CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

FOR THE YEAR ENDED DECEMBER 31, 2015

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

CONSOLIDATED FINANCIAL REPORTING

The accompanying consolidated 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 consolidated financial statements, including responsibility for significant accounting estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

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, 2015 and 2014 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows 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, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Goldsource Mines Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

April 21, 2016

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

AS AT DECEMBER 31,

		2015		**2014**
ASSETS				
Current Assets				
Cash and cash equivalents	$	1,792,847	$	7,245,824
Taxes receivable		22,560		10,266
Prepaid expenses		39,779		105,755
Held-for-trading securities (note 8)		43,875		28,500
Total Current Assets		1,899,061		7,390,345
Non-Current Assets				
Deposit (note 10)		270,294		206,825
Rent deposit (note 19)		46,576		-
Exploration and evaluation assets (note 10)		9,551,925		7,316,938
Property, plant and equipment (note 9)		4,240,711		49,717
Total Non-Current Assets		14,109,506		7,573,480
TOTAL ASSETS	$	16,008,567	$	14,963,825
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities (note 14)	$	292,255	$	193,589
Loan payable (note 11)		1,388,550		-
Total Current Liabilities		1,680,805		193,589
Non-Current Liabilities				
Rehabilitation provision (note 12)		203,690		-
Total Liabilities		1,884,495		193,589
Shareholders' Equity				
Capital stock (note 13)		44,531,420		44,434,337
Reserves (note 13)		5,976,447		5,478,278
Deficit		(36,383,795)		(35,142,379)
Total Shareholders' Equity		14,124,072		14,770,236
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	16,008,567	$	14,963,825

Nature and continuance of operations (note 1)
Commitments (note 19)
Subsequent events (note 20)

Approved by the Board and authorized for issue on April 21, 2016.

"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)

Years ended December 31,	**2015**	**2014**
Corporate and adminstrative expenses		
Depreciation	$ -	$ 2,748
Foreign exchange (gain) loss	(52,792)	(4,181)
General exploration expenditure (note 10)	47,828	76,142
Insurance	36,616	23,748
Office and miscellaneous	33,539	65,222
Professional fees (note 14)	80,217	148,643
Regulatory and transfer agent fees	25,321	49,118
Remuneration (note 14)	454,884	389,641
Rent and communications	54,536	29,272
Shareholder and investor relations	106,353	78,153
Share-based compensation (notes 13, 14)	603,817	259,013
Tradeshow and travel	55,694	34,860
Total corporate and administrative expenses	1,446,013	1,152,379
Interest income	(25,513)	(13,552)
Other income (notes 10, 18)	(49,937)	(50,000)
Unrealized (gain) loss on held-for-trading securities (note 8)	(15,375)	43,500
Net loss and comprehensive loss for the year	$ (1,355,188)	$ (1,132,327)
Basic and diluted comprehensive loss per common share	$ (0.01)	$ (0.02)
Weighted average number of common shares outstanding	126,534,998	72,942,928

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,		2015		2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the year	$	(1,355,188)	$	(1,132,327)
Items not affecting cash:				
Share-based compensation		603,817		259,013
Unrealized (gain) loss on held-for-trading securities		(15,375)		43,500
Depreciation		-		2,748
Interest income		(25,513)		(13,552)
Foreign exchange (gain) loss		(74,959)		13,449
Cash flows before changes in working capital items		**(867,218)**		**(827,169)**
Amounts receivable		(3,473)		-
Taxes receivable		(12,294)		(3,750)
Prepaid expenses		65,976		(82,754)
Accounts payable and accrued liabilities		(35,914)		(742,318)
Net cash used in operating activities		**(852,923)**		**(1,655,991)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Loan drawdown		1,395,490		-
Capital stock issued		92,159		9,470,725
Capital stock issuance costs		-		(72,032)
Net cash provided by financing activities		**1,487,649**		**9,398,693**
CASH FLOWS FROM INVESTING ACTIVITIES				
Redemption of short term investments		-		125,000
Transaction costs - Eagle Mountain		-		(200,860)
Cash acquired - Eagle Mountain		-		36,711
Property, plant and equipment		(4,003,766)		(19,596)
Exploration and evaluation		(2,066,347)		(665,247)
Rent deposit		(46,576)		-
Interest income		28,986		14,494
Net cash used in investing activities		**(6,087,703)**		**(709,498)**
Change in cash and cash equivalents, during the year		(5,452,977)		7,033,204
Cash and cash equivalents, beginning of year		7,245,824		212,620
Cash and cash equivalents, end of year	$	**1,792,847**	$	**7,245,824**
Cash and cash equivalents is represented by:				
Cash	$	1,781,347	$	745,824
Cash equivalents		11,500		6,500,000
	$	**1,792,847**	$	**7,245,824**

