, the Company reallocated \$40,426 from reserves to capital stock.

The Company completed a private placement of 6,002,650 units at a price of \$1.10 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 \$1.60 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 357,157 agents' warrants with a total fair value of \$290,708. Each agent warrant is exercisable to acquire one common share at a price of \$1.10 until March 24, 2022. The Company incurred capital stock issuance costs of \$213,992 in connection with the private placement.

**Warrants**

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

	Six months ended June 30, 2021		Year ended December 31, 2020	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
Outstanding, beginning of period (year)	8,646,459	\$ 1.56	10,298,086	\$ 1.28
Issued	6,080,715	1.38	3,358,482	1.55
Exercised	(1,640,000)	0.90	(1,664,349)	0.91
Expired	(3,656,656)	1.87	(3,345,760)	1.00
Outstanding, end of period (year)	9,430,518	\$ 1.44	8,646,459	\$ 1.56

The warrants outstanding at June 30, 2021 are as follows:

Expiry date	Exercise price	Remaining life (years)	Number of Warrants
March 24, 2022	\$ 1.10	0.73	348,478
September 24, 2022	\$ 1.60	1.24	3,001,325
May 20, 2023	\$ 1.10	1.89	330,716
May 20, 2023	\$ 1.40	1.89	5,749,999
			9,430,518

The weighted average remaining life of warrants outstanding is 1.64 years.

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**7. CAPITAL STOCK (continued)**

**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:

	Six months ended June 30, 2021		Year ended December 31, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period (year)	1,745,000	\$ 1.15	1,613,500	\$ 1.30
Issued	-	-	542,500	1.29
Exercised	(65,000)	0.66	-	-
Expired	(7,500)	2.80	(311,000)	2.04
Forfeited	(105,000)	1.36	(100,000)	1.67
<b>Outstanding, end of period (year)</b>	<b>1,567,500</b>	<b>\$ 1.14</b>	<b>1,745,000</b>	<b>\$ 1.15</b>

During the six months ended June 30, 2021, no stock options were granted by the Company.

During the year ended December 31, 2020, the Company granted:

- 430,000 stock options to directors, officers, and employees that can be exercised at a price of \$1.30 per share until December 10, 2025. These stock options vest immediately.
- 5,000 stock options to an employee that can be exercised at a price of \$1.30 per share until October 28, 2021. 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.
- 100,000 stock options to the CEO of the Company that can be exercised at a price of \$1.25 per share until November 13, 2025. These stock options vest over a three-year period with 33% vesting after each of one year, two years, and three years after the grant date, respectively.
- 7,500 stock options to an employee that can be exercised at a price of \$1.25 per share until November 13, 2025. These stock options vest immediately.

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**7. CAPITAL STOCK (continued)**

**Stock options (continued)**

Stock options outstanding and exercisable at June 30, 2021 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 28, 2021	\$ 1.30	5,000	0.33	2,500
February 21, 2022	\$ 1.70	117,500	0.65	117,500
March 28, 2022	\$ 1.60	50,000	0.74	50,000
May 30, 2022	\$ 1.30	5,000	0.92	5,000
January 31, 2023	\$ 1.00	127,500	1.59	127,500
January 25, 2024	\$ 1.30	285,000	2.57	285,000
June 13, 2024	\$ 1.40	45,000	2.96	45,000
November 18, 2024	\$ 0.80	50,000	3.39	50,000
December 23, 2024	\$ 0.60	345,000	3.48	345,000
November 13, 2025	\$ 1.25	107,500	4.38	7,500
December 10, 2025	\$ 1.30	430,000	4.45	430,000
		1,567,500		1,465,000

The weighted average remaining life of options outstanding is 3.15 years.

**Share-based compensation**

The fair value of agents' warrants issued during the six months ended June 30, 2021 and 2020, was estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	Six months ended June 30, 2021	Six months ended June 30, 2020
Expected option life (years)	2.00	2.00
Expected volatility	111%	137%
Expected dividend yield	-	-
Risk-free interest rate	0.33%	0.59%
Expected forfeiture rate	1.00%	1.00%
Fair value per option	\$ 0.70	\$ 0.81
Total fair value	\$ 230,451	\$ 290,708

During the six months ended June 30, 2021, the Company recognized share-based compensation of \$230,451, for the agent's warrants issued during the period, all of which was considered capital stock issuance costs. The Company also recognized share-based compensation expense of \$34,034 for the vested portion of stock options previously granted during 2020.

During the six months ended June 30, 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 \$18,338 for the vested portion of options previously granted during 2019.

