



GOLDSOURCE
MINES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND NOTES

FOR THE SIX MONTHS ENDED JUNE 30, 2019

(Unaudited - Expressed in Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORTING

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

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

	June 30, 2019	December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,448,443	\$ 398,144
Amounts receivable	68,960	30,701
Prepaid expenses	88,177	69,293
Marketable securities	1,015	1,522
Total current assets	6,606,595	499,660
Non-current assets		
Deposit (note 3)	\$ 255,014	265,610
Rent deposit	36,053	36,053
Mineral property (note 3)	6,701,554	6,668,283
Property, plant and equipment (note 4)	3,383,388	3,464,341
Total non-current assets	10,376,009	10,434,287
TOTAL ASSETS	\$ 16,982,604	\$ 10,933,947
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	\$ 314,577	\$ 327,600
Lease liability (note 2)	55,720	-
Total current liabilities	370,297	327,600
Non-current liabilities		
Lease liability (note 2)	102,163	-
Rehabilitation provision (note 6)	387,706	410,709
Total liabilities	860,166	738,309
Shareholders' equity		
Capital stock (note 8)	63,218,495	55,116,880
Private placement subscriptions received	-	438,404
Reserves (note 8)	6,556,462	6,013,767
Deficit	(53,652,519)	(51,373,413)
Total shareholders' equity	16,122,438	10,195,638
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 16,982,604	\$ 10,933,947

Nature and continuance of operations (note 1)
Subsequent event (note 11)

Approved by the Board and authorized for issue on August 28, 2019.

"Ioannis Tsitos"
Director

"Graham C. Thody"
Director

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

GOLDSOURCE MINES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30,

	Three months ended		Six months ended	
	2019	2018	2019	2018
Accretion (note 6)	\$ 4,662	\$ 4,566	\$ 9,170	\$ 9,039
Depreciation (note 4)	16,043	15,118	31,978	29,776
Exploration and evaluation expenditures (note 3)	809,323	739,300	1,450,989	1,404,478
Foreign exchange loss (gain)	93,113	5,924	109,344	(1,952)
General exploration expenditures	5,640	5,640	5,640	5,640
Insurance	17,271	17,531	34,689	35,193
Interest expense (note 2)	7,120	-	14,587	-
Interest income	(32,097)	(1,393)	(32,127)	(2,041)
Office and miscellaneous expense (recovery)	(2,637)	17,040	(345)	36,363
Professional fees (note 7)	19,906	16,805	39,946	29,646
Regulatory and transfer agent fees	20,426	10,260	25,173	15,776
Remuneration (note 7)	255,322	83,847	374,048	176,786
Share-based compensation (notes 7, 8)	26,732	2,549	318,246	114,598
Shareholder and investor relations	25,322	17,883	58,987	41,849
Tradeshaw and travel	30,350	900	47,622	16,096
Unrealized loss on marketable securities	1,015	1,015	507	4,060
Net and comprehensive loss for the period	\$ (1,297,511)	\$ (936,985)	\$ (2,488,454)	\$ (1,915,307)
Basic and diluted comprehensive loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	305,802,486	203,623,366	274,798,343	199,977,819

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

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (2,488,454)	\$ (1,915,307)
Items not affecting cash:		
Accretion expense	9,170	9,039
Depreciation	268,222	456,812
Foreign exchange loss (gain)	10,596	(11,244)
Interest expense	14,587	-
Interest income	(32,127)	(2,041)
Share-based compensation	364,311	130,805
Unrealized loss on marketable securities	507	4,060
Changes in non-cash working capital items:		
Amounts receivable	4,378	(7,104)
Taxes receivable	(9,186)	168
Prepaid expenses	(18,884)	(1,784)
Accounts payable and accrued liabilities	(10,535)	(20,622)
Net cash used in operating activities	(1,887,415)	(1,357,218)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral property	(33,271)	(92,775)
Purchase of property, plant and equipment	(48,437)	(36,001)
Interest received	(1,324)	1,163
Net cash used in investing activities	(83,032)	(127,613)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan principal paid	-	(100,000)
Capital stock issued	8,731,236	1,694,900
Capital stock issuance costs	(680,293)	(93,790)
Payment of lease liabilities	(30,197)	-
Net cash provided by financing activities	8,020,746	1,501,110
Change in cash and cash equivalents, during the period	6,050,299	16,279
Cash and cash equivalents, beginning of the period	398,144	268,849
Cash and cash equivalents, end of the period	\$ 6,448,443	\$ 285,128
Cash and cash equivalents is represented by:		
Cash	3,583,943	51,628
Cash equivalents	2,864,500	233,500
	\$ 6,448,443	\$ 285,128
Non-cash investing activities		
Capitalized to property, plant and equipment		
Right of use asset recognized upon accounting policy change	\$ 173,493	\$ -
Rehabilitation provision	\$ (32,173)	\$ 18,245
Accounts payable and accrued liabilities	\$ 59,869	\$ 60,058
Non-cash financing activities		
Fair value of agents' warrants	\$ 403,195	\$ -
Share subscription applied to share issuance	\$ 438,404	\$ -