Supplemental disclosure with respect to cash flows (note 16)

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, 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	64,281,024		9,470,725		-		-		9,470,725
Capital stock issuance costs	-		(155,911)		-		-		(155,911)
Capital stock issued to Eagle Mountain	29,423,691		4,119,317		853,188		-		4,972,505
Capital stock issued to acquire property	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
Stock options expired (note 13)	-		-		(113,772)		113,772		-
Share-based compensation (note 13)	-		-		616,865		-		616,865
Exercise of warrants (note 13)	455,526		97,083		(4,924)		-		92,159
Net loss and comprehensive loss for the year	-		-		-		(1,355,188)		(1,355,188)
Balance at December 31, 2015	126,973,249	$	44,531,420	$	5,976,447	$	(36,383,795)	$	14,124,072

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Goldsource Mines Inc. (the "Company" or "Goldsource") is a Canadian resource company engaged in exploration and development. The Company's primary business objective is to advance its Eagle Mountain Gold Project in Guyana, South America towards initial production. Goldsource's other mineral interests presently consist of coal exploration properties located in Saskatchewan, referred to as the "Border Coal Project".

Goldource 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 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. 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 property, if required, and upon future profitable production or proceeds from the disposition thereof.

Although the Company has cash on hand of $1.8 million as at December 31, 2015 and subsequent to December 31, 2015, received $1.24 million on the exercise of warrants by various warrant holders and insiders of the Company and received approximately $120,000 (US$94,000) for completing Eagle Mountain Gold Project's first gold shipment and sale during the commissioning phase, the Company has incurred net losses of $1,355,188 for the year ended December 31, 2015 (2014 – $1,132,327), and has accumulated losses of $36.4 million as at December 31, 2015 (2014 – $35.1 million). These factors represent a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. 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 its Eagle Mountain Gold Project.

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, 2015.

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

These consolidated financial statements were approved for issuance by the Board of Directors on April 21, 2016.

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

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

Taxes receivable

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

Foreign exchange

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

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

Property, plant and equipment

Property, plant and equipment ("PPE") is recorded at historical cost less accumulated depreciation and impairment charges. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Carry amounts of PPE are depreciated to their estimated residual value over the estimated useful lives of the assets or the estimated life of the related mine or plant, if shorter. Where components of an asset have different useful lives, depreciation is calculated on each separate component. Depreciation is provided using the straight line method over the following terms:

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

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

Commercial and pre-commercial production

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

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

Prior to achieving commercial production, revenues and related expenses are recognized as reductions and increases, respectively, to mining asset carrying values included in PPE.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 and held-for-trading securities as FVTPL; and
- Deposit as loans and receivable.

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 loan payable, all of which are recognized at amortized cost.

The Company classified its financial liabilities as follows:

- Accounts payable and loan payable as other financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 EMGC was determined to constitute an acquisition of assets (note 7).

3. CRITICAL JUDGMENTS AND ESTIMATES (continued)

Exploration and evaluation assets

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

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

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

Commencement of commercial production

The determination of the date on which a mine or plant enters the production stage is a significant judgment since capitalization of certain costs ceases and depletion and amortization of capitalized costs commence upon entering production. As a mine or plant is constructed and commissioned, costs incurred are capitalized and proceeds from mineral sales are offset against the capitalized costs. This continues until the mine or plant is capable of operating in the manner intended by management, which requires significant judgment in its determination. As at December 31, 2015, the Company did not achieve commercial production at its Eagle Mountain Gold Project.

