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GOLDSOURCE MINES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2022

(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, 2022	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,119,941	\$ 8,410,211
Amounts receivable	13,784	22,098
Prepaid expenses and other	342,669	237,293
Total current assets	5,476,394	8,669,602
Non-current assets		
Deposits (note 3)	268,557	264,243
Rent deposit	8,900	39,774
Mineral property (note 3)	6,624,821	6,624,821
Property, plant and equipment (note 4)	779,021	841,165
Total non-current assets	7,681,299	7,770,003
TOTAL ASSETS	\$ 13,157,693	\$ 16,439,605
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 393,272	\$ 546,876
Lease liability (note 8)	28,340	55,021
Total current liabilities	421,612	601,897
Non-current liabilities		
Rehabilitation provision (note 5)	493,721	409,234
Total liabilities	915,333	1,011,131
Shareholders' equity		
Capital stock (note 7)	83,508,886	83,508,886
Reserves (note 7)	7,573,667	7,733,954
Deficit	(78,840,193)	(75,814,366)
Total shareholders' equity	12,242,360	15,428,474
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 13,157,693	\$ 16,439,605

Nature and continuance of operations (note 1)

Subsequent Events (note 12)

Approved by the Board and authorized for issue on August 24, 2022.

"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	
	2022	2021	2022	2021
Accretion (note 5)	\$ 5,806	\$ 11,785	\$ 10,934	\$ 16,257
Depreciation (note 4)	9,797	9,463	19,590	18,926
Exploration and evaluation expenditures (note 3)	1,103,936	1,758,949	2,482,150	3,446,701
Foreign exchange gain	(118,090)	(162,030)	(50,883)	(106,282)
General and administrative expenses	41,175	53,765	80,314	83,966
Interest expense (note 8)	1,460	3,691	3,516	7,881
Interest income	(10,144)	(5,182)	(15,495)	(12,967)
Legal settlement (note 9)	-	-	84,337	-
Loss on change in rehabilitation provision (note 5)	52,414	16,512	73,553	28,070
Marketing	77,507	68,387	109,668	91,579
Professional fees (note 6)	37,763	62,669	55,474	81,539
Remuneration (note 6)	165,706	140,667	332,956	309,212
Share-based compensation (note 7)	11,019	16,595	22,820	34,034
Net and comprehensive loss for the period	\$ (1,378,349)	\$ (1,975,271)	\$ (3,208,934)	\$ (3,998,916)
Basic and diluted loss per common share	\$ (0.03)	\$ (0.04)	\$ (0.06)	\$ (0.09)
Weighted average number of common shares outstanding	52,289,680	45,932,043	52,289,680	43,198,161

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,

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (3,208,934)	\$ (3,998,916)
Adjustments for:		
Accretion	10,934	16,257
Depreciation	106,605	174,730
Foreign exchange (gain) loss	(4,178)	7,555
Interest expense	3,516	7,881
Interest income	(15,495)	(12,967)
Loss on change in rehabilitation provision	73,553	28,070
Share-based compensation	22,820	34,034
Changes in non-cash working capital items:		
Amounts receivable	(519)	(8,851)
Taxes receivable	5,808	(7,743)
Prepaid expenses and other	(105,670)	(44,082)
Rent deposit	31,020	-
Accounts payable and accrued liabilities	(153,604)	97,576
Net cash used in operating activities	(3,234,144)	(3,706,456)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(44,461)	(143,207)
Interest received	15,408	36,975
Net cash used in investing activities	(29,053)	(106,232)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital stock issued	-	14,169,000
Capital stock issuance costs	3,124	(868,813)
Payment of lease liabilities	(30,197)	(30,197)
Net cash provided by (used in) financing activities	(27,073)	13,269,990
Change in cash and cash equivalents, during the period	(3,290,270)	9,457,302
Cash and cash equivalents, beginning of the period	8,410,211	4,052,594
Cash and cash equivalents, end of the period	\$ 5,119,941	\$ 13,509,896
Cash and cash equivalents is represented by:		
Cash	5,072,523	13,498,396
Cash equivalents	47,418	11,500
	\$ 5,119,941	\$ 13,509,896
Non-cash investing activities		
Capitalized to property, plant and equipment		
Accounts payable and accrued liabilities	\$ -	\$ 10,726
Non-cash financing activities		
Capital stock issuance costs in accounts payable and accrued liabilities	\$ -	\$ 96,831
Fair value of agents' warrants	\$ -	\$ 230,451

