



GOLDSOURCE
MINES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND NOTES

FOR THE SIX MONTHS ENDED JUNE 30, 2017

(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 INTERIM STATEMENTS OF FINANCIAL POSITION
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
AS AT

	June 30, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 936,353	\$ 291,219
Amounts receivable (note 9)	21,225	5,161
Prepaid expenses	119,644	22,346
Held-for-trading securities (note 8)	84,900	95,850
Total current assets	1,162,122	414,576
Non-current assets		
Deposit (note 4)	252,991	261,856
Rent deposit	46,576	46,576
Mineral property (note 4)	6,575,508	6,575,508
Property, plant and equipment (note 5)	4,787,633	4,949,760
Total non-current assets	11,662,708	11,833,700
TOTAL ASSETS	\$ 12,824,830	\$ 12,248,276
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	\$ 159,387	\$ 520,616
Loan payable (notes 6, 9)	-	1,754,601
Total current liabilities	159,387	2,275,217
Non-current liabilities		
Rehabilitation provision (note 7)	348,321	301,361
Total liabilities	507,708	2,576,578
Shareholders' equity		
Capital stock (note 10)	52,409,850	48,052,697
Reserves (note 10)	6,074,021	5,869,723
Deficit	(46,166,749)	(44,250,722)
Total shareholders' equity	12,317,122	9,671,698
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 12,824,830	\$ 12,248,276

Nature and continuance of operations (note 1)

Approved by the Board and authorized for issue on August 14, 2017.

"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	
	2017	2016	2017	2016
		<i>Restated - note 2</i>		<i>Restated - note 2</i>
Expenses				
Accretion (note 7)	\$ 3,733	\$ 2,372	\$ 7,406	\$ 7,442
Borrowing costs (note 6)	-	51,353	22,443	92,434
Depreciation (note 5)	11,679	742	22,901	742
Exploration and evaluation expenditures (note 4)	632,799	845,163	1,204,539	1,777,990
Foreign exchange loss	40,550	29,604	33,682	24,394
General exploration expenditures	-	13,136	-	15,936
Insurance	13,840	13,978	27,680	28,093
Interest income	(2,367)	(109)	(3,527)	(342)
Office and miscellaneous	6,111	6,006	7,831	11,592
Professional fees (note 9)	22,316	31,997	46,169	47,642
Regulatory and transfer agent fees	9,535	7,855	17,925	13,394
Remuneration (note 9)	102,147	134,239	229,742	270,572
Rent and communications	20,879	28,044	42,522	58,421
Share-based compensation (notes 9, 10)	2,893	16,789	210,375	45,728
Shareholder and investor relations	36,218	20,101	41,800	34,474
Tradeshaw and travel	7,412	27,877	28,298	52,130
Unrealized loss (gain) on held-for-trading securities (note 8)	13,500	(7,725)	10,950	(50,850)
Total expenses	921,245	1,221,422	1,950,736	2,429,792
Net and comprehensive loss for the period	\$ (921,245)	\$ (1,221,422)	\$ (1,950,736)	\$ (2,429,792)
Basic and diluted comprehensive loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding	166,965,366	131,840,497	161,312,855	129,422,242

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

GOLDSOURCE MINES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
FOR THE SIX MONTHS ENDED JUNE 30,

	2017	2016
		<i>Restated - note 2</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (1,950,736)	\$ (2,429,792)
Items not affecting cash:		
Share-based compensation	239,007	96,604
Interest expense	22,443	89,729
Unrealized loss (gain) on held-for-trading securities	10,950	(50,850)
Interest income	(3,527)	(342)
Accretion expense	7,406	7,442
Depreciation	433,728	140,395
Foreign exchange loss (gain)	8,865	(69,866)
	(1,231,864)	(2,216,680)
Amounts receivable	(9,713)	-
Taxes receivable	(4,944)	12,190
Prepaid expenses	(97,298)	(49,682)
Accounts payable and accrued liabilities	(240,030)	203,080
Net cash used in operating activities	(1,583,849)	(2,051,092)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan principal paid	(1,747,795)	-
Loan interest and fee payments	(29,249)	(90,973)
Capital stock issued	4,459,687	1,540,307
Capital stock issuance costs	(102,534)	-
Net cash provided by financing activities	2,580,109	1,449,334
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(353,246)	(774,100)
Interest income	2,120	342
Net cash used in investing activities	(351,126)	(773,758)
Change in cash and cash equivalents, during the period	645,134	(1,375,516)
Cash and cash equivalents, beginning of the period	291,219	1,792,847
Cash and cash equivalents, end of the period	\$ 936,353	\$ 417,331
Cash and cash equivalents is represented by:		
Cash	122,690	276,661
Cash equivalents	813,663	140,670
	\$ 936,353	\$ 417,331

