GOLDSOURCE MINES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND NOTES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

(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.

Table of Contents

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

	September 30, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 689,440	$ 1,792,847
Taxes receivable	6,828	22,560
Prepaid expenses	60,673	39,779
Held-for-trading securities (note 4)	83,175	43,875
Total current assets	840,116	1,899,061
Non-current assets		
Deposit (note 6)	256,097	270,294
Rent deposit	46,576	46,576
Exploration and evaluation assets (note 6)	12,430,354	9,551,925
Property, plant and equipment (note 5)	4,887,764	4,240,711
Total non-current assets	17,620,791	14,109,506
TOTAL ASSETS	$ 18,460,907	$ 16,008,567
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	$ 397,214	$ 292,255
Loan payable (note 7)	1,318,549	1,388,550
Total current liabilities	1,715,763	1,680,805
Non-current liabilities		
Rehabilitation provision (note 8)	276,240	203,690
Total Liabilities	1,992,003	1,884,495
Shareholders' equity		
Capital stock (note 10)	47,870,753	44,531,420
Reserves (note 10)	5,906,380	5,976,447
Deficit	(37,308,229)	(36,383,795)
Total shareholders' equity	16,468,904	14,124,072
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 18,460,907	$ 16,008,567

Nature and continuance of operations (note 1)
Contingency (note 6)
Subsequent events (note 14)

Approved by the Board and authorized for issue on November 22, 2016.

"Ioannis Tsitos"	*"Graham C. Thody"*
Director	**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 SEPTEMBER 30,

	Three months ended		Nine months ended	
	2016	**2015**	**2016**	**2015**
Corporate and administrative expenses				
Foreign exchange (gain) loss	$ 92,551	$ (164,339)	$ 116,945	$ (142,992)
General exploration expenditure (recovery)	3,482	3,360	19,418	(2,854)
Insurance	13,840	8,246	41,933	25,533
Office and miscellaneous	3,708	11,977	15,300	31,661
Professional fees (note 9)	21,216	11,788	68,858	44,048
Regulatory and transfer agent fees	12,451	3,613	25,845	21,578
Remuneration (note 9)	127,844	135,569	398,416	368,457
Rent and communications	30,325	6,922	88,746	22,759
Share-based compensation (notes 9, 10)	8,717	73,045	54,445	316,913
Shareholder and investor relations	10,978	22,416	45,452	75,470
Tradeshow and travel	24,330	22,318	76,460	30,216
Total corporate and adminstrative expenses	349,442	134,915	951,818	790,789
Accretion (note 8)	2,398	-	9,840	-
Depreciation (notes 5, 8)	6,910	-	7,652	-
Interest income	(2)	10,647	(344)	(24,248)
Unrealized (gain) loss on held-for-trading securities	11,550	(26,250)	(39,300)	(25,875)
Net and comprehensive loss for the period	$ (370,298)	$ (119,312)	$ (929,666)	$ (740,666)
Basic and diluted comprehensive loss per common share	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding	137,121,866	126,517,723	132,007,457	126,517,723

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 SEPTEMBER 30,

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ (929,666)	$ (740,666)
Items not affecting cash:		
Share-based compensation	54,445	316,913
Unrealized (gain) loss on held-for-trading securities	(39,300)	(25,875)
Interest income	(344)	(24,248)
Accretion expense	9,840	-
Depreciation	7,652	-
Foreign exchange gain	(57,083)	-
Cash flows before changes in working capital items	(954,456)	(473,876)
Amounts receivable	-	(3,473)
Taxes receivable	15,732	1,647
Prepaid expenses	(20,894)	47,305
Accounts payable and accrued liabilities	(61,618)	(60,160)
Net cash used in operating activities	(1,021,236)	(488,557)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan interest payment	(117,798)	-
Capital stock issued	3,161,915	-
Net cash provided by financing activities	3,044,117	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,106,171)	(3,392,246)
Exploration and evaluation asset expenditures	(2,428,370)	(1,084,962)
Proceeds received from sales related to Eagle Mountain	407,909	-
Interest income	344	27,721
Net cash used in investing activities	(3,126,288)	(4,449,487)
Change in cash and cash equivalents, during the period	(1,103,407)	(4,938,044)
Cash and cash equivalents, beginning of the period	1,792,847	7,245,824
Cash and cash equivalents, end of the period	$ 689,440	$2,307,780
Cash and cash equivalents is represented by:		
Cash	677,940	2,206,660
Cash equivalents	11,500	101,120
	$ 689,440	$2,307,780

