



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND NOTES**

**FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015**

**(UNAUDITED)**

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

### **CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORTING**

The accompanying condensed consolidated interim financial statements of Goldsource Mines Inc. ("the Company") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the condensed consolidated interim financial statements, including responsibility for significant accounting estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**GOLDSOURCE MINES INC.**

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**GOLDSOURCE MINES INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)**

AS AT

	June 30, 2016	December 31, 2015
<b>ASSETS</b>		
<b>Current asset</b>		
Cash and cash equivalents	\$ 417,331	\$ 1,792,847
Taxes receivable	10,370	22,560
Prepaid expenses	89,461	39,779
Held-for-trading securities (note 4)	94,725	43,875
<b>Total current assets</b>	<b>611,887</b>	<b>1,899,061</b>
<b>Non-current asset</b>		
Deposit	252,501	270,294
Rent deposit	46,576	46,576
Exploration and evaluation assets (note 6)	11,422,349	9,551,925
Property, plant and equipment (note 5)	4,922,399	4,240,711
<b>Total non-current assets</b>	<b>16,643,825</b>	<b>14,109,506</b>
<b>TOTAL ASSETS</b>	<b>\$ 17,255,712</b>	<b>\$ 16,008,567</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 9)	\$ 495,292	\$ 292,255
Loan payable (note 7)	1,299,647	1,388,550
<b>Total current liabilities</b>	<b>1,794,939</b>	<b>1,680,805</b>
<b>Non-current liabilities</b>		
Rehabilitation provision (note 8)	259,158	203,690
<b>Total liabilities</b>	<b>2,054,097</b>	<b>1,884,495</b>
<b>Shareholders' equity</b>		
Capital stock (note 10)	46,106,721	44,531,420
Reserves (note 10)	6,032,825	5,976,447
Deficit	(36,937,931)	(36,383,795)
<b>Total shareholder's equity</b>	<b>15,201,615</b>	<b>14,124,072</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 17,255,712</b>	<b>\$ 16,008,567</b>

Nature and continuance of operations (note 1)

Contingency (note 6)

Subsequent events (note 14)

Approved by the Board and authorized for issue on August 24, 2016.

*"Ioannis Tsitos"*

Director

*"Graham C. Thody"*

Director

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

**GOLDSOURCE MINES INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
**(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)**

For the periods ended June 30,	Three months ended		Six months ended	
	2016	2015	2016	2015
<b>Corporate and administrative expenses</b>				
Foreign exchange (gain) loss	\$ 29,604	\$ (12,614)	\$ 24,394	\$ 21,347
General exploration (recovery)	13,136	(8,014)	15,936	(6,214)
Insurance	13,978	7,889	28,093	17,287
Office and miscellaneous	6,006	9,556	11,592	19,685
Professional fees (note 9)	31,997	20,552	47,642	32,259
Regulatory and transfer agent fees	7,855	12,910	13,394	17,965
Remuneration (note 9)	134,239	123,869	270,572	232,889
Rent and communications	28,044	8,988	58,421	15,837
Share-based compensation (note 9)	16,789	91,354	45,728	243,868
Shareholder and investor relations	20,101	30,147	34,474	53,054
Tradeshow and travel	27,877	(1,210)	52,130	7,898
<b>Total corporate and administrative expenses</b>	<b>329,626</b>	<b>283,427</b>	<b>602,376</b>	<b>655,875</b>
Accretion expense (note 8)	2,372	-	7,442	-
Depreciation (note 5, 8)	742	-	742	-
Interest income	(109)	(29,483)	(342)	(34,896)
Unrealized gain on held-for-trading securities	(7,725)	2,625	(50,850)	375
<b>Net loss and comprehensive loss for the period</b>	<b>\$ 324,906</b>	<b>\$ 256,569</b>	<b>\$ 559,368</b>	<b>\$ 621,354</b>
<b>Basic and diluted comprehensive loss per common share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding</b>	<b>131,840,497</b>	<b>126,517,723</b>	<b>129,422,242</b>	<b>126,517,723</b>

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

**GOLDSOURCE MINES INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
**(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)**

