



Goldsourc

GOLDSOURCE MINES INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Goldsourc Mines Inc.

Opinion

We have audited the accompanying consolidated financial statements of Goldsourc Mines Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company will require additional funds to support its exploration and general corporate activities for the next fiscal year. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")

As described in Note 5 to the consolidated financial statements, the carrying amount of the Company's E&E Assets was \$6,652,371 as of December 31, 2022. As more fully described in Note 2 to the consolidated financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.



The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Assets.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Obtaining an understanding of the key controls associated with evaluating the E&E Assets for indicators of impairment.
- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity and expenditure budgets for future periods.
- Performing procedures over title to ensure mineral rights underlying the E&E Assets are in good standing.

Valuation of Rehabilitation Provision

As described in Note 7 to the consolidated financial statements, the Company's rehabilitation provision totaled \$493,796 at December 31, 2022.

The principal considerations for our determination that the valuation of the rehabilitation provision is a key audit matter is the high degree of judgement applied by management when assessing this obligation, including the assessment of the nature and extent of future work to be performed, the future cost of performing the rehabilitation work, the timing of when the rehabilitation will take place and economic assumptions such as the discount rate and inflation rates applicable to future cash outflows associated with rehabilitation activities to bring them to their present value.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Holding discussions with management in order to understand the nature, timing, and extent of the rehabilitation provision;
- Reviewing and recalculating management's calculation of the present value of the rehabilitation provision;
- Testing the key inputs and assumptions used in the rehabilitation provision model to independent source data;
- Obtaining corroboratory information with regards to the nature, timing, and amount of the anticipated cash outflows.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Daniel Nathan.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

April 25, 2023

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

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,608,197	\$ 8,410,211
Amounts receivable	11,827	22,098
Prepaid expenses and other (note 4)	378,815	237,293
Total current assets	2,998,839	8,669,602
Non-current assets		
Deposits (note 5)	283,677	264,243
Rent deposit	-	39,774
Mineral property (note 5)	6,652,371	6,624,821
Property, plant and equipment (note 6)	679,294	841,165
Total non-current assets	7,615,342	7,770,003
TOTAL ASSETS	\$ 10,614,181	\$ 16,439,605
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 286,251	\$ 546,876
Lease liability (note 11)	-	55,021
Total current liabilities	286,251	601,897
Non-current liabilities		
Rehabilitation provision (note 7)	493,796	409,234
Total liabilities	780,047	1,011,131
Shareholders' equity		
Capital stock (note 9)	83,508,886	83,508,886
Reserves (note 9)	8,063,221	7,733,954
Deficit	(81,737,973)	(75,814,366)
Total shareholders' equity	9,834,134	15,428,474
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 10,614,181	\$ 16,439,605

Nature and continuance of operations (note 1)

Subsequent Events (note 16)

Approved by the Board and authorized for issue on April 24, 2023.

"Ioannis Tsitos"

Director

"Graham C. Thody"

Director

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

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

	2022	2021
Accretion (note 7)	\$ 23,044	\$ 25,329
Depreciation (note 6)	39,192	38,072
Exploration and evaluation expenditures (note 5)	4,549,476	7,909,980
Foreign exchange gain	(200,208)	(296,645)
General and administrative expenses	151,937	176,392
Interest expense (note 11)	4,551	13,677
Interest income	(57,242)	(28,653)
Legal settlement (note 12)	84,337	-
Loss on change in rehabilitation provision (note 7)	61,518	23,992
Loss on impairment of property, plant and equipment (note 6)	14,949	-
Loss on write off of deposit	-	4,234
Marketing	199,658	216,980
Professional fees (note 8)	87,080	138,493
Remuneration (note 8)	661,395	712,243
Share-based compensation (note 9)	493,235	586,169
Loss and comprehensive loss for the year	\$ (6,112,922)	\$ (9,520,263)
Basic and diluted loss per common share	\$ (0.12)	\$ (0.20)
Weighted average number of common shares outstanding - basic and diluted	52,289,680	47,781,283

