



**CONSOLIDATED FINANCIAL STATEMENTS AND NOTES**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

**(Expressed in Canadian Dollars)**

**GOLDSOURCE MINES INC.**  
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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Goldsource Mines Inc.

### *Opinion*

We have audited the accompanying consolidated financial statements of Goldsource Mines Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of operations and comprehensive loss, cash flows, and shareholders' equity 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, 2018 and 2017, 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 audits is sufficient and appropriate to provide a basis for our opinion.

### *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 David Harris.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

April 24, 2019

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

	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 398,144	\$ 268,849
Amounts receivable	30,701	21,287
Prepaid expenses	69,293	86,888
Marketable securities (note 9)	1,522	12,180
<b>Total current assets</b>	<b>499,660</b>	<b>389,204</b>
<b>Non-current assets</b>		
Deposit (note 5)	265,610	244,575
Rent deposit (note 12)	36,053	46,576
Mineral property (note 5)	6,668,283	6,575,508
Property, plant and equipment (note 6)	3,464,341	4,330,903
<b>Total non-current assets</b>	<b>10,434,287</b>	<b>11,197,562</b>
<b>TOTAL ASSETS</b>	<b>\$ 10,933,947</b>	<b>\$ 11,586,766</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 10)	\$ 327,600	\$ 352,018
Loan payable (notes 7, 10)	-	100,000
<b>Total current liabilities</b>	<b>327,600</b>	<b>452,018</b>
<b>Non-current liabilities</b>		
Rehabilitation provision (note 8)	410,709	380,712
<b>Total liabilities</b>	<b>738,309</b>	<b>832,730</b>
<b>Shareholders' equity</b>		
Capital stock (note 11)	55,116,880	52,409,850
Private placement subscriptions received (note 17)	438,404	126,000
Reserves (note 11)	6,013,767	6,073,390
Deficit	(51,373,413)	(47,855,204)
<b>Total shareholders' equity</b>	<b>10,195,638</b>	<b>10,754,036</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 10,933,947</b>	<b>\$ 11,586,766</b>

Nature and continuance of operations (note 1)

Commitment (note 12)

Subsequent events (note 17)

Approved by the Board and authorized for issue on April 24, 2019.

*"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 OPERATIONS AND COMPREHENSIVE LOSS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**FOR THE YEARS ENDED DECEMBER 31,**

	<b>2018</b>	<b>2017</b>
Accretion (note 8)	\$ 18,338	\$ 14,409
Borrowing costs (note 7)	-	22,443
Depreciation (note 6)	60,550	45,498
Disposal of property, plant and equipment (note 6)	-	122,590
Exploration and evaluation expenditures (note 5)	2,845,994	2,400,045
Foreign exchange (gain) loss	(8,205)	3,109
General exploration expenditures	5,640	-
Insurance	69,618	55,361
Interest income	(2,527)	(4,608)
Office and miscellaneous	11,513	12,920
Professional fees (note 10)	82,003	82,899
Realized loss on sale of marketable securities (note 9)	-	35,490
Regulatory and transfer agent fees	21,979	28,647
Remuneration (note 10)	344,631	364,915
Rent and communications	59,672	85,281
Share-based compensation (notes 10, 11)	116,423	228,164
Shareholder and investor relations	46,860	88,774
Tradeshaw and travel	27,315	72,689
Unrealized loss (gain) on marketable securities (note 9)	10,658	(1,015)
<b>Net and comprehensive loss for the year</b>	<b>\$ (3,710,462)</b>	<b>\$ (3,657,611)</b>
<b>Basic and diluted comprehensive loss per common share</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares outstanding</b>	<b>208,983,026</b>	<b>164,162,340</b>

*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,**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (3,710,462)	\$ (3,657,611)
Items not affecting cash:		
Accretion expense	18,338	14,409
Interest expense	-	22,443
Depreciation	918,753	859,906
Loss on disposal of property, plant and equipment	-	122,590
Foreign exchange gain	(21,035)	(1,259)
Interest income	(2,527)	(4,608)
Realized loss on sale of marketable securities	-	35,490
Share-based compensation	132,630	256,796
Unrealized loss (gain) on marketable securities	10,658	(1,015)
Changes in non-cash working capital items:		
Amounts receivable	(9,744)	(15,369)
Taxes receivable	345	(759)
Prepaid expenses	17,595	(64,542)
Accounts payable and accrued liabilities	(21,587)	(44,593)
<b>Net cash used in operating activities</b>	<b>(2,667,036)</b>	<b>(2,478,122)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Mineral property	(92,775)	-
Proceeds from sale of marketable securities	-	49,195
Purchase of property, plant and equipment	(35,593)	(422,702)
Interest received	2,512	4,610
<b>Net cash used in investing activities</b>	<b>(125,856)</b>	<b>(368,897)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan drawdown	-	100,000
Loan principal paid	(100,000)	(1,729,255)
Loan interest and fee payments	-	(29,249)
Capital stock issued	2,701,100	4,459,687
Capital stock issuance costs	(117,317)	(102,534)
Private placement subscriptions received	438,404	126,000
<b>Net cash provided by financing activities</b>	<b>2,922,187</b>	<b>2,824,649</b>
<b>Change in cash and cash equivalents, during the year</b>	<b>129,295</b>	<b>(22,370)</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>268,849</b>	<b>291,219</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 398,144</b>	<b>\$ 268,849</b>
<b>Cash and cash equivalents is represented by:</b>		
Cash	386,644	257,349
Cash equivalents	11,500	11,500
	<b>\$ 398,144</b>	<b>\$ 268,849</b>
<b>Non-cash investing activities</b>		
Capitalized to property, plant and equipment		
Rehabilitation provision	\$ 11,659	\$ 64,942
Accounts payable and accrued liabilities	\$ 62,357	\$ 57,418
<b>Non-cash financing activities</b>		
Capital stock issuance costs in accounts payable and accrued liabilities	\$ 2,753	\$ -
Share subscription applied to share issuance	\$ 126,000	\$ -