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

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

	Capital stock		Subscriptions received	Reserves	Deficit	Total
	Number	Amount		Share-based payments		
Balance at December 31, 2017	166,965,366	\$52,409,850	\$ 126,000	\$ 6,073,390	\$(47,855,204)	\$10,754,036
Private placement	36,418,000	1,820,900	(126,000)	-	-	1,694,900
Capital stock issuance costs	240,000	(93,790)	-	-	-	(93,790)
Share-based compensation	-	-	-	130,805	-	130,805
Stock options expired	-	-	-	(92,714)	92,714	-
Net and comprehensive loss for the period	-	-	-	-	(1,915,307)	(1,915,307)
Balance at June 30, 2018	203,623,366	54,136,960	-	6,111,481	(49,677,797)	10,570,644
Private placement	18,294,544	1,006,200	-	-	-	1,006,200
Capital stock issuance costs	-	(26,280)	-	-	-	(26,280)
Private placement subscriptions received	-	-	438,404	-	-	438,404
Share-based compensation	-	-	-	1,825	-	1,825
Stock options expired or forfeited	-	-	-	(99,539)	99,539	-
Net and comprehensive loss for the period	-	-	-	-	(1,795,155)	(1,795,155)
Balance at December 31, 2018	221,917,910	55,116,880	438,404	6,013,767	(51,373,413)	10,195,638
Private placements (note 8)	88,330,000	8,779,600	(438,404)	-	-	8,341,196
Capital stock issuance costs (note 8)	-	(1,083,488)	-	403,195	-	(680,293)
Warrants Exercised (note 8)	3,700,400	370,040	-	-	-	370,040
Share-based compensation (note 8)	-	-	-	364,311	-	364,311
Stock options exercised (note 8)	200,000	35,463	-	(15,463)	-	20,000
Stock options expired or forfeited (note 8)	-	-	-	(209,348)	209,348	-
Net and comprehensive loss for the period	-	-	-	-	(2,488,454)	(2,488,454)
Balance at June 30, 2019	314,148,310	\$63,218,495	\$ -	\$ 6,556,462	\$(53,652,519)	\$16,122,438

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

GOLDSOURCE MINES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
FOR THE SIX MONTHS ENDED JUNE 30, 2019

1. NATURE AND CONTINUANCE OF OPERATIONS

Goldsource Mines Inc. (the “Company” or “Goldsource”) is a Canadian resource company engaged in exploration and development. The Company’s primary business objective is to expand and improve the quality of its existing resources through exploration in order to enable it to become a low-cost gold producer at its Eagle Mountain Gold Project, located on its Eagle Mountain Property, in Guyana, South America. Goldsource is incorporated under the Business Corporations Act (British Columbia). The common shares of the Company trade on the TSX Venture Exchange under the symbol “GXS”. The head office and principal address of the Company is 501-570 Granville Street, 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 currently has no proven or probable reserves and, on the basis of information to date, has not yet determined whether its Eagle Mountain Gold Project contains economically recoverable ore reserves. Consequently, the Company considers itself to be an exploration stage company.

At June 30, 2019, the Company had cash and cash equivalents of \$6.4 million, accumulated losses of \$53.7 million, and working capital of \$6.2 million, which the Company believes is sufficient to maintain its operations and its exploration and operational activities at its Eagle Mountain Property for the next 12 months. The Company is in the process of renewing its five-year Prospecting License at Eagle Mountain which is due to expire in October 2019. These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2018, which include information necessary or useful to understanding the Company’s business and financial statement presentation. In particular, the Company’s significant accounting policies, use of judgments and estimates were presented in notes 2 and 3, respectively, of these consolidated financial statements, and have been consistently applied, same for the adoption of IFRS 16, starting on January 1, 2019, in the preparation of these condensed consolidated interim financial statements.

Basis of preparation and measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. Additionally, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. Certain comparative figures have been reclassified to conform to the current period presentation.

These condensed consolidated interim financial statements were approved for issuance by the Board of Directors on August 28, 2019.

Basis of consolidation

These condensed consolidated interim financial statements include the accounts of Goldsource and its wholly-owned subsidiaries Eagle Mountain Gold Corp., a Canadian corporation, and Stronghold Guyana Inc. (“Stronghold”), a Guyana corporation. Goldsource consolidates subsidiaries where the Company has the ability to exercise control. Control is achieved when the Company is exposed to variable returns from involvement with an investee and has the ability to affect the returns through power over the investee. Control is normally achieved through ownership, directly or indirectly, of more than 50 percent of the voting power. Control can also be achieved through power over more than half of the voting rights by virtue of an agreement with other investors or through the exercise of de facto control. All intercompany balances, transactions, income and expenses, and profits or losses have been eliminated on consolidation.