Supplemental disclosure with respect to cash flows (note 13)

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

GOLDSOURCE MINES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

	Capital stock		Reserves	Deficit	Total
	Number	Amount	Share-based payments	Restated - note 2	
Balance at December 31, 2015	126,973,249	\$ 44,531,420	\$ 5,976,447	\$(39,360,212)	\$ 11,147,655
Exercise of options	313,250	93,794	(34,994)	-	58,800
Exercise of warrants	6,107,785	1,481,507	-	-	1,481,507
Share-based compensation	-	-	96,604	-	96,604
Stock options expired	-	-	(5,232)	5,232	-
Net and comprehensive loss for the period	-	-	-	(2,429,792)	(2,429,792)
Balance at June 30, 2016	133,394,284	46,106,721	6,032,825	(41,784,772)	10,354,774
Exercise of options	1,758,723	546,582	(169,466)	-	377,116
Exercise of warrants	5,578,909	1,399,394	(10,315)	-	1,389,079
Share-based compensation	-	-	16,679	-	16,679
Net and comprehensive loss for the period	-	-	-	(2,465,950)	(2,465,950)
Balance at December 31, 2016	140,731,916	48,052,697	5,869,723	(44,250,722)	9,671,698
Private placement (note 10)	26,233,450	4,459,687	-	-	4,459,687
Capital stock issuance costs (note 10)	-	(102,534)	-	-	(102,534)
Stock options expired (note 10)	-	-	(34,709)	34,709	-
Share-based compensation (note 10)	-	-	239,007	-	239,007
Net and comprehensive loss for the period	-	-	-	(1,950,736)	(1,950,736)
Balance at June 30, 2017	166,965,366	\$ 52,409,850	\$ 6,074,021	\$(46,166,749)	\$ 12,317,122

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 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 in 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 under the symbol GXS.

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. 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. 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. However, subsequent to completion of commissioning, the Company experienced lower than expected throughput and recovery from the gravity processing pilot plant as well as unexpected downtime related to equipment and water availability for the Eagle Mountain Gold Project. As a result, the Company has deferred Phase II capital purchases in order to focus funds on gravity pilot plant and recovery optimization as well as on increasing its saprolite resources in order to allow it to consider a large-scale gravity-cyanidation operation.

At June 30, 2017, the Company had cash and cash equivalents of \$936,353 (December 31, 2016 – \$291,219), accumulated losses of \$46.2 million (December 31, 2016 – \$44.3 million), and working capital of \$1.0 million (December 31, 2016 – working capital deficiency of \$1.9 million). The Company will require additional funds to support its exploration and operational activities at its Eagle Mountain Property and meet working capital requirements in the next twelve months. These factors represent a material uncertainty that may cast a significant doubt about the Company’s ability to continue as a going concern. These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business.

These 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. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2016, 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 consolidation and measurement

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 condensed consolidated interim financial statements were approved for issuance by the Board of Directors on August 14, 2017.

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.