For the periods ended June 30,	Three months ended		Six months ended	
	2016	2015	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (324,906)	\$ (256,569)	\$ (559,368)	\$ (621,354)
Items not affecting cash:				
Share-based compensation	16,789	91,354	45,728	243,868
Unrealized gain on held-for-trading securities	(7,725)	2,625	(50,850)	375
Interest income	-	(29,483)	(342)	(34,896)
Accretion expense	2,372	-	7,442	-
Depreciation	742	-	742	-
Foreign exchange gain	(1,214)	-	(69,866)	-
<b>Cash flows before changes in working capital items</b>	<b>(313,942)</b>	<b>(192,073)</b>	<b>(626,514)</b>	<b>(412,007)</b>
Amounts receivable	607	(3,473)	-	(3,473)
Taxes receivable	(2,953)	(645)	12,190	3,443
Prepaid expenses	2,963	9,550	(49,682)	22,894
Accounts payable and accrued liabilities	(51,830)	45,280	(7,703)	(81,405)
<b>Net cash used in operating activities</b>	<b>(365,155)</b>	<b>(141,361)</b>	<b>(671,709)</b>	<b>(470,548)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Loan interest payment	(51,094)	-	(90,973)	-
Capital stock issued	1,525,007	-	1,540,307	-
<b>Net cash provided by financing activities</b>	<b>1,473,913</b>	<b>-</b>	<b>1,449,334</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Property, plant and equipment	(403,035)	(1,297,758)	(774,100)	(2,185,777)
Exploration and evaluation	(572,487)	(126,820)	(1,379,383)	(522,242)
Interest income	-	25,456	342	25,469
<b>Net cash used in investing activities</b>	<b>(975,522)</b>	<b>(1,399,122)</b>	<b>(2,153,141)</b>	<b>(2,682,550)</b>
<b>Change in cash and cash equivalents, during the period</b>	<b>133,236</b>	<b>(1,540,483)</b>	<b>(1,375,516)</b>	<b>(3,153,098)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>284,095</b>	<b>5,633,209</b>	<b>1,792,847</b>	<b>7,245,824</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 417,331</b>	<b>\$ 4,092,726</b>	<b>\$ 417,331</b>	<b>\$ 4,092,726</b>
<b>Cash and cash equivalents is represented by:</b>				
Cash	\$ 276,661	\$ 3,741,606	\$ 276,661	\$ 3,741,606
Cash equivalents	140,670	351,120	140,670	351,120
	<b>\$ 417,331</b>	<b>\$ 4,092,726</b>	<b>\$ 417,331</b>	<b>\$ 4,092,726</b>

**Supplemental disclosure with respect to cash flows (note 12)**

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

**GOLDSOURCE MINES INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)**

	Capital stock		Reserves	Deficit	Total
	Number	Amount	Share-based payments		
<b>Balance at December 31, 2014</b>	126,517,723	\$ 44,434,337	\$ 5,478,278	\$ (35,142,379)	\$ 14,770,236
Stock options expired	-	-	(5,487)	5,487	-
Share-based compensation	-	-	245,854	-	245,854
Net loss and comprehensive loss for the period	-	-	-	(621,354)	(621,354)
<b>Balance at June 30, 2015</b>	126,517,723	44,434,337	5,718,645	(35,758,246)	14,394,736
Stock options expired	-	-	(108,285)	108,285	-
Share-based compensation	-	-	362,011	-	362,011
Exercise of warrants	455,526	97,083	(4,924)	-	92,159
Net loss and comprehensive loss for the period	-	-	-	(733,834)	(733,834)
<b>Balance at December 31, 2015</b>	126,973,249	44,531,420	5,976,447	(36,838,795)	14,124,072
Stock options forfeited	-	-	(5,232)	5,232	-
Share-based compensation (note 10)	-	-	96,604	-	96,604
Exercise of options (note 10)	313,250	93,794	(34,994)	-	58,800
Exercise of warrants (note 10)	6,107,785	1,481,507	-	-	1,481,507
Net loss and comprehensive loss for the period	-	-	-	(559,368)	(559,368)
<b>Balance at June 30, 2016</b>	133,394,284	\$ 46,106,721	\$ 6,032,825	\$ (36,937,931)	\$ 15,201,615

*The accompanying notes are an integral part of these condensed consolidated interim 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 become a low cost gold producer at its Eagle Mountain Gold Project in Guyana, South America. Goldsource is incorporated under the jurisdiction of the Province of British Columbia, Canada pursuant to the British Columbia Business Corporations Act. The head office and principal address of the Company is 570 Granville Street, Suite 501, 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 is listed on the TSX Venture Exchange (“TSX-V”) under the symbol GXS.