GOLDSOURCE MINES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
FOR THE SIX MONTHS ENDED JUNE 30, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new accounting policy - leases

Impact of application of IFRS 16 Leases

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective application method, where the 2018 comparatives are not restated and the cumulative effect of initially applying IFRS 16 has been recorded on January 1, 2019 for any differences identified. The Company has determined that the adoption of IFRS 16 resulted in no adjustments to the opening balance of accumulated deficit.

IFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases under IFRS 17 and requiring the recognition of a right-of-use asset ("ROU asset") and a lease liability at the lease commencement for all leases, except for short-term leases (lease terms of 12 months or less) and leases of low value assets.

In applying IFRS 16 for all leases, except as noted above, the Company (i) recognizes the ROU asset and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments; (ii) recognizes the depreciation of ROU assets and interest on lease liabilities in the consolidated statement of comprehensive loss; and (iii) separates the total amount of cash paid into a principal portion (presented in financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows. For short-term leases and leases of low value assets, the Company has opted to recognize a lease expense on a straight-line basis, and this expense is presented within exploration expenditures in the consolidated statement of comprehensive loss.

The Company has made use of the following practical expedients available on transition to IFRS 16:

- Measure the ROU assets equal to the lease liability calculated for each lease;
- Apply the recognition exemptions for low value leases and leases that end within 12 months of the date of initial application, and account for them as low value and short-term leases, respectively; and
- Accounting for non-lease components and lease components as a single lease component.

In transitioning to IFRS 16, the Company analyzed its contracts to identify whether they are or contain a lease arrangement. This analysis identified a contract containing a lease that had an equivalent increase to both the Company's ROU assets and lease liabilities, which resulted in a \$173,493 adjustment. The incremental borrowing rate for lease liabilities initially recognized on adoption of IFRS 16 was 18%.

The cumulative effect of the changes made to the consolidated statement of financial position as at January 1, 2019 for the adoption of IFRS 16 is as follows:

	As previously reported	Effect of change in accounting policy	As reported under new accounting policy
Property and equipment	\$ 3,464,341	\$ 173,493	\$ 3,637,834
Lease liability (current)	-	(55,720)	(55,720)
Lease liability (non-current)	-	(117,773)	(117,773)
	\$ 3,464,341	\$ -	\$ 3,464,341

The operating lease obligations as at December 31, 2018 are reconciled as follows to the recognized lease liabilities as at January 1, 2019:

Operating lease obligations as at December 31, 2018	\$ 276,809
Effect from discounting at the incremental borrowing rate as at January 1, 2019	(103,316)
Lease liabilities due to initial application of IFRS 16 at January 1, 2019	\$ 173,493

GOLDSOURCE MINES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
FOR THE SIX MONTHS ENDED JUNE 30, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting policy for leases under IFRS 16

The Company assesses whether a contract is or contains a lease, at the inception of a contract. The Company recognizes a ROU asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the following exceptions: (i) the Company has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or (ii) for leases of low value. The payments for such leases are recognized in the consolidated statement of comprehensive loss on a straight-line basis over the lease term.

The ROU asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement day, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

ROU assets are included in property and equipment, and the lease liability is presented as a separate line in the consolidated statement of financial position. Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in the consolidated statement of comprehensive loss.

Lease liabilities

The Company leases office space and has one other lease which is considered a short-term lease and as such is included in the statement of comprehensive loss and not the statement of financial position. Interest expense on the lease liabilities amounted to \$14,587 for the six months ended June 30, 2019. The Company did not incur any variable lease payments and there were no leases with residual value guarantees or leases not yet commenced to which the Company is committed. The expense relating to the short-term lease amounted to \$15,799 for the six months ended June 30, 2019.

Lease liabilities	June 30, 2019
Lease liabilities	\$ 157,883
Less: current portion	(55,720)
Long-term portion	\$ 102,163

Undiscounted lease payments	June 30, 2019
Not later than 1 year	\$ 60,395
Later than 1 year and not later than 5 years	150,164
	\$ 210,559

GOLDSOURCE MINES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
FOR THE SIX MONTHS ENDED JUNE 30, 2019

3. MINERAL PROPERTY AND EXPLORATION AND EVALUATION EXPENDITURES

Eagle Mountain Gold Project – Guyana

	As at December 31, 2017	Additions during the year	As at December 31, 2018	Additions during the period	As at June 30, 2019
Mineral property acquisition costs					
Mineral property acquired	\$ 5,722,081	\$ 92,775	\$ 5,814,856	\$ 33,271	\$ 5,848,127
Shares issued	853,427	-	853,427	-	853,427
Total mineral property acquisition costs	\$ 6,575,508	\$ 92,775	\$ 6,668,283	\$ 33,271	\$ 6,701,554

During 2018, the Company entered into an option agreement to acquire a 100% interest in the Bishop Growler Property, located three kilometres from the Eagle Mountain Gold Project, for total consideration of US\$1,025,000. To June 30, 2019, the Company has made two option payments (US\$75,000 and US\$25,000) totaling US\$100,000.