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		
Balance at December 31, 2020	39,084,680	\$ 70,500,853	\$ 7,018,101	\$ (66,413,607)	\$ 11,105,347
Private placement	11,500,000	12,650,000	-	-	12,650,000
Capital stock issuance costs	-	(1,196,095)	230,451	-	(965,644)
Warrants exercised	1,640,000	1,476,000	-	-	1,476,000
Share-based compensation	-	-	34,034	-	34,034
Stock options exercised	65,000	75,004	(32,004)	-	43,000
Stock options expired or forfeited	-	-	(115,044)	115,044	-
Net loss and comprehensive loss for the period	-	-	-	(3,998,916)	(3,998,916)
Balance at June 30, 2021	52,289,680	83,505,762	7,135,538	(70,297,479)	20,343,821
Capital stock issuance costs	-	3,124	-	-	3,124
Share-based compensation	-	-	602,876	-	602,876
Stock options forfeited	-	-	(4,460)	4,460	-
Net loss and comprehensive loss for the period	-	-	-	(5,521,347)	(5,521,347)
Balance at December 31, 2021	52,289,680	83,508,886	7,733,954	(75,814,366)	15,428,474
Share-based compensation (note 7)	-	-	22,820	-	22,820
Stock options expired or forfeited (note 7)	-	-	(183,107)	183,107	-
Net loss and comprehensive loss for the period	-	-	-	(3,208,934)	(3,208,934)
Balance at June 30, 2022	52,289,680	\$ 83,508,886	\$ 7,573,667	\$ (78,840,193)	\$ 12,242,360

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, 2022

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 OTCQX under the symbol “GXSF”. 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.

At June 30, 2022, the Company had cash and cash equivalents of \$5.1 million. The Company will require additional funds to support its exploration activities and general corporate activities during the next 12 months. These factors represent a material uncertainty that may cast a significant doubt on the Company’s ability to continue as a going concern. 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. 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 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, 2021, 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.

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.

GOLDSOURCE MINES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
FOR THE SIX MONTHS ENDED JUNE 30, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation and measurement (continued)

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 year's presentation.

These condensed consolidated interim financial statements were approved for issuance by the Board of Directors on August 24, 2022.

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, 2020	Additions during the year (period)	As at December 31, 2021 and June 30, 2022
Mineral property acquisition costs			
Mineral property acquired	\$ 5,873,313	\$ 24,127	\$ 5,897,440
Shares issued	853,427	-	853,427
Impairment	(126,046)	-	(126,046)
Total mineral property acquisition costs	\$ 6,600,694	\$ 24,127	\$ 6,624,821

On October 20, 2020, the Company entered into an option and purchase agreement ("Option 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, without any further liabilities. To June 30, 2022, the Company has made two option payments totalling US\$40,000.

Subsequent to June 30, 2022, the Company and the optionor amended the terms of the Option Agreement to extend the option period by two additional years, expiring on October 20, 2024, for total additional consideration of US\$40,000 (note 12). The remaining payments are scheduled as follows:

- US\$20,000 in October 2022;
- US\$20,000 in October 2023; and
- US\$250,000 upon the exercise of the option for the acquisition of the property.

GOLDSOURCE MINES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
FOR THE SIX MONTHS ENDED JUNE 30, 2022

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:

	Six months ended June 30, 2022	Six months ended June 30, 2021
Exploration and evaluation expenditures:		
Assays	\$ 102,984	\$ 156,682
Camp costs	377,109	394,000
Depreciation (note 4)	87,015	155,804
Drilling	547,250	1,255,674
Operations and general	375,755	244,484
Salaries (note 6)	852,684	889,355
Technical services and consulting	139,353	350,702
Total exploration and evaluation expenditures	\$ 2,482,150	\$ 3,446,701

The Company pledged a \$265,818 (US\$206,200) (December 31, 2021 – \$261,818 (US\$206,200)) reclamation site bond, included in deposits on the condensed consolidated interim statement of financial position, held by the Guyana Geology and Mines Commission (“GGMC”) for exploration permits on the Eagle Mountain Gold Project.