**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 stock options are cancelled or expired, the corresponding amount is reallocated to deficit.

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**7. CAPITAL STOCK** (continued)

**Share-based payment reserve** (continued)

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

	Six months ended June 30, 2021	Year ended December 31, 2020
Balance, beginning of period (year)	\$ 7,018,101	\$ 6,753,121
Share-based compensation	34,034	477,701
Fair value of agents' warrants	230,451	290,708
Stock options exercised, reallocated to capital stock	(32,004)	-
Agents' warrants exercised, reallocated to capital stock	-	(40,426)
Stock options expired, reallocated to deficit	(115,044)	(463,003)
Balance, end of period (year)	\$ 7,135,538	\$ 7,018,101

**8. CONTINGENCIES**

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 \$416,131 (\$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.

The Company is exposed to legal claims during the normal course of business. Management believes the claims are without merit and do not impact the condensed consolidated interim financial statements.

**9. LEASE LIABILITY**

The Company's lease liabilities were as follows:

Lease liability	June 30, 2021	December 31, 2020
Lease liability	\$ 79,423	\$ 101,739
Less: current portion	(55,720)	(55,720)
Long-term portion	\$ 23,703	\$ 46,019

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

	Six months ended June 30, 2021	Year ended December 31, 2020
Opening balance	\$ 101,739	\$ 140,813
Interest expense	7,881	21,321
Interest paid	(7,881)	(21,321)
Payment of principal portion of lease liabilities	(22,316)	(39,074)
Balance, end period (year)	\$ 79,423	\$ 101,739

**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.



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**10. SEGMENTED INFORMATION** (continued)

Geographical segmented information is presented as follows:

	Canada	Guyana	Total
<b><u>Comprehensive loss</u></b>			
<b>Six months ended June 30, 2021</b>			
Net loss for the period	\$ 520,672	\$ 3,478,244	\$ 3,998,916
<b>Six months ended June 30, 2020</b>			
Net loss for the period	\$ 534,197	\$ 2,605,048	\$ 3,139,245
<b><u>Non-current assets</u></b>			
<b>June 30, 2021</b>			
Deposit	\$ -	\$ 263,807	\$ 263,807
Rent deposit	\$ 36,053	\$ -	\$ 36,053
Mineral property	\$ -	\$ 6,600,694	\$ 6,600,694
Property, plant and equipment	\$ 78,862	\$ 625,271	\$ 704,133
<b>December 31, 2020</b>			
Deposit	\$ -	\$ 271,362	\$ 271,362
Rent deposit	\$ 36,053	\$ -	\$ 36,053
Mineral property	\$ -	\$ 6,600,694	\$ 6,600,694
Property, plant and equipment	\$ 97,788	\$ 641,770	\$ 739,558

**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, amounts receivable, deposits, and accounts payable and accrued liabilities. The carrying value of 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 and is measured at amortized cost.

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 level of measurement for each financial instrument is determined by the lowest level of significant inputs.

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**11. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT** (continued)

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

<b>June 30, 2021</b>	<b>Amortized cost</b>		<b>Amortized cost</b>		<b>Total</b>
	<b>(financial assets)</b>		<b>(financial liabilities)</b>		
<b>Financial assets</b>					
Cash and cash equivalents	\$	13,509,896	\$	-	\$ 13,509,896
Amounts receivable		30,763		-	30,763
Deposit		263,807		-	263,807
<b>Total financial assets</b>	<b>\$</b>	<b>13,804,466</b>	<b>\$</b>	<b>-</b>	<b>\$ 13,804,466</b>
<b>Financial liabilities</b>					
Accounts payable and accrued liabilities	\$	-	\$	555,688	\$ 555,688
Lease liability		-		79,423	79,423
<b>Total financial liabilities</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>635,111</b>	<b>\$ 635,111</b>
<b>December 31, 2020</b>					
<b>Financial assets</b>					
Cash and cash equivalents	\$	4,052,594	\$	-	\$ 4,052,594
Amounts receivable		38,177		-	38,177
Deposit		271,362		-	271,362
<b>Total financial assets</b>	<b>\$</b>	<b>4,362,133</b>	<b>\$</b>	<b>-</b>	<b>\$ 4,362,133</b>
<b>Financial liabilities</b>					
Accounts payable and accrued liabilities	\$	-	\$	365,183	\$ 365,183
Lease liability		-		101,739	101,739
<b>Total financial liabilities</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>466,922</b>	<b>\$ 466,922</b>