*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		Subscriptions received	Reserves	Deficit	Total
	Number	Amount		Share-based payments		
<b>Balance at December 31, 2016</b>	140,731,916	\$48,052,697	\$ -	\$5,869,723	\$(44,250,722)	\$ 9,671,698
Private placement (note 11)	26,233,450	4,459,687	-	-	-	4,459,687
Capital stock issuance costs (note 11)	-	(102,534)	-	-	-	(102,534)
Private placement subscriptions received	-	-	126,000	-	-	126,000
Share-based compensation (note 11)	-	-	-	256,796	-	256,796
Stock options expired or forfeited (note 11)	-	-	-	(53,129)	53,129	-
Net and comprehensive loss for the year	-	-	-	-	(3,657,611)	(3,657,611)
<b>Balance at December 31, 2017</b>	166,965,366	52,409,850	126,000	6,073,390	(47,855,204)	10,754,036
Private placements (note 11)	54,712,544	2,827,100	(126,000)	-	-	2,701,100
Capital stock issuance costs (note 11)	240,000	(120,070)	-	-	-	(120,070)
Private placement subscriptions received (note 17)	-	-	438,404	-	-	438,404
Share-based compensation (note 11)	-	-	-	132,630	-	132,630
Stock options expired (note 11)	-	-	-	(192,253)	192,253	-
Net and comprehensive loss for the year	-	-	-	-	(3,710,462)	(3,710,462)
<b>Balance at December 31, 2018</b>	221,917,910	\$55,116,880	\$ 438,404	\$6,013,767	\$(51,373,413)	\$10,195,638

*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 and development. The Company’s primary business objective is to expand and improve the quality of its existing resources through exploration in order to enable it to become a low-cost gold producer at its Eagle Mountain Gold Project, located on its Eagle Mountain Property, in Guyana, South America. Goldsource is incorporated under the Business Corporations Act (British Columbia). The common shares of the Company trade on the TSX Venture Exchange under the symbol “GXS”. 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, on the basis of 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, 2018, the Company had cash and cash equivalents of \$398,144, accumulated losses of \$51.4 million, and working capital of \$172,060. The Company is required to renew its five-year Prospecting License at Eagle Mountain which is due to expire in October 2019. Subsequent to December 31, 2018, the Company received gross proceeds of \$8.8 million from the completion of private placements (note 17) and as such, the Company has sufficient funds to maintain its operations and its exploration and operational activities at its Eagle Mountain Property for the next 12 months. 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 operations that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Statement 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 interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The policies applied in these consolidated financial statements are based on IFRSs in effect as at December 31, 2018.

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. Additionally, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements were approved for issuance by the Board of Directors on April 24, 2019.

### **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 Guyana 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.

### **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.

### **Taxes receivable**

Taxes receivable are comprised of refundable goods and services tax paid by the Company.

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

**Foreign exchange**

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 statement of operations and comprehensive loss.

**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 consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Carrying amounts of PP&E are depreciated to their estimated residual value over the estimated useful lives of the assets or the estimated life of the related mine or plant, if shorter. Where components of an asset have different useful lives, depreciation is calculated on each separate component. Depreciation is provided using the straight-line method over the following terms:

Building	20 years	Equipment	5 years	Office equipment	5 years
Vehicles	5 years	Computers	2-3 years	Processing plant	7 years

The Company’s PP&E is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the asset’s recoverable amount is estimated. Impairment losses are recognized in the statement of operations and comprehensive loss. An impairment loss is reversed if there is evidence that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

*Commercial and pre-commercial production*

Commercial production is deemed to have commenced when management determines that the operational commissioning of major mine and plant components is complete, operating results are being achieved consistently for a period of time, and that there are indicators that these operating results will continue. The following factors may indicate that commercial production has commenced:

- substantially all major capital expenditures have been completed to bring the plant or mine to the condition necessary for it to be capable of operating in the manner intended by management;
- the plant or mine has been transferred to operating personnel from internal development groups or external contractors;
- a significant portion of plant throughput capacity is achieved;
- all facilities are operating at a steady state of production;
- mineral recoveries are at or near the expected production levels; and
- a pre-determined, reasonable period of time has passed.

Prior to achieving commercial production, revenues and related expenses are recognized as reductions and increases, respectively, to related non-current assets.

**Borrowing costs**

Interest and other financing costs relating to the acquisition, development and construction, and production of qualifying assets are capitalized until they are complete and available for use, at which time they are transferred to the appropriate category within PP&E. Borrowing costs incurred after the asset has been placed into service as well as all other borrowing costs are charged to the statement of operations and comprehensive loss.

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

### **Mineral property and exploration and evaluation assets**

Pre-exploration costs are expensed in the period in which they are incurred. Once the legal right to explore a mineral property has been acquired, all costs related to the acquisition of mineral properties are capitalized by property. All exploration and evaluation expenditures are expensed until properties are determined to have economically recoverable resources. These direct expenditures include such costs as materials used, surveying costs, geological studies, drilling costs, payments made to contractors and depreciation of plant and equipment during the exploration phase.

Mineral property acquisition costs for each mineral 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 successful development and exploration of the mineral property or alternatively, by sale; or
- Exploration and evaluation activities in the mineral property have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves; however, active and significant operations in relation to the mineral property are continuing, or planned for the future.