Goldsource’s subsidiary, Stronghold, holds a prospecting license on the Eagle Mountain Property, which was renewed on October 18, 2019 for a three-year period, and subsequently renewed for an additional year (note 12). In August 2014, the GGMC 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, 2022

4. PROPERTY, PLANT AND EQUIPMENT

	Eagle Mountain Gold Project		Right of use asset	Corporate office	Total
	Exploration camp in progress	Other equipment ⁽²⁾			
Cost					
As at December 31, 2020	\$ 34,383	\$ 2,658,447	\$ 173,493	\$ 70,587	\$ 2,936,910
Additions	27,145	368,903	-	2,676	398,724
Reclassification	(53,650)	53,650	-	-	-
As at December 31, 2021	7,878	3,081,000	173,493	73,263	3,335,634
Additions	4,545	39,916	-	-	44,461
Reclassification	(12,423)	12,423	-	-	-
As at June 30, 2022	\$ -	\$ 3,133,339	\$ 173,493	\$ 73,263	\$ 3,380,095
Accumulated depreciation					
As at December 31, 2020	\$ -	\$ 2,051,060	\$ 75,705	\$ 70,587	\$ 2,197,352
Depreciation for the year	-	259,045	37,852	220	297,117
As at December 31, 2021	-	2,310,105	113,557	70,807	2,494,469
Depreciation for the period ⁽¹⁾	-	87,015	18,926	664	106,605
As at June 30, 2022	\$ -	\$ 2,397,120	\$ 132,483	\$ 71,471	\$ 2,601,074
Carrying amounts					
As at December 31, 2021	\$ 7,878	\$ 770,895	\$ 59,936	\$ 2,456	\$ 841,165
As at June 30, 2022	\$ -	\$ 736,219	\$ 41,010	\$ 1,792	\$ 779,021

⁽¹⁾ During the six months ended June 30, 2022, depreciation expense of \$87,015 (June 30, 2021 – \$155,804) was recorded in exploration and evaluation expenditures (note 3).

⁽²⁾ Other equipment consists of vehicles, buildings, exploration equipment, and office equipment.

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 the processing plant, and other costs.

	Six months ended June 30, 2022	Year ended December 31, 2021
Balance, beginning of period (year)	\$ 409,234	\$ 359,913
Changes in obligation	3,022	7,377
Accretion expense	10,934	25,329
Changes in estimates	70,531	16,615
Balance, end of period (year)	\$ 493,721	\$ 409,234

The present value of the rehabilitation provision, using an effective discount rate of 5% (December 31, 2021 – 5%), is currently estimated at \$493,721 (US\$374,975) (December 31, 2021 – \$409,234 (US\$308,615)), reflecting anticipated cash flows to be incurred over approximately the next five years. The Company estimates that rehabilitation costs will be incurred in 2027. The undiscounted value of these obligations is \$451,218 (US\$349,050) (December 31, 2021 – \$447,888 (US\$346,431)) calculated using a long-term inflation rate assumption of 8% for 2022 and 3% for 2023 to 2027 (December 31, 2021 – 4.5% for 2021 and 1% for 2022 to 2027).

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.

GOLDSOURCE MINES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
FOR THE SIX MONTHS ENDED JUNE 30, 2022

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, Vice President of Finance ("VP Finance"), Executive Chairman, and directors. Key management personnel compensation is summarized as follows:

	Six months ended June 30, 2022	Six months ended June 30, 2021
Management remuneration ⁽¹⁾	\$ 320,000	\$ 252,500
Directors fees	30,000	22,500
Share-based compensation ⁽²⁾	19,842	30,743
	\$ 369,842	\$ 305,743

⁽¹⁾ The Company paid management fees to companies controlled by the President and Executive Chairman, and remuneration to the CEO and VP Finance.

⁽²⁾ 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, 2022, legal fees of \$23,884 (June 30, 2021 – \$36,030), included in professional fees, and capital stock issuance costs of \$Nil (June 30, 2021 - \$85,484) 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, 2022, \$8,774 (December 31, 2021 – \$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 administrative services, other expenses, including employee benefits, and salaries. During the six months ended June 30, 2022, the Company was allocated \$50,297 (June 30, 2021 – \$56,739) for its share of these expenses, of which \$23,012 (December 31, 2021 – \$29,408) was payable to SilverCrest at June 30, 2022.

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 June 30, 2022, the Company had 52,289,680 common shares and no preferred shares outstanding.

Six months ended June 30, 2022

During the six months ended June 30, 2022, no common shares or preferred shares were issued by the Company.

Year ended December 31, 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 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 stock options. Accordingly, the Company reallocated \$32,004 from reserves to capital stock.