The Company currently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether its Eagle Mountain Gold Project contains economically recoverable ore reserves. Consequently, although having declared commercial production, the Company considers itself to be an exploration stage company and treats the removal of the gold concentrate from the processing plant from the Company’s Eagle Mountain Gold Project as an exploration and evaluation activity (note 6). The production decision for the Eagle Mountain Gold Project was not based on a feasibility study of mineral reserves demonstrating economic and technical viability. Accordingly, this project has a much higher risk of economic or technical failure and may adversely impact the Company’s projected profits, if any. The recoverability of the amount shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the project, if required, and upon future profitable production or proceeds from the disposition thereof.

As at June 30, 2016, the Company has cash on hand of \$417,331 (December 31, 2015 – \$1.8 million), accumulated losses of \$36.9 million (December 31, 2015 – \$36.4 million) and working capital deficiency of \$1.2 million (December 31, 2015 – working capital of \$218,256) including a current loan payable (note 7) of \$1.3 million (December 31, 2015 – \$nil) due June 21, 2017. Subsequent to June 30, 2016, the Company received gross proceeds of \$1.1 million for the exercise of warrants and options and approximately \$60,000 (US\$46,000) for recent gold shipments. The Company may require additional funds during the next twelve months to maintain its operations and meet working capital requirements. The Company’s ability to continue as a going concern is dependent on the ability of the Company to raise debt or equity financings, profitably operate Eagle Mountain and discover additional economically viable mineral deposits. These factors represent a material uncertainty that may cast a significant doubt about the Company’s ability to continue as a going concern. These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business.

These condensed consolidated interim financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and 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, and such adjustments could be material.

## **2. BASIS OF PRESENTATION**

### **Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2015, which include information necessary or useful to understanding the Company’s business and financial statement presentation. In particular, the Company’s significant accounting policies, use of judgments and estimates were presented in notes 2 and 3, respectively, of these consolidated financial statements, and have been consistently applied in the preparation of these condensed consolidated interim financial statements.

### **Basis of preparation**

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. Additionally, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These condensed consolidated interim financial statements were authorized for issue by the board of directors of the Company on August 24, 2016.

These condensed consolidated interim financial statements include the accounts of Goldsource and its wholly-owned subsidiaries. Goldsource consolidates subsidiaries where the Company has the ability to exercise control. Control is achieved when the Company has the power to govern the financial and operating policies of the entity. 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.



**2. BASIS OF PRESENTATION (continued)**

<b>Company</b>	<b>Ownership</b>	<b>Place of Incorporation</b>	<b>Principal Activity</b>
Eagle Mountain Gold Corp.	100%	Canada	Holding Company
Stronghold Guyana Inc.	100%	Guyana	Exploration and Evaluation Company
Tinto Roca Exploracion S.A. de C.V.	100%	Mexico	Exploration and Evaluation Company

**3. NEW STANDARDS NOT YET ADOPTED**

*IFRS 9 – Financial instruments*

In July 2014, the IASB issued the final version of IFRS 9 replacing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. The amended standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption still permitted.

*IFRS 15 – Revenue from contracts with customers*

In May 2014, the IASB issued IFRS 15 which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRST 18 – Transfers of Assets from Customers and SIC 31, Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a single five step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is currently mandatory for annual periods beginning on or after January 1, 2018, with early adoption permitted.

*IFRS 16 – Leases*

In January 13, 2016, the IASB issued IFRS 16 Leases, the new leases standard. The standard is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 has also been applied.

The Company has not yet completed the process of assessing the impact that IFRS 9, IFRS 15 and IFRS 16 will have on its consolidated financial statements, or whether to early adopt this new requirement.