The carrying values of capitalized amounts are reviewed annually, or when indicators of impairment are present. 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 a property. If a mineral property does not prove viable, all unrecoverable costs associated with the property are charged to the statement of operations and comprehensive loss at the time the determination is made.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mining assets", within PP&E. Exploration and evaluation acquisition costs accumulated are also tested for impairment before they are transferred to development properties.

### **Impairment of tangible and intangible assets**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell ("FVLCS") and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of operations and comprehensive loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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 only to an amount that 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 operations and comprehensive loss.

### **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.

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

### **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 statement of operations 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 statement of operations and comprehensive loss, with a corresponding increase to share-based payment reserve 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 payment reserve is transferred to deficit. The number of options expected to vest is reviewed at least annually, with any impact being recognized immediately.

### **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 transactions costs are accounted for as share-based payments.

### **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 similar to 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 statement of operations 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 adopted all of the requirements of IFRS 9 – *Financial Instruments* (“IFRS 9”) as of January 1, 2018. IFRS 9 replaces IAS 39 – *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

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

**Financial instruments (continued)**

The following is the Company's new accounting policy for financial instruments under IFRS 9:

*Classification*

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. 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.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

<b>Financial assets/liabilities</b>	<b>Original classification IAS 39</b>	<b>New classification IFRS 9</b>
Cash and cash equivalents	FVTPL	FVTPL
Marketable securities	FVTPL	FVTPL
Amounts receivable	Loan and receivables	Amortized cost
Accounts payable	Other liabilities	Amortized cost
Loan payable	Other liabilities	Amortized cost

The Company did not restate prior periods and determined that the adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on January 1, 2018.

*Measurement*

*Financial assets and liabilities at amortized cost*

Financial assets and liabilities 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 at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of operations and comprehensive loss in the period in which they arise.

*Impairment of financial assets at amortized cost*

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 profit or 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.

*Derecognition*

*Financial assets*

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 of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of operations and comprehensive loss.

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

### **Revenue from contracts with customers**

The Company adopted all of the requirements of IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") as of January 1, 2018. IFRS 15 utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. As the Company has no revenues, the change did not impact accumulated deficit or any assets and liabilities on the transition date.

### **Related party transactions**

Parties are considered to be 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 immediate family members of the individual, or corporate entities, including the Company's wholly-owned subsidiaries. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

## **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 and 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.

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:

#### *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 determined the primary economic environment.

#### *Exploration and evaluation assets*

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Management is required to assess impairment in respect of exploration and evaluation assets. The triggering events for exploration and evaluation asset impairment are defined in IFRS 6 *Exploration and Evaluation of Mineral Resources* and are as follows:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Estimates and assumptions made may change if new information becomes available. If, after acquisition costs are capitalized, information becomes available suggesting that the recovery of costs is unlikely, the amount capitalized is recognized in loss in the period that the new information becomes available.

**3. CRITICAL JUDGMENTS AND ESTIMATES (continued)**

**Critical judgments in applying accounting policies (continued)**

*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 reserves, resources, and exploration potential, 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-expansionary capital expenditures, reductions in the amount of recoverable reserves, 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.

**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:

*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. A number of these estimates require management to make estimates of future taxable profit, and if actual results are significantly different than estimates, the ability to realize the deferred tax assets recorded on the statement of financial position could be impacted. The Company is subject to assessments by tax authorities who may interpret the tax law differently. These factors may affect the final amount or the timing of tax payments.

*Share-based payments*

The Company uses the Black-Scholes Option Pricing Model for the valuation of share-based payments. Option pricing models require the input of the subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's net loss and share-based payment reserve.

*Rehabilitation provisions*

The Company's rehabilitation provision represents management's best estimate of the present value of the future cash outflows required to settle the liability. Management assesses these provisions on an annual basis or when new information becomes available. This assessment includes the estimation of the future rehabilitation costs, the timing of these expenditures, inflation, and the impact of changes in discount rates, interest rates and foreign exchange rates. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

*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 such factors such as asset maintenance, rate of technical and commercial obsolescence, and asset usage. The useful lives of key assets are reviewed annually.

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**4. NEW STANDARDS NOT YET ADOPTED**

The Company plans to apply IFRS 16 effective January 1, 2019 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Company will recognize lease obligations related to its lease commitments for its office lease. It will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019. The associated right of use asset will be measured at the lease obligation amount, less prepaid lease payments, resulting in no adjustment to the opening balance of retained earnings. The Company intends to apply the following practical expedients permitted under the new standard:

- leases of low dollar value will continue to be expensed as incurred; and
- the Company will not apply any grandfathering practical expedients.

As at January 1, 2019 the Company expects to recognize approximately \$178,000 in right-of-use assets and \$178,000 of incremental lease obligations.

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

**Eagle Mountain Gold Project – Guyana**

	As at December 31, 2016	Additions during the year	As at December 31, 2017	Additions during the year	As at December 31, 2018
Mineral property acquisition costs					
Mineral property acquired	\$ 5,722,081	\$ -	\$ 5,722,081	\$ 92,775	\$ 5,814,856
Shares issued	853,427	-	853,427	-	853,427
<b>Total mineral property acquisition costs</b>	<b>\$ 6,575,508</b>	<b>\$ -</b>	<b>\$ 6,575,508</b>	<b>\$ 92,775</b>	<b>\$ 6,668,283</b>

During 2018, the Company entered into an option agreement to acquire a 100% interest in the Bishop Growler Property, located three kilometres from the Eagle Mountain Gold Project, for total consideration of US\$1,025,000. The Company made an option payment of \$92,775 (US\$75,000).

Subsequent to December 31, 2018, the Company and the option holder agreed to amend the schedule of option payments as follows:

- US\$25,000 on April 16, 2019 (paid);
- US\$150,000 in January 2020;
- US\$150,000 in January 2021; and
- US\$625,000 upon the exercise of the option.