Impairment of non-current assets

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

Key sources of estimation uncertainty

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

Income taxes

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

Share-based payments

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.

Rehabilitation provisions

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

4. NEW STANDARDS NOT YET ADOPTED

IFRS 9 – Financial instruments

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

IFRS 11 – Joint Arrangements

IFRS 11 is amended to provide specific guidance on accounting for acquisition of an interest in a joint operation that is a business. The amended standard is effective for annual periods beginning on or after January 1, 2016.

IAS 16 – Property, plant and equipment and IAS 38 – Intangibles

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.

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

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 support the exploration and development of its Eagle Mountain Gold Project, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The capital of the Company consists of items included in shareholders' equity.

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

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets which are revised periodically based on the results of its exploration and development programs, availability of financing and industry conditions. There are no external restrictions on 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. As at December 31, 2015, the Company has cash and cash equivalents on hand of $1,792,847 and working capital of $218,256. The Company's financial success is dependent on its ability to discover economically viable mineral deposits.

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 $1,792,847 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, 2015, the Company's financial liabilities included accounts payable and accrued liabilities of $292,255, all of which are due within six months and loan payable of $1,388,550, all of which are due within twelve months.

b. Foreign Currency Risk

The Company operates in Canada and Guyana and incurs expenditures in the Canadian, United States and Guyanese dollars, and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency. The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the United States dollar and Guyanese dollar will, consequently, have an impact upon the reporting results of the Company, and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. As of December 31, 2015 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. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality financial institutions. The carrying amount of financial assets, as stated in the consolidated statements of financial position, represents the Company's maximum credit exposure.

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 loan payable. The Company's practice has been to invest cash at floating rates of interest, in cash equivalents and short term investments, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any term deposit or guaranteed bank investment certificates, as they are held with a large and stable financial institution. As at December 31, 2015, 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.

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, 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.

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.

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

		2015		**2014**
Opening balance	$	28,500	$	27,000
Value attributed to shares acquired (1)		-		45,000
Changes in marked-to-market value		15,375		(43,500)
Closing balance	$	43,875	$	28,500

1) As part of the combination between Goldsource and Eagle Mountain (note 7), Goldsource acquired 300,000 common shares of Para Resources, an exploration staged company listed on the TSX-V and was granted 2% net smelter royalty ("NSR") from the production of minerals from Para Resource's Tucuma property, subject to Para Resource's right to purchase the NSR from Goldsource for $1,500,000 which is exercisable anytime.

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, 2015, the Company's 675,000 (2014 – 675,000) Westcore and 300,000 (2014 – 300,000) Para Resources common shares had an unrealized marked-to-market gain of $15,375 (2014 – loss of $43,500).

9. PROPERTY, PLANT AND EQUIPMENT

	Eagle Mountain Gold Project			
	Construction in Progress [3]	Other Equipment [4]	Corporate Office	Total
Cost				
As at December 31, 2013	$ -	$ -	$ 60,848	$ 60,848
Assets acquired [1]	-	70,707	-	70,707
Balance at December, 31, 2014	-	70,707	60,848	131,555
Additions	3,089,213	988,138	-	4,077,351
Reclassification	-	19,596	-	19,596
Rehabilitation provision (note 12)	203,690	-	-	203,690
As at December 31, 2015	$ 3,292,903	$ 1,078,441	$ 60,848	$ 4,432,192
Accumulated depreciation				
As at December 31, 2013	$ -	$ -	$ 58,101	$ 58,101
Depreciation for the year	-	20,990	2,747	23,737
Balance at December 31, 2014	-	20,990	60,848	81,838
Depreciation for the year [2]	-	109,643	-	109,643
As at December 31, 2015	$ -	$ 130,633	$ 60,848	$ 191,481
Carrying amounts				
As at December 31, 2014	$ -	$ 49,717	$ -	$ 49,717
As at December 31, 2015	$ 3,292,903	$ 947,808	$ -	$ 4,240,711

[1] Assets acquired as part of the combination between Goldsource and Eagle Mountain (note 7).
[2] During the year ended December 31, 2015, depreciation of $109,643 (2014 – $20,991) was capitalized to exploration and evaluation assets (note 10).
[3] Assets under construction at Eagle Mountain Gold Project are capitalized as “Construction in Progress” and are presented as a separate asset within property, plant and equipment. Construction in Progress includes any costs directly attributable to bringing the assets under construction into working condition for its intended use. The cost of Construction in Progress is currently not depreciated. Depreciation commences once the asset is complete and available for use.
[4] Other equipment consists of vehicles, buildings and equipment.