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

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (6,112,922)	\$ (9,520,263)
Adjustments for:		
Accretion	23,044	25,329
Depreciation	191,383	297,117
Foreign exchange (gain) loss	(17,979)	968
Interest expense	4,551	13,677
Interest income	(57,242)	(28,653)
Loss on change in rehabilitation provision	61,518	23,992
Loss on impairment of property, plant and equipment	14,949	-
Loss on write off of deposit	-	4,234
Share-based compensation	518,582	636,910
Changes in non-cash working capital items:		
Amounts receivable	(816)	18,313
Taxes receivable	8,201	(7,449)
Prepaid expenses, deposits and other	(143,411)	(41,632)
Rent deposit	40,115	(3,721)
Accounts payable and accrued liabilities	(260,625)	196,321
Net cash used in operating activities	(5,730,652)	(8,384,857)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral property	(27,550)	(24,127)
Purchase of property, plant and equipment	(44,461)	(413,352)
Interest received	57,097	36,992
Net cash used in investing activities	(14,914)	(400,487)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital stock issued	-	14,169,000
Capital stock issuance costs	3,124	(965,644)
Payment of lease liabilities	(59,572)	(60,395)
Net cash provided by (used in) financing activities	(56,448)	13,142,961
Change in cash and cash equivalents, during the year	(5,802,014)	4,357,617
Cash and cash equivalents, beginning of the year	8,410,211	4,052,594
Cash and cash equivalents, end of the year	\$ 2,608,197	\$ 8,410,211
Cash and cash equivalents is represented by:		
Cash	2,608,197	8,375,711
Cash equivalents	-	34,500
	\$ 2,608,197	\$ 8,410,211
Non-cash financing activities		
Capital stock issuance costs in amounts receivable	\$ -	\$ 3,124
Fair value of agents' warrants	\$ -	\$ 230,451

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

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

	Capital stock		Reserves	Deficit	Total
	Number	Amount	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 (note 9)	11,500,000	12,650,000	-	-	12,650,000
Capital stock issuance costs (note 9)	-	(1,192,971)	230,451	-	(962,520)
Warrants exercised (note 9)	1,640,000	1,476,000	-	-	1,476,000
Share-based compensation (note 9)	-	-	636,910	-	636,910
Stock options exercised (note 9)	65,000	75,004	(32,004)	-	43,000
Stock options expired or forfeited (note 9)	-	-	(119,504)	119,504	-
Net loss and comprehensive loss for the year	-	-	-	(9,520,263)	(9,520,263)
Balance at December 31, 2021	52,289,680	83,508,886	7,733,954	(75,814,366)	15,428,474
Share-based compensation (note 9)	-	-	518,582	-	518,582
Stock options expired or forfeited (note 9)	-	-	(189,315)	189,315	-
Net loss and comprehensive loss for the year	-	-	-	(6,112,922)	(6,112,922)
Balance at December 31, 2022	52,289,680	\$ 83,508,886	\$ 8,063,221	\$ (81,737,973)	\$ 9,834,134

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Goldsource Mines Inc. (the “Company” or “Goldsource”) is a Canadian resource company engaged in exploration 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 “GXSEFF”. 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 December 31, 2022, the Company had cash of \$2.6 million, accumulated losses of \$81.7 million and incurred a comprehensive loss of \$6.1 million during the year. 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 consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and measurement

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the interpretations of the International Financial Reporting Interpretations Committee.

These consolidated financial statements have been prepared on a historical cost basis. Additionally, these consolidated 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 consolidated financial statements were approved for issuance by the Board of Directors on April 24, 2023.

Basis of consolidation

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

The Company has a joint arrangement with Kilroy Mining Inc. (“Kilroy”), a private arm’s length Guyanese company, pursuant to which Stronghold and Kilroy jointly operate the Eagle Mountain Gold Project (note 5). The consolidated financial statements include the Company’s share of the joint operation accounts. A joint arrangement is a contractual arrangement where two or more parties undertake an economic activity that is subject to joint control. Joint control exists when the parties involved in the contractual arrangement agree to share control over the economic activity, and the financial and operating decisions are agreed to be made by unanimous consent of the parties sharing control. Interests in joint operations are accounted for by recognizing the Company’s share of assets, liabilities, revenues and expenses incurred jointly.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

Amounts receivable

Amounts receivable are comprised of refundable goods and services tax paid by the Company and other receivables.

Property, plant and equipment

Property, plant, and equipment ("PP&E") is recorded at historical cost less accumulated depreciation and impairment charges. The cost of an item of PP&E includes the purchase price or construction cost, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and for qualifying assets, the associated borrowing costs. Proceeds received from selling items produced while preparing an asset for its intended use, along with related costs, are recorded in the consolidated statement of loss and comprehensive loss. Where an item of PP&E is comprised of major components with different useful lives, the components are accounted for as separate items of PP&E.

PP&E is depreciated to its estimated residual value using the straight-line method over the estimated useful lives of the individual assets. The significant classes of PP&E and their useful lives are as follows:

Buildings	20 years	Equipment	5 years	Office equipment	3-5 years
Vehicles	5 years	Computers	2-3 years		

An item of PP&E is derecognized upon disposal, when held for sale, or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of loss and comprehensive loss.