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

The Company's cumulative exploration and evaluation expenditures on the Eagle Mountain Gold Project are as follows:

	Cumulative to December 31, 2016	Expenditures during the year	Cumulative to December 31, 2017	Expenditures during the year	Cumulative to December 31, 2018
Exploration and evaluation expenditures:					
Assays	\$ 171,736	\$ 54,183	\$ 225,919	\$ 199,797	\$ 425,716
Borrowing costs	24,210	-	24,210	-	24,210
Camp costs	1,223,031	323,370	1,546,401	355,612	1,902,013
Depreciation (note 6)	653,234	814,408	1,467,642	858,203	2,325,845
Drilling	4,747	21,220	25,967	133,153	159,120
Operations and general	1,859,870	314,316	2,174,186	288,594	2,462,780
Road maintenance	684,907	-	684,907	-	684,907
Sale of gold ounces <sup>(1)</sup>	(622,414)	(101,170)	(723,584)	(89)	(723,673)
Salaries (note 10)	2,296,788	829,631	3,126,419	841,358	3,967,777
Share-based compensation (notes 10, 11)	81,844	28,632	110,476	16,207	126,683
Tailings	17,723	-	17,723	-	17,723
Technical services and consulting	292,478	115,455	407,933	153,159	561,092
<b>Total exploration and evaluation expenditures</b>	<b>\$ 6,688,154</b>	<b>\$ 2,400,045</b>	<b>\$ 9,088,199</b>	<b>\$ 2,845,994</b>	<b>\$ 11,934,193</b>

<sup>(1)</sup> As at and during the years ended December 31, 2018 and 2017, a majority of the Company's mineral resources are 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 is considered an exploration and evaluation activity, and as such, all costs associated with the removal of gold concentrate are recognized as an exploration and evaluation activity. Sales received from the Eagle Mountain Gold Project are 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 in Guyana. The summary of amending terms includes:

- I. Goldsource will issue to OGML 3,389,279 common shares (issued);
- II. Goldsource shall pay OGML US\$3,025,501 ("Initial Payment") in cash or, at Goldsource's option, in common shares of Goldsource, at a price per share equal to a five percent (5%) discount to the Volume Weighted Average Price ("VWAP") of Goldsource's common shares for the twenty trading days prior to issuance, upon the earlier of:
  - a. If average market price of gold is US\$1,400/oz. or higher upon achieving total production of 40,000 ounces of gold, then the Initial Payment is due 90 days after 40,000 ounces have been produced, otherwise payment to be made 90 days after 50,000 ounces produced from the Project;
  - b. Ninety days after having completed one year of gold production under a large-scale Mining License issued by the Guyana Geology and Mines Commission ("GGMC"); or
  - c. Five days after the date on which the 20-day VWAP of Goldsource exceeds \$0.75 per share, provided such date is not earlier than March 1, 2015.
- 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 \$265,610 (US\$194,540) (2017 – \$244,575 (US\$194,540)) reclamation site bond, in the form of a non-interest-bearing bank guaranteed deposit, to the Guyana Geology and Mines Commission for exploration permits on the Eagle Mountain Gold Project.

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

Goldsource's subsidiary Stronghold holds a prospecting license on the Eagle Mountain Property. In August 2014, the Guyana Geology and Mines Commission granted a Medium Scale Mining Permit (the "Permit") to Kilroy Mining Inc. ("Kilroy") to mine gold, diamonds, precious metals and minerals on a portion within the Eagle Mountain Property. As the Permit is required under Guyana law to be held by a Guyanese national, Stronghold has entered into agreements with Kilroy, a private arm's length Guyanese company pursuant to which Stronghold and Kilroy will jointly operate the Eagle Mountain Gold Project. Kilroy has granted Stronghold the exclusive right to conduct mining operations on the Eagle Mountain Gold Project including any additional areas acquired by Kilroy. Stronghold will fund all expenditures on the Eagle Mountain Gold Project and receive 100% of all revenues, subject to applicable government royalties and a 2% net smelter return royalty to Kilroy as compensation for its participation.

**6. PROPERTY, PLANT AND EQUIPMENT**

	Eagle Mountain Gold Project				Corporate office	Total
	Construction in progress	Processing plant <sup>(1)</sup>	Other equipment <sup>(2)</sup>			
<b>Cost</b>						
As at December 31, 2016	\$ 149,474	\$ 3,339,218	\$ 2,129,027	\$ 60,848	\$ 5,678,567	
Additions	100,513	38,002	155,412	4,770	298,697	
Changes in asset retirement obligation	-	64,942	-	-	64,942	
Reclassification	(162,593)	22,305	140,288	-	-	
Disposals	-	(120,903)	(50,523)	-	(171,426)	
<b>As at December 31, 2017</b>	<b>87,394</b>	<b>3,343,564</b>	<b>2,374,204</b>	<b>65,618</b>	<b>5,870,780</b>	
Additions	-	-	37,642	2,889	40,531	
Changes in asset retirement obligation	-	11,660	-	-	11,660	
<b>As at December 31, 2018</b>	<b>\$ 87,394</b>	<b>\$ 3,355,224</b>	<b>\$ 2,411,846</b>	<b>\$ 68,507</b>	<b>\$ 5,922,971</b>	
<b>Accumulated depreciation</b>						
As at December 31, 2016	\$ -	\$ 233,542	\$ 434,417	\$ 60,848	\$ 728,807	
Depreciation for the year	-	460,186	398,242	1,478	859,906	
Disposals	-	(30,433)	(18,403)	-	(48,836)	
<b>As at December 31, 2017</b>	<b>-</b>	<b>663,295</b>	<b>814,256</b>	<b>62,326</b>	<b>1,539,877</b>	
Depreciation for the year <sup>(3)</sup>	-	478,283	436,803	3,667	918,753	
<b>As at December 31, 2018</b>	<b>\$ -</b>	<b>\$ 1,141,578</b>	<b>\$ 1,251,059</b>	<b>\$ 65,993</b>	<b>\$ 2,458,630</b>	
<b>Carrying amounts</b>						
<b>As at December 31, 2017</b>	<b>\$ 87,394</b>	<b>\$ 2,680,269</b>	<b>\$ 1,559,948</b>	<b>\$ 3,292</b>	<b>\$ 4,330,903</b>	
<b>As at December 31, 2018</b>	<b>\$ 87,394</b>	<b>\$ 2,213,646</b>	<b>\$ 1,160,787</b>	<b>\$ 2,514</b>	<b>\$ 3,464,341</b>	

