



**MANAGEMENT'S DISCUSSION & ANALYSIS**

**QUARTERLY HIGHLIGHTS**

**JUNE 30, 2020**

**1. OVERVIEW**

Goldsource Mines Inc. (the “Company” or “Goldsource”) is headquartered in Vancouver, BC and its common shares trade on the TSX Venture Exchange (“TSX-V”) under the symbol GXS and on the OTCQB under the symbol “GXSFF”. This Interim Management’s Discussion and Analysis – Quarterly Highlights (“Interim MD&A”) is an overview of all material information about the Company’s operations, liquidity and capital resources for the three and six months ended June 30, 2020. The Interim MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2020 and 2019 and the related notes contained therein which have been prepared under International Accounting Standard 34 – Interim Financial Reporting as issued by the International Accounting Standards Board. The following should also be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2019 and 2018, and the related notes contained therein. Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company’s website [www.goldsourcemines.com](http://www.goldsourcemines.com).

The first, second, third, and fourth quarters of the Company’s fiscal years are referred to as “Q1”, “Q2”, “Q3”, and “Q4”, respectively.

The effective date of this MD&A is August 18, 2020. This interim MD&A contains forward looking information. Reference to “7. Cautionary Statements and Disclaimers” is advised.

All amounts are in Canadian dollars unless noted.

**2. HIGHLIGHTS**

The Company’s key events and highlights during the first half (“H1”) of 2020 and to date include the following:

**a. Eagle Mountain Gold Project**

**Overview**

The Company’s focus is its Eagle Mountain Gold Project (“Eagle Mountain”). Its 100% interest in the Eagle Mountain Property (the “Property”) consists of an area of approximately 5,050 hectares (12,480 acres) in central Guyana, South America. 4,784 hectares (11,860 acres) of the Eagle Mountain Property relate to the Eagle Mountain Prospecting License while 266 hectares (660 acres) relate to the Medium Scale Mining Permit held by Kilroy Mining Inc., a Guyanese Company, on which Stronghold, a subsidiary of Goldsource, has a long term lease with a 2% NSR. Goldsource constantly reassesses the size of its land package as exploration work is completed.

Goldsource’s current objective is to build a critical mass of resources of 1.3 to 1.6 million ounces of gold (or “Au”) grading greater than 1.0 grams per tonne (“gpt”) Au, based on a low strip ratio (waste:ore), open pit operation, through expansion of the main Eagle Mountain Gold deposit and additional discoveries of both saprolite and hard rock gold mineralization. The Company believes that this will support the completion of a Pre-Feasibility Study (“PFS”) on a low cost large-scale, 4,000 to 5,000 tonnes per day, open pit gravity-cyanidation operation.

Currently, the Company’s resources at Eagle Mountain, based on the 2014 Preliminary Economic Assessment<sup>1</sup> (“PEA”) are as follows:

Category	Tonnes	Gold Grade (gpt)*	Contained Ounces Gold
Indicated	3,921,000	1.49	188,000
Inferred	20,635,000	1.19	792,000

The following table shows only saprolite resources:

Category	Tonnes	Gold Grade (gpt)*	Contained Ounces Gold
Indicated	1,590,000	1.45	74,100
Inferred	7,202,000	1.32	305,600

\*Estimated at 0.5 gpt cut-off for gold.

<sup>1</sup> Refer to Technical Report titled “Preliminary Economic Assessment of the Eagle Mountain Saprolite Gold Project, Guyana”, effective June 14, 2014 and dated September 12, 2014 (“PEA”). The Company cautions that the PEA is preliminary in nature in that it is based on inferred mineral resources which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be characterized as mineral reserves, and there is no certainty that the results or recommendation of the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

To expand and re-categorize current saprolite and hardrock resources from the Inferred category to the Indicated and Measured categories, Goldsource has defined several greenfield exploration targets within the Property, as well as expansion and in-fill areas within the existing geological resource wireframe; relevant drill programs commenced in May 2017 and continue to date.

During the period from January 1, 2020 to August 18, 2020, the Company completed the following drilling:

	Total Number of Holes	Total DDH Meters Drilled	Number of Announced Holes	DDH Meters Drilled and Announced
2020 Drilling to August 18, 2020	57	9,743	27	5,450
Salbora Deposit (incl. above)	7	1,779	7	1,779

During H1, 2020, the Company incurred \$2,556,838 of exploration and evaluation expenses for the Eagle Mountain Gold Project (please refer to section 3 below – Results of Operations and Financial Condition). As at June 30, 2020, the Company's cumulative exploration and evaluation expenditures, including acquisition costs, on the Eagle Mountain Gold Project totaled \$25.8 million.