During the period ended June 30, 2019, the Company and the option holder agreed to amend the schedule of option payments as follows:

- US\$75,000 on March 28, 2018 (paid);
- US\$25,000 on April 16, 2019 (paid);
- US\$150,000 in January 2020;
- US\$150,000 in January 2021; and
- US\$625,000 upon the exercise of the option.

The Company's cumulative exploration and evaluation expenditures on the Eagle Mountain Gold Project are as follows:

	Cumulative to December 31, 2017	Expenditures during the year	Cumulative to December 31, 2018	Expenditures during the period	Cumulative to June 30, 2019
Exploration and evaluation expenditures:					
Assays	\$ 225,919	\$ 199,797	\$ 425,716	\$ 60,164	\$ 485,880
Borrowing costs	24,210	-	24,210	-	24,210
Camp costs	1,546,401	355,612	1,902,013	231,701	2,133,714
Depreciation (note 4)	1,467,642	858,203	2,325,845	236,244	2,562,089
Drilling	25,967	133,153	159,120	113,965	273,085
Operations and general	2,174,186	288,594	2,462,780	166,329	2,629,109
Road maintenance	684,907	-	684,907	-	684,907
Sale of gold ounces ⁽¹⁾	(723,584)	(89)	(723,673)	-	(723,673)
Salaries (note 7)	3,126,419	841,358	3,967,777	503,266	4,471,043
Share-based compensation (notes 7, 8)	110,476	16,207	126,683	46,065	172,748
Tailings	17,723	-	17,723	-	17,723
Technical services and consulting	407,933	153,159	561,092	93,255	654,347
Total exploration and evaluation expenditures	\$ 9,088,199	\$ 2,845,994	\$ 11,934,193	\$ 1,450,989	\$ 13,385,182

⁽¹⁾ During prior years and to June 30, 2019, the majority of the Company's mineral resources are inferred whereby economic viability of such resources cannot be determined. Accordingly, the removal of the gold concentrate from the Company's Eagle Mountain Gold Project is considered an exploration and evaluation activity, and as such, all costs associated with the removal of gold concentrate are recognized as an exploration and evaluation activity. Sales received from the Eagle Mountain Gold Project are recognized as a recovery of exploration and evaluation expenditures given that the Company has not yet completed a positive economic analysis of its mineral interests.

GOLDSOURCE MINES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
FOR THE SIX MONTHS ENDED JUNE 30, 2019

3. MINERAL PROPERTY AND EXPLORATION AND EVALUATION EXPENDITURES (continued)

In connection with the acquisition of Eagle Mountain Gold Corp. in 2014, the Company acquired a 100% interest in the Eagle Mountain Gold Project located in Guyana. On March 6, 2014, the Company executed an Amendment Agreement with Omai Gold Mines Ltd. ("OGML"), a subsidiary of IAMGOLD Corporation with respect to the Eagle Mountain Gold Project in Guyana. The summary of amending terms includes:

- I. Goldsource will issue to OGML 3,389,279 common shares (issued);
- II. Goldsource shall pay OGML US\$3,025,501 ("Initial Payment") in cash or, at Goldsource's option, in common shares of Goldsource, at a price per share equal to a five percent (5%) discount to the Volume Weighted Average Price ("VWAP") of Goldsource's common shares for the twenty trading days prior to issuance, upon the earlier of:
 - a. If average market price of gold is US\$1,400/oz. or higher upon achieving total production of 40,000 ounces of gold, then the Initial Payment is due 90 days after 40,000 ounces have been produced, otherwise payment to be made 90 days after 50,000 ounces produced from the Project;
 - 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 \$255,014 (US\$194,540) (December 31, 2018 – \$265,610 (US\$194,540)) reclamation site bond, in the form of a non-interest-bearing bank guaranteed deposit, to the Guyana Geology and Mines Commission for exploration permits on the Eagle Mountain Gold Project.