<sup>(1)</sup> Additions to processing plant during 2017 included the purchase and installation of a Krebs cyclone and Marok pumping system.

<sup>(2)</sup> Other equipment consists of vehicles, buildings, and equipment. During 2018, additions to other equipment included the purchase of a sonic drill.

<sup>(3)</sup> During 2018, depreciation of \$858,203 (2017 – \$814,408) was included in exploration and evaluation expenditures (note 5).

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**7. LOAN PAYABLE**

	<b>2018</b>	<b>2017</b>
Balance, beginning of year	\$ 100,000	\$ 1,754,601
Interest expense	-	22,443
Repayment	(100,000)	(1,758,504)
Foreign exchange	-	(18,540)
Drawdown	-	100,000
<b>Balance, end of year</b>	<b>\$ -</b>	<b>\$ 100,000</b>

On December 21, 2015, the Company obtained a loan of \$1.4 million (US\$1.0 million) (the "Loan") with Mitan Holdings Ltd. ("Mitan"), a company controlled and directed by a former director of the Company. The purpose of the Loan was to provide the Company with additional funds, which were necessary for capital requirements towards the Eagle Mountain Gold Project. The Loan was repayable in full, twelve months after the draw-down and bore interest at a rate of 12% per annum, payable quarterly. Goldsource pledged the shares of its wholly-owned subsidiary, Eagle Mountain Gold Corp., to Mitan as security for the Loan and paid a commitment fee of \$19,660 (US\$15,000) upon execution of the Loan.

On December 14, 2016, the Company obtained a loan of \$393,900 (US\$300,000) (the "Additional Loan") with Mitan. The purpose of this loan was to provide short-term working capital. The Additional Loan was repayable in full upon maturity at March 14, 2017 and bore interest at a rate of 12% per annum, payable upon maturity.

During 2017, the Company paid the principal of both the Loan and Additional Loan in full. The Company incurred interest of \$22,443 (US\$17,021). Total interest paid during the year was \$29,249 (US\$22,183).

On December 21, 2017, the Company entered into a promissory note of \$100,000 with Maverick Mining Consultants Inc. ("Maverick"), a company controlled by the Company's Executive Chairman and Chief Operating Officer ("COO"). The purpose of this loan was to provide short-term working capital. The loan was due on demand and bore interest at a rate of 5% per annum. During 2018, the Company repaid the promissory note in full and all interest was forgiven by Maverick.

**8. REHABILITATION PROVISION**

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

	<b>2018</b>	<b>2017</b>
Balance, beginning of year	\$ 380,712	\$ 301,361
Changes in obligation	8,192	41,118
Accretion expense	18,338	14,409
Changes in estimates	3,467	23,824
<b>Balance, end of year</b>	<b>\$ 410,709</b>	<b>\$ 380,712</b>

The present value of the rehabilitation provision, using an effective discount rate of 5% (2017 – 5%), is currently estimated at \$410,709 (US\$271,330) (2017 – \$380,712 (US\$262,515)), reflecting anticipated cash flows to be incurred over approximately the next four years. The undiscounted value of these obligations is \$419,899 (US\$325,000) (2017 – \$410,828 (US\$318,000)), calculated using a long-term inflation rate assumption of 2.2% (2017 – 2.1%).

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.

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**9. MARKETABLE SECURITIES**

	<b>2018</b>	<b>2017</b>
Opening balance	\$ 12,180	\$ 95,850
Proceeds from sale of marketable securities	-	(49,195)
Loss on sale of marketable securities	-	(35,490)
Changes in marked-to-market value	(10,658)	1,015
<b>Closing balance</b>	<b>\$ 1,522</b>	<b>\$ 12,180</b>

Marketable securities are recorded at fair value at each reporting date and the resulting gains or losses are included in the results for the year. During 2018, the Company's 101,500 (2017 – 101,500) Westcore Energy Ltd. ("Westcore") common shares had an unrealized marked-to-market loss of \$10,658 (2017 - \$1,015). During 2017, the Company sold its 33,500 Westcore and its 300,000 Para Resources Inc. common shares for total proceeds of \$49,195. As a result, the Company recorded a loss of \$35,490.

**10. RELATED PARTY TRANSACTIONS**

During 2018, the Company entered into the following transactions with related parties:

**Legal fees**

Legal fees of \$43,979 (2017 – \$28,715), included in professional fees, legal fees of \$737 (2017 – \$Nil), capitalized as acquisition costs (note 5), and capital stock issuance costs of \$56,473 (2017 – \$45,396) were paid or accrued to Koffman Kalef LLP, a law firm of which an officer of the Company is a partner, of which \$35,003 (2017 – \$12,782) was payable at December 31, 2018.