### **2020 Eagle Mountain Activities**

#### Geophysical survey

During H1, 2020, the Company successfully completed the expansion of the ground geophysical survey. Phase II ground geophysics included an additional 62 line-kilometres of gradient array Induced Polarization ("IP"), 62 line-km of high-resolution ground magnetic survey and 10 line-km of Pole-Dipole ("PDP") detailing IP survey over selected targets. The total ground geophysical coverage was expanded to an area of approximately 7.5 square kilometres and the ground IP/Resistivity and magnetic surveys were successfully completed in January 2020. Additional geophysical anomalies merit further exploration and will be used to guide exploration drilling in the second half ("H2") of 2020.

#### Resource estimate

During 2020, the Company has engaged CSA Global Consultants Canada Ltd ("CSA Global"), an ERM Group company, to provide Goldsource with an independent assessment and gap analysis of geology and gold mineralization to guide the Company's current drill program and convert current Inferred resources into the Indicated classification, and a Mineral Resource Estimate ("MRE") update for the Eagle Mountain gold deposit and a maiden MRE for the recent gold discoveries peripheral to Eagle Mountain, including the Salbora gold deposit.

#### Drilling

Since January 1, 2020, the Company has completed approximately 9,700 metres of core drilling. Drilling has resulted in (1) the discoveries of the Powis target and the Toucan target, and (2) expansion of the Friendly target, Salbora target and the Eagle mountain Gold deposit (No. 1 Hill area) (please refer to the Company's news releases dated February 5, 2020, April 14, 2020, May 2020 and July 29, 2020).

The Powis target is an area of extensive historical artisanal workings, 600 metres along strike from the Toucan target, which has a historic adit grading 18.5 gpt gold over a 23.0 metre length (in-vein). The Company announced the discovery of this target on February 5, 2020, reporting seven drill holes, totalling 1,319 metres. Subsequently, on July 29, 2020, the Company announced infill drill results of five (5) core holes for 1,389 metres. As of July 29, 2020, there is a gold mineralized footprint of 200 metres long by 40 metres wide to a minimum depth of 200 metres. Excluding intercepts below the Company's cut-off grade of 0.3 gpt Au, the weighted average grade (uncut undiluted) of the drill intercepts from the announced drilling to date is 4.01 gpt Au.

The Toucan target is located within the north-south trending Salbora-Powis structural corridor (est. two kilometres in length) adjacent to the Eagle Mountain Gold Project. The Company announced the discovery of this target on April 14, 2020, reporting four (4) holes over 694 metres. When combined with previous work completed, these results suggest that the Toucan discovery is initially 250 metres long by 20 to 40 metres wide, open along strike and to depth, and may be connected to the Powis target, 600 metres to the south. Excluding intercepts below the Company's cut-off grade of 0.3 gpt Au, the weighted average grade (uncut undiluted) of the drill intercepts from the announced drilling to date is 2.39 gpt Au.

The Friendly target is located immediately north of the Eagle Mountain Gold Project. On May 20, 2020, the Company announced expansion drill results for 10 core holes over 2,065 metres. Combined with previous drilling by Goldsource and historic drilling totalling 17 core holes (1,670 metres) at the Friendly target, this suggests potential for an initial strike of 350 metres long and 500 metres wide which includes numerous near vertical, closely-spaced, and parallel gold mineralized structures. The prospect remains open along strike and to depth and appears be connected to the Bottle Bank area, located 500 metres to the south, which is part of Eagle Mountain.

During H1, 2020, the Company continued drilling on the northern area of the Salbora discovery which was announced on January 23, 2019. On July 29, 2020, the Company announced expansion step out drilling results to the northern part of the deposit and to depth. Drill results for seven (7) core holes over 1,779 metres were reported and represented an expanded high-grade footprint (surface) of 300 metres long by 100 metres wide. Excluding intercepts below the Company's cut-off grade of 0.3 gpt Au, the weighted average grade (uncut undiluted) of the drill intercepts from the announced drilling to date is 2.47 gpt Au.