**4. HELD-FOR-TRADING SECURITIES**

	<b>June 30, 2016</b>		<b>December 31, 2015</b>	
Opening balance	\$	43,875	\$	28,500
Changes in marked-to-market value		50,850		15,375
Closing balance	\$	94,725	\$	43,875

Under IFRS, held-for-trading securities are to be recorded at fair value at each reporting date and the resulting gains or losses are to be included in the results for the period. For the six months ended June 30, 2016, the Company's 675,000 (December 31, 2015 – 675,000) Westcore Energy Ltd. and 300,000 (December 31, 2015 – 300,000) Para Resources Inc. common shares had an unrealized marked-to-market gain of \$50,850 (June 30, 2015 – loss of \$375).

5. **PROPERTY, PLANT AND EQUIPMENT**

	Eagle Mountain Gold Project					
	Construction in progress <sup>(1)</sup>	Processing Plant <sup>(2)</sup>	Other Equipment <sup>(3)</sup>	Corporate Office	Total	
<b>Cost</b>						
As at December 31, 2014	\$ -	\$ -	\$ 70,707	\$ 60,848	\$ 131,555	
Additions	3,089,213	-	988,138	-	4,077,351	
Reclassification	-	-	19,596	-	19,596	
Rehabilitation provision (note 8)	203,690	-	-	-	203,690	
Balance at December 31, 2015	3,292,903	-	1,078,441	60,848	4,432,192	
Additions	611,652	-	431,708	-	1,043,360	
Sale of gold ounces	(269,303)	-	-	-	(269,303)	
Rehabilitation provision (note 8)	(203,690)	251,716	-	-	48,026	
Reclassification	(3,142,110)	3,069,105	73,005	-	-	
As at June 30, 2016	\$ 289,452	\$ 3,320,821	\$ 1,583,154	\$ 60,848	\$ 5,254,275	
<b>Accumulated depreciation</b>						
As at December 31, 2014	\$ -	\$ -	\$ 20,990	\$ 60,848	\$ 81,838	
Depreciation for the year	-	-	109,643	-	109,643	
Balance at December 31, 2015	-	-	130,633	60,848	191,481	
Depreciation for the period <sup>(4)</sup>	-	12,454	127,941	-	140,395	
As at June 30, 2016	\$ -	\$ 12,454	\$ 258,574	\$ 60,848	\$ 331,876	
<b>Carrying amounts</b>						
As at December 31, 2015	\$ 3,292,903	\$ -	\$ 947,808	\$ -	\$ 4,240,711	
As at June 30, 2016	\$ 289,452	\$ 3,308,367	\$ 1,324,580	\$ -	\$ 4,922,399	

(1) Assets under construction at Eagle Mountain Gold Project were capitalized as “Construction in Progress” and were presented as a separate asset within property, plant and equipment. Construction in Progress included any costs directly attributable to bringing the assets under construction into working condition for its intended use. Sales of gold ounces and related expenses from the commissioning period from the Eagle Mountain Gold Project were credited against the costs of the processing plant under Construction in Progress. During the period from January 1, 2016 to June 20, 2016, the Company capitalized sales proceeds of \$269,303 related to pre-commercial production from Eagle Mountain Gold Project’s Processing Plant.

(2) On June 20, 2016, the Company completed commissioning of the processing plant for Phase I of the Eagle Mountain Gold Project, by achieving an average minimum of 80% of the 1,000 tonnes per day name plate capacity and 45% recovery in gold concentrate, over a continuous 30 day period. At the completion of commissioning of the processing plant, the Company reclassified the carrying amount of \$3,069,105 from Construction in Progress to Processing Plant. Depreciation also commenced for the Processing Plant on a straight-line basis over 7 years.

(3) Other Equipment consists of vehicles, buildings and equipment.

(4) During the six month period ended June 30, 2016, depreciation of \$139,653 (June 30, 2015 – \$10,353) was capitalized to exploration and evaluation assets (note 6).

**Capital Commitments**

In addition to entering into various operational commitments in the normal course of business, the Company has entered into a number of contractual commitments related to design and acquisition of plant and equipment for the Phase I Eagle Mountain Gold Project.