**Key management compensation**

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

	<b>2018</b>	<b>2017</b>
Management remuneration <sup>(1)</sup>	\$ 222,375	\$ 205,521
Share-based compensation <sup>(2)</sup>	92,778	186,428
	<b>\$ 315,153</b>	<b>\$ 391,949</b>

<sup>(1)</sup> During 2018, the Company paid management fees to companies controlled by the COO and the President of the Company, and paid remuneration and short-term benefits to the CFO. During 2017, the Company paid management fees to companies controlled by the CFO and the President of the Company. As at December 31, 2018, \$10,500 of management fees were owing to a company controlled by the COO and \$8,360 of reimbursable expenses were owing to the President of the Company. These amounts are included in accounts payable and accrued liabilities.

<sup>(2)</sup> Share-based compensation is the fair value of the vested portion of stock options that have been granted to directors and officers of the Company.

**Other transactions**

The Company paid remuneration of \$2,625 (2017 – \$28,696) and recognized share-based compensation of \$4,862 (2017 – \$6,778) to an employee who is an immediate family member of the COO. Remuneration and share-based payments incurred to this employee were 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 salaries, administrative services, and other expenses. During 2018, the Company was allocated \$138,541 (2017 – \$176,174) for its share of these expenses, of which \$79,105 (2017 – \$61,104) was payable to SilverCrest at December 31, 2018.

During 2017, the Company incurred interest costs of \$22,443 on the Loan with Mitran, a company controlled by a former director of the Company (note 7).

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

**Other transactions (continued)**

During 2017, the Company obtained a promissory note from a company controlled by the Company's COO (note 7). The loan was repaid during 2018.

**11. 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, 2018, the Company had 221,917,910 common shares and no preferred shares outstanding.

**2018**

The Company completed a private placement of 36,418,000 units at a price of \$0.05 per unit for gross proceeds of \$1,820,900. Each unit consisted of one common share and one warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.10 until January 18, 2020. Finder's fees totaling \$51,930 were paid in connection with the private placement, of which \$39,930 was paid in cash. The remaining \$12,000 was paid with 240,000 units at a price of \$0.05 per unit. Each unit consisted of one common share and one warrant, which are exercisable on the same terms as those issued in the private placement except that they are non-transferrable. In connection with the private placement, the Company incurred \$53,860 of capital stock issuance costs, in addition to finder's fees.

The Company completed a private placement of 18,294,544 units at a price of \$0.055 per unit for gross proceeds of \$1,006,200. Each unit consisted of one common share and one-half warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.09 until August 10, 2020. In connection with the private placement, the Company incurred \$26,280 in capital stock issuance costs.

**2017**

The Company completed a private placement of 26,233,450 units at a price of \$0.17 per unit for gross proceeds of \$4,459,687. Each unit contained one common share and one warrant. Each warrant is exercisable at a price of \$0.23 until February 8, 2019. In connection with the private placement, the Company incurred \$102,534 in capital stock issuance costs.

**Warrants**

Warrant transactions during the year are as follows:

	2018		2017	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
Outstanding, beginning of year	26,233,450	\$ 0.23	29,850,912	\$ 0.27
Issued	45,805,272	0.10	26,233,450	0.23
Expired	-	-	(29,850,912)	0.27
Outstanding, end of year	72,038,722	\$ 0.15	26,233,450	\$ 0.23

The warrants outstanding at December 31, 2018 are as follows:

Expiry date	Exercise price	Remaining life (years)	Number of Warrants
February 8, 2019 <sup>(1)</sup>	\$ 0.23	0.11	26,233,450
January 18, 2020	\$ 0.10	1.05	36,658,000
August 10, 2020	\$ 0.09	1.61	9,147,272
			72,038,722

<sup>(1)</sup> Subsequent to December 31, 2018, these warrants expired, unexercised.

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**11. CAPITAL STOCK (continued)**

**Warrants (continued)**

The weighted average remaining life of warrants outstanding is 0.78 years.

**Stock options**

The Company has a "rolling 10%" Stock Option Plan which authorizes the grant of stock options to directors, officers, employees, and consultants, enabling them to acquire common shares of the Company to a maximum of 10% of the then issued and outstanding common shares. The exercise price of each option shall equal the market price of the Company's stock as at the date of the grant. The options can be granted for a maximum term of 10 years with vesting determined by the Board of Directors. Options granted to investor relations consultants shall vest over a period of at least one year. The Company has not granted options for periods exceeding five years.

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

	2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	9,735,000	\$ 0.19	7,474,012	\$ 0.22
Issued	1,800,000	0.10	3,025,000	0.15
Expired	(750,000)	0.16	(354,012)	0.32
Forfeited	(1,250,000)	0.16	(410,000)	0.26
<b>Outstanding, end of year</b>	<b>9,535,000</b>	<b>\$ 0.18</b>	<b>9,735,000</b>	<b>\$ 0.19</b>

**2018**

The Company granted:

- 1,800,000 stock options to directors, officers, employees, and consultants that can be exercised at a price of \$0.10 per share until January 31, 2023. These stock options vest immediately except for 100,000, which vest over a one year period with 25% vesting after each of three months, six months, nine months, and twelve months after the grant date, respectively.

**2017**

The Company granted:

- 25,000 stock options to an employee that can be exercised at a price of \$0.18 per share until February 1, 2022. These stock options vest immediately;
- 1,800,000 stock options to directors, officers, employees, and consultants that can be exercised at a price of \$0.17 per share until February 21, 2022. These stock options vest immediately except for 50,000, which vest over a one-year period with 25% vesting after each of three months, six months, nine months, and twelve months after the grant date, respectively;
- 500,000 stock options to a newly appointed director that can be exercised at a price of \$0.16 per share until March 28, 2022. These stock options vest immediately;
- 200,000 stock options to employees and contractors that can be exercised at a price of \$0.13 per share until May 30, 2022. These stock options vest immediately except for 100,000, which vest over a one-year period with 25% vesting after each of three months, six months, nine months, and twelve months after the grant date, respectively; and
- 500,000 stock options to a consultant that can be exercised at a price of \$0.10 per share until December 6, 2020. These stock options vest immediately.

