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GOLDSOURCE MINES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND NOTES

FOR THE THREE MONTHS ENDED MARCH 31, 2021

(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

	March 31, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,507,622	\$ 4,052,594
Amounts receivable	32,202	38,177
Prepaid expenses and other	246,046	193,744
Total current assets	3,785,870	4,284,515
Non-current assets		
Deposit (note 3)	267,968	271,362
Rent deposit	36,053	36,053
Mineral property (note 3)	6,600,694	6,600,694
Property, plant and equipment (note 4)	731,984	739,558
Total non-current assets	7,636,699	7,647,667
TOTAL ASSETS	\$ 11,422,569	\$ 11,932,182
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 380,655	\$ 365,183
Lease liability (note 9)	55,720	55,720
Total current liabilities	436,375	420,903
Non-current liabilities		
Lease liability (note 9)	35,110	46,019
Rehabilitation provision (note 5)	375,943	359,913
Total liabilities	847,428	826,835
Shareholders' equity		
Capital stock (note 7)	71,976,853	70,500,853
Reserves (note 7)	7,025,127	7,018,101
Deficit	(68,426,839)	(66,413,607)
Total shareholders' equity	10,575,141	11,105,347
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 11,422,569	\$ 11,932,182

Nature and continuance of operations (note 1)

Contingency (note 8)

Subsequent events (note 12)

Approved by the Board and authorized for issue on May 27, 2021.

"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 LOSS AND COMPREHENSIVE LOSS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
FOR THE THREE MONTHS ENDED MARCH 31,

	2021	2020
Accretion (note 5)	\$ 4,472	\$ 5,608
Depreciation (note 4)	9,463	15,648
Exploration and evaluation expenditures (note 3)	1,687,752	1,520,542
Foreign exchange (gain) loss	55,748	(91,437)
Insurance	18,054	16,348
Interest expense (note 9)	4,190	5,975
Interest income	(7,785)	(9,969)
Loss on change in rehabilitation provision (note 5)	11,558	-
Marketing	23,192	61,138
Office and miscellaneous expense	1,501	3,797
Professional fees (note 6)	18,870	27,525
Regulatory and transfer agent fees	10,646	11,648
Remuneration (note 6)	168,545	86,267
Share-based compensation (note 7)	17,439	12,942
Net and comprehensive loss for the period	\$ (2,023,645)	\$ (1,666,032)
Basic and diluted comprehensive loss per common share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	404,339,331	319,031,896

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 THREE MONTHS ENDED MARCH 31,

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (2,023,645)	\$ (1,666,032)
Items not affecting cash:		
Accretion expense	4,472	5,608
Depreciation	106,773	69,326
Foreign exchange (gain) loss	3,394	(32,778)
Interest expense	4,190	5,975
Interest income	(7,785)	(9,969)
Loss on change in rehabilitation provision	11,558	-
Share-based compensation	17,439	12,942
Changes in non-cash working capital items:		
Amounts receivable	312	(838)
Taxes receivable	2,701	(1,020)
Prepaid expenses	(52,302)	(90,795)
Accounts payable and accrued liabilities	27,169	107,805
Net cash used in operating activities	(1,905,724)	(1,599,776)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(110,896)	(89,154)
Interest received	10,747	44,455
Net cash used in investing activities	(100,149)	(44,699)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital stock issued	1,476,000	6,656,915
Capital stock issuance costs	-	(481,528)
Payment of lease liabilities	(15,099)	(15,099)
Net cash provided by financing activities	1,460,901	6,160,288
Change in cash and cash equivalents, during the period	(544,972)	4,515,813
Cash and cash equivalents, beginning of the period	4,052,594	3,159,068
Cash and cash equivalents, end of the period	\$ 3,507,622	\$ 7,674,881
Cash and cash equivalents is represented by:		
Cash	1,052,776	6,540,953
Cash equivalents	2,454,