GOLDSOURCE MINES INC.

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

FOR THE YEAR ENDED DECEMBER 31, 2014

GOLDSOURCE MINES INC.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Goldsource Mines Inc.

We have audited the accompanying consolidated financial statements of Goldsource Mines Inc., which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of operations and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Goldsource Mines Inc. as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

April 15, 2015

GOLDSOURCE MINES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

AS AT

		December 31, 2014		December 31, 2013
ASSETS				
Current Assets				
Cash and cash equivalents	$	7,245,824	$	212,620
Short term investments		-		125,942
Taxes receivable		10,266		6,516
Prepaid expenses		105,755		12,538
Held-for-trading securities (note 8)		28,500		27,000
Total Current Assets		7,390,345		384,616
Non-Current Assets				
Deferred transaction costs (note 7)		-		200,865
Deposit (note 10)		206,825		-
Exploration and evaluation assets (note 10)		7,316,938		-
Equipment (note 9)		49,717		2,748
Total Non-Current Assets		7,573,480		203,613
TOTAL ASSETS	$	14,963,825	$	588,229
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities (note 11)	$	193,589	$	95,969
Total Current Liabilities		193,589		95,969
Shareholders' Equity				
Capital stock (note 12)		44,434,337		30,146,779
Reserves (note 12)		5,478,278		4,645,049
Deficit		(35,142,379)		(34,299,568)
Total Shareholders' Equity		14,770,236		492,260
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	14,963,825	$	588,229

Nature and continuance of operations (note 1)
Commitment (note 17)
Contingency (note 10)
Subsequent events (note 18)

Approved by the Board and authorized for issue on April 15, 2015.

"J. Scott Drever"	*"Graham C. Thody"*
Director	**Director**

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

GOLDSOURCE MINES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

For the years ended December 31,	**2014**	**2013**
General and administrative expenses		
Depreciation	$ 2,748	$ 12,171
Foreign exchange gain	(4,181)	-
General exploration	76,142	120,913
Insurance	23,748	22,604
Office and miscellaneous	65,222	20,484
Professional fees (note 11)	148,643	80,116
Regulatory and transfer agent fees	49,118	11,777
Remuneration (note 11)	389,641	222,966
Rent and communications	29,272	17,084
Shareholder and investor relations	78,153	13,147
Tradeshow and travel	34,860	-
Total general and administrative expenses	893,366	521,262
Interest income	(13,552)	(5,127)
Impairment charge (note 10)	-	3,800,000
Other income (note 16)	(50,000)	-
Share-based compensation (notes 11, 12)	259,013	79,131
Unrealized loss on held-for-trading securities (note 8)	43,500	47,250
	238,961	3,921,254
Net loss and comprehensive loss for the year	$ (1,132,327)	$ (4,442,516)
Basic and diluted comprehensive loss per common share	$ (0.02)	$ (0.16)
Weighted average number of common shares outstanding	72,942,928	27,121,674

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

GOLDSOURCE MINES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

Years ended December 31,		**2014**		**2013**
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the year	$	(1,132,327)	$	(4,442,516)
Items not affecting cash:				
Share-based compensation		259,013		79,131
Unrealized loss on held-for-trading securities		43,500		47,250
Depreciation		2,748		12,171
Impairment charge		-		3,800,000
Interest income		(13,552)		(5,127)
Foreign exchange loss		13,449		-
Cash flows before changes in working capital items		**(827,169)**		**(509,091)**
Taxes receivable		(3,750)		517
Prepaid expenses		(82,754)		(997)
Accounts payable and accrued liabilities		(742,318)		(7,075)
Net cash used in operating activities		**(1,655,991)**		**(516,646)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital stock issued		9,470,725		256,800
Capital stock issuance costs		(72,032)		(12,224)
Net cash provided by financing activities		**9,398,693**		**244,576**
CASH FLOWS FROM INVESTING ACTIVITIES				
Redemption of short term investments		125,000		625,000
Transaction costs - Eagle Mountain		(200,860)		(180,205)
Cash acquired - Eagle Mountain		36,711		-
Exploration and evaluation		(684,843)		-
Interest income		14,494		9,100
Net cash (used in) provided by investing activities		**(709,498)**		**453,895**
Change in cash and cash equivalents, during the year		7,033,204		181,825
Cash and cash equivalents, beginning of year		212,620		30,795
Cash and cash equivalents, end of year	$	**7,245,824**	$	**212,620**
Cash and cash equivalents is represented by:				
Cash		745,824		212,620
Cash equivalents		6,500,000		-
	$	**7,245,824**	$	**212,620**

Supplemental disclosure with respect to cash flows (note 14)