Mineral property & exploration and evaluation expenditures

Mineral property acquisition costs

The costs of acquiring exploration properties, including transaction costs, are capitalized as mineral property. Costs incurred prior to when the legal right to explore is obtained, are expensed in the period in which they are incurred.

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

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

The Company performs an assessment for impairment of capitalized amounts whenever the facts and circumstances indicate that the asset may exceed its recoverable amount. In the case of undeveloped properties, there may be only inferred resources to allow management to form a basis for the impairment review.

The review is based on the Company's intentions for the development of such an exploration property. If an exploration property does not prove viable, all unrecoverable costs associated with the property are charged to the consolidated statement of loss and comprehensive loss at the time the determination is made. For the purposes of impairment testing, mineral property assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral property & exploration and evaluation expenditures (continued)

Mineral property acquisition costs (continued)

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

Exploration and evaluation expenditures

Exploration and evaluation costs, net of incidental revenues, are charged to the consolidated statement of loss and comprehensive loss in the year incurred until the technical feasibility and commercial viability of the extraction of mineral reserves or resources from a particular mineral property has been determined, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property and equipment. The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors, such as but not limited to: the extent to which mineral reserves or mineral resources have been identified through a feasibility study or similar level document; the results of optimization studies and further technical evaluation carried out to mitigate project risks identified in the feasibility study; the status of environmental permits, and the status of mining leases or permits.

Transition from exploration and evaluation to development and production phases

Once the technical feasibility and commercial viability of an exploration property has been determined, it is then considered to be a mine under development and is reclassified to property, plant and equipment. The carrying value of capitalized mineral property acquisition costs are tested for impairment before they are transferred to property, plant and equipment.

All costs relating to the construction, installation, or completion of a mine that are incurred subsequent to the exploration and evaluation stage are capitalized to mineral property. Revenue and related costs from ore extracted during the development phase are recognized in the consolidated statement of loss and comprehensive loss.

The Company assesses the stage of each mine under development to determine when a property reaches the stage when it is in the condition for it to be capable of operating in the manner intended by management ("commercial production"). Determining when a mine has achieved commercial production is a matter of judgement. Depending on the specific facts and circumstances, the following factors may indicate that commercial production has commenced:

- all major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management have been completed;
- the completion of a reasonable period of testing of the mine plant and equipment;
- the ability to produce saleable product (e.g., the ability to produce ore within specifications);
- the mine has been transferred to operating personnel from internal development groups or external contractors;
- the mine or mill has reached a pre-determined percentage of design capacity;
- mineral recoveries are at or near the expected production level; and
- the ability to sustain ongoing production of ore (i.e., the ability to continue to produce ore at a steady or increasing level).

When management determines that a property is capable of commercial production, costs capitalized during development are amortized.

Once a mineral property has been brought into commercial production, costs of any additional work on that property are expensed as incurred, except for development programs which constitute a betterment, which will be deferred and depleted over the remaining useful life of the related assets. Mine properties include decommissioning and restoration costs related to the reclamation of mine properties. Mine properties are derecognized upon disposal, or impaired when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss on disposal of the asset, determined as the difference between the proceeds received and the carrying amount of the asset, is recognized in the statement of loss and comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral property & exploration and evaluation expenditures (continued)

Transition from exploration and evaluation to development and production phases (continued)

Mine properties are depreciated and depleted on the unit-of-production basis using the mineable ounces extracted from the mine in the period as a percentage of the total mineable ounces to be extracted in current and future periods based on mineral resources. Mine properties are recorded at cost, net of accumulated depreciation and depletion and accumulated impairment losses and are not intended to represent future values. Recovery of capitalized costs is dependent on successful development of economic mining operations or the disposition of the related mineral property.

Rehabilitation provision

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

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets.

Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks. Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur. Where the related mining assets do not have a recoverable amount, changes in estimates of reclamation costs are recorded in the statement of loss and comprehensive loss.

Foreign currency translation

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

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

Share-based compensation and payments

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

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve the issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are valued using the residual value method and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for an agency fee or other transaction costs are accounted for as share-based payments. When warrants accounted for as share based payments are not exercised by the expiry date, the recognized amount remains in the share-based payment reserve.

Related party transactions

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

Loss per share

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

Taxation

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

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

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

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost (note 14). The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets and liabilities held at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are recognized in the consolidated statement of loss and comprehensive loss for the period.

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the consolidated statement of loss and comprehensive loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statement of loss and comprehensive loss. The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired.

Leases

The Company assesses whether a contract is or contains a lease, at the inception of a contract. The Company recognizes a right-of-use (“ROU”) asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the following exceptions: (i) the Company has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or (ii) for leases of low value. The payments for such leases are recognized in the consolidated statement of loss and comprehensive loss on a straight-line basis over the lease term.