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 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

	Capital stock		Reserves	Deficit	Total
	Number	Amount	Share-based payments		
Balance at December 31, 2014	126,517,723	$ 44,434,337	$ 5,478,278	$ (35,142,379)	$ 14,770,236
Stock options expired	-	-	(110,487)	110,487	-
Share-based compensation	-	-	319,510	-	319,510
Net loss and comprehensive loss for the period	-	-	-	(740,666)	(740,666)
Balance at September 30, 2015	126,517,723	44,434,337	5,687,301	(35,772,558)	14,349,080
Stock options expired	-	-	(3,285)	3,285	-
Share-based compensation	-	-	297,355	-	297,355
Exercise of warrants	455,526	97,083	(4,924)	-	92,159
Net loss and comprehensive loss for the period	-	-	-	(614,522)	(614,522)
Balance at December 31, 2015	126,973,249	44,531,420	5,976,447	(36,383,795)	14,124,072
Stock options expired	-	-	(5,232)	5,232	-
Share-based compensation	-	-	112,583	-	112,583
Exercise of options	1,676,250	522,318	(177,418)	-	344,900
Exercise of warrants	11,418,837	2,817,015	-	-	2,817,015
Net loss and comprehensive loss for the period	-	-	-	(929,666)	(929,666)
Balance at September 30, 2016	140,068,336	$ 47,870,753	$ 5,906,380	$ (37,308,229)	$ 16,468,904

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. Goldource 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 ("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, the Company considers itself to be an exploration stage company. As the September 30, 2016, the removal of the gold concentrate from the processing plant at the Company's Eagle Mountain Gold Project is treated 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 September 30, 2016, the Company has cash on hand of $689,440 (December 31, 2015 – $1.8 million), accumulated losses of $37.3 million (December 31, 2015 – $36.4 million) and working capital deficiency of $875,647 (December 31, 2015 – working capital of $218,256) including a current loan payable (note 7) of $1.3 million (December 31, 2015 – $1.4 million) due June 21, 2017. Subsequent to September 30, 2016, the Company received gross proceeds of $144,587 for the exercise of warrants and options and approximately $323,000 (US$242,000) for recent gold shipments. The Company will require additional funds to maintain its operations and meet working capital requirements in the next twelve months. 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 November 22, 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.

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

2. BASIS OF PRESENTATION (continued)

Company	Ownership	Place of Incorporation	Principal Activity
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 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

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 these new requirements.

4. HELD-FOR-TRADING SECURITIES

	September 30, 2016	December 31, 2015
Opening balance	$ 43,875	$ 28,500
Changes in marked-to-market value	39,300	15,375
Closing balance	$ 83,175	$ 43,875

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 period. For the nine months ended September 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 $39,300 (September 30, 2015 – $25,875).

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

5. PROPERTY, PLANT AND EQUIPMENT

	Eagle Mountain Gold Project				
	Construction in progress[1]	Processing plant[2]	Other equipment[3]	Corporate office	Total
Cost					
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
Asset retirement obligation	203,690	-	-	-	203,690
Balance at December, 31, 2015	3,292,903	-	1,078,441	60,848	4,432,192
Additions	691,928	-	492,293	-	1,184,221
Sale of gold ounces	(269,303)	-	-	-	(269,303)
Changes in asset retirement obligation	(203,690)	266,400	-	-	62,710
Reclassification	(3,367,412)	3,069,105	298,307	-	-
As at September 30, 2016	$ 144,426	$ 3,335,505	$ 1,869,041	$ 60,848	$ 5,409,820
Accumulated depreciation					
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 [4]	-	122,401	208,174	-	330,575
As at September 30, 2016	$ -	$ 122,401	$ 338,807	$ 60,848	$ 522,056
Carrying amounts					
As at December 31, 2015	$ 3,292,903	$ -	$ 947,808	$ -	$ 4,240,711
As at September 30, 2016	$ 144,426	$ 3,213,104	$ 1,530,234	$ -	$ 4,887,764

(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. Although having declared commercial production in June 2016, the Company is no longer in commercial production.

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

(4) During the nine month period ended September 30, 2016, depreciation of $322,923 (September 30, 2015 – $38,757) 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 September 30, 2016, these commitments totaled 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 totaled approximately $1,792,972 ($1,562,202 paid) (December 31, 2015 – $1,643,801 ($1,340,305 (paid)) related to other contractual agreements for the Eagle Mountain Gold Project.