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.

During the year ended December 31, 2015, these commitments totalled approximately $2,363,609 (paid) related to the construction of the plant at the Eagle Mountain Gold Project and totalled approximately $1,270,997 ($1,185,817 paid) related to other contractual agreements for the Eagle Mountain Gold Project.

10. MINERAL PROPERTIES – EXPLORATION AND EVALUATION ASSETS

Eagle Mountain Gold Project - Guyana

	2015	2014
Opening balance	$ 7,316,938	$ -
Acquisition costs		
Exploration and evaluation assets acquired	-	5,722,081
Shares issued	-	853,427
Total acquisition costs:	-	6,575,508
Exploration and evaluation expenditures:		
Assays	32,487	107,171
Borrowing costs (note 11)	24,210	-
Camp costs	424,057	35,372
Depreciation (note 9)	109,643	20,991
Drilling	2,230	-
Drilling (reclassified)	(19,596)	19,596
Operations and general	463,293	107,868
Road maintenance	594,788	-
Salaries	541,617	260,748
Share-based compensation (note 13)	13,048	10,544
Tailings	14,473	-
Technical services and consulting	34,737	179,140
Subtotal, exploration and evaluation expenditures:	2,234,987	741,430
Ending balance	$ 9,551,925	$ 7,316,938

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 13);

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 $270,294 (US$194,540) (2014 – $206,825 (US$194,540) reclamation site bond, in the form of a non-interest bearing bank guaranteed deposit, to the GGMC for exploration permits on the Eagle Mountain Gold Project.

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 (note 13).

Border Coal Project - Saskatchewan

During the year ended December 31, 2015, the Company incurred $40,984 (2014 – $67,176) in annual rental fees and received a refund of $49,937 (2014 – $nil) for a deposit previously held by the Manitoba Mines Branch, which are included in general exploration and other income, respectively, 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. As at December 31, 2015, the book value of the asset related to Border Coal Project is $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. LOAN PAYABLE

During the year ended December 31, 2015, the Company entered into a loan agreement (the "Loan") with Mitan Holdings Ltd. ("Mitan Holdings"), a company controlled and directed by a director of the Company, for a principal amount of $1,384,000 (US$1.0 million). The purpose of the Loan is to provide the Company with additional funds, which may be necessary for capital requirements towardsthe 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, EGMC, to Mitan Holdings as security for the Loan and has paid a commitment fee of $19,660 (US$15,000) upon execution of the Loan Agreement, of which was capitalized to the cost of the Eagle Mountain construction in progress. 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.

As at December 31, 2015, the Company incurred interest of $4,550 (US$3,288), which also has been capitalized to the cost of the Eagle Mountain construction in progress as part of the cost of the asset.

12. 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.

The present value of rehabilitation provision, using an effective discount rate of 5%, is currently estimated at $203,690 (US$147,175) (2014 – $nil), reflecting anticipated cash flows to be incurred over approximately the next 7 years. The undiscounted value of these obligations is $283,028 (US$204,500), calculated using a long-term inflation rate assumption of 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.

13. CAPITAL STOCK AND SHARE-BASED PAYMENTS RESERVE

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, 2015, the Company had 126,973,249 (2014 – 126,517,723) common shares outstanding and no preferred shares outstanding.

Issued shares

2015

During the ended December 31, 2015, 455,526 share purchase warrants were exercised between $0.20 and $0.21 per share for gross proceeds of $92,159.

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.

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.