The ROU asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement day, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

ROU assets are included in property, plant, and equipment, and the lease liability is presented as a separate line in the consolidated statement of financial position. Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in the consolidated statement of loss and comprehensive loss.

3. CRITICAL JUDGMENTS AND ESTIMATES

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

3. CRITICAL JUDGMENTS AND ESTIMATES (continued)

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

Critical judgments in applying accounting policies

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

Mineral property / exploration and evaluation assets

The application of the Company's accounting policy for mineral property / exploration and evaluation assets requires judgment in determining if indicators of impairment over exploration and evaluation assets exist, in accordance with IFRS 6 Exploration for and Evaluation of Mineral Resources.

Functional currency

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

Rehabilitation and restoration provision

The Company has obligations for the future restoration of its mining tenements. In most instances, removal of assets and restoration of the surrounding area occurs many years into the future. This requires judgmental assumptions regarding removal date, the extent of reclamation activities required, the engineering methodology for estimating cost, future removal technologies in determining removal cost, and asset specific discount rates to determine the present value of these cash flows.

Key sources of estimation uncertainty

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

Impairment of non-current assets

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

Income taxes

Management is required to make estimations regarding the tax basis of assets and liabilities and related deferred income tax assets and liabilities, the measurement of income tax expense, and indirect taxes. The Company is subject to assessments by tax authorities who may interpret tax law differently. These factors may affect the final amount or the timing of tax payments.

3. CRITICAL JUDGMENTS AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

Estimating useful life of property, plant, and equipment

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

COVID-19

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"). The Company cannot accurately predict the nature and extent of the impact the COVID-19 pandemic may have on the Company's operations due to the constantly changing conditions, including the emergence of variants of the virus and the potential for further waves of the virus. 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 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 impacts of COVID-19 on the Company's exploration activities, including the impact on the timing of its planned preliminary economic assessment, cannot be reasonably estimated at this time.

Standards issued or amended but not yet effective

The Company has not applied the following amended IFRS that have been issued but are not yet effective as at December 31, 2022. These accounting standards are not currently expected to have a significant effect on the Company's accounting policies or financial statements.

IAS 1, Presentation of Financial Statements (effective January 1, 2023, earlier application is permitted). The amendments to Disclosure of Accounting Policies require entities to provide 'material' accounting policy disclosures replacing the requirement for entities to disclose their 'significant' accounting policies, and adds guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The Company is evaluating the impact of the amendments on the disclosure of its accounting policies.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (effective January 1, 2023, earlier application is permitted). The amendment replaced the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Accounting estimates are developed if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendment clarifies that a change in an accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

IAS 12, Income Taxes – Deferred Tax Assets and Liabilities (effective January 1, 2023). The amendment to Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction narrowed the scope of the IAS 12 recognition exemption related to the recognition of deferred tax when an entity accounts for transactions, such as leases or decommissioning obligations, by recognizing both an asset and a liability. The exemption no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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4. PREPAID EXPENSES AND OTHER

Prepaid expenses and other are as follows:

	2022		2021	
Prepaid expenses	\$	191,387	\$	136,956
Prepaid supplies		93,111		87,526
Rental deposits		39,292		-
Restricted cash		55,025		12,811
	\$	378,815	\$	237,293

5. MINERAL PROPERTY AND EXPLORATION AND EVALUATION EXPENDITURES

Eagle Mountain Gold Project – Guyana

	As at December 31, 2020		Additions during the year		As at December 31, 2021		Additions during the year		As at December 31, 2022	
Mineral property acquisition costs										
Mineral property acquired	\$	5,873,313	\$	24,127	\$	5,897,440	\$	27,550	\$	5,924,990
Shares issued		853,427		-		853,427		-		853,427
Impairment		(126,046)		-		(126,046)		-		(126,046)
Total mineral property acquisition costs	\$	6,600,694	\$	24,127	\$	6,624,821	\$	27,550	\$	6,652,371

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 located within the Eagle Mountain Gold Project, for total consideration of US\$290,000. The terms of the agreement include immediate access to the land for exploration purposes for two 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.

On August 8, 2022, the Company entered into an amendment for the Option Agreement. 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. The remaining payments are scheduled as follows:

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

As at December 31, 2022, the Company has made three option payments totalling US\$60,000.