Goldsource's subsidiary Stronghold holds a prospecting license on the Eagle Mountain Property. In August 2014, the Guyana Geology and Mines Commission granted a Medium Scale Mining Permit (the "Permit") to Kilroy Mining Inc. ("Kilroy") to mine gold, diamonds, precious metals and minerals on a portion within the Eagle Mountain Property. As the Permit is required under Guyana law to be held by a Guyanese national, Stronghold has entered into agreements with Kilroy, a private arm's length Guyanese company pursuant to which Stronghold and Kilroy will jointly operate the Eagle Mountain Gold Project. Kilroy has granted Stronghold the exclusive right to conduct mining operations on the Eagle Mountain Gold Project including any additional areas acquired by Kilroy. Stronghold will fund all expenditures on the Eagle Mountain Gold Project and receive 100% of all revenues, subject to applicable government royalties and a 2% net smelter return royalty to Kilroy as compensation for its participation.

GOLDSOURCE MINES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
FOR THE SIX MONTHS ENDED JUNE 30, 2019

4. PROPERTY, PLANT AND EQUIPMENT

	Eagle Mountain Gold Project			Right of use asset	Corporate office	Total
	Construction in progress	Processing plant ⁽¹⁾	Other equipment ⁽²⁾			
Cost						
As at December, 31, 2017	\$ 87,394	\$ 3,343,564	\$ 2,374,204	\$ -	\$ 65,618	\$ 5,870,780
Additions	-	-	37,642	-	2,889	40,531
Changes in asset retirement obligation	-	11,660	-	-	-	11,660
As at December 31, 2018	87,394	3,355,224	2,411,846	-	68,507	5,922,971
Recognition of right of use asset upon initial adoption of accounting policy (note 2)	-	-	-	173,493	-	173,493
Additions	-	-	45,239	-	710	45,949
Changes in asset retirement obligation	-	(32,173)	-	-	-	(32,173)
As at June 30, 2019	\$ 87,394	\$ 3,323,051	\$ 2,457,085	\$ 173,493	\$ 69,217	\$ 6,110,240
Accumulated depreciation						
As at December, 31, 2017	\$ -	\$ 663,295	\$ 814,256	\$ -	\$ 62,326	\$ 1,539,877
Depreciation for the year	-	478,283	436,803	-	3,667	918,753
As at December 31, 2018	-	1,141,578	1,251,059	-	65,993	2,458,630
Depreciation for the period ⁽³⁾	-	58,347	189,265	18,927	1,683	268,222
As at June 30, 2019	\$ -	\$ 1,199,925	\$ 1,440,324	\$ 18,927	\$ 67,676	\$ 2,726,852
Carrying amounts						
As at December 31, 2018	\$ 87,394	\$ 2,213,646	\$ 1,160,787	\$ -	\$ 2,514	\$ 3,464,341
As at June 30, 2019	\$ 87,394	\$ 2,123,126	\$ 1,016,761	\$ 154,566	\$ 1,541	\$ 3,383,388

⁽¹⁾ During the six months ended June 30, 2019, the Company changed its estimate for the remaining useful life for the processing plant. The Company now estimates that the processing plant's useful life will end in 2027. The effect of these changes on actual and expected depreciation expense, included in exploration and evaluation expenditures, is as follows:

	2019	2020	2021	2022	2023	Later
(Decrease) increase in depreciation expense	(201,565)	(201,565)	(201,565)	(201,565)	1,316	804,946

⁽²⁾ Other equipment consists of vehicles, buildings, and equipment. During the six months ended June 30, 2019, additions to other equipment included the purchase of vehicles and a core saw. During 2018, additions to other equipment included the purchase of a sonic drill.

⁽³⁾ During the six months ended June 30, 2019, depreciation of \$236,244 (June 30, 2018 – \$427,036) was included in exploration and evaluation expenditures (note 3).

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5. LOAN PAYABLE

	Six months ended	Year ended
	June 30, 2019	December 31, 2018
Balance, beginning of period (year)	\$ -	\$ 100,000
Repayment	-	(100,000)
Balance, end of period (year)	\$ -	\$ -

On December 21, 2017, the Company entered into a promissory note of \$100,000 with Maverick Mining Consultants Inc. (“Maverick”), a company controlled by the Company’s Executive Chairman and Chief Operating Officer (“COO”). The purpose of this loan was to provide short-term working capital. The loan was due on demand and bore interest at a rate of 5% per annum. During 2018, the Company repaid the promissory note in full and all interest was forgiven by Maverick.

6. REHABILITATION PROVISION

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

	Six months ended	Year ended
	June 30, 2019	December 31, 2018
Balance, beginning of period (year)	\$ 410,709	\$ 380,712
Changes in obligation	3,909	8,192
Accretion expense	9,170	18,338
Changes in estimates	(36,082)	3,467
Balance, end of period (year)	\$ 387,706	\$ 410,709

During the six months ended June 30, 2019, the Company changed its estimate for when rehabilitation costs would be realized. The Company now estimates that rehabilitation costs will be incurred in 2027. As a result, the Company recorded a reduction of the rehabilitation provision, and a corresponding reduction of the related asset, of \$36,082.