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

GOLDSOURCE MINES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Capital Stock		Reserves	Deficit	Total
	Number	Amount	Share-Based Payments		
Balance at December 31, 2012	27,033,729	$ 29,863,065	$ 7,849,431	$ (33,086,052)	$ 4,626,444
Stock options and warrants expired	-	54,513	(3,283,513)	3,229,000	-
Share-based compensation	-	-	79,131	-	79,131
Capital stock issuance costs	-	(27,599)	-	-	(27,599)
Private placement	2,140,000	256,800	-	-	256,800
Net loss and comprehensive loss for the year	-	-	-	(4,442,516)	(4,442,516)
Balance at December 31, 2013	29,173,729	30,146,779	4,645,049	(34,299,568)	492,260
Stock options expired	-	-	(289,516)	289,516	-
Share-based compensation	-	-	269,557	-	269,557
Private placements (note 12)	64,281,024	9,470,725	-	-	9,470,725
Capital stock issuance costs	-	(155,911)	-	-	(155,911)
Capital stock issued to Eagle Mountain (note 7)	29,423,691	4,119,317	853,188	-	4,972,505
Capital stock issued to property (notes 10, 12)	3,639,279	853,427	-	-	853,427
Net loss and comprehensive loss for the year	-	-	-	(1,132,327)	(1,132,327)
Balance at December 31, 2014	126,517,723	$ 44,434,337	$ 5,478,278	$ (35,142,379)	$ 14,770,236

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

1. NATURE AND CONTINUNACE OF OPERATIONS

Goldsource Mines Inc. (the “Company” or “Goldsource”) is incorporated under the jurisdiction of the Province of British Columbia, Canada pursuant to the British Columbia Business Corporations Act. All dollar amounts are expressed in Canadian dollars unless otherwise indicated. 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 is a Canadian resource company engaged in exploration and development. On February 28, 2014, Goldsource and Eagle Mountain Gold Corp. (“Eagle Mountain”) completed an amalgamation (note 7). As a result, all of the shareholders of Eagle Mountain have become shareholders of Goldsource and a corporation into which Eagle Mountain was amalgamated has become a wholly owned subsidiary of Goldsource. In connection with the acquisition of Eagle Mountain, the Company acquired a 100% interest in the Eagle Mountain Gold Project located in Guyana. Since the acquisition, the Company’s primary business objective is to advance its Eagle Mountain Gold Project. Goldsource’s other mineral interests presently consist of coal exploration properties located in Saskatchewan, referred to as the “Border Coal Project”.

The Company currently has no operations from which to derive revenues, has incurred net losses of $1,132,327 for the year ended December 31, 2014 (2013 – $4,442,516), and has accumulated losses of $35.1 million as at December 31, 2014 (2013 – $34.3 million). 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. The Company’s ability to continue as a going concern is dependent on the ability of the Company to raise debt or equity financings, and the attainment of profitable operations. In December 2014, the Company completed a private placement for gross proceeds of $7.1 million. Management believes proceeds from the private placement will be sufficient to fund a significant portion of the development and capital costs for Phase I mine and processing plant construction for the Company’s Eagle Mountain Gold Project as well as general working capital requirements for the next 12 months.

These consolidated 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 preparation and measurement

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The policies applied in these consolidated financial statements are based on IFRSs in effect as at December 31, 2014.

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. Certain comparatives amounts have been re-presented to conform to the current year presentation.

These consolidated financial statements were approved for issuance by the Board of Directors on April 15, 2015.

Basis of consolidation

These consolidated 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents and short term investments

Cash and cash equivalents consist of cash on hand and highly liquid investments with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Short term investments comprise highly liquid Canadian dollar denominated guaranteed investment certificates with terms to maturity of greater than ninety days but no more than one year. These investments are subject to an insignificant risk of change in value.

Taxes receivable

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

Foreign exchange

The presentation currency of the Company is the Canadian dollar. The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The Company considers the functional currency for all its entities to be the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standard ("IAS") 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations and comprehensive loss.

Equipment

Equipment is recorded at historical cost less accumulated depreciation and impairment charges. Equipment is depreciated using the straight line method over the estimated useful lives of the individual assets. The significant classes of equipment and their useful lives are as follows:

Equipment	5 years
Office equipment	5 years
Vehicles	5 years
Computers	2-3 years

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

Mineral properties - exploration and evaluation assets

Pre-exploration costs are expensed in the period in which they are incurred.

Once the legal right to explore a mineral property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, geological studies, drilling costs, payments made to contractors and depreciation of plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

Exploration and evaluation expenditures for each mineral property are carried forward as an asset provided that one of the following conditions is met:

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The carrying values of capitalized amounts are reviewed annually, or when indicators of impairment are present. In the case of undeveloped properties, there may be only inferred resources to allow management to form a basis for the impairment review. The review is based on the Company's intentions for the development of such a property. If a mineral property does not prove viable, all unrecoverable costs associated with the property are charged to the statement of operations and comprehensive loss at the time the determination is made.

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

Impairment of tangible and intangible assets

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of operations and comprehensive loss.