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

	Cumulative to December 31, 2020		Expenditures during the year		Cumulative to December 31, 2021		Expenditures during the year		Cumulative to December 31, 2022	
Exploration and evaluation expenditures:										
Assays	\$	1,006,625	\$	437,478	\$	1,444,103	\$	196,346	\$	1,640,449
Borrowing costs		24,210		-		24,210		-		24,210
Camp costs		3,071,539		905,368		3,976,907		672,639		4,649,546
Depreciation (note 6)		3,517,806		259,045		3,776,851		152,191		3,929,042
Drilling		3,314,186		2,914,026		6,228,212		666,281		6,894,493
Operations and general		3,408,021		521,535		3,929,556		726,944		4,656,500
Road maintenance		684,907		-		684,907		-		684,907
Sale of gold ounces ⁽¹⁾		(723,673)		-		(723,673)		-		(723,673)
Salaries (note 8)		7,053,233		1,987,579		9,040,812		1,684,682		10,725,494
Share-based compensation (note 8 and 9)		236,015		50,741		286,756		25,347		312,103
Tailings		17,723		-		17,723		-		17,723
Technical services and consulting		1,045,205		834,208		1,879,413		425,046		2,304,459
Total exploration and evaluation expenditures	\$	22,655,797	\$	7,909,980	\$	30,565,777	\$	4,549,476	\$	35,115,253

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

Eagle Mountain Gold Project – Guyana (continued)

⁽⁴⁾ During prior years and the year ended December 31, 2022, the majority of the Company's mineral resources were categorized as indicated or inferred whereby economic viability of such resources cannot be determined. Accordingly, the removal of the gold concentrate from the Company's Eagle Mountain Gold Project during the pilot plant operation in 2016 and 2017 was considered an exploration and evaluation activity, and as such, all costs associated with the removal of gold concentrate were recognized as an exploration and evaluation activity. Sales received from the Eagle Mountain Gold Project were recognized as a recovery of exploration and evaluation expenditures given that the Company has not yet completed a positive economic analysis of its mineral interests.

In connection with the acquisition of Eagle Mountain Gold Corp. in 2014, the Company acquired a 100% interest in the Eagle Mountain Gold Project located in Guyana. On March 6, 2014, the Company executed an Amendment Agreement with Omai Gold Mines Ltd. ("OGML"), a subsidiary of IAMGOLD Corporation with respect to the Eagle Mountain Gold Project. The summary of amending terms includes:

- I. Goldsource will issue to OGML 338,927 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 is to be made 90 days after 50,000 ounces have been 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 \$7.50 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 \$279,829 (US\$206,200 and \$100,000 Guyanese dollars) (2021 – \$261,818 (US\$206,200)) reclamation site bond, included in deposits on the consolidated statement of financial position, held by the GGMC for exploration permits on the Eagle Mountain Gold Project.

Goldsource's subsidiary, Stronghold, holds a prospecting license on the Eagle Mountain Property ("EMPL"). Pursuant to the Guyana Mining Act, the term of prospecting licenses is three years with two rights of renewal of one year each, for a total of five years. On August 19, 2022, the GGMC approved the first one-year renewal of the EMPL, which will expire on October 18, 2023. In August 2014, the GGMC granted a Medium Scale Mining Permit (the "Permit") to Kilroy to mine gold, diamonds, precious metals, and minerals on a portion of land within the Eagle Mountain Property. As the Permit is required under Guyanese law to be held by a Guyanese national, Stronghold entered into agreements with Kilroy to jointly operate the Eagle Mountain Gold Project. Kilroy 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.

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6. 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	-	-	-
Impairment	-	(20,785)	-	-	(20,785)
As at December 31, 2022	\$ -	\$ 3,112,554	\$ 173,493	\$ 73,263	\$ 3,359,310
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 year ⁽¹⁾	-	152,191	37,853	1,339	191,383
Impairment	-	(5,836)	-	-	(5,836)
As at December 31, 2022	\$ -	\$ 2,456,460	\$ 151,410	\$ 72,146	\$ 2,680,016
Carrying amounts					
As at December 31, 2021	\$ 7,878	\$ 770,895	\$ 59,936	\$ 2,456	\$ 841,165
As at December 31, 2022	\$ -	\$ 656,094	\$ 22,083	\$ 1,117	\$ 679,294

⁽¹⁾ During 2022, depreciation expense of \$152,191 (2021 – \$259,045) was recorded in exploration and evaluation expenditures (note 5).

⁽²⁾ Other equipment consists of vehicles, buildings, exploration equipment, and office equipment. During the year ended December 31, 2022, management assessed that indicators of impairment exist for a bunk house at the Eagle Mountain camp. Damage to the bunk house caused by exposure to heavy rain and high humidity was identified. Management determined that the carrying value of the bunk house was impaired. Accordingly, the Company recorded impairment expense of \$14,949 to reduce the net book value of the bunk house to \$Nil.

7. 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.