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

6. MINERAL PROPERTIES – EXPLORATION AND EVALUATION ASSETS

Eagle Mountain Gold Project, Guyana, South America	As at December 31, 2014	Additions during the year	As at December 31, 2015	Additions during the period	As at September 30, 2016
Acquisition costs					
Exploration and evaluation assets acquired	$ 5,722,081	$ -	$ 5,722,081	$ -	$ 5,722,081
Shares issued	853,427	-	853,427	-	853,427
Subtotal, acquisition costs:	6,575,508	-	6,575,508	-	6,575,508
Exploration and evaluation expenditures:					
Assays	107,171	32,487	139,658	10,537	150,195
Borrowing costs (note 7)	-	24,210	24,210	131,869	156,079
Camp costs	35,372	424,057	459,429	592,727	1,052,156
Depreciation (note 5)	20,991	109,643	130,634	322,923	453,557
Drilling	-	2,230	2,230	2,168	4,398
Drilling (reclassified)	19,596	(19,596)	-	-	-
Operations and general	107,868	463,293	571,161	864,138	1,435,299
Road maintenance	-	594,788	594,788	29,846	624,634
Sale of gold ounces [1]	-	-	-	(138,606)	(138,606)
Salaries (note 9)	260,748	541,617	802,365	939,995	1,742,360
Share-based compensation (notes 9, 10)	10,544	13,048	23,592	58,138	81,730
Tailings	-	14,473	14,473	1,773	16,246
Technical services and consulting	179,140	34,737	213,877	62,921	276,798
Subtotal, expenditures	741,430	2,234,987	2,976,417	2,878,429	5,854,846
Total, exploration and evaluation assets	$ 7,316,938	$ 2,234,987	$ 9,551,925	$ 2,878,429	$ 12,430,354

(1) As at and during the nine months ended September 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 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 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.

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

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

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 $256,097 (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 paid a commitment fee of $19,660 (US$15,000) upon execution of the Loan, 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 nine months ended September 30, 2016, the Company paid interest of $117,798 (US$90,000) (December 31, 2015 – $nil) of interest and incurred interest of $119,077 (US$90,082) (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.

	September 30, 2016	December 31, 2015
Balance, beginning of period	$ 203,690	$ -
Changes in obligation	59,154	203,690
Accretion expense	9,840	-
Changes in estimates	3,556	-
Balance, end of period	$ 276,240	$ 203,690

The present value of rehabilitation provision, using an effective discount rate of 5% (December 31, 2015 – 5%), is currently estimated at $276,240 (US$195,609) (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 $343,543 (US$263,500) (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.

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

9. RELATED PARTY TRANSACTIONS

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

Legal fees

Legal fees of $30,169 (September 30, 2015 – $18,457), 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 $3,003 (December 31, 2015 – $4,583) was payable at September 30, 2016. The Company recognized $389 (September 30, 2015 – $2,885) in share-based payments to this officer.

Key management compensation

	September 30, 2016	September 30, 2015
Key management short-term benefits [1]	$ 261,500	$ 236,250
Share-based payments [2]	29,440	239,281
	$ 290,940	$ 475,531

[1] 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.

[2] Share-based payments recorded for all directors and officers the Company and recognized in the statement of operations and comprehensive loss.

Other Transactions

During the nine months ended September 30, 2016, the Company paid remuneration $50,006 (September 30, 2015 – $34,256) for technical and administrative services, and incurred $4,647 (September 30, 2015 – $1,131) in share-based payments to one (September 30, 2015 – two) employee who is an immediate family member of key management personnel. During the nine months ended September 30, 2016, remuneration and share-based payments incurred to these employees were 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 nine months period ended September 30, 2015, the Company incurred $161,001 for its share of these expenses, of which $32,592 was payable to SilverCrest Mines at September 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 nine months ended September 30, 2016, the Company incurred $143,315 for its share of these expenses, of which $15,998 (December 31, 2015 - $78,565) was payable to SilverCrest Metals at September 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 September 30, 2016, the Company had 140,068,336 common shares 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.

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

10. CAPITAL STOCK AND RESERVES (continued)

In August 2016, the Company granted stock options to an employee to purchase 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.