GOLDSOURCE MINES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
SIX MONTHS ENDED JUNE 30, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation and measurement (continued)

Company	Place of incorporation	Principal activity	Ownership interest June 30, 2017	Ownership Interest June 30, 2016
Eagle Mountain Gold Corp.	Canada	Holding company	100%	100%
Stronghold Guyana Inc.	Guyana	Exploration and evaluation	100%	100%
Tinto Roca Exploracion S.A. de C.V.	Mexico	Exploration and evaluation	N/A	100%

Change in accounting policy

Effective with the presentation of the financial statements for the year ended December 31, 2016, the Company voluntarily adopted a new accounting policy with respect to exploration and evaluation expenditures. In prior years, the Company's policy was to capitalize all costs directly related to the exploration and evaluation of mineral properties classified as exploration and evaluation assets. The Company changed the accounting policy to expense exploration and evaluation expenditures as incurred, on a retrospective basis. The Company has determined that this change in accounting policy enhances the reliability and relevance of the financial statements for users.

The effect of the change in accounting policy on the Company's financial position, financial performance and cash flows for the six months ended June 30, 2016, as previously reported, is set out below.

Condensed consolidated interim statement of operations and comprehensive loss for the six months ended June 30, 2016

	As previously reported	Effect of change in accounting policy	As restated under new accounting policy
Corporate and administrative expenses			
Borrowing costs	\$ -	\$ 92,434	\$ 92,434
Exploration and evaluation expenditures	-	1,777,990	1,777,990
Net and comprehensive loss for the period	\$ (559,368)	\$ (1,870,424)	\$ (2,429,792)
Basic and diluted comprehensive loss per common share	\$ (0.00)		\$ (0.02)

Borrowing costs and exploration and evaluation expenditures increased by \$1,870,424, in total, previously capitalized to exploration and evaluation assets, for a total increase to net and comprehensive loss of \$1,870,424.

The change in the accounting policy had no effect on the Company's condensed consolidated interim statement of changes in shareholders' equity, other than the changes to deficit, as detailed in note 18 in the December 31, 2016 financial statements, and to net and comprehensive loss, as shown and described above. Accordingly, no separate statement of changes in shareholders' equity is shown.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
SIX MONTHS ENDED JUNE 30, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Condensed consolidated interim statement of cash flows for the six months ended June 30, 2016

	As previously reported	Effect of change in accounting policy	As restated under new accounting policy
Cash flows from operating activities			
Net loss for the period	\$ (559,368)	\$ (1,870,424)	\$ (2,429,792)
Items not affecting cash:			
Accrued borrowing costs	-	89,729	89,729
Share-based compensation	45,728	50,876	96,604
Depreciation	742	139,653	140,395
Accounts payable and accrued liabilities	(7,703)	210,783	203,080
Net cash used in operating activities	(671,709)	(1,379,383)	(2,051,092)
Cash flows from investing activities			
Exploration and evaluation assets	(1,379,383)	1,379,383	-
Net cash used in investing activities	(2,153,141)	1,379,383	(773,758)
Change in cash and cash equivalents, during the period	\$ (1,375,516)	\$ -	\$ (1,375,516)

Net cash used in operating activities increased by \$1,379,383 as net loss increased \$1,870,424 for the amounts previously capitalized as exploration and evaluation assets. Accrued borrowing costs, share-based compensation, depreciation, and accounts payable and accrued liabilities increased by \$491,041, in total, as these amounts had previously been capitalized to exploration and evaluation assets.

Net cash used in investing activities decreased by \$1,379,383 as the amounts previously capitalized to exploration and evaluation assets were expensed.

3. NEW STANDARDS NOT YET ADOPTED

In July 2014, the IASB issued the final version of IFRS 9 – *Financial instruments* to replace 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* was issued by the IASB on May 28, 2014, and will replace IAS 18 – *Revenue*, IAS 11 – *Construction Contracts*, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018.

On 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 these new requirements.