	2022	2021
Balance, beginning of year	\$ 409,234	\$ 359,913
Changes in obligation	4,535	7,377
Accretion expense	23,044	25,329
Changes in estimates	56,983	16,615
Balance, end of year	\$ 493,796	\$ 409,234

The present value of the rehabilitation provision, using an effective discount rate of 5% (2021 – 5%), is currently estimated at \$493,796 (US\$375,104) (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 and uninflated value of these obligations is \$452,935 (US\$350,310) (2021 – \$447,888 (US\$346,431)) calculated using a long-term inflation rate assumption of 5% for 2023 and 3% for 2024 to 2027 (2021 – 4.5% for 2021 and 1% for 2022 to 2027).

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7. 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.

8. 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:

	2022	2021
Management remuneration ⁽¹⁾	\$ 673,500	\$ 691,042
Directors fees	60,000	45,000
Share-based compensation ⁽²⁾	468,096	557,463
	<u>\$ 1,201,596</u>	<u>\$ 1,293,505</u>

⁽¹⁾ The Company paid management fees to companies controlled by the President and Executive Chairman, and remuneration to the CEO and VP Finance. During 2022, management remuneration of \$297,333 (2021 - \$314,559) was recorded in exploration and evaluation expenditures (note 5).

⁽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 2022, legal fees of \$30,746 (2021 - \$43,585), included in professional fees, and capital stock issuance costs of \$Nil (2021 - \$85,484) were paid to Koffman Kalef LLP, a law firm of which an officer of the Company is a partner.

Other transactions

During 2022, the Company recognized share-based compensation of \$Nil (2021 - \$2,671) to a consultant who is an immediate family member of the Executive Chairman. The share-based compensation incurred to this consultant was recorded as exploration and evaluation expenditures (note 5).

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 and other expenses, including employee benefits and salaries. During 2022, the Company was allocated \$85,893 (2021 - \$118,162) for its share of these expenses, of which \$25,120 (2021 - \$29,408) was payable to SilverCrest at December 31, 2022.

9. CAPITAL STOCK

Authorized shares

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

Issued and outstanding

At December 31, 2022, the Company had 52,289,680 common shares and no preferred shares outstanding.

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9. CAPITAL STOCK (continued)

Issued and outstanding (continued)

2022

During the year ended December 31, 2022, no common shares or preferred shares were issued by the Company.

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.

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 year are as follows:

	2022		2021	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
Outstanding, beginning of year	9,430,518	\$ 1.44	8,646,459	\$ 1.56
Issued	-	-	6,080,715	1.38
Exercised	-	-	(1,640,000)	0.90
Expired	(3,349,803)	1.55	(3,656,656)	1.87
Outstanding, end of year	6,080,715	\$ 1.38	9,430,518	\$ 1.44

The warrants outstanding at December 31, 2022 are as follows:

Expiry date	Exercise price	Remaining life (years)	Number of Warrants
May 20, 2023	\$ 1.10	0.38	330,716
May 20, 2023	\$ 1.40	0.38	5,749,999
			6,080,715

The weighted average remaining life of warrants outstanding is 0.38 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.

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9. CAPITAL STOCK (continued)

Stock options (continued)

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

	2022		2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	2,522,500	\$ 1.02	1,745,000	\$ 1.15
Issued	1,590,000	0.40	960,000	0.81
Exercised	-	-	(65,000)	0.66
Expired	(172,500)	1.66	(7,500)	2.80
Forfeited	(30,000)	1.08	(110,000)	1.35
Outstanding, end of year	3,910,000	\$ 0.74	2,522,500	\$ 1.02

During 2022, the Company granted:

- 1,532,500 stock options to directors, officers, and employees that can be exercised at a price of \$0.40 per share until December 15, 2027. These stock options vest immediately.
- 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 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.

During 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.

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9. CAPITAL STOCK (continued)

Stock options (continued)

Stock options outstanding and exercisable at December 31, 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
January 31, 2023 ⁽¹⁾	\$ 1.00	127,500	0.08	127,500
March 9, 2023 ⁽²⁾	\$ 1.40	30,000	0.19	30,000
November 17, 2023	\$ 0.60	5,000	0.88	5,000
November 17, 2023	\$ 1.30	10,000	0.88	10,000
November 17, 2023	\$ 0.80	17,500	0.88	17,500
January 25, 2024	\$ 1.30	280,000	1.07	280,000
June 13, 2024	\$ 1.40	15,000	1.45	15,000
November 18, 2024	\$ 0.80	50,000	1.88	50,000
December 23, 2024	\$ 0.60	340,000	1.98	340,000
November 13, 2025	\$ 1.25	100,000	2.87	66,667
December 10, 2025	\$ 1.30	417,500	2.95	417,500
October 15, 2026	\$ 0.94	37,500	3.79	15,000
December 13, 2026	\$ 0.80	890,000	3.95	890,000
August 2, 2027	\$ 0.48	57,500	4.59	20,000
December 15, 2027	\$ 0.40	1,532,500	4.96	1,532,500
		3,910,000		3,816,667

⁽¹⁾ Subsequent to December 31, 2022, these options expired unexercised.