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	420,000	0.28
Exercised	(1,676,250)	0.21
Forfeited	(38,750)	0.27
As at September 30, 2016	7,869,735	$ 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	195,723	0.39	$ 0.19	195,723	$ 0.19
$ 0.47	September 20, 2017	158,289	0.97	$ 0.47	158,289	$ 0.47
$ 0.16	May 14, 2018	50,000	1.62	$ 0.16	50,000	$ 0.16
$ 0.16	June 25, 2018	700,000	1.73	$ 0.16	700,000	$ 0.16
$ 0.23	February 18, 2019	395,723	2.39	$ 0.23	395,723	$ 0.23
$ 0.24	April 10, 2019	1,650,000	2.53	$ 0.24	1,650,000	$ 0.24
$ 0.20	February 16, 2020	2,325,000	3.38	$ 0.20	2,325,000	$ 0.20
$ 0.16	October 1, 2020	35,000	4.01	$ 0.16	17,500	$ 0.16
$ 0.21	December 16, 2020	1,975,000	4.21	$ 0.21	1,937,500	$ 0.21
$ 0.28	February 1, 2021	350,000	4.34	$ 0.28	337,500	$ 0.28
$ 0.42	August 24, 2021	35,000	4.90	$ 0.42	35,000	$ 0.42
		7,869,735	3.13	$ 0.22	7,802,235	$ 0.22

Share-based compensation

During the nine months ended September 30, 2016, the Company granted 420,000 (September 30, 2015 – 3,140,000) incentive stock options with a weighted average fair value per option granted of $0.14 (September 30, 2015 – $0.11) for a total value of $60,432 (September 30, 2015 – $343,534). Total share-based compensation recognized during the nine month period ended September 30, 2016 under the fair value method was $112,583 (September 30, 2015 – $319,510). The Company expensed $54,445 (September 30, 2015 – $316,913) and capitalized $58,318 (September 30, 2015 – $2,597) 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 nine months ended September 30, 2016 and 2015:

	September 30, 2016	September 30, 2015
Risk-free interest rate	0.44%	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

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

10. CAPITAL STOCK AND RESERVES (continued)

Share-based payment reserve

The 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 stock options or warrants are exercised, the corresponding amount is reallocated to share capital, or if cancelled, the corresponding amount is reallocated to deficit. During the nine months ended September 30, 2016, the Company reallocated $177,418 (September 30, 2015 – $nil) to capital stock for the exercise of 1,676,250 (September 30, 2015 – nil) options and allocated $5,232 (September 30, 2015 – $110,487) to deficit for the expiry of 38,750 (September 30, 2015 – 167,210) options forfeited.

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	(11,418,837)	0.25
As at September 30, 2016	30,118,769	$ 0.27

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	7,419,644	0.41	$ 0.20
$ 0.34	September 10, 2017	1,261,427	0.95	$ 0.34
$ 0.34	October 15, 2017	5,909,621	1.04	$ 0.34
$ 0.36	November 27, 2017	2,004,995	1.16	$ 0.36
$ 0.25	December 12, 2017	12,273,083	1.20	$ 0.25
$ 0.25	December 30, 2017	1,249,999	1.25	$ 0.25
		30,118,769	0.96	$ 0.27

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.

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

For the nine months ended September 30,	2016	2015
Non-cash financing and investing activities		
Capitalized to exploration and evaluation assets		
Depreciation	$ 261,237	$ 38,757
Interest expense	$ 119,077	$ -
Share-based compensation	$ 58,138	$ 2,597
Capitalized to property, plant and equipment		
Rehabilitiation provision	$ 55,058	$ -
Included in accounts payable and accrued liabilities		
Exploration and evaluation assets	$ 150,213	$ 41,962
Property, plant and equipment	$ 16,364	$ -

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:

September 30, 2016	Canada	Guyana	Total
Net loss for the period	$ 772,440	$ 157,226	$ 929,666
Asset Information			
Deposit	$ -	$ 256,097	$ 256,097
Rental deposit	$ 46,576	$ -	$ 46,576
Exploration and evaluation assets	$ -	$12,430,354	$12,430,354
Property, plant and equipment	$ -	$ 4,887,764	$ 4,887,764

September 30, 2015	Canada	Guyana	Total
Net loss for the period	$ 618,287	$ 122,379	$ 740,666
Asset Information			
Deposits	$ -	$ 206,825	$ 206,825
Exploration and evaluation assets	$ -	$ 8,485,216	$ 8,485,216
Property, plant and equipment	$ -	$ 3,403,206	$ 3,403,206

14. SUBSEQUENT EVENTS

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

- 267,857 share purchase warrants with an exercise price of $0.20 were exercised for gross proceeds of $53,571; and
- 395,723 incentive stock options with an exercise price of $0.23 were exercised for gross proceeds of $91,016.