GOLDSOURCE MINES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
FOR THE SIX MONTHS ENDED JUNE 30, 2022

7. CAPITAL STOCK (continued)

Issued and outstanding (continued)

Year ended December 31, 2021 (continued)

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 \$233,520 in connection with the private placement.

Warrants

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

	Six months ended June 30, 2022		Year ended December 31, 2021	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
Outstanding, beginning of period (year)	9,430,518	\$ 1.44	8,646,459	\$ 1.56
Issued	-	-	6,080,715	1.38
Exercised	-	-	(1,640,000)	0.90
Expired	(348,478)	1.10	(3,656,656)	1.87
Outstanding, end of period (year)	9,082,040	\$ 1.46	9,430,518	\$ 1.44

The warrants outstanding at June 30, 2022 are as follows:

Expiry date	Exercise price	Remaining life (years)	Number of Warrants
September 24, 2022	\$ 1.60	0.24	3,001,325
May 20, 2023	\$ 1.10	0.89	330,716
May 20, 2023	\$ 1.40	0.89	5,749,999
			9,082,040

The weighted average remaining life of warrants outstanding is 0.67 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:

	Six months ended June 30, 2022		Year ended December 31, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period (year)	2,522,500	\$ 1.02	1,745,000	\$ 1.15
Issued	-	-	960,000	0.81
Exercised	-	-	(65,000)	0.66
Expired	(172,500)	1.66	(7,500)	2.80
Forfeited	(20,000)	1.16	(110,000)	1.35
Outstanding, end of period (year)	2,330,000	\$ 0.97	2,522,500	\$ 1.02

GOLDSOURCE MINES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
FOR THE SIX MONTHS ENDED JUNE 30, 2022

7. CAPITAL STOCK (continued)

Stock options (continued)

During the six months ended June 30, 2022, no stock options were granted by the Company.

During the year ended December 31, 2021, the Company granted:

- 912,500 stock options to directors, officers, employees and consultants that can be exercised at a price of \$0.80 per share until December 13, 2026. These stock options vest immediately.
- 30,000 stock options to the VP Finance that can be exercised at a price of \$0.94 per share until October 15, 2026. These stock options vest over a four-year period with 25% vesting after each of one year, two years, three years, and four years after the grant date, respectively.
- 17,500 stock options to an employee and a consultant that can be exercised at a price of \$0.94 per share until October 15, 2026. These stock options vest immediately, except for 10,000 stock options 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 June 30, 2022 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 10, 2022	\$ 0.94	10,000	0.28	5,000
January 31, 2023	\$ 1.00	127,500	0.59	127,500
January 25, 2024	\$ 1.30	285,000	1.57	285,000
June 13, 2024	\$ 1.40	45,000	1.96	45,000
November 18, 2024	\$ 0.80	50,000	2.39	50,000
December 23, 2024	\$ 0.60	345,000	2.48	345,000
November 13, 2025	\$ 1.25	100,000	3.38	33,333
December 10, 2025	\$ 1.30	422,500	3.45	422,500
October 15, 2026	\$ 0.94	37,500	4.30	7,500
December 13, 2026	\$ 0.80	907,500	4.46	907,500
		2,330,000		2,228,333

The weighted average remaining life of options outstanding is 3.26 years.

Share-based compensation

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

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

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7. CAPITAL STOCK (continued)

Share-based compensation (continued)

During the six months ended June 30, 2022, the Company recognized share-based compensation expense of \$22,820, for the vested portion of stock options granted during previous years.

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 granted during previous years.

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. If stock options are forfeited or expire, the corresponding amount is reallocated to deficit.

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

	Six months ended June 30, 2022	Year ended December 31, 2021
Balance, beginning of period (year)	\$ 7,733,954	\$ 7,018,101
Share-based compensation	22,820	636,910
Fair value of agents' warrants	-	230,451
Stock options exercised, reallocated to capital stock	-	(32,004)
Stock options expired or forfeited, reallocated to deficit	(183,107)	(119,504)
Balance, end of period (year)	\$ 7,573,667	\$ 7,733,954

8. LEASE LIABILITY

The changes to the Company's lease liability were as follows:

	Six months ended June 30, 2022	Year ended December 31, 2021
Opening balance	\$ 55,021	\$ 101,739
Interest expense	3,516	13,677
Interest paid	(3,516)	(13,677)
Payment of principal portion of lease liabilities	(26,681)	(46,718)
Balance, end of period (year)	\$ 28,340	\$ 55,021