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**11. CAPITAL STOCK (continued)**

**Stock options (continued)**

Stock options outstanding and exercisable at December 31, 2018 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
April 10, 2019 <sup>(1)</sup>	\$ 0.24	1,400,000	0.27	1,400,000
February 16, 2020	\$ 0.20	2,075,000	1.13	2,075,000
October 1, 2020	\$ 0.16	35,000	1.75	35,000
December 16, 2020	\$ 0.21	1,875,000	1.96	1,875,000
February 1, 2021	\$ 0.28	100,000	2.09	100,000
February 21, 2022	\$ 0.17	1,700,000	3.15	1,700,000
March 28, 2022	\$ 0.16	500,000	3.24	500,000
May 30, 2022	\$ 0.13	50,000	3.41	50,000
January 31, 2023	\$ 0.10	1,800,000	4.09	1,775,000
		<b>9,535,000</b>		<b>9,510,000</b>

<sup>(1)</sup> Subsequent to December 31, 2018, these options expired, unexercised.

The weighted average remaining life of options outstanding is 2.22 years.

**Share-based compensation**

The fair value of options granted during 2018 and 2017 was estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	2018	2017
Expected option life (years)	4.33	4.19
Expected volatility	107%	77%
Expected dividend yield	-	-
Risk-free interest rate	2.04%	0.87%
Expected forfeiture rate	1.00%	1.00%
Fair value per share	\$ 0.07	\$ 0.09
Total fair value	\$ 131,675	\$ 257,702

During 2018, the Company recognized share-based compensation of \$131,537, for the vested portion of options granted during the year, of which \$115,330 was expensed and \$16,207 was considered exploration expenditures (note 5). The Company also recognized share-based compensation expense of \$1,093 for the vested portion of options previously granted.

During 2017, the Company recognized share-based compensation of \$256,609, for the vested portion of options granted during the year, of which \$228,088 was expensed and \$28,521 was considered exploration expenditures (note 5). The Company also recognized share-based compensation of \$187 for the vested portion of options previously granted of which \$76 was expensed and \$111 was considered exploration expenditures (note 5).

**Share-based payment reserve**

The share-based payment reserve records items recognized as share-based compensation and the fair value of warrants issued based on the residual method. When stock options or warrants are exercised, the corresponding amount is reallocated to share capital or, if cancelled or expired, the corresponding amount is reallocated to deficit.

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**11. CAPITAL STOCK (continued)**

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

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

	<b>2018</b>	<b>2017</b>
Balance, beginning of year	\$ 6,073,390	\$ 5,869,723
Share-based compensation	132,630	256,796
Stock options expired, reallocated to deficit	(192,253)	(53,129)
<b>Balance, end of year</b>	<b>\$ 6,013,767</b>	<b>\$ 6,073,390</b>

**12. COMMITMENT**

	<b>2018</b>	<b>2017</b>
<i>Lease payments</i>		
Within one year	\$ 60,395	\$ 32,035
Later than one year but not later than five years	216,414	-
Later than five years	-	-
<b>Total</b>	<b>\$ 276,809</b>	<b>\$ 32,035</b>
<i>Sub-Lease payments</i>		
Future minimum lease payments to be received in relation to non-cancellable sub-leases of operating leases	\$ 28,037	\$ 125

The Company has paid a deposit of \$36,053 (2017 – \$46,576) toward this commitment.

**13. INCOME TAXES**

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

	<b>2018</b>	<b>2017</b>
Loss before income taxes	\$ (3,710,463)	\$ (3,657,611)
Combined federal and provincial statutory tax rate	27.00%	26.00%
Expected income tax	\$ (1,002,000)	\$ (951,000)
Effect of changes in statutory rates including foreign subsidiaries	(14,000)	(588,000)
Permanent difference	31,000	66,000
Share issue costs	(32,000)	(27,000)
Adjustment to prior years provision versus statutory tax returns	22,000	13,000
Impact of foreign exchange on deferred income tax assets and liabilities	(377,000)	221,000
Change in unrecognized deductible temporary differences	1,406,000	1,173,000
Other	(34,000)	93,000
<b>Total income tax recovery</b>	<b>\$ -</b>	<b>\$ -</b>



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**13. INCOME TAXES (continued)**

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2018 and 2017 are presented below:

	2018	2017
Deferred tax assets:		
Non-capital losses	\$ 4,853,000	\$ 4,632,000
Capital loss carry-forwards	2,944,000	2,952,000
Share issue costs and other	90,000	78,000
Exploration and evaluation assets	10,280,000	9,444,000
Capital assets	718,000	378,000
Asset retirement obligation	12,000	7,000
<b>Net unrecognized deferred income tax asset</b>	<b>\$ 18,897,000</b>	<b>\$ 17,491,000</b>

As at December 31, 2018, the Company has non-capital loss carry-forwards of approximately \$17,905,000 for income tax purposes. The non-capital losses may be utilized to reduce future years' taxable income expiring up to 2038 if unutilized. In addition the Company has approximately \$21,810,000 of capital losses available for carry-forward. The Company also has exploration and development expenditures of approximately \$43,294,000 which may be available to reduce taxable income of future years. 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, 2018, their realization is uncertain.