Rehabilitation provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur. At this time, the Company does not have any significant rehabilitation obligations.

Share-based compensation and payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. The cost of stock options granted is recorded based on the estimated fair-value at the grant date and charged to the statement of operations and comprehensive loss over the vesting period. Where stock options are subject to vesting, each vesting tranche is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes Option Pricing Model. Compensation expense is recognized over the tranche's vesting period by a charge to the statement of operations and comprehensive loss or capitalized to exploration and evaluation assets, with a corresponding increase to share-based payment reserve on the number of options expected to vest. Consideration paid for the shares on the exercise of stock options is credited to capital stock. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in share-based payment reserve is transferred to deficit. The number of options expected to vest is reviewed at least annually, with any impact being recognized immediately.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants ("Warrants"). Depending on the terms and conditions of each equity financing agreement ("Agreement"), the Warrants are exercisable into additional common shares prior to expiry at a price stipulated by the Agreement. Warrants that are part of units are valued based on the residual value method and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share-based payments.

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Taxation

Income tax expense comprises current and deferred income taxes. Current and deferred income taxes are recognized in the statement of operations and comprehensive loss except to the extent that they relate to items recognized directly in equity. Current income tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

The Company follows the asset and liability method of accounting for income taxes whereby deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws expected to apply in the years in which temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in operations in the period that includes the substantive enactment date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recorded. Deferred income tax assets and liabilities are presented as non-current in the financial statements.

Financial instruments

Financial assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

Held-to-maturity ("HTM")

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Available-for-sale ("AFS")

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

The Company classified its financial assets as follows:

- Cash and cash equivalents, short term investments and held-for-trading securities as FVTPL; and
- Deposit as held-to-maturity.

Financial liabilities

Financial liabilities are classified into one of two categories:

- Fair value through profit or loss; and
- Other financial liabilities.

Fair value through profit or loss

This category comprises derivatives, or liabilities, acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities

This category includes accounts payable and accrued liabilities, all of which are recognized at amortized cost.

The Company classified its financial liabilities as follows:

- Accounts payable and accrued liabilities as other financial liabilities.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, and related parties may be individuals, including immediate family members of the individual, or corporate entities, including the Company's wholly-owned subsidiaries. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. CRITICAL JUDGMENTS AND ESTIMATES

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts and the valuation of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenditures during the year.

These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the estimates. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. Information about such judgments and estimates is contained in the description of accounting policies (note 2) and/or other notes to the financial statements. Management has made the following critical judgments and estimates:

Critical judgments in applying accounting policies

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

Functional currency

The functional currency for each of the Company's operations is the currency of the primary economic environment in which the entity operates. The Company has determined that the functional currency for all entities is the Canadian dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Business combinations

The determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits. The transaction with Eagle Mountain was determined to constitute an acquisition of assets (note 7).

Impairment of non-current assets

Non-current assets are tested for impairment when indicators of impairment are present. Calculating the estimated fair values of cash generating units for non-current asset impairment tests requires management to make estimates and assumptions with respect to metal selling prices, future capital expenditures, reductions in the amount of recoverable reserves, resources, and exploration potential, production cost estimates, discount rates and exchange rates. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future non-expansionary capital expenditures, reductions in the amount of recoverable reserves, resources, and exploration potential, and/or adverse current economics can result in a write-down of the carrying amounts of the Company's non-current assets.

Key sources of estimation uncertainty

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is recognized in loss in the period that the new information becomes available.

Income taxes

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

Share-based payments

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

4. CHANGE IN ACCOUNTING POLICIES

Accounting policies adopted effective January 1, 2014

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IFRS 8 – Operating segments:
Amended to require disclosure of the judgments made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. IFRS 8 was early adopted effective January 1, 2014 and had no significant impact on the Company's consolidated financial statements. Refer to note 15 for disclosure of the Company's segment information.

IAS 32 – Financial instruments: presentation ("IAS 32")

The IASB amended IAS 32, "Financial Instruments: Presentation" to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off';
- the application of simultaneous realization and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

IAS 32 was adopted effective January 1, 2014 and had no significant impact on the Company's consolidated financial statements.

IAS 36 – Impairment of assets ("IAS 36")
The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or cash generating unit to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset's or cash generating unit's recoverable amount has been determined on the basis of fair value less cost of disposal. IAS 36 was adopted effective January 1, 2014 and had no significant impact on the Company's consolidated financial statements.

IFRIC 21 – Levies ("IFRIC 21")
An interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The adoption of IFRIC 21 had no significant impact on the Company's consolidated financial statements.

Future changes in accounting policies not yet effective

IFRS 9 – Financial instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9 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.

IAS 16 – Property, Plant and Equipment ("IAS 16") and IAS 38 – Intangibles ("IAS 38")

IAS 16 and IAS 38 were issued in May 2014 and prohibit the use of revenue-based depreciation methods for property, plant and equipment and limit the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016 and are to be applied prospectively.