As at June 30, 2016, these commitments totalled approximately \$2,363,609 (paid) (December 31, 2015 – \$2,363,609 (paid)) related to the construction of the plant at the Eagle Mountain Gold Project and totalled approximately \$1,792,972 (\$1,489,476 paid) (December 31, 2015 – \$1,643,801 (\$1,340,305 (paid))) related to other contractual agreements for the Eagle Mountain Gold Project. Subsequent to June 30, 2016, the Company paid a total of \$48,484 towards the outstanding capital commitments.

**6. MINERAL PROPERTIES – EXPLORATION AND EVALUATION ASSETS**

<b>Eagle Mountain Gold Project, Guyana, South America</b>	<b>As at December 31, 2014</b>	<b>Additions during the year</b>	<b>As at December 31, 2015</b>	<b>Additions during the period</b>	<b>As at June 30, 2016</b>
Acquisition costs					
Exploration and evaluation assets acquired	\$ 5,722,081	\$ -	\$ 5,722,081	\$ -	\$ 5,722,081
Shares issued	853,427	-	853,427	-	853,427
<b>Subtotal, acquisition costs</b>	<b>6,575,508</b>	<b>-</b>	<b>6,575,508</b>	<b>-</b>	<b>6,575,508</b>
Exploration and evaluation expenditures:					
Assays	107,171	32,487	139,658	7,916	147,574
Borrowing costs (note 7)	-	24,210	24,210	92,434	116,644
Camp costs	35,372	424,057	459,429	487,161	946,590
Depreciation (note 5)	20,991	109,643	130,634	139,653	270,287
Drilling	-	2,230	2,230	2,185	4,415
Drilling (reclassified)	19,596	(19,596)	-	-	-
Operations and general	107,868	463,293	571,161	433,845	1,005,006
Road maintenance	-	594,788	594,788	30,090	624,878
Salaries (note 9)	260,748	541,617	802,365	589,246	1,391,611
Sale of gold ounces <sup>(1)</sup>	-	-	-	(19,023)	(19,023)
Share-based compensation (notes 9, 10)	10,544	13,048	23,592	50,876	74,468
Tailings	-	14,473	14,473	1,787	16,260
Technical services and consulting	179,140	34,737	213,877	54,254	268,131
<b>Subtotal, expenditures</b>	<b>741,430</b>	<b>2,234,987</b>	<b>2,976,417</b>	<b>1,870,424</b>	<b>4,846,841</b>
<b>Total, exploration and evaluation assets</b>	<b>\$ 7,316,938</b>	<b>\$ 2,234,987</b>	<b>\$ 9,551,925</b>	<b>\$ 1,870,424</b>	<b>\$ 11,422,349</b>

<sup>(1)</sup> As at and during the six months ended June 30, 2016, 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 processing plant 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 exploration and evaluation activity. Prior to completion of commissioning phase, sales are credited against the cost of the processing plant under Construction in Progress (note 5). Sales received from the Eagle Mountain Gold Project after commissioning are recognized as a recovery of exploration and evaluation assets given that the Company has not yet completed a positive economic analysis of its mineral interests.

In connection with the acquisition of Eagle Mountain, 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, or
  - 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.

**6. MINERAL PROPERTIES – EXPLORATION AND EVALUATION ASSETS (continued)**

The Company pledged a \$252,501 (US\$194,540) (December 31, 2015 – \$270,294 (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.

Goldsource’s subsidiary Stronghold Guyana Inc. (“Stronghold”) holds a prospecting license on the Eagle Mountain Gold Project. 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 Eagle Mountain Gold Project. 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. As part of the agreements, Goldsource issued Kilroy 250,000 common shares of the Company.

**7. LOAN PAYABLE**

On December 21, 2015, the Company obtained a loan of US\$1.0 million (the “Loan”) with Mitan Holdings Ltd. (“Mitan Holdings”), a company controlled and directed by a director of the Company. The purpose of the Loan is to provide the Company with additional funds, which may be necessary for capital requirements towards the Eagle Mountain Gold Project. The Loan is repayable in full, twelve months after the draw-down and bears interest at a rate of 12% per annum, payable quarterly. Goldsource has pledged the shares of its wholly-owned subsidiary, Eagle Mountain Gold Corp., to Mitan Holdings as security for the Loan and has paid a commitment fee of \$19,660 (US\$15,000) upon execution of the Loan, of which was capitalized to the cost of the Eagle Mountain Gold Project under exploration and evaluation assets. Management determined that the allocation and subsequent accretion of the commitment cost over the life of the Loan to have an immaterial impact on the statement of financial position.