**14. SEGMENTED INFORMATION**

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

Geographical segmented information is presented as follows:

December 31, 2018	Canada	Guyana	Total
Net loss for the year	\$ 886,151	\$ 2,824,311	\$ 3,710,462
<b>Asset information</b>			
Deposit	\$ -	\$ 265,610	\$ 265,610
Rent deposit	\$ 36,053	\$ -	\$ 36,053
Mineral property	\$ -	\$ 6,668,283	\$ 6,668,283
Property, plant and equipment	\$ 2,514	\$ 3,461,827	\$ 3,464,341

December 31, 2017	Canada	Guyana	Total
Net loss for the year	\$ 1,119,639	\$ 2,537,972	\$ 3,657,611
<b>Asset information</b>			
Deposit	\$ -	\$ 244,575	\$ 244,575
Rent deposit	\$ 46,576	\$ -	\$ 46,576
Mineral property	\$ -	\$ 6,575,508	\$ 6,575,508
Property, plant and equipment	\$ 3,292	\$ 4,327,611	\$ 4,330,903

**15. 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.

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

*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 and cash equivalents of \$398,144 are in business accounts with quality financial institutions and are available on demand for the Company's exploration programs, and are not invested in any asset backed commercial paper. As at December 31, 2018, the Company's financial liabilities included accounts payable and accrued liabilities of \$327,600, all of which are due within twelve months.

*Foreign Currency Risk*

The Company operates in Canada and Guyana and incurs expenditures in the Canadian, United States, and Guyanese dollars, and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency. The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the United States dollar and Guyanese dollar will, consequently, have an impact upon the reporting results of the Company, and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. As of December 31, 2018, a 10% appreciation (depreciation) in the United States dollar against the Canadian and Guyanese dollars, with all other variables held constant, would result in approximately a \$26,000 increase (decrease) in the Company's net loss for the year.

*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 and cash equivalents. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality financial institutions. The carrying amount of financial assets, as stated in the consolidated statements 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 and cash equivalents and loan payable. The Company's practice has been to invest cash at floating rates of interest, in cash equivalents and 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 a large and stable financial institution. As at December 31, 2018, with all other variables unchanged, a 1 percentage point change in interest rates would not have a significant impact on the Company's net and comprehensive loss for the year.

*Market Risk*

The Company's exposure to market risk arises from its marketable securities in Westcore. There is a risk the Company would recognize a loss as a result of a decrease in the fair value of the investment given the nature of Westcore being a mining exploration company.

*Financial instruments carrying value and fair value*

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

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The Company's cash and cash equivalents and marketable securities are measured using level 1 inputs.

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

The following table summarizes the classification and carrying values of the Company's financial instruments at December 31, 2018 and 2017:

	FVTPL		Amortized cost (financial assets)		Amortized cost (financial liabilities)		Total
<b>December 31, 2018</b>							
<b>Financial assets</b>							
Cash and cash equivalents	\$	398,144	\$	-	\$	-	\$ 398,144
Amounts receivable		-		30,701		-	30,701
Held-for-trading securities		1,522		-		-	1,522
<b>Total financial assets</b>	<b>\$</b>	<b>399,666</b>	<b>\$</b>	<b>30,701</b>	<b>\$</b>	<b>-</b>	<b>\$ 430,367</b>
<b>Financial liabilities</b>							
Accounts payable and accrued liabilities	\$	-	\$	-	\$	327,600	\$ 327,600
<b>December 31, 2017</b>							
<b>Financial assets</b>							
Cash and cash equivalents	\$	268,849	\$	-	\$	-	\$ 268,849
Amounts receivable		-		21,287		-	21,287
Held-for-trading securities		12,180		-		-	12,180
<b>Total financial assets</b>	<b>\$</b>	<b>281,029</b>	<b>\$</b>	<b>21,287</b>	<b>\$</b>	<b>-</b>	<b>\$ 302,316</b>
<b>Financial liabilities</b>							
Accounts payable and accrued liabilities	\$	-	\$	-	\$	352,018	\$ 352,018
Loan payable		-		-		100,000	100,000
<b>Total financial liabilities</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>452,018</b>	<b>\$ 452,018</b>

**16. 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 development 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.

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 and development programs, availability of financing, and industry conditions. There are no external restrictions on the management of capital.

In order to maximize ongoing efforts at the Eagle Mountain Gold Project, the Company does not pay out dividends. 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, 2018, the Company has cash and cash equivalents on hand of \$398,144 and working capital of \$172,060. The Company received gross proceeds of \$8.8 million from the completion of private placements subsequent to December 31, 2018 (note 17), and as such, the Company will not require additional funds to maintain its operations and meet its working capital requirements for the next twelve months. The Company's financial success is dependent on its ability to discover economically viable mineral deposits.

**17. SUBSEQUENT EVENTS**

Subsequent to December 31, 2018, the Company:

- Completed a private placement of 26,000,000 units at a price of \$0.05 per unit for gross proceeds of \$1,300,000, of which \$438,404 was received prior to December 31, 2018. Each unit consisted of one common share and one warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.09 until January 17, 2021. Cash finder's fees totaling \$28,500 were paid in connection with the private placement;
- Granted 3,400,000 stock options to directors, officers, employees, and consultants that can be exercised at a price of \$0.13 per share until January 25, 2024. These stock options vest immediately except for 150,000, which vest over a one-year period with 25% vesting after each of three months, six months, nine months, and twelve months after the grant date, respectively;
- Issued 2,290,400 common shares at \$0.10 per common share for proceeds of \$229,040 on the exercise of warrants.
- Completed a private placement of 62,330,000 units at a price of \$0.12 per unit for gross proceeds of \$7,479,600. Each unit consisted of one common share and one half warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.20 until April 11, 2021. Cash commissions and issuance costs of \$503,756 were paid in connection with this private placement. The Company also issued 3,739,800 agent warrants that can be exercised at a price of \$0.12 until April 11, 2021.