No. 1 Hill area is an expansion step out for 170 metres west of the boundary to the current Eagle Mountain resource and is the down dropped extension of the Kilroy zone which contains gold resources. Geologically, the No. 1 Hill area at Eagle Mountain shows the same characteristics to the main Eagle Mountain deposit, with gold located in shallowly dipping mineralized zones, within chloritic fractures containing pyrite crosscutting granodiorite (granitoid). This extension may expand resources that were previously limited by a fault. On July 29, 2020, the Company announced drill results at the No. 1 Hill area for five (5) core holes for 595 metres.

Previous drilling and work at the Powis, Toucan, Friendly and No. 1 Hill area targets were completed as follows:

- Limited diamond core drilling over parts of Powis, Toucan, Friendly and No 1 Hill took place between 1940s and 2008.
- In 1940, Anaconda Mining Company drilled holes AD01 to AD13 at the No. 1 Hill. These holes did not recover saprolite and not all intervals were assayed.
- The Guyana Geological Survey, now called GGMC in the 1970s was searching for molybdenum in the Powis area and drilled nine holes. These holes did not recover saprolite nor assay all intervals for gold.
- In 1997, Golden Star Resources Ltd. ("GSR") drilled two holes in the Toucan target, two holes in the Powis target, one hole in Friendly target and one hole in No. 1 Hill area. Partial core has survived and had been re-assayed by IAMGOLD Corporation ("IAMGOLD") in 2008.
- In 2008, IAMGOLD drilled three additional holes in the Powis area and five holes in the Friendly area, with their core surviving to date.
- Construction of an exploration adit (the "Coolie Adit") in the 1940's potentially done by Anaconda Mining Company. The adit was re-sampled and re-assayed by IAMGOLD in 2006.
- Goldsource completed 11 shallow diamond drill holes in 2018 as part of the saprolite expansion program.

The significant results from the above previous work (uncut, undiluted) in the Powis, Toucan, Friendly and No. 1 Hill area targets are available in news releases dated February 5, 2020, April 14, 2020, May 20, 2020 and July 29, 2020. The Company is not treating the historical drill intercept mineralization estimates and other sampling intercepts from GSR, Geological Survey or IAMGOLD as current mineral resources or reserves, has not verified them and is not relying on them. The Company is currently only using them to guide its exploratory drilling work but plans to conduct work to further verify the historic results in the future.

Historically, previous companies focused on the Eagle Mountain deposit for its near surface bulk mineable potential with smaller high-grade targets, like Powis, Toucan and Friendly, of lesser priority. Goldsource believes these targets, like Salbora that was discovered in 2019, could add significant ounces to help obtain its critical mass to complete its ongoing PFS.

Once Guyana COVID-19 restrictions have been lifted and the International airport is re-opened, the Company plans to operate three (3) drills to complete additional expansion and in-fill drill holes for 7,500 to 10,000 metres (H2, 2020) at Eagle Mountain including testing additional geophysical and geological target areas, such as No.1 Hill, Waterline, Montgomery and Minnehaha. The objective is to complete an updated resource estimate for the Eagle Mountain Project in Q4, 2020.

With a minimal monthly burn rate during the COVID-19 suspension, \$6.7 million in cash and no debt on the balance sheet as of August 18, 2020, Goldsource is uniquely positioned to advance Eagle Mountain during these challenging market conditions to deliver an updated resource estimate to support an ongoing PFS for the project.

## **b. Corporate**

During H1, 2020, corporate highlights include the following:

- On March 24, 2020, the Company completed a private placement of 60,026,500 units at a price of \$0.11 per unit for gross proceeds of \$6,602,915. Each unit consisted of one common share and one-half warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.16 until September 24, 2022. The Company paid cash commissions of \$371,777 and issued 3,571,590 agents' warrants with a fair value of \$290,708 in connection with the private placement. Each agent warrant entitles the holder to

purchase one common share at a price of \$0.11 per share until March 24, 2022. The Company incurred capital stock issuance costs of \$217,242 in connection with the private placement. The Company plans to use a portion of the proceeds of the private placement for the Eagle Mountain resource expansion, PFS costs, and general corporate purposes.