During the six months ended June 30, 2016, the Company paid interest of \$78,255 (US\$60,000) (December 31, 2015 – \$nil) of interest and incurred interest of \$79,642 (US\$59,836) (December 31, 2015 – \$4,550 (US\$3,288)) and obtained a six months extension to the Loan for an extension fee of \$12,792 (US\$10,000). Interest and extension fees have been capitalized to the cost of the Eagle Mountain Gold Project under exploration and evaluation assets (note 6).

**8. REHABILITATION PROVISION**

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

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Balance, beginning of period	\$ 203,690	\$ -
Changes in obligation	46,199	203,690
Accretion expense	7,442	-
Changes in estimates	1,828	-
Balance, end of period	\$ 259,158	\$ 203,690

The present value of rehabilitation provision, using an effective discount rate of 5% (December 31, 2015 – 5%), is currently estimated at \$259,158 (US\$190,097) (December 31, 2015 – \$203,690 (US\$147,175)), reflecting anticipated cash flows to be incurred over approximately the next 7 years. The undiscounted value of these obligations is \$323,516 (US\$251,000) (December 31, 2015 – \$283,028 (US\$204,500)), calculated using a long-term inflation rate assumption of 0.5% (December 31, 2015 – 0.2%).

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.

**9. RELATED PARTY TRANSACTIONS**

During the six months ended June 30, 2016, the Company entered into the following transactions with related parties:

**Legal fees**

Legal fees of \$19,507 (June 30, 2015 – \$17,017), which were included in professional fees were paid or accrued to Koffman Kalef LLP, a law firm of which an officer of the Company is a partner, of which \$5,292 (December 31, 2015 – \$4,583) was payable at June 30, 2016. The Company recognized \$328 (June 30, 2015 – \$2,230) in share-based payments to this officer.

**Key management compensation**

	June 30, 2016	June 30, 2015
Key management short-term benefits <sup>(1)</sup>	\$ 183,000	\$ 157,500
Share-based payments <sup>(2)</sup>	24,819	185,045
	\$ 207,819	\$ 342,545

<sup>(1)</sup> Goldsource's key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company. Total key management remuneration was recorded in the statements of operations and comprehensive loss and paid to the President, former Chief Executive Officer, Chief Operating Officer and Chief Financial Officer of Goldsource.

<sup>(2)</sup> Share-based payments recorded for all directors and officers the Company and recognized in the statement of operations and comprehensive loss.

**Other Transactions**

Paid in remuneration \$33,605 (June 30, 2015 – \$nil) for technical services and recognized \$4,365 (June 30, 2015 – \$nil) in share-based payments an employee who is an immediate family member of the Chief Operating Officer of the Company. Remuneration and share-based payments to this employee have been capitalized to the costs of the Eagle Mountain Gold Project, under exploration and evaluation assets.

The Company shared rent, salaries, administrative services and other reimbursable expenses with SilverCrest Mines Inc. ("SilverCrest Mines"), a company related by common directors and officers until September 30, 2015. During the six months period ended June 30, 2015, the Company incurred \$108,582 for its share of these expenses, of which \$48,601 was payable to SilverCrest Mines at June 30, 2015. Effective October 1, 2015, the Company and SilverCrest Mines terminated their agreement dated January 1, 2011 and concurrently, the Company and SilverCrest Metals Inc. ("SilverCrest Metals"), a newly incorporated company related by common directors and a common officer, entered into an allocation of costs agreement to share salaries, administrative services and other reimbursable expenses. During the six months ended June 30, 2016, the Company incurred \$96,625 for its share of these expenses, of which \$18,522 (December 31, 2015 - \$78,565) was payable to SilverCrest Metals at June 30, 2016.