During fiscal 2015, the Company granted options under the following terms:

- 3,140,000 common shares of the Company to directors, officers, employees and consultants at an exercise price of $0.20 per share for a five year term expiring February 16, 2020. 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.
- 35,000 common shares of the Company to an employee at a price of $0.16 per share for a five year term expiring October 1, 2020. 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.
- 2,140,000 common shares of the Company to directors, officers, employees and consultants at a price of $0.21 per share for a five year term expiring December 16, 2020. Of the stock options granted, 50,000 will be subject to a 12-month vesting schedule pursuant to which 25% shall vest on March 16, 2016 and a further 25% shall vest every 3 months thereafter until fully vested.

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.

13. CAPITAL STOCK AND SHARE-BASED PAYMENTS RESERVE (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, 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
Issued	5,315,000	$0.20
Expired	(167,210)	$1.57
Forfeited	(25,000)	$0.24
As at December 31, 2015	9,164,735	$0.21

(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
$ 0.19	February 18, 2017	395,723	1.14	$ 0.19	395,723	$ 0.19
$ 0.47	September 20, 2017	158,289	1.72	$ 0.47	158,289	$ 0.47
$ 0.16	May 14, 2018	50,000	2.37	$ 0.16	50,000	$ 0.16
$ 0.16	June 25, 2018	825,000	2.48	$ 0.16	825,000	$ 0.16
$ 0.23	February 18, 2019	395,723	3.14	$ 0.23	395,723	$ 0.23
$ 0.24	April 10, 2019	2,025,000	3.28	$ 0.24	2,025,000	$ 0.24
$ 0.20	February 16, 2020	3,140,000	4.13	$ 0.20	1,570,000	$ 0.20
$ 0.16	October 1, 2020	35,000	4.76	$ 0.16	8,750	$ 0.16
$ 0.21	December 16, 2020	2,140,000	4.96	$ 0.21	2,090,000	$ 0.21
		9,164,735	3.77	$ 0.21	7,518,485	$ 0.22

Share-based compensation

During the year ended December 31, 2015, the Company granted an aggregate of 5,315,000 (2014 – 2,075,000) incentive stock options with a weighted average fair value per option granted of $0.12 (2014 – $0.15) for a total value of $610,820 (2014 – $302,284). The total share-based compensation recognized during the year ended December 31, 2015 under the fair value method was $616,865 (2014 – $269,557). The Company expensed $603,817 (2014 – $259,013) and capitalized $13,048 (2014 – $10,544) as mineral property expenditures.

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

	2015	2014
Risk-free interest rate	0.62%	1.31%
Expected dividend yield	-	-
Expected stock price volatility	77%	79%
Expected forfeiture rate	1.21%	1.21%
Expected option lives	4.68 years	4.30 years

Share-based payment reserve

Share-based payment reserve records items recognized as share-based compensation expense and the fair value of warrants issued based on the residual method. At the time that the stock options or warrants are exercised, the corresponding amount is reallocated to share capital, or if they are cancelled the corresponding amount is reallocated to deficit. During the year ended December 31, 2015, the Company reallocated $113,772 (2014 – $289,516) to deficit for 167,210 (2014 – 250,000) expired options and 25,000 cancelled options and reallocated $4,924 (2014 - $nil) to capital stock for the exercise of 455,526 (2014 – nil) warrants.

13. CAPITAL STOCK AND SHARE-BASED PAYMENTS RESERVE (continued)

Warrants

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

	Warrants	Exercise Price
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
Expired	(8,198,380)	0.19
Exercised	(455,526)	0.20
As at December 31, 2015	41,537,606	$ 0.26

During the year ended December 31, 2014, 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.

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
$ 0.20	February 28, 2017	8,571,429	1.16	$ 0.20
$ 0.34	September 10, 2017	1,261,427	1.70	$ 0.34
$ 0.34	October 15, 2017	6,130,673	1.79	$ 0.34
$ 0.36	November 27, 2017	2,004,995	1.91	$ 0.36
$ 0.25	December 12, 2017	22,226,583	1.95	$ 0.25
$ 0.25	December 30, 2017	1,342,499	2.00	$ 0.25
		41,537,606	1.76	$ 0.26

14. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2015, the Company entered into the following transactions with related parties:

Legal fees

Legal fees of $32,970 (2014 – $80,299), which were included in professional fees, $nil (2014 – $98,029) for share issuance costs and $nil (2014 – $92,580) 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 $4,583 (2014 – $61,087) was payable as December 31, 2015. The Company recognized $6,390 (2014 – $3,796) in share-based payments to this officer.