The present value of the rehabilitation provision, using an effective discount rate of 5% (December 31, 2018 – 5%), is currently estimated at \$387,706 (US\$247,074) (December 31, 2018 – \$410,709 (US\$271,330)), reflecting anticipated cash flows to be incurred over approximately the next nine years (December 31, 2018 – four years). The undiscounted value of these obligations is \$422,232 (US\$326,750) (December 31, 2018 – \$419,899 (US\$325,000)), calculated using a long-term inflation rate assumption of 2.7% (December 31, 2018 – 2.2%).

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.

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7. RELATED PARTY TRANSACTIONS

Key management compensation

The Company's key management personnel have the authority and responsibility for planning, directing, and controlling the activities of the Company and include the Company's President, COO, and Chief Financial Officer ("CFO"). Key management personnel compensation is summarized as follows:

	Six months ended June 30, 2019	Six months ended June 30, 2018
Management remuneration ⁽¹⁾	\$ 135,625	\$ 111,750
Share-based compensation ⁽²⁾	258,562	92,778
	\$ 394,187	\$ 204,528

⁽¹⁾ The Company paid management fees to companies controlled by the COO and the President, and paid remuneration and short-term benefits to the CFO. At June 30, 2019, \$Nil (December 31, 2018 – \$10,500) of management fees were owing to a company controlled by the COO.

⁽²⁾ Share-based compensation is the fair value of the vested portion of stock options that have been granted to directors and officers of the Company.

Legal fees

During the six months ended June 30, 2019, legal fees of \$18,795 (June 30, 2018 – \$8,239), included in professional fees, legal fees of \$Nil (June 30, 2018 – \$737), capitalized as acquisition costs, and capital stock issuance costs of \$73,260 (June 30, 2018 – \$37,375) were paid or accrued to Koffman Kalef LLP, a law firm of which an officer of the Company is a partner, of which \$3,306 (December 31, 2018 – \$35,003) was payable at June 30, 2019.

Other transactions

During the six months ended June 30, 2019, the Company paid remuneration of \$4,917 (June 30, 2018 – \$2,250) and recognized share-based compensation of \$4,607 (June 30, 2018 – \$4,862) to an employee who is an immediate family member of the COO. Remuneration and share-based payments incurred to this employee were recorded as exploration and evaluation expenditures (note 3).

The Company has a cost sharing agreement with SilverCrest Metals Inc. ("SilverCrest"), a company related by common directors and officers, whereby the Company shares salaries, administrative services, and other expenses. During the six months ended June 30, 2019, the Company was allocated \$129,999 (June 30, 2018 – \$80,659) for its share of these expenses, of which \$48,062 (December 31, 2018 – \$79,105) was payable to SilverCrest at June 30, 2019.

During 2017, the Company obtained a promissory note from a company controlled by the Company's COO (note 5). The loan was repaid during 2018.

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8. CAPITAL STOCK

Authorized shares

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

Issued and outstanding

At June 30, 2019, the Company had 314,148,310 common shares and no preferred shares outstanding.

Six months ended June 30, 2019

On January 17, 2019, the Company completed a private placement of 26,000,000 units at a price of \$0.05 per unit for gross proceeds of \$1,300,000. Each unit consisted of one common share and one warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.09 until January 17, 2021. The Company paid finder's fees of \$28,500 and incurred capital stock issuance costs of \$79,418 in connection with the private placement.

On April 11, 2019, the Company completed a private placement of 62,330,000 units at a price of \$0.12 per unit for gross proceeds of \$7,479,600. Each unit consisted of one common share and one half warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.20 until April 11, 2021. The Company paid cash commissions of \$503,756, and issued 3,739,800 agents' warrants with a total fair value of \$403,195. Each agent warrant is exercisable to acquire one common share at a price of \$0.12 per share until April 11, 2021. The Company incurred capital stock issuance costs of \$68,619 in connection with the private placement.

The Company issued 3,700,400 common shares at \$0.10 per common share for gross proceeds of \$370,040 upon the exercise of warrants. The Company also issued 200,000 common shares at \$0.10 per common share for gross proceeds of \$20,000 upon the exercise of stock options. Accordingly, the company reallocated \$15,463 from reserves to capital stock.

Year ended December 31, 2018

The Company completed a private placement of 36,418,000 units at a price of \$0.05 per unit for gross proceeds of \$1,820,900. Each unit consisted of one common share and one warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.10 until January 18, 2020. Finder's fees totaling \$51,930 were paid in connection with the private placement, of which \$39,930 was paid in cash.

The remaining \$12,000 was paid with 240,000 units at a price of \$0.05 per unit. Each unit consisted of one common share and one warrant, which are exercisable on the same terms as those issued in the private placement except that they are non-transferrable. In connection with the private placement, the Company incurred \$53,860 of capital stock issuance costs, in addition to finder's fees.