9. LEGAL SETTLEMENT

In November 2019, Kilroy received a demand for foregone customs duty and taxes of \$419,272 (\$73,056,644 Guyanese dollars) from the Guyana Revenue Agency ("GRA"). The GRA alleged that the joint venture agreement between Kilroy and Stronghold had breached the terms of the customs duty and tax exemption granted to Kilroy during 2015 and 2016 on the purchase of mining equipment. In March 2022, the Company received a court judgement stating that Kilroy was indebted to the GRA for the customs and duty taxes in the amount of \$73,056,644 Guyanese dollars. On June 14, 2022, the Company entered into a settlement agreement with the GRA for the amount of \$84,337 (\$14,695,437 Guyanese dollars). The settlement deemed the case fully settled and released the Company from all claims arising from this matter.

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10. SEGMENTED INFORMATION

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

Geographical segmented information is presented as follows:

	Canada	Guyana	Total
<u>Comprehensive loss</u>			
Six months ended June 30, 2022			
Net loss for the period	\$ 643,777	\$ 2,565,157	\$ 3,208,934
Six months ended June 30, 2021			
Net loss for the period	\$ 520,672	\$ 3,478,244	\$ 3,998,916
<u>Non-current assets</u>			
June 30, 2022			
Deposits	\$ -	\$ 268,557	\$ 268,557
Rent deposit	\$ 5,033	\$ 3,867	\$ 8,900
Mineral property	\$ -	\$ 6,624,821	\$ 6,624,821
Property, plant and equipment	\$ 42,802	\$ 736,219	\$ 779,021
December 31, 2021			
Deposits	\$ -	\$ 264,243	\$ 264,243
Rent deposit	\$ 36,053	\$ 3,721	\$ 39,774
Mineral property	\$ -	\$ 6,624,821	\$ 6,624,821
Property, plant and equipment	\$ 62,392	\$ 778,773	\$ 841,165

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, accounts payable and accrued liabilities, and lease liabilities. The carrying value of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximates their fair value due to the short-term nature of these instruments. The fair value of the Company's deposits approximates its carrying value as it includes supplier deposits and a bond held at a financial institution which are 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:

June 30, 2022	Amortized cost		Amortized cost		Total
	(financial assets)		(financial liabilities)		
Financial assets					
Cash and cash equivalents	\$	5,119,941	\$	-	\$ 5,119,941
Amounts receivable		13,784		-	13,784
Deposits		268,557		-	268,557
Total financial assets	\$	5,402,282	\$	-	\$ 5,402,282
Financial liabilities					
Accounts payable and accrued liabilities	\$	-	\$	393,272	\$ 393,272
Lease liability		-		28,340	28,340
Total financial liabilities	\$	-	\$	421,612	\$ 421,612
December 31, 2021					
Financial assets					
Cash and cash equivalents	\$	8,410,211	\$	-	\$ 8,410,211
Amounts receivable		22,098		-	22,098
Deposits		264,243		-	264,243
Total financial assets	\$	8,696,552	\$	-	\$ 8,696,552
Financial liabilities					
Accounts payable and accrued liabilities	\$	-	\$	546,876	\$ 546,876
Lease liability		-		55,021	55,021
Total financial liabilities	\$	-	\$	601,897	\$ 601,897

12. SUBSEQUENT EVENTS

Subsequent to June 30, 2022:

- On August 2, 2022, the Company granted a total of 57,500 stock options to an employee and a consultant that can be exercised at a price of \$0.48 per share until August 2, 2027. 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. The stock option grant is pending regulatory approval.
- On August 8, 2022, the Company entered into an amendment for the Ann Mining Claim option and purchase agreement (note 3). Pursuant to the amended terms, the Company and the optionor agreed to extend the option period for two additional years, expiring on October 20, 2024, for total additional consideration of US\$40,000. All other terms of the Option Agreement remain unchanged, including the right to terminate the agreement at any time without any further liabilities. The remaining payments are scheduled as follows:
 - US\$20,000 in October 2022;
 - US\$20,000 in October 2023; and
 - US\$250,000 upon the exercise of the option.
- On August 19, 2022, the GGMC approved the renewal of the Company's prospecting license on the Eagle Mountain Property (note 3) for an additional year, expiring on October 18, 2023.