**10. CAPITAL STOCK AND RESERVES**

**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. At June 30, 2016, the Company had 133,394,284 common shares outstanding and no preferred shares outstanding.

**Stock options**

The Company has a rolling stock option plan under which it is authorized to grant stock options to executive officers and directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The exercise price of each option equals the market price of the Company's stock as calculated on the date of the grant. The options can be granted for a maximum term of 10 years, and certain options to employees and consultants vest over periods of time, determined by the board of directors. Options granted to investor relations consultants shall vest over a period of at least 1 year. The Company has not granted options for periods exceeding 5 years.

In February 2016, the Company granted stock options to employees and consultants to purchase an aggregate of 385,000 common shares of the Company at an exercise price of \$0.28 per share for a five year term expiring February 1, 2021. Of the stock options granted, 25,000 will be subject to a 12-month vesting schedule pursuant to which 25% vested on May 1, 2016 and a further 25% shall vest every 3 months thereafter until fully vested.

**10. CAPITAL STOCK AND RESERVES (continued)**

Stock option transactions and the number of stock options outstanding and exercisable are summarized as follows:

	Number of Options	Weighted Average Exercise Price
As at December 31, 2014	4,041,945	\$ 0.28
Issued	5,315,000	\$ 0.20
Expired	(167,210)	\$ 1.57
Forfeited	(25,000)	\$ 0.24
As at December 31, 2015	9,164,735	\$ 0.28
Issued	385,000	\$ 0.28
Exercised	(313,250)	\$ 0.19
Forfeited	(38,750)	\$ 0.27
As at June 30, 2016	9,197,735	\$ 0.22

Options Outstanding					Options Exercisable		
Exercise Price	Expiry Date	Number of Shares Issuable on Exercise	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Shares Issuable on Exercise	Weighted Average Exercise Price	
\$ 0.19	February 18, 2017	395,723	0.64	\$ 0.19	395,723	\$ 0.19	
\$ 0.47	September 20, 2017	158,289	1.22	\$ 0.47	158,289	\$ 0.47	
\$ 0.16	May 14, 2018	50,000	1.87	\$ 0.16	50,000	\$ 0.16	
\$ 0.16	June 25, 2018	700,000	1.99	\$ 0.16	700,000	\$ 0.16	
\$ 0.23	February 18, 2019	395,723	2.64	\$ 0.23	395,723	\$ 0.23	
\$ 0.24	April 10, 2019	2,000,000	2.78	\$ 0.24	2,000,000	\$ 0.24	
\$ 0.20	February 16, 2020	2,988,000	3.63	\$ 0.20	2,241,000	\$ 0.20	
\$ 0.16	October 1, 2020	35,000	4.26	\$ 0.16	17,500	\$ 0.16	
\$ 0.21	December 16, 2020	2,125,000	4.47	\$ 0.21	2,100,000	\$ 0.21	
\$ 0.28	February 1, 2021	350,000	4.59	\$ 0.28	343,750	\$ 0.28	
		9,197,735	3.33	\$ 0.22	8,401,985	\$ 0.22	

**Share-based compensation**

During the six months ended June 30, 2016, the Company granted 385,000 (June 30, 2015 – 3,140,000) incentive stock options with a weighted average fair value per option granted of \$0.14 (June 30, 2015 – \$0.11) for a total value of \$53,453 (2015 – \$343,534). Total share-based compensation recognized during the six month period ended June 30, 2016 under the fair value method was \$96,604 (June 30, 2015 – \$245,854). The Company expensed \$45,728 (June 30, 2015 – \$243,868) and capitalized \$50,876 (June 30, 2015 – \$1,986) as exploration and evaluation assets (note 6).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the six months ended June 30, 2016.

	June 30, 2016	June 30, 2015
Risk-free interest rate	0.43%	0.55%
Expected dividend yield	-	-
Expected stock price volatility	76%	79%
Expected forfeiture rate	1.0%	1.0%
Expected option lives (years)	3.00	4.46

**Share-based payment reserve**

Share-based payment reserve records items recognized as share-based compensation expense and the fair value of warrants issued based on the residual method. At the time that the stock options or warrants are exercised, the corresponding amount is reallocated to share capital, or if they are cancelled the corresponding amount is reallocated to deficit. During the six months ended June 30, 2016, the Company reallocated \$34,994 (June 30, 2015 – \$nil) to capital stock for the exercise of 313,250 (June 30, 2015 – nil) options and allocated \$5,232 (June 30, 2015 – \$nil) to deficit for the expiry of 38,750 (June 30, 2015 – nil) options forfeited.