The Company completed a private placement of 18,294,544 units at a price of \$0.055 per unit for gross proceeds of \$1,006,200. Each unit consisted of one common share and one-half warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.09 until August 10, 2020. In connection with the private placement, the Company incurred \$26,280 in capital stock issuance costs.

Warrants

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

	Six months ended June 30, 2019		Year ended December 31, 2018	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
Outstanding, beginning of period (year)	72,038,722	\$ 0.15	26,233,450	\$ 0.23
Issued	60,904,800	0.15	45,805,272	0.10
Exercised	(3,700,400)	0.10	-	-
Expired	(26,233,450)	0.23	-	-
Outstanding, end of period (year)	103,009,672	\$ 0.13	72,038,722	\$ 0.15

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8. CAPITAL STOCK (continued)

Warrants (continued)

The warrants outstanding at June 30, 2019 are as follows:

Expiry date	Exercise price	Remaining life (years)	Number of Warrants
January 18, 2020	\$ 0.10	0.55	32,957,600
August 10, 2020	\$ 0.09	1.12	9,147,272
January 17, 2021	\$ 0.09	1.55	26,000,000
April 11, 2021	\$ 0.20	1.78	31,165,000
April 11, 2021	\$ 0.12	1.78	3,739,800
			103,009,672

The weighted average remaining life of warrants outstanding is 1.27 years.

Stock options

The Company has a "rolling 10%" Stock Option Plan which authorizes the grant of stock options to directors, officers, employees, and consultants, enabling them to acquire common shares of the Company to a maximum of 10% of the then issued and outstanding common shares. The exercise price of each option shall equal the market price of the Company's stock as at the date of the grant. The options can be granted for a maximum term of 10 years with vesting determined by the Board of Directors. Options granted to investor relations consultants shall vest over a period of at least one year. The Company has not granted options for periods exceeding five years.

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

	Six months ended June 30, 2019		Year ended December 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period (year)	9,535,000	\$ 0.18	9,735,000	\$ 0.19
Issued	4,300,000	0.13	1,800,000	0.10
Exercised	(200,000)	0.10	-	-
Expired	(1,400,000)	0.24	(750,000)	0.16
Forfeited	(25,000)	0.28	(1,250,000)	0.16
Outstanding, end of period (year)	12,210,000	\$ 0.16	9,535,000	\$ 0.18

During the six months ended June 30, 2019, the Company granted:

- 3,400,000 stock options to directors, officers, employees, and consultants that can be exercised at a price of \$0.13 per share until January 25, 2024. These stock options vest immediately except for 150,000, which vest over a one-year period with 25% vesting after each of three months, six months, nine months, and twelve months after the grant date, respectively.
- 450,000 stock options to employees and consultants that can be exercised at a price of \$0.14 per share until June 13, 2024. These stock options vest immediately except for 300,000, which vest over a one-year period with 25% vesting after each of three months, six months, nine months, and twelve months after the grant date, respectively.
- 450,000 stock options to employees and consultants that can be exercised at a price of \$0.14 per share until June 13, 2022. These stock options vest over a one-year period with 25% vesting after each of three months, six months, nine months, and twelve months after the grant date, respectively.

During 2018, the Company granted 1,800,000 stock options to directors, officers, employees, and consultants that can be exercised at a price of \$0.10 per share until January 31, 2023. These stock options vest immediately except for 100,000, which vest over a one-year period with 25% vesting after each of three months, six months, nine months, and twelve months after the grant date, respectively.

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8. CAPITAL STOCK (continued)

Stock options (continued)

Stock options outstanding and exercisable at June 30, 2019 are as follows:

Expiry date	Exercise price	Options outstanding		Options exercisable
		Number of shares issuable on exercise	Remaining life (years)	Number of shares issuable on exercise
February 16, 2020	\$ 0.20	2,075,000	0.63	2,075,000
October 1, 2020	\$ 0.16	35,000	1.26	35,000
December 16, 2020	\$ 0.21	1,875,000	1.47	1,875,000
February 1, 2021	\$ 0.28	75,000	1.59	75,000
February 21, 2022	\$ 0.17	1,700,000	2.65	1,700,000
March 28, 2022	\$ 0.16	500,000	2.75	500,000
May 30, 2022	\$ 0.13	50,000	2.92	50,000
June 13, 2022	\$ 0.14	450,000	2.96	-
January 31, 2023	\$ 0.10	1,600,000	3.59	1,600,000
January 25, 2024	\$ 0.13	3,400,000	4.58	3,287,500
June 13, 2024	\$ 0.14	450,000	4.96	150,000
		12,210,000		11,347,500

The weighted average remaining life of options outstanding is 2.88 years.