The Company has not yet completed the process of assessing the impact that IFRS 9, IAS 16 and IAS 38 will have on its consolidated financial statements, or whether to early adopt these new requirements.

5. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its Eagle Mountain Gold Project, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The capital of the Company consists of items included in shareholders' equity.

The Company manages and adjusts its capital structure when changes to the risk characteristics of the underlying assets or changes in economic conditions occur. To maintain or adjust the capital structure, the Company may attempt to issue new equity, dispose of certain assets or incur debt.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets which are revised periodically based on the results of its exploration and development programs, availability of financing and industry conditions. Material expenditures are reviewed and approved by the Board of Directors. There are no external restrictions on management of capital.

In order to maximize ongoing efforts of the Eagle Mountain Gold Project, the Company does not pay out dividends. The Company's investment policy is to invest any excess cash in liquid short term interest-bearing instruments. When utilized, these instruments are selected with regard to the expected timing of expenditures from continuing operations. The Company plans to use its working capital of $7.2 million as at December 31, 2014 towards its 2015 planned business objectives for the Eagle Mountain Gold Project. The Company's financial success is dependent on its ability to discover economically viable mineral deposits. The potential future development process of the Eagle Mountain Gold Project may be delayed, require substantial additional financing and is subject to a number of factors many of which are beyond the Company's control. Although the Company has been successful in raising funds to date, there is no assurance that future equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to it, if at all.

6. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, foreign currency risk, credit risk, interest rate risk and market risk. Where material, these risks are reviewed and monitored by the Board of Directors.

a. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company's cash and cash equivalents of $7,245,824 are in business accounts with quality financial institutions and is available on demand for the Company's programs, and is not invested in any asset backed commercial paper. As at December 31, 2014, the Company's financial liabilities included accounts payable and accrued liabilities of $193,589, all of which are due within six months.

b. Foreign Currency Risk

The Company operates in Canada and Guyana, and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency. The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Guyanese dollar will, consequently, have an impact upon the reporting results of the Company, and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. As of December 31, 2014 a 1% change in foreign currency would have a nominal effect on the financial position of the Company.

c. Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents and short term investments. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents and short term investments with high-credit quality financial institutions. The carrying amount of financial assets, as stated in the consolidated statement of financial position, represents the Company's maximum credit exposure.

d. Interest Rate Risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash and cash equivalents and short term investments. The Company's practice has been to invest cash at floating rates of interest, in cash equivalents and short term investments, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any term deposit or guaranteed bank investment certificates, as they are held with a large and stable financial institution. As at December 31, 2014, with all other variables unchanged, a 1 percentage point change in interest rates would not have a significant impact on the Company's net loss and comprehensive loss for the year.

(Expressed in Canadian Dollars)

6. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT (continued)

e. Market Risk

The Company's exposure to market risk arises from its held-for-trading securities in Westcore Energy Ltd. ("Westcore") and Para Resources Inc. ("Para Resources"). There is a risk the Company would recognize a loss as a result of a decrease in the fair value of the investment given the nature of Westcore and Para Resources, being mining exploration companies.

Financial instruments carrying value and fair value

The Company's financial instruments consist of cash and cash equivalents, short term investments, held-for-trading securities, deposit and accounts payable and accrued liabilities. The carrying value of accounts payable approximate their fair values 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, short term investments and held-for-trading securities are measured using level 1 inputs.

7. PURCHASE OF MINERAL PROPERTIES

Eagle Mountain Gold Project

On February 28, 2014, Goldsource and Eagle Mountain completed their combination as jointly announced on November 26, 2013. As a result, the shareholders of Eagle Mountain became shareholders of Goldsource and a corporation into which Eagle Mountain was amalgamated became a wholly owned subsidiary of Goldsource. Pursuant to the combination, each common share of Eagle Mountain has been exchanged for 0.52763 of a common share of Goldsource. Accordingly, a total of 29,173,691 common shares of Goldsource were issued with an additional 250,000 shares issued to a finder.

The Company's combination with Eagle Mountain is being accounted for as an acquisition of net assets of Eagle Mountain. Total consideration for the acquisition and the allocation of the consideration to the assets and liabilities acquired are as follows:

Consideration		
Value of 29,173,691 common shares issued :	$	4,084,317
Finder's fee:		35,000
Fair value of options and warrants:		853,188
Transaction costs :		331,065
Total consideration value:	$	**5,303,570**
Net assets acquired		
Cash	$	36,711
Prepaids		10,463
Marketable securities		45,000
Deposit		220,274
Equipment		70,707
Exploration and evaluation assets		5,722,081
Accounts payable and accrued liabilities		(801,666)
Net assets acquired	$	**5,303,570**

As part of the transaction, all outstanding Eagle Mountain share purchase options and warrants were exchanged at the combination exchange ratio of 0.52763 resulting in 1,340,182 new Goldsource options and 16,981,001 new Goldsource warrants exercisable for common shares of Goldsource at exercise prices ranging from $0.16 to $3.79 per share. The options and warrants issued by Goldsource were on the same terms and conditions as those exchanged by the Eagle Mountain holders. As a result of these exchanges, Goldsource recorded the fair value of the options ($60,836) and fair value of the warrants ($792,352) as a cost of the purchase. As at December 31, 2013 the Company incurred costs of $200,865 towards the acquisition.