- On February 24, 2020, the Company issued 600,000 common shares at \$0.09 per common share for gross proceeds of \$54,000 upon the exercise of warrants.
- On June 15, 2020, the Company held its Annual General Meeting, whereby shareholders voted in favour of all items of business, including the election of each director and re-appointment of its auditors. At the Board of Directors meeting following the AGM, the Board re-appointed all executive officers, except for Nicholas Campbell, Chief Financial Officer, who had resigned his position. N. Eric Fier, the Company's Executive Chair and Chief Operating Officer, has assumed the position of interim Vice-President, Finance.
- 32,957,600 warrants with an exercise price of \$0.10, and 1,750,000 stock options with an exercise price of \$0.20 expired unexercised.

Subsequent to June 30, 2020:

- the Company issued 13,647,271 common shares at \$0.09 per common share for gross proceeds of \$1,228,254 upon the exercise of warrants; and
- 500,000 warrants at \$0.09 per common share expired unexercised.

**c. COVID-19 Update**

The Company's business could be adversely affected by the effects of the recent outbreak of respiratory illness caused by COVID-19. Since early March 2020, several significant measures have been implemented in Canada, Guyana and the rest of the world by authorities in response to the increased impact from COVID-19. The Company cannot accurately predict the impact COVID-19 will have on the ability of third parties to meet their obligations with the Company, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In particular, the continued spread of the COVID-19 globally could materially and adversely impact the Company's business including without limitation, employee health, limitations on travel, the availability of industry experts and personnel, restrictions on planned drill programs and other factors that depend on future developments beyond the Company's control. In addition, the significant outbreak of a contagious disease 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 a potential economic downturn that may negatively impact the Company's financial position, financial performance, cash flows, and its ability to raise capital, in 2020. Following the policies and guidelines, relevant to the COVID-19 pandemic, by both Canadian and Guyanese authorities, the Company temporarily suspended its drilling and exploration activities at Eagle Mountain, beginning April 5, 2020 and resumed exploration activities on June 11, 2020. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on the Company's exploration activities, including the duration and impact on its planned resource update and PFS cannot be reasonably estimated at this time.

**3. RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

**Comparison of the three and six months ended June 30, 2020 and 2019**

During the three and six months ended June 30, 2020, comprehensive losses were \$1,473,213 and \$3,139,245 respectively, compared to \$1,297,511 and \$2,488,454 for the same periods in 2019. The principal differences and significant amounts to note are as follows:

	Three Months Ending June 30,		Variance	Six Months Ending June 30,		Variance	Variance Explanation
	2020	2019		2020	2019		
Exploration and evaluation expenditures	1,080,566	809,323	271,243	2,556,838	1,450,989	1,105,849	The increase in exploration and evaluation activity at Eagle Mountain in H1, 2020 compared to H1, 2019 is primarily due to the addition of a contract drill rig, leading to increased exploration activity on the property in Q1, 2020. This was offset by a significant decrease in drilling in Q2, 2020 as a result of suspension of drilling and exploration activities due to COVID -19.
Foreign exchange loss	95,743	93,113	2,630	4,306	109,344	(105,038)	During H1, 2020, the Company held larger amounts of US dollar cash and cash equivalents, and the US dollar appreciated compared to the Canadian dollar in H1, 2020.
Marketing	42,454	55,672	(13,218)	103,713	106,609	(2,896)	The decrease in marketing expenses from Q2, 2019 to Q2, 2020 is due to travel restrictions limiting travel to trade shows and conferences, caused by the COVID-19 pandemic.
Professional fees	39,654	19,906	19,748	67,179	39,946	27,233	The increase in professional fees was driven by higher legal costs incurred in H1, 2020 as compared to H1, 2019 due to an overall increase in corporate activity.
Remuneration	163,273	255,322	(92,049)	284,123	374,048	(89,925)	The decrease in remuneration in H1, 2020 as compared to H1, 2019 is due to bonuses paid in H1, 2019. No similar amount was paid in H1, 2020. Additionally, remuneration decreased due to lower recruitment costs, coupled with the decrease in the allocation of corporate staff time that was shared between the Company and SilverCrest Metals Inc. ("SilverCrest").
Share-based compensation	5,396	26,732	(21,336)	18,338	318,246	(299,908)	The decrease in share-based compensation expense from H1, 2019 to H1, 2020 is due to the timing of stock option grants. No stock options were granted in H1, 2020, the share-based compensation expense recognized in the period relates to the vesting of stock options granted in 2019.