**10. CAPITAL STOCK AND RESERVES (continued)**

**Warrants**

Warrant transactions and the number of warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
As at December 31, 2014	50,191,512	\$ 0.20
Expired	(8,198,380)	\$ 0.19
Exercised	(455,526)	\$ 0.20
As at December 31, 2015	41,537,606	\$ 0.26
Exercised	(6,107,785)	\$ 0.25
As at June 30, 2016	35,429,821	\$ 0.26

Warrants Outstanding				
Exercise Price	Expiry Date	Number of Warrants Issuable on Exercise	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
\$ 0.20	February 28, 2017	7,644,644	0.67	\$ 0.20
\$ 0.34	September 10, 2017	1,261,427	1.20	\$ 0.34
\$ 0.34	October 15, 2017	6,120,673	1.29	\$ 0.34
\$ 0.36	November 27, 2017	2,004,995	1.41	\$ 0.36
\$ 0.25	December 12, 2017	17,073,083	1.45	\$ 0.25
\$ 0.25	December 30, 2017	1,324,999	1.50	\$ 0.25
		35,429,821	1.25	\$ 0.26

**11. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS**

The Company's financial instruments consist of cash and cash equivalents, held-for-trading securities, deposit, accounts payable and loan payable. The carrying value of accounts payable and loan payable approximates the fair value due to the short periods until settlement.

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 held-for-trading securities are measured using level 1 inputs.

**12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Supplemental disclosure of significant non-cash transactions is provided in the table:

For the period ended June 30,	Three months ended		Six months ended	
	2016	2015	2016	2015
<b>Non-cash financing and investing activities</b>				
Capitalized to exploration and evaluation assets				
Depreciation	\$ 80,783	\$ 5,286	\$ 139,653	\$ 10,353
Interest expense	\$ 51,353	\$ -	\$ 89,729	\$ -
Share-based compensation	\$ 278	\$ 636	\$ 50,876	\$ 1,986
Capitalized to property, plant and equipment				
Rehabilitation provision	\$ 27,850	\$ -	\$ 47,284	\$ -
Included in accounts payable and accrued liabilities				
Exploration and evaluation assets	\$ (191,615)	\$ 124,310	\$ 210,783	\$ 165,956
Property, plant and equipment	\$ (21,358)	\$ -	\$ (43)	\$ -

**13. 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:

<b>June 30, 2016</b>	<b>Canada</b>		<b>Guyana</b>		<b>Total</b>
Net loss for the period	\$	469,446	\$	89,922	\$ 559,368
<b>Asset Information</b>					
Deposits	\$	-	\$	252,501	\$ 252,501
Rental deposit	\$	46,576	\$	-	\$ 46,576
Exploration and evaluation assets	\$	-	\$	11,422,349	\$ 11,422,349
Property, plant and equipment	\$	-	\$	4,922,399	\$ 4,922,399

<b>June 30, 2015</b>	<b>Canada</b>		<b>Guyana</b>		<b>Total</b>
Net loss for the period	\$	561,442	\$	59,912	\$ 621,354
<b>Asset Information</b>					
Deposits	\$	-	\$	206,825	\$ 206,825
Exploration and evaluation assets	\$	-	\$	8,017,475	\$ 8,017,475
Property, plant and equipment	\$	-	\$	2,225,141	\$ 2,225,141

**14. SUBSEQUENT EVENTS**

The following events took place subsequent to June 30, 2016:

- 4,211,052 share purchase warrants priced between \$0.25 and \$0.34 were exercised for gross proceeds of \$1,071,758.
- 200,000 incentive stock options priced at \$0.19 were exercised for gross proceeds of \$38,000.
- granted stock options to a new employee to purchase an aggregate of 35,000 common shares of the Company at an exercise price of \$0.42 per share for a five year term expiring August 24, 2021.