(Expressed in Canadian Dollars)

7. PURCHASE OF MINERAL PROPERTIES (continued)

The fair value of the new Goldsource options and warrants were determined at February 28, 2014, using a Black-Scholes Option Pricing Model with the following weighted average assumption:

	Options	Warrants
Risk-free interest rate	1.29%	1.19%
Expected dividend yield	0%	0%
Expected stock price volatility	80.49%	82.07%
Forfiture rate	1%	0%
Expected lives	3.47 years	2.69 years

8. HELD-FOR-TRADING SECURITIES

		2014		2013
Opening balance	$	27,000	$	74,250
Value attributed to shares acquired (1)		45,000		-
Changes in marked-to-market value		(43,500)		(47,250)
Closing balance	$	28,500	$	27,000

1) As part of the combination between Goldsource and Eagle Mountain (note 7), Goldsource acquired 300,000 common shares of Para Resources (formerly Kensington Court Ventures Inc.) an exploration staged company listed on the TSX-V.

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 year ended December 31, 2014, the Company's 675,000 (2013 – 675,000) Westcore and 300,000 (2013 – Nil) Para Resources common shares had an unrealized marked-to-market loss of $43,500 (2013 – $47,250).

9. EQUIPMENT

		Equipment		Office Equipment		Vehicles		Total
Cost								
As at December, 31, 2012 and 2013	$	33,424	$	10,924	$	16,500	$	60,848
Assets acquired (1)		16,763		-		53,944		70,707
As at December 31, 2014	$	50,187	$	10,924	$	70,444	$	131,555
Accumulated depreciation								
As at December 31, 2012	$	26,069	$	7,485	$	12,375	$	45,929
Depreciation for the year		6,685		2,185		3,301		12,171
As at December 31, 2013		32,754		9,670		15,676		58,100
Depreciation for the year (2)		6,296		1,254		16,188		23,738
As at December 31, 2014	$	39,050	$	10,924	$	31,864	$	81,838
Carrying amounts								
As at December 31, 2013	$	670	$	1,254	$	824	$	2,748
As at December 31, 2014	$	11,137	$	-	$	38,580	$	49,717

(1) Assets acquired as part of the combination between Goldsource and Eagle Mountain (note 7).

(2) During the year ended December 31, 2014, depreciation of $20,991 (2013 – $Nil) was capitalized to exploration and evaluation assets (note 10).

(Expressed in Canadian Dollars)

10. MINERAL PROPERTIES – EXPLORATION AND EVALUATION ASSETS

	Guyana Eagle Mountain Gold Project	Saskatchewan Border Project
As at December 31, 2012	$ -	$ 3,800,000
Impairment charge	-	(3,800,000)
As at December 31, 2013	$ -	$ -
Acquisition costs		-
Exploration and evaluation assets acquired (note 7)	$ 5,722,081	$ -
Shares issued (note 12)	853,427	-
Total acquisition costs:	6,575,508	
Exploration expenditures:		
Assays	107,171	-
Camp costs	35,372	-
Depreciation (note 9)	20,991	-
Drilling	19,596	-
Operations and general	107,868	-
Salaries	260,748	-
Share-based compensation	10,544	-
Technical services and consulting	179,140	-
Total exploration expenditures:	741,430	-
As at December 31, 2014	$ 7,316,938	$ -

Eagle Mountain Gold Project - Guyana

In connection with the acquisition of Eagle Mountain (note 7), 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, note 12)

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.

The Company pledged a $206,825 (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.

(Expressed in Canadian Dollars)

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

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, subject to a 12-month hold period (note 12).

Border Coal Project - Saskatchewan

As at December 31, 2014, the Company holds 23 (2013 – 34) coal mineral licenses comprising 12,214 (2013 – 16,074) hectares. For fiscal 2014, the Company incurred $67,176 (2013 – $88,404) in annual rental fees which is included in general exploration on the statement of operations and comprehensive loss.

The Company is holding the Border Coal Project on a care and maintenance basis until such time as a suitable market and/or applicable conversion process can be identified or until such time as an appropriate partner can be identified to advance the project. During fiscal 2013, the Company recorded an impairment charge of $3,800,000 with respect to the project, bringing the book value of the asset to $Nil, as the Company is currently pursuing opportunities in commodities other than coal.