**GOLDSOURCE MINES INC.**  
**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS**  
**QUARTER ENDED JUNE 30, 2020**

**TSX.V:GXS**

During the three and six months ended June 30, 2020, exploration and evaluation expenditures were \$1,080,566 and \$2,556,838 respectively, compared to \$809,323 and \$1,450,989 for the same periods in 2019. The significant variations between these periods included the following:

Exploration and evaluation expenditures	Three Months Ending June 30,			Six Months Ending June 30,			Variance Explanation
	2020	2019	Variance	2020	2019	Variance	
Assays	15,910	40,147	(24,237)	88,954	60,164	28,790	The decreased assay costs during Q2, 2020 vs. Q2, 2019, are due to the temporary suspension of drilling in Q2, 2020 due to COVID-19. In H1, 2020 over H1, 2019, due to overall increased drilling activity in the period, and associated the cost to perform assays on the core samples, assay costs have increased.
Camp costs	50,006	143,207	(93,201)	216,156	231,701	(15,545)	Decreased camp costs during Q2, 2020 are due to the suspension of drilling and exploration activities due to the COVID-19 pandemic during Q2 2020.
Depreciation	404,553	118,509	286,044	458,231	236,244	221,987	The increase in depreciation expense for the period is due to capital assets purchased in the quarter, as well as the write off of several assets held in Guyana.
Drilling	37,118	84,356	(47,238)	701,120	113,965	587,155	The decreased drilling expense during Q2, 2020 vs. Q2, 2019, is due to the temporary suspension of drilling during Q2, 2020 due to COVID-19. However, more diamond drilling was completed during H1, 2020 than in H1, 2019, resulting in an increase in the overall cost of drilling during H1, 2020.
Operations and general	239,378	86,317	153,061	301,743	166,329	135,414	The increase in operations and general expense from H1, 2019 to H1, 2020 is due to the timing of purchases of supplies required for operations at the Eagle Mountain camp, as well as an increase in the number of personnel at the Eagle Mountain Camp.
Salaries	322,759	264,647	58,112	660,532	503,266	157,266	The increase in salaries for the period results from the additional personnel hired to support the increased drilling in H1, 2020.
Share-based compensation	-	-	-	-	46,065	(46,065)	The decrease in share-based compensation between H1, 2019 and H1, 2020 is due to the timing of stock option grants. No stock options were granted or expensed as part of exploration expenditures in H1, 2020.
Technical services and consulting	10,842	72,140	(61,298)	130,102	93,255	36,847	The decrease in technical services and consulting costs in Q2, 2020 vs. Q2, 2019 is due to the completion geophysical surveys of the Eagle Mountain property in Q1, 2020. No similar costs were incurred during Q2, 2020. The increase in technical services and consulting expense in H1, 2020 over H1, 2019 relates to the technical services and consulting expense incurred in Q1, 2020.

#### **4. LIQUIDITY AND CAPITAL RESOURCES**

##### **a. Assets**

At June 30, 2020, Goldsource held cash and cash equivalents of \$6,134,617 (December 31, 2019 – \$3,159,068). Goldsource continues to monitor cash resources against anticipated expenditures associated with advancing Eagle Mountain. Other current assets totalling \$243,421 consist primarily of prepaid expenses of \$208,117 (December 31, 2019 – \$58,635) and amounts receivable of \$34,289 (December 31, 2019 – \$62,641).

The Company has deposits totalling \$290,495, including \$281,285 (US\$206,200) (December 31, 2019 – \$268,387 (US\$206,200)) which is pledged as a reclamation site bond in the form of a non-interest-bearing bank guarantee deposit to the GGMC for exploration permits on the Property.

Property, plant and equipment decreased to \$2,651,653 (December 31, 2019 – \$3,067,855), primarily due to the depreciation of \$488,319 (June 30, 2019 – \$268,222), slightly offset by the purchase of equipment of \$105,132 (June 30, 2019 – \$48,437), with significant purchases including purchase of a vehicle and ATV's.

##### **b. Liabilities**

At June 30, 2020, current liabilities include accounts payable and accrued liabilities of \$282,002 (December 31, 2019 – \$475,417), which relate to various contractual commitments in the normal course of business.