⁽²⁾ Subsequent to December 31, 2022, these options were forfeited unexercised.

The weighted average remaining life of options outstanding is 3.63 years.

Share-based compensation

The fair value of stock options granted during the years ended December 31, 2022 and 2021, and agents' warrants issued during 2021, was estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	2022	2021
Expected option life (years)	4.74	4.01
Expected volatility	106%	112%
Expected dividend yield	-	-
Risk-free interest rate	2.95%	0.98%
Expected forfeiture rate	1.00%	1.00%
Fair value per option	\$ 0.30	\$ 0.64
Total fair value	\$ 482,916	\$ 829,670

During 2022, the Company recognized share-based compensation expense of \$478,532, for the vested portion of stock options granted during the year, of which \$453,185 was expensed and \$25,347 was considered exploration expenditures (note 5). The Company also recognized share-based compensation expense of \$40,050 for the vested portion of stock options granted during previous years.

During 2021, the Company recognized share-based compensation of \$805,918, for the vested portion of stock options granted and agent's warrants issued during the year, of which \$524,726 was expensed, \$230,451 was considered capital stock issuance costs and \$50,741 was considered exploration expenditures (note 5). The Company also recognized share-based compensation expense of \$61,443 for the vested portion of stock options granted during previous years.

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9. CAPITAL STOCK (continued)

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 forfeit or expire, the corresponding amount is reallocated to deficit.

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

	2022	2021
Balance, beginning of year	\$ 7,733,954	\$ 7,018,101
Share-based compensation	518,582	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	(189,315)	(119,504)
Balance, end of year	\$ 8,063,221	\$ 7,733,954

10. INCOME TAXES

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

	2022	2021
Loss before income taxes	\$ (6,112,922)	\$ (9,520,263)
Combined federal and provincial statutory tax rate	27.00%	27.00%
Expected income tax recovery	\$ (1,650,000)	\$ (2,570,000)
Effect of different statutory rates in foreign subsidiaries	92,000	158,000
Permanent difference	132,000	180,000
Impact of share issue costs	-	(260,000)
Adjustment of prior year estimates	(59,000)	(751,000)
Impact of foreign exchange on deferred income tax assets and liabilities	(683,000)	191,000
Change in unrecognized deductible temporary differences	2,168,000	3,051,000
Other	-	1,000
Total income tax recovery	\$ -	\$ -

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2022 and 2021 are presented below:

	2022	2021
Deferred tax assets:		
Non-capital losses	\$ 7,032,000	\$ 6,518,000
Capital loss carry-forwards	2,944,000	2,944,000
Share issue costs and other	303,000	430,000
Right of use assets and liabilities	-	15,000
Exploration and evaluation assets	16,169,000	14,488,000
Capital assets	702,000	610,000
Asset retirement obligation	133,000	110,000
Net unrecognized deferred income tax asset	\$ 27,283,000	\$ 25,115,000

As at December 31, 2022, the Company has non-capital loss carry-forwards of approximately \$23,153,000 for income tax purposes. The non-capital losses may be utilized to reduce future years' taxable income expiring up until 2042 if unutilized. In addition, the Company has approximately \$21,810,000 of capital losses available to carry-forward. The Company also has exploration and development expenditures of approximately \$68,219,000 which may be available to reduce the taxable income of future years.

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10. INCOME TAXES (continued)

Deferred tax assets, which may arise as a result of these losses and resource expenditures, have not been recognized as the Company determined that, as at December 31, 2022, their realization is uncertain.

11. LEASE LIABILITY

The Company leases office space and has one other lease which is considered a short-term lease and as such is included in the consolidated statement of loss and comprehensive loss and not the consolidated statement of financial position. The Company did not incur any variable lease payments and there were no leases with residual value guarantees or leases not yet commenced to which the Company is committed. During 2022, the expense relating to the short-term lease amounted to \$50,360 (2021 - \$31,905).