Key management compensation

	2015	2014
Key management short-term benefits [1]	$ 315,000	$ 290,000
Share-based payments [2]	489,754	237,139
	$ 804,754	$ 527,139

[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, 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.

14. RELATED PARTY TRANSACTIONS (continued)

Other transactions

Paid in remuneration $49,588 (2014 – $nil) for technical and administrative services and recognized $4,087 (2014 – $nil) in share-based payments to two personnel who are immediate family members of individuals who are part of key management personnel.

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 year ended December 31, 2015, the Company incurred $157,001 (2014 – $174,122) for its share of these expenses, of which $nil (2014 – $16,947) was payable to SilverCrest Mines at December 31, 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, entered into an allocation of costs agreement. During the year ended December 31, 2015, the Company incurred $114,528 for its share of these expenses, of which $78,565 was payable to SilverCrest Metals at December 31, 2015.

15. INCOME TAXES

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

		2015		2014
Loss before income taxes	$	(1,355,188)	$	(1,132,327)
Combined federal and provincial statutory tax rate		26.00%		26.00%
Expected income tax	$	(352,000)	$	(294,000)
Effect of changes in statutory rates including foreign subsidaries		(7,000)		5,000
Permanent Difference		210,000		39,000
Share issue costs		-		(41,000)
Expiry of losses		451,000		-
Impact of acquisition of Eagle Mountain		-		116,000
Adjustment to prior years provision versus statutory tax returns		(493,000)		(582,000)
Impact of foreign exchange on deferred income tax assets and liabilities		79,000		(92,000)
Change in unrecognized deductible temporary differences		181,000		834,000
Other		(69,000)		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, 2015 and 2014 are presented below:

		2015		2014
Deferred tax assets:				
Non-capital losses	$	3,721,000	$	3,467,000
Capital loss carry-forwards		2,843,000		3,241,000
Share issue costs and other		136,000		216,000
Exploration and evaluation assets		7,552,000		6,768,000
Capital assets		106,000		47,000
Total unrecognized deferred income tax asset	$	14,358,000	$	13,739,000

As at December 31, 2015, the Company has non-capital loss carry-forwards of approximately $14,309,000 for income tax purposes. The non-capital losses may be utilized to reduce future years' taxable income expiring up to 2035 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 $37,273,000 which may be available to reduce taxable income of future years. Deferred tax assets, which may arise as a result of these losses and resource expenditures, have not been recognized as the Company determined that, as at December 31, 2015, their realization is uncertain.

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

Years ended December 31,		2015		2014
Non-cash financing and investing activities				
Capitalized to exploration and evaluation assets				
Depreciation (note 9)	$	109,643	$	20,991
Interest expense	$	4,550	$	-
Rehabilitation provision (note 12)	$	203,690	$	-
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, 13)	$	-	$	853,427
Share-based compensation capitalized (notes 10, 13)	$	13,048	$	10,544
Included in accounts payable and accrued liabilities				
Exploration and evaluation assets	$	86,048	$	25,053
Property, plant and equipment	$	73,585	$	-
Share issuance costs	$	-	$	99,254

17. 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:

2015		Canada		Guyana		Total
Net loss for the year	$	1,174,254	$	180,934	$	1,355,188
Asset Information						
Property, plant and equipment	$	-	$	4,240,711	$	4,240,711
Exploration and evaluation assets	$	-	$	9,551,925	$	9,551,925

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

18. 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.

19. 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
2016	$	113,529
2017		113,529
2018		66,225
	$	293,283

As at December 31, 2015, the Company contributed $46,576 towards this commitment which represents five months' rent deposit.

20. SUBSEQUENT EVENTS

The following events took place subsequent to December 31, 2015:

- 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.
- 63,250 incentive stock options priced between $0.20 and $0.21 were exercised for aggregate proceeds of $12,800.
- 5,141,000 share purchase warrants priced between $0.20 and $0.25 were exercised for aggregate proceeds of $1,243,375.