As at June 30, 2020, the Company has recorded a rehabilitation provision of \$359,235 (December 31, 2019 – \$391,051), which was also included in property, plant and equipment. The present value of the rehabilitation provision was calculated using an effective discount rate of 5% (December 31, 2019 – 5%) and reflects anticipated cash flows to be incurred over approximately the next eight years (December 31, 2019 – nine years). The undiscounted value of these obligations is \$433,960 (US\$335,500) (December 31, 2019 – \$429,185 (US\$332,000)), calculated using a long-term inflation rate assumption of 1.3% (December 31, 2019 – 2.4%).

##### **c. Liquidity Outlook and Risks**

As at June 30, 2020, the Company had cash and cash equivalents of \$6.1 million (December 31, 2019 – \$3.2 million), accumulated losses of \$60.7 million (December 31, 2019 – \$57.8 million) and working capital<sup>2</sup> of \$6.0 million (December 31, 2019 – \$2.7 million). While the Company currently has no source of revenue, management believes its cash and cash equivalents of \$6.1 million, as of June 30, 2020, will be sufficient to fund its minimum exploration activities and general working capital for the next 12 months. During H1, 2020, the Company received gross proceeds of \$6.6 million upon the closing of a private placement. The Company has been, and plans to, use the proceeds from the private placement as outlined in "2. Highlights – Eagle Mountain Gold Project". As at August 18, 2020, the cash and cash equivalents held by the Company had increased to \$6.7 million due to the exercise of warrants.

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 program, availability of financing, and industry conditions. The Company's ability to continue as a going concern is dependent on its ability to raise debt or equity financing and discover economically viable mineral deposits. Ongoing exploration work at Eagle Mountain may be delayed or disrupted, will require substantial additional financing, and is subject to a number of factors many of which are beyond the Company's control. Although the Company has been successful in raising funds to date, there is no assurance that future equity capital or debt facilities will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to it, if at all.

#### **5. COMMITMENT, EVENTS AND UNCERTAINTIES**

Other than disclosed below, there was no commitment, event or uncertainty which materially affected the Company's operations, liquidity, and capital resources during Q2, 2020, or which may have a material effect going forward.

- On October 1, 2015, as amended May 7, 2018, the Company entered into a lease agreement for office space which requires the Company to make the following lease payments:

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<sup>2</sup> Working capital is a non-IFRS measure widely used in the mining industry and which the Company defines as current assets less current liabilities, as reported in the condensed consolidated interim statements of financial position. In the context of liquidity, it relates to the maintenance of sufficient current asset balances to settle current liabilities, as they come due in the normal course of business.



<b>Undiscounted lease payments</b>	<b>June 30, 2020</b>		<b>December 31, 2019</b>	
Not later than 1 year	\$	60,395	\$	60,395
Later than 1 year and not later than 5 years		89,769		119,967
	\$	150,164	\$	180,362

- In November 2019, Kilroy Mining Inc. ("Kilroy") received a demand for foregone customs duty and taxes from the Guyana Revenue Agency ("GRA"). The GRA alleges that the joint venture agreement between Kilroy and Stronghold Guyana Inc., a wholly owned subsidiary of the Company, has breached the terms of the customs duty and tax exemption granted to Kilroy during 2015 and 2016 on the purchase of mining equipment. The GRA seeks payment of \$459,478 (\$73,056,644 Guyanese dollars). Management has been advised that these claims are without merit and intends to defend against the claim. Accordingly, the Company has not accrued any amounts related to this claim.

## **6. RELATED PARTY TRANSACTIONS**

During the six months ended June 30, 2020, the Company entered into the following transactions with related parties:

### **a. Key management compensation**

The Company's key management personnel have the authority and responsibility for planning, directing, and controlling the activities of the Company and include the Company's President, Chief Operating Officer and Interim Vice President of Finance ("COO"), former Chief Financial Officer ("CFO"), and directors. Key management personnel compensation is summarized as follows:

	<b>Six months ended June 30, 2020</b>		<b>Six months ended June 30, 2019</b>	
Management remuneration <sup>(1)</sup>	\$	178,713	\$	135,625
Directors fees		18,000		-
Share-based compensation <sup>(2)</sup>		-		258,562
	\$	196,713	\$	394,187

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

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

### **b. Legal fees**

During the six months ended June 30, 2020, legal fees of \$39,908 (June 30, 2019 – \$18,795), included in professional fees, and capital stock issuance costs of \$90,414 (June 30, 2019 – \$73,260) were paid or accrued to Koffman Kalef LLP, a law firm of which an officer of the Company is a partner, of which \$14,629 (December 31, 2019 – \$1,377) was payable at June 30, 2020.