The Company's undiscounted lease liability is as follows:

Undiscounted lease payments		2022		2021
Not later than 1 year	\$	-	\$	59,572

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

		2022		2021
Opening balance	\$	55,021	\$	101,739
Interest expense		4,551		13,677
Interest paid		(4,551)		(13,677)
Payment of principal portion of lease liabilities		(55,021)		(46,718)
Balance, end of year	\$	-	\$	55,021

12. 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 \$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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13. 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>			
2022			
Net loss for the year	\$ 1,501,580	\$ 4,611,342	\$ 6,112,922
2021			
Net loss for the year	\$ 1,590,344	\$ 7,929,919	\$ 9,520,263
<u>Non-current assets</u>			
December 31, 2022			
Deposits	\$ -	\$ 283,677	\$ 283,677
Mineral property	\$ -	\$ 6,652,371	\$ 6,652,371
Property, plant and equipment	\$ 23,200	\$ 656,094	\$ 679,294
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

14. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company's cash in the amount of \$2,608,197 is in business accounts with quality financial institutions and is available on demand for the Company's exploration programs and is not invested in any asset backed commercial paper. As at December 31, 2022, the Company's financial liabilities included accounts payable and accrued liabilities of \$286,251, all of which are due within twelve months.

Foreign currency risk

The Company operates in Canada and Guyana and is therefore exposed to foreign exchange risk arising from transactions denominated in foreign currencies. The operating results and the financial position of the Company are reported in Canadian dollars. The functional currency of the Company and its subsidiaries is the Canadian dollar. Foreign currency risk is related to the exposure of financial instruments denominated in currencies other than Canadian dollars. As of December 31, 2022, a 10% appreciation (depreciation) in the United States dollar and Guyanese dollar against the Canadian dollar, with all other variables held constant, would result in approximately a \$166,000 and \$7,000 decrease (increase) in the Company's loss and comprehensive loss for the year, respectively.

14. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT (continued)

Credit risk

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

Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash, cash equivalents and restricted cash. The Company's practice has been to invest cash in savings accounts and guaranteed investment certificates with floating and fixed interest rates, in cash equivalents, and in short-term investments, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any term deposit or guaranteed bank investment certificates, as they are held with large and stable financial institutions. As at December 31, 2022, with all other variables unchanged, a 1 percentage point change in interest rates would not have a significant impact on the Company's loss and comprehensive loss for the year.

Market Risk

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company monitors commodity prices of gold, individual equity movements, and the overall stock market to determine the appropriate course of action to be taken by the Company.

Financial instruments carrying value and fair value

The Company's financial instruments consist of cash and cash equivalents, restricted cash, amounts receivable, deposits, accounts payable and accrued liabilities, and lease liabilities. The carrying value of cash and cash equivalents, restricted cash, 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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14. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT (continued)

Financial instruments carrying value and fair value (continued)

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

2022	Amortized cost (financial assets)	Amortized cost (financial liabilities)	Total
Financial assets			
Cash	\$ 2,608,197	\$ -	\$ 2,608,197
Restricted cash (note 4)	55,025	-	55,025
Amounts receivable	11,827	-	11,827
Deposits	283,677	-	283,677
Total financial assets	\$ 2,958,726	\$ -	\$ 2,958,726
Financial liabilities			
Accounts payable and accrued liabilities	\$ -	\$ 286,251	\$ 286,251
Total financial liabilities	\$ -	\$ 286,251	\$ 286,251
2021			
Financial assets			
Cash and cash equivalents	\$ 8,410,211	\$ -	\$ 8,410,211
Restricted cash (note 4)	12,811	-	12,811
Amounts receivable	22,098	-	22,098
Deposits	264,243	-	264,243
Total financial assets	\$ 8,709,363	\$ -	\$ 8,709,363
Financial liabilities			
Accounts payable and accrued liabilities	\$ -	\$ 546,876	\$ 546,876
Lease liability	-	55,021	55,021
Total financial liabilities	\$ -	\$ 601,897	\$ 601,897

15. MANAGEMENT OF CAPITAL

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

The Company manages and adjusts its capital structure when changes to the risk characteristics of the underlying assets or changes in economic conditions occur. To maintain or adjust the capital structure, the Company may attempt to issue new equity, dispose of certain assets, or incur debt. There were no changes to the Company's capital management process for the year ended December 31, 2022.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets which are revised periodically based on the results of its exploration programs, availability of financing, and industry conditions. There are no external restrictions on the management of capital.

The Company's investment policy is to invest any excess cash in liquid short-term interest-bearing instruments. When utilized, these instruments are selected with regard to the expected timing of expenditures from continuing operations. As at December 31, 2022, the Company has cash on hand of \$2,608,197 and working capital of \$2,712,588. The Company's financial success is dependent on its ability to discover economically viable mineral deposits.

16. SUBSEQUENT EVENTS

Subsequent to December 31, 2022:

- 127,500 stock options with an exercise price of \$1.00 per common share expired unexercised; and
- 30,000 stock options with an exercise price of \$1.40 per common share were forfeited.