GOLDSOURCE MINES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
SIX MONTHS ENDED JUNE 30, 2017

4. MINERAL PROPERTY AND EXPLORATION AND EVALUATION ASSETS

Eagle Mountain Gold Project – Guyana

	As at December 31, 2015	Additions during the year	As at December 31, 2016	Additions during the period	As at June 30, 2017
Mineral property acquisition costs					
Mineral property acquired	\$ 5,722,081	\$ -	\$ 5,722,081	\$ -	\$ 5,722,081
Shares issued	853,427	-	853,427	-	853,427
Total mineral property acquisition costs	\$ 6,575,508	\$ -	\$ 6,575,508	\$ -	\$ 6,575,508

	Cumulative to December 31, 2015	Expenditures during the year	Cumulative to December 31, 2016	Expenditures during the period	Cumulative to June 30, 2017
Exploration and evaluation expenditures:					
Assays	139,658	32,078	171,736	40,312	212,048
Borrowing costs	24,210	-	24,210	-	24,210
Camp costs	459,429	763,602	1,223,031	133,405	1,356,436
Depreciation (note 5)	130,634	522,600	653,234	410,827	1,064,061
Drilling	2,230	2,517	4,747	4,124	8,871
Operations and general	571,161	1,288,709	1,859,870	242,230	2,102,100
Road maintenance	594,788	90,119	684,907	-	684,907
Sale of gold ounces ⁽¹⁾	-	(622,414)	(622,414)	(90,915)	(713,329)
Salaries (note 9)	802,365	1,494,423	2,296,788	359,465	2,656,253
Share-based compensation (notes 9, 10)	23,592	58,252	81,844	28,632	110,476
Tailings	14,473	3,250	17,723	-	17,723
Technical services and consulting	213,877	78,601	292,478	76,459	368,937
Total exploration and evaluation expenditures	2,976,417	3,711,737	6,688,154	1,204,539	7,892,693

⁽¹⁾ As at and during the six months ended June 30, 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 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 the commissioning phase, sales were 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 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, 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

GOLDSOURCE MINES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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SIX MONTHS ENDED JUNE 30, 2017

4. MINERAL PROPERTY AND EXPLORATION AND EVALUATION ASSETS (continued)

- 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:
- The payment set out in, ("II a.") above has been made, or
 - After having completed one year of gold production under a large scale Mining License issued by the GGMC.

The Company pledged a \$252,991 (US\$194,540) (December 31, 2016 – \$261,856 (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 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.

5. PROPERTY, PLANT AND EQUIPMENT

	Eagle Mountain Gold Project				Corporate office	Total
	Construction in progress ⁽¹⁾	Processing plant ⁽²⁾⁽³⁾	Other equipment ⁽⁴⁾			
Cost						
As at December 31, 2015	\$ 3,292,903	\$ -	\$ 1,078,441	\$ 60,848	\$ 4,432,192	
Additions	612,506	-	835,177	-	1,447,683	
Sale of gold ounces	(286,683)	-	-	-	(286,683)	
Changes in asset retirement obligation	(203,690)	289,065	-	-	85,375	
Reclassification	(3,265,562)	3,050,153	215,409	-	-	
As at December, 31, 2016	149,474	3,339,218	2,129,027	60,848	5,678,567	
Additions	118,526	37,537	103,334	4,770	264,167	
Changes in asset retirement obligation	-	39,554	-	-	39,554	
Reclassification	(162,593)	22,305	140,288	-	-	
Disposals	-	-	(50,523)	-	(50,523)	
As at June 30, 2017	\$ 105,407	\$ 3,438,614	\$ 2,322,126	\$ 65,618	\$ 5,931,765	
Accumulated depreciation						
As at December 31, 2015	\$ -	\$ -	\$ 130,633	\$ 60,848	\$ 191,481	
Depreciation for the year	-	233,542	303,784	-	537,326	
As at December 31, 2016	-	233,542	434,417	60,848	728,807	
Depreciation for the period ⁽⁵⁾	-	235,278	198,174	276	433,728	
Disposals	-	-	(18,403)	-	(18,403)	
As at June 30, 2017	\$ -	\$ 468,820	\$ 614,188	\$ 61,124	\$ 1,144,132	
Carrying amounts						
As at December 31, 2016	\$ 149,474	\$ 3,105,676	\$ 1,694,610	\$ -	\$ 4,949,760	
As at June 30, 2017	\$ 105,407	\$ 2,969,794	\$ 1,707,938	\$ 4,494	\$ 4,787,633	

GOLDSOURCE MINES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
SIX MONTHS ENDED JUNE 30, 2017