### **c. Other transactions**

During the six months ended June 30, 2020, the Company paid remuneration of \$Nil (June 30, 2019 – \$2,917) and recognized share-based compensation of \$Nil (June 30, 2019 – \$4,607) to Nathan Fier, who is an immediate family member of the COO. Remuneration and share-based payments incurred to Nathan Fier was recorded as exploration and evaluation expenditures.

The Company has a cost sharing agreement with SilverCrest Metals Inc. ("SilverCrest"), a company related by common directors and officers, whereby the Company shares salaries, administrative services, and other expenses. During the six months ended June 30, 2020, the Company was allocated \$81,245 (June 30, 2019 – \$129,999) for its share of these expenses, of which \$15,046 (December 31, 2019 – \$36,428) was payable to SilverCrest at June 30, 2020.

## **7. CAUTIONARY STATEMENTS AND DISCLAIMERS**

### **a. Risk Factors**

In addition to liquidity risks described in section 4, readers of this Interim MD&A are directed to read the "Risk Factors" contained in the Company's Annual MD&A dated April 27, 2020, available on [www.goldsourcemines.com](http://www.goldsourcemines.com) and under the Company's SEDAR profile on

[www.sedar.com](http://www.sedar.com). Important risk factors to consider among others are:

- Impact of COVID-19
- Risks inherent in the mining business;
- No history of operations or earnings;
- Licenses and permits;
- Mineral resource estimates;
- Mining capital and operating costs;
- Financing risks;
- Key employees; and
- Environmental risks and hazards.

**b. Forward-Looking Statement**

This Interim MD&A contains “forward-looking statements” within the meaning of Canadian securities legislation. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. In particular, the Interim MD&A contains forward-looking statements pertaining to the following: exploration and drilling programs at Eagle Mountain, including the Salbora, Powis, Toucan, Friendly and No.1 Hill areas; information regarding high grade areas projected from sampling results; the impact of the COVID-19 pandemic on operations and on the timing and completion of exploration programs, technical reports and studies, including the Company’s updated resource estimate for the Eagle Mountain Gold Project scheduled for Q4, 2020 and preliminary feasibility study scheduled for 2021; information with respect to projected capital and operating costs, the amount of future production of gold over any period, the amount of expected grades and ounces of metals, gold recoveries, mine life, and gold production rates of Eagle Mountain; and expectations regarding the Company’s ability to manage capital resources and meet working capital requirements.

Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect. Assumptions have been made regarding, among other things: the conditions in general economic and financial markets; precious metals prices; ability to realize the PEA and develop and finance the project; the accuracy of the interpretations and assumptions used in calculating inferred mineral resource estimates; the availability of mining equipment and skilled labour; the timing and amount of capital expenditures; the performance of available laboratory and other related services; effects of regulation by governmental agencies; future operating costs and the ultimate impact of the COVID-19 pandemic.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Interim MD&A: the availability of funds; the timing and content of work programs; results of exploration activities and development of mineral properties; the interpretation of drilling results and other geological data; the uncertainties of resource estimations; the receipt, maintenance and security of permits and mineral property titles; environmental and other regulatory risks; project cost overruns or unanticipated costs and expenses; uncertainty as to actual capital costs, operating costs, production and economic returns; uncertainty that development will result in a profitable mining operation at Eagle Mountain; reliance on the PEA; operating and hazards risks and limitations on insurance; fluctuations in precious metals prices; currency fluctuations; political and economic risks; and public health concerns (including health epidemics or outbreaks of the communicable diseases such as the COVID-19 pandemic).

Forward-looking statements are based on the expectations and opinions of the Company’s management on the date the statements are made. The assumptions used in the preparation of such statements, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made. The Company undertakes no obligation to update or revise any forward-looking statements included in this Interim MD&A if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law.

**c. Qualified Person**

Technical information contained in this Interim MD&A has been prepared by or under the supervision of N. Eric Fier, CPG, P.Eng, and Executive Chairman and Corporate Officer for Goldsource, who is a ‘Qualified Person’ for the purpose of NI 43-101.