Share-based compensation

The fair value of stock options granted and agents' warrants issued during the six months ended June 30, 2019 and 2018 was estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	Six months ended June 30, 2019	Six months ended June 30, 2018
Expected option life (years)	3.14	4.33
Expected volatility	122%	107%
Expected dividend yield	-	-
Risk-free interest rate	1.69%	2.04%
Expected forfeiture rate	1.00%	1.00%
Fair value per share	\$ 0.10	\$ 0.07
Total fair value	\$ 838,402	\$ 131,675

During the six months ended June 30, 2019, the Company recognized share-based compensation of \$767,369, for the vested portion of stock options granted and agents' warrants issued during the period, of which \$318,109 was expensed, \$403,195 was considered capital stock issuance costs and \$46,065 was considered exploration expenditures (note 3). The Company also recognized share-based compensation expense of \$137 for the vested portion of options previously granted during 2018.

During the six months ended June 30, 2018, the Company recognized share-based compensation of \$129,712, for the vested portion of options granted during that period, of which \$113,505 was expensed and \$16,207 was considered exploration expenditures. The Company also recognized share-based compensation expense of \$1,093 for the vested portion of options previously granted during 2017.

Share-based payment reserve

The share-based payment reserve records items recognized as share-based compensation and the fair value of warrants issued based on the residual method. When stock options or warrants are exercised, the corresponding amount is reallocated to share capital or, if cancelled or expired, the corresponding amount is reallocated to deficit.

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8. CAPITAL STOCK (continued)

Share-based payment reserve (continued)

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

	Six months ended June 30, 2019	Year ended December 31, 2018
Balance, beginning of period (year)	\$ 6,013,767	\$ 6,073,390
Share-based compensation	364,311	132,630
Fair value of agents' warrants	403,195	
Stock options exercised, reallocated to capital stock	(15,463)	-
Stock options expired, reallocated to deficit	(209,348)	(192,253)
Balance, end of period (year)	\$ 6,556,462	\$ 6,013,767

9. 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:

	Canada	Guyana	Total
<u>Comprehensive loss</u>			
Six months ended June 30, 2019			
Net loss for the period	\$ 1,017,956	\$ 1,470,498	\$ 2,488,454
Six months ended June 30, 2018			
Net loss for the period	\$ 519,292	\$ 1,396,015	\$ 1,915,307
<u>Assets and liabilities</u>			
June 30, 2019			
Deposit	\$ -	\$ 255,014	\$ 255,014
Rent deposit	\$ 36,053	\$ -	\$ 36,053
Mineral property	\$ -	\$ 6,701,554	\$ 6,701,554
Property, plant and equipment	\$ 156,108	\$ 3,227,280	\$ 3,383,388
December 31, 2018			
Deposit	\$ -	\$ 265,610	\$ 265,610
Rent deposit	\$ 36,053	\$ -	\$ 36,053
Mineral property	\$ -	\$ 6,668,283	\$ 6,668,283
Property, plant and equipment	\$ 2,514	\$ 3,461,827	\$ 3,464,341

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10. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

Financial instruments carrying value and fair value

The Company's financial instruments consist of cash and cash equivalents, marketable securities, deposit, accounts payable, and loan payable. The carrying value of the deposits and accounts payable approximates the fair value due to the short-term nature of these instruments. The fair value of the Company's long-term deposit approximates its carrying value as it is a bond held at a financial institution.

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 marketable securities are measured using level 1 inputs.

The following table summarizes the classification and carrying values of the Company's financial instruments:

		FVTPL	Amortized cost (financial assets)	Amortized cost (financial liabilities)	Total
June 30, 2019					
Financial assets					
Cash and cash equivalents	\$	6,448,443	\$ -	\$ -	\$ 6,448,443
Amounts receivable		-	68,960	-	68,960
Held-for-trading securities		1,015	-	-	1,015
Total financial assets	\$	6,449,458	\$ 68,960	\$ -	\$ 6,518,418
Financial liabilities					
Accounts payable and accrued liabilities	\$	-	\$ -	\$ 314,577	\$ 314,577
Lease liability		-	-	157,883	157,883
Total financial liabilities	\$	-	\$ -	\$ 472,460	\$ 472,460
December 31, 2018					
Financial assets					
Cash and cash equivalents	\$	398,144	\$ -	\$ -	\$ 398,144
Amounts receivable		-	30,701	-	30,701
Held-for-trading securities		1,522	-	-	1,522
Total financial assets	\$	399,666	\$ 30,701	\$ -	\$ 430,367
Financial liabilities					
Accounts payable and accrued liabilities	\$	-	\$ -	\$ 327,600	\$ 327,600

11. SUBSEQUENT EVENT

Subsequent to June 30, 2019, the Company issued 28,800 common shares at \$0.12 per common share for proceeds of \$3,456 on the exercise of warrants.