Minera Pacific Inc. a Company controlled by two officers is entitled to receive a $700,000 (Feasibility Payment) in the event the Company completes an independent positive feasibility study on the Border Coal Project and entitled to a 2% gross overriding royalty on commercial production.

11. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2014, the Company entered into the following transactions with related parties:

Legal fees

Legal fees of $80,299 (2013 – $48,891), which were included in professional fees, $98,029 (2013 – $15,799) for share issuance costs and $92,580 (2013 – $62,812) for transaction costs, were paid or accrued to Koffman Kalef LLP, a law firm of which an officer of the Company is a partner, of which $61,087 (2013 – $36,034) was payable as December 31, 2014. The Company recognized $3,796 (2013 – $2,261) in share-based payments to this officer.

Key management compensation (1)

		2014		2013
Salaries and short-term benefits (2)				
Remuneration on the statement of operations	$	290,000	$	165,000
		290,000		165,000
Share-based payments		237,139		72,348
	$	527,139	$	237,348

(1) Goldsource's key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company.

(2) Total remuneration recorded in the statement of operations paid to the President, Chief Executive Officer, Chief Operating Officer and Chief Financial Officer of Goldsource.

Other transactions

The Company shares rent, salaries, administrative services and other reimbursable expenses with SilverCrest Mines Inc., a company related by common directors and officers. During year ended December 31, 2014, the Company incurred $174,122 (2013 – $86,188) for its share of these expenses, of which $16,947 (2013 – $24,328) was payable at December 31, 2014.

12. 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 December 31, 2014, the Company had 126,517,723 (2013 – 29,173,729) common shares outstanding and no preferred shares outstanding.

Issued shares

2014

On December 30, 2014, Goldsource completed a private placement of 47,138,166 units at a price of $0.15 per unit for gross proceeds of $7,070,725. The private placement was completed in two tranches, with the first tranche closing on December 12, 2014 and the second tranche closing on December 30, 2014. Each unit consisted of one common share of Goldsource and one-half of a warrant of Goldsource, with each whole warrant being exercisable for one common share of Goldsource at a price of $0.25 per share. Warrants related to the first tranche expire on December 12, 2017 and warrants related to the second tranche expire on December 30, 2017. In connection with the private placement, the Company incurred $116,207 in share issuance costs.

On September 17, 2014, Goldsource issued to Kilroy 250,000 common shares at $0.16 per share pursuant to the terms of the agreement (note 10). The common shares are subject to a hold period of twelve months.

On April 23, 2014, Goldsource issued to OGML 3,389,279 common shares at $0.24 per share in consideration of OGML agreeing to the terms of the Amending Agreement (note 10).

On March 5, 2014, Goldsource issued 250,000 common shares at $0.14 per share as a finder's fee in respect of the completed combination between Goldsource and Eagle Mountain (note 7).

On February 28, 2014, Goldsource completed a private placement of 17,142,858 units at a price of $0.14 per unit for gross proceeds of $2,400,000. Each unit consisted of one common share of Goldsource and one-half of a warrant of Goldsource, with each whole warrant being exercisable for one common share of Goldsource at a price of $0.20 per share for three years until February 28, 2017. In connection with the private placement, the Company incurred $39,704 in share issuance costs.

2013

On December 16, 2013, the Company completed a private placement of 2,140,000 units at a price of $0.12 per unit for gross proceeds of $256,800. Each unit consisted of one common share of Goldsource and one-half of a warrant of Goldsource, with each whole warrant being exercisable for one common share of Goldsource at a price of $0.20 per share for a 24-month term until December 16, 2015. The Company incurred $27,599 in share issuance costs related to the private placement, of which $15,375 was paid during fiscal 2014.

Stock options

In April 2014, the Company adopted a new "rolling 10%" Stock Option Plan (the "New Plan"), which was approved by Shareholders on June 11, 2014. The New Plan replaces and supersedes the Company's previous fixed number stock option plan that was originally adopted in May 2009. The stock option plan authorizes the grant of stock options to executive officers and directors, employees and consultants enabling them to acquire common stock of the Company to a maximum of 10% of the then issued and outstanding share capital. The exercise price of any option will be 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.

In April 2014, the Company granted stock options to directors, officers, employees and consultants to purchase an aggregate of 2,075,000 common shares of the Company at an exercise price of $0.24 per share for a five year term expiring April 10, 2019. The options are subject to an 18-month vesting schedule pursuant to which 25% vested as of the date of grant and a further 25% shall vest every 6 months thereafter until fully vested.