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- ⁽¹⁾ Assets under construction at the Eagle Mountain Gold Project were capitalized as “Construction in Progress” and were presented as a separate asset within PP&E. Construction in Progress included any costs directly attributable to bringing the assets under construction into working condition for their 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 \$286,683 related to the commissioning phase from the 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 the commissioning of the processing plant, the Company reclassified the carrying amount of \$3,050,153 from Construction in Progress to Processing Plant (note 1). Depreciation also commenced for the Processing Plant on a straight-line basis over seven years.
- ⁽³⁾ Additions to processing plant during the six months ended June 30, 2017 included the purchase and installation of a Krebs cyclone.
- ⁽⁴⁾ Other Equipment consists of vehicles, buildings and equipment.
- ⁽⁵⁾ During the six months ended June 30, 2017, depreciation of \$410,827 (June 30, 2016 – \$139,653) was included in exploration and evaluation expenditures (note 4).

6. LOAN PAYABLE

On December 21, 2015, the Company obtained a loan of \$1.4 million (US\$1.0 million) (the “Loan”) with Mitan Holdings Ltd. (“Mitan Holdings”), 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 Holdings 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 Holdings. 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 the six months ended June 30, 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) (June 30, 2016 – \$79,642 (US\$59,836)). Total interest paid during the period was \$29,249 (US\$22,183) (June 30, 2016 – \$78,255 (US\$60,000)).

7. 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.

	Six months ended		Year ended	
	June 30, 2017		December 31, 2016	
Balance, beginning of period (year)	\$	301,361	\$	203,690
Changes in obligation		32,083		79,141
Accretion expense		7,406		12,296
Changes in estimates		7,471		6,234
Balance, end of period (year)	\$	348,321	\$	301,361

The present value of rehabilitation provision, using an effective discount rate of 5% (December 31, 2016 – 5%), is currently estimated at \$348,321 (US\$242,314) (2016 – \$301,361 (US\$212,589)), reflecting anticipated cash flows to be incurred over approximately the next six years. The undiscounted value of these obligations is \$403,734 (US\$311,000) (December 31, 2016 – \$376,419 (US\$282,000)), calculated using a long-term inflation rate assumption of 1.2% (December 31, 2016 – 0.8%).

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7. REHABILITATION PROVISION (continued)

In view of uncertainties concerning asset retirement obligations, the ultimate costs could be materially different from the amounts estimated. The estimate of future asset retirement obligations is subject to change based on amendments to applicable laws and legislation. Future changes in asset retirement obligations, if any, could have a significant impact.

8. HELD-FOR-TRADING SECURITIES

	Six months ended June 30, 2017	Year ended December 31, 2016
Opening balance	\$ 95,850	\$ 43,875
Changes in marked-to-market value	(10,950)	51,975
Closing balance	\$ 84,900	\$ 95,850

Held-for-trading securities are recorded at fair value at each reporting date and the resulting gains or losses are included in the results for the year. For the six months ended June 30, 2017, the Company's 135,000 (December 31, 2016 – 135,000) Westcore Energy Ltd. and 300,000 (December 31, 2016 – 300,000) Para Resources Inc. common shares had an unrealized marked-to-market loss of \$10,950 (June 30, 2016 – gain of \$50,850).

9. RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2017, the Company entered into the following transactions with related parties:

Legal fees

Legal fees of \$15,468 (June 30, 2016 – \$19,507), included in professional fees, and capital stock issuance costs of \$45,396 (June 30, 2016 – \$Nil) were paid or accrued to Koffman Kalef LLP, a law firm of which an officer of the Company is a partner, of which \$Nil (December 31, 2016 – \$11,857) was payable at June 30, 2017.

Key management compensation

	Six months ended June 30, 2017	Six months ended June 30, 2016
Management fees ⁽¹⁾	\$ 119,063	\$ 183,000
Share-based compensation ⁽²⁾	186,428	24,819
	\$ 305,491	\$ 207,819

⁽¹⁾ Management fees were paid to companies controlled by the former Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and President of the Company.