2013

On June 25, 2013, stock options for the purchase of 2,575,000 common shares ("Original Options"), were reduced to options for the purchase of 825,000 common shares ("Amended Options"). These Amended Options reduced their exercise prices (ranging from $0.82 to $1.58 to per share) to $0.16 per share and extending their terms by 5 years so that the options will expire on June 25, 2018. Previous option expiry dates ranged from May 22, 2014 to December 23, 2015. These Amended Options were subject to an 18-month vesting schedule pursuant to which 25% vested immediately and a further 25% would vest on each 6-month period thereafter until fully vested. On May 14, 2013, the Company also granted stock options to two executive officers of the Company for the purchase of up to 50,000 common shares of the Company at an exercise price of $0.16 per share for a five-year term expiring on May 14, 2018.

(Expressed in Canadian Dollars)

12. 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, 2012	3,595,000	$1.03
Issued	875,000	$0.16
Expired	(645,000)	$0.70
Forfeited	(2,575,000)	$1.09
As at December 31, 2013	1,250,000	$0.46
Issued [(1)]	3,415,182	$0.62
Expired	(598,237)	$2.57
Forfeited	(25,000)	$0.24
As at December 31, 2014	4,041,945	$0.28

[(1)] As part of the combination between Goldsource and Eagle Mountain (note 7), all outstanding Eagle Mountain share purchase options were exchanged at the combination exchange ratio of 0.52763 resulting in 1,340,182 new Goldsource options exercisable for common shares of Goldsource at exercise prices ranging from $0.19 to $3.79 per share. The options issued by Goldsource were on the same terms and conditions as those exchanged by the Eagle Mountain holders.

		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
$ 3.79	April 6, 2015 [(1)]	42,210	0.26	$ 3.79	42,210	$ 3.79
$ 0.82	September 28, 2015	125,000	0.74	$ 0.82	125,000	$ 0.82
$ 0.19	February 18, 2017	395,723	2.14	$ 0.19	395,723	$ 0.19
$ 0.47	September 20, 2017	158,289	2.72	$ 0.47	158,289	$ 0.47
$ 0.16	May 14, 2018	50,000	3.37	$ 0.16	50,000	$ 0.16
$ 0.16	June 25, 2018	825,000	3.48	$ 0.16	825,000	$ 0.16
$ 0.23	February 18, 2019	395,723	4.14	$ 0.23	395,723	$ 0.23
$ 0.24	April 10, 2019	2,050,000	4.28	$ 0.24	1,025,000	$ 0.24
		4,041,945	3.67	$ 0.28	3,016,945	$ 0.29

[(1)] Expired, subsequent to December 31, 2014.

Share-based compensation

During the year ended December 31, 2014 the Company granted 2,075,000 (2013 – 875,000) incentive stock options with a weighted average fair value per option granted of $0.15 (2013 – $0.12) for a total value of $302,284 (2013 – $108,167). The total share-based compensation recognized during the year ended December 31, 2014 under the fair value method was $269,557 (2013 – $79,131). The Company expensed $259,013 (2013 – $79,131) and capitalized $10,544 (2013 – $Nil) as mineral property expenditures.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options.

	2014	2013
Risk-free interest rate	1.31%	1.84%
Expected dividend yield	-	-
Expected stock price volatility	79%	123%
Expected forfeiture rate	1.21%	1.21%
Expected option lives	4.30 years	5 years

(Expressed in Canadian Dollars)

12. 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, 2012	3,336,192	$0.70
Issued	1,070,000	$0.20
Expired	(3,336,192)	$0.70
As at December 31, 2013	1,070,000	$0.20
Issued	49,121,512	$0.25
As at December 31, 2014	50,191,512	$0.25

As part of the combination between Goldsource and Eagle Mountain (note 7), all outstanding Eagle Mountain share purchase warrants were exchanged at the combination exchange ratio of 0.52763 resulting in 16,981,001 new Goldsource warrants exercisable for common shares of Goldsource at exercise prices ranging from $0.19 to $0.36 per share. The warrants issued by Goldsource were on the same terms and conditions as those exchanged by the Eagle Mountain holders.

8,571,429 warrants issued in connection with the private placement completed on February 28, 2014 are subject to acceleration terms. The Company has the right to accelerate the expiry date of the warrants if the VWAP of the common shares of Goldsource of the TSX-V is greater than $0.65 per share for any 20 consecutive trading days after the first 18 months of the term. In such case, upon notice by Goldsource, any warrants which remain unexercised will expire 30 days after such notice.

23,569,082 warrants issued in connection with the private placement completed in December 2014 are subject to acceleration terms. The Company has the right to accelerate the expiry date of the warrants if the VWAP of the common shares of the Company on the TSX-V is greater than $0.75 per share for any 20 consecutive trading days after the first 18 months of the term. In such case, upon notice by the Company, any warrants which remain unexercised will expire 30 days after such notice.

		Warrants Outstanding		
Exercise Price	Expiry Date	Number of Shares Issuable on Exercise	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
$ 0.19	August 14, 2015	6,505,298	0.62	$ 0.19
$ 0.20	December 16, 2015	1,070,000	0.96	$ 0.20
$ 0.21	December 20, 2015	1,078,608	0.97	$ 0.21
$ 0.20	February 28, 2017	8,571,429	2.16	$ 0.20
$ 0.34	September 10, 2017	1,261,427	2.70	$ 0.34
$ 0.34	October 15, 2017	6,130,673	2.79	$ 0.34
$ 0.36	November 27, 2017	2,004,995	2.91	$ 0.36
$ 0.25	December 12, 2017	22,226,583	2.95	$ 0.25
$ 0.25	December 30, 2017	1,342,499	3.00	$ 0.25
		50,191,512	2.40	$ 0.25

(Expressed in Canadian Dollars)

13. INCOME TAXES

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

		2014		2013
Loss before income taxes	$	(1,132,327)	$	(4,442,516)
Combined federal and provincial statutory tax rate		26.00%		25.75%
Expected income tax	$	(294,000)	$	(1,144,000)
Effect of changes in statutory rates including foreign subsidaries		5,000		(358,000)
Permanent Difference		39,000		26,000
Share issue costs		(41,000)		(7,000)
Impact of acquisition of Eagle Mountain		116,000		-
Adjustment to prior years provision versus statutory tax returns		(582,000)		-
Impact of foreign exchange on deferred income tax assets and liabilities		(92,000)		-
Change in unrecognized deductible temporary differences		834,000		1,468,000
Other		15,000		15,000
Total income tax recovery	$	-	$	-

b) The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at December 31, 2014 and 2013 are presented below:

		2014		2013
Deferred tax assets:				
Non-capital losses	$	3,467,000	$	1,464,000
Capital loss carry-forwards		3,241,000		2,828,000
Share issue costs and other		216,000		143,000
Exploration and evaluation assets		6,768,000		5,698,000
Capital assets		47,000		22,000
Total unrecognized deferred income tax asset	$	13,739,000	$	10,155,000

As at December 31, 2014, the Company has non-capital loss carry-forwards of approximately $13,338,000 for income tax purposes. The non-capital losses may be utilized to reduce future years' taxable income and expire according to the schedule below if unutilized. In addition the Company has approximately $24,931,000 of capital losses available for carry-forward. The Company also has exploration and development expenditures of approximately $25,925,000 which may be available to reduce taxable income of future years. The non-capital loss carry-forwards expire according to the following schedule:

Year		Non Capital Loss Carryforwards
2015	$	306,000
2026		584,000
2027		536,000
2028		1,063,000
2029		1,452,000
2030		543,000
2031		2,550,000
2032		3,626,000
2033		1,540,000
2034		1,138,000
	$	13,338,000

Deferred tax assets, which may arise as a result of these losses and resource expenditures, have not been recognized as the Company determined that, as at December 31, 2014, their realization is uncertain.

(Expressed in Canadian Dollars)

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

Years ended December 31,		2014		2013
Non-cash financing and investing activities				
Capitalized to exploration and evaluation assets				
Depreciation	$	20,991	$	-
Common shares issued to acquire Eagle Mountain net assets (note 7)	$	4,119,317	$	-
Options and warrants issued in exchange for Eagle Mountain options and warrants (note 7)	$	853,188	$	-
Common shares issued to acquire property (notes 10, 12)	$	853,427	$	-
Share-based compensation capitalized	$	10,544	$	-
Included in accounts payable and accrued liabilities				
Exploration and evaluation assets	$	25,053	$	-
Share issuance costs	$	99,254	$	15,375
Deferred transaction costs	$	-	$	20,660

15. 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:

2014		Canada		Guyana		Total
Net loss for the year	$	1,118,310	$	14,017	$	1,132,327
Asset Information						
Equipment	$	-	$	49,717	$	49,717
Exploration and evaluation assets	$	-	$	7,316,938	$	7,316,938

2013		Canada		Guyana		Total
Net loss for the year	$	4,442,516	$	-	$	4,442,516
Asset Information						
Deferred transaction costs	$	200,865	$	-	$	200,865
Equipment	$	2,748	$	-	$	2,748

16. OTHER INCOME

In July 2014, the Company recovered $50,000 in relation to a promissory note receivable from Para Resources. Eagle Mountain had recorded an impairment charge against the receivable amount during fiscal 2013.

17. COMMITMENT

The Company has entered into an operating lease agreement for office space. This agreement requires the Company to make the following lease payments:

		Office Lease
Commitment to December 31, 2015		17,377
	$	17,377

18. SUBSEQUENT EVENTS

The following events took place subsequent to December 31, 2014:

- The Company granted stock options to directors, officers, employees and consultants to purchase an aggregate of 3,140,000 common shares of the Company at an exercise price of $0.20 per share for a five year term expiring February 16, 2020. The options will be subject to an 18-month vesting schedule pursuant to which 25% shall vest immediately as of the date of grant and a further 25% shall vest every 6 months thereafter until fully vested.

- 42,210 incentive stock options priced at $3.79 per share expired unexercised.