⁽²⁾ 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 \$22,932 (June 30, 2016 – \$33,605) and recognized share-based compensation of \$6,778 (June 30, 2016 – \$4,365) to an employee who is an immediate family member of the Chief Operating Officer. Remuneration and share-based payments incurred to this employee were recorded as exploration and evaluation expenditures (note 4).

On October 1, 2015, the Company entered into 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 reimbursable expenses. During the six months ended June 30, 2017, the Company was allocated \$95,188 (June 30, 2016 – \$96,625) for its share of these expenses, of which \$13,847 (December 31 2016 – \$40,360) was payable to SilverCrest at June 30, 2017.

The Company incurred interest costs of \$22,443 (June 30, 2016 – \$92,434) on, and fully repaid, the Loan with Mitan, a company controlled by a former director of the Company (note 6).

At June 30, 2017, advances of \$9,000 were receivable from the President of the Company. The advances are non-interest bearing and are repayable in monthly installments ending December 15, 2017.

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10. CAPITAL STOCK

Authorized shares

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

Issued and outstanding

At June 30, 2017, the Company had 166,965,366 common shares and no preferred shares outstanding.

Six months ended June 30, 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.

Year ended December 31, 2016

During 2016, the Company issued 2,071,973 common shares with a weighted average price of \$0.21 for gross proceeds of \$435,916 for the exercise of options. The Company also issued 11,686,694 common shares with a weighted average price of \$0.25 for gross proceeds of \$2,870,586 for the exercise of warrants.

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 1 year. The Company has not granted options for periods exceeding 5 years.

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

	Six months ended June 30, 2017		Year ended December 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period (year)	7,474,012	\$ 0.22	9,164,735	\$ 0.21
Issued	2,525,000	0.16	420,000	0.29
Exercised	-	-	(2,071,973)	0.21
Expired	(195,723)	0.19	-	-
Forfeited	(250,000)	0.28	(38,750)	0.27
Outstanding, end of period (year)	9,553,289	\$ 0.20	7,474,012	\$ 0.22

Six months ended June 30, 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 1 year period with 25% vesting after each of 3 months, 6 months, 9 months, and 12 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; and
- 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 1 year period with 25% vesting after each of 3 months, 6 months, 9 months, and 12 months after the grant date, respectively.

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10. CAPITAL STOCK (continued)

Year ended December 31, 2016

During 2016, the Company granted:

- 385,000 stock options to employees and consultants that can be exercised at a price of \$0.28 per share until February 1, 2021. These stock options vest immediately except for 25,000, which vest over a 1 year period with 25% vesting after each of 3 months, 6 months, 9 months, and 12 months after the grant date, respectively; and
- 35,000 stock options to an employee that can be exercise at a price of \$0.42 per share for until August 24, 2021. These stock options vest immediately.

Stock options outstanding and exercisable at June 30, 2017 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
September 20, 2017	\$ 0.47	158,289	0.22	158,289
May 14, 2018	\$ 0.16	50,000	0.87	50,000
June 25, 2018	\$ 0.16	700,000	0.99	700,000
April 10, 2019	\$ 0.24	1,650,000	1.78	1,650,000
February 16, 2020	\$ 0.20	2,325,000	2.63	2,325,000
October 1, 2020	\$ 0.16	35,000	3.26	35,000
December 16, 2020	\$ 0.21	1,975,000	3.47	1,975,000
February 1, 2021	\$ 0.28	100,000	3.59	100,000
August 24, 2021*	\$ 0.18	35,000	4.15	35,000
February 1, 2022*	\$ 0.18	25,000	4.59	25,000
February 21, 2022*	\$ 0.17	1,800,000	4.65	1,762,500
March 28, 2022	\$ 0.16	500,000	4.75	500,000
May 30, 2022	\$ 0.13	200,000	4.92	100,000
		9,553,289		9,415,789

*Subsequent to June 30, 2017, the Company cancelled a total of 160,000 forfeited options with exercise prices between \$0.17 and \$0.18 per share.

The weighted average remaining life of options outstanding is 2.95 years.

Share-based compensation

The fair value of options granted during the six months ended June 30, 2017 and 2016 was estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	Six months ended June 30, 2017	Six months ended June 30, 2016
Expected option life (years)	4.43	3.00
Expected volatility	76%	76%
Expected dividend yield	-	-
Risk-free interest rate	0.74%	0.43%
Expected forfeiture rate	1.00%	1.00%
Fair value per share	\$ 0.10	\$ 0.14
Total fair value	\$ 245,364	\$ 53,453

During the six months ended June 30, 2017, the Company recognized share-based compensation of \$238,820, for the vested portion of options granted during the period, of which \$210,299 was expensed and \$28,521 was considered exploration expenditures (note 4). 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 4).

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10. CAPITAL STOCK (continued)

Share-based compensation (continued)

During the six months ended June 30, 2016, the Company recognized share-based compensation of \$52,395 for vested portion of options granted during that period, of which \$2,413 was expensed and \$49,982 was considered exploration expenditures. The Company also recognized share-based compensation of \$44,209 for the vested portion of options previously granted of which \$43,315 was expensed and \$894 was considered exploration expenditures.

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.

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

	Six months ended		Year ended	
	June 30, 2017		December 31, 2016	
Balance, beginning of period (year)	\$	5,869,723	\$	5,976,447
Share-based compensation		239,007		113,283
Warrants exercised, reallocated to capital stock		-		(10,315)
Stock options exercised, reallocated to capital stock		-		(204,460)
Stock options expired, reallocated to deficit		(34,709)		(5,232)
Balance, end of period (year)	\$	6,074,021	\$	5,869,723

Warrants

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

	Six months ended June 30, 2017		Year ended December 31, 2016	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
Outstanding, beginning of period (year)	29,850,912	\$ 0.27	41,537,606	\$ 0.26
Issued	26,233,450	0.23	-	-
Exercised	-	-	(11,686,694)	0.25
Expired	(7,151,787)	0.20	-	-
Outstanding, end of period (year)	48,932,575	\$ 0.26	29,850,912	\$ 0.27

The warrants outstanding at June 30, 2017 are as follows:

Expiry date	Exercise price	Remaining life (years)	Number of Warrants
September 10, 2017	\$ 0.34	0.20	1,261,427
October 15, 2017	\$ 0.34	0.29	5,909,621
November 27, 2017	\$ 0.36	0.41	2,004,995
December 12, 2017	\$ 0.25	0.45	12,273,083
December 30, 2017	\$ 0.25	0.50	1,249,999
February 8, 2019	\$ 0.23	1.61	26,233,450
			48,932,575

The weighted average remaining life of warrants outstanding is 1.05 years.

11. 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.

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11. SEGMENTED INFORMATION (continued)

Geographical segmented information is presented as follows:

June 30, 2017	Canada	Guyana	Total
Net loss for the period	\$ 750,704	\$ 1,200,032	\$ 1,950,736
Asset information			
Deposit	\$ -	\$ 252,991	\$ 252,991
Rent deposit	\$ 46,576	\$ -	\$ 46,576
Mineral property	\$ -	\$ 6,575,508	\$ 6,575,508
Property, plant and equipment	\$ 4,494	\$ 4,783,139	\$ 4,787,633

June 30, 2016 (Restated - note 2)	Canada	Guyana	Total
Net loss for the period	\$ 469,446	\$ 1,960,346	\$ 2,429,792
Asset information			
Deposit	\$ -	\$ 252,501	\$ 252,501
Rent deposit	\$ 46,576	\$ -	\$ 46,576
Mineral property	\$ -	\$ 6,575,508	\$ 6,575,508
Property, plant and equipment	\$ -	\$ 4,922,399	\$ 4,922,399

12. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

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.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Supplemental disclosure of significant non-cash transactions is as follows:

	Six months ended June 30, 2017	Six months ended June 30, 2016
Non-cash financing and investing activities		
Capitalized to property, plant and equipment		
Rehabilitation provision	\$ 39,554	\$ 47,284
Included in accounts payable and accrued liabilities		
Property, plant and equipment	\$ 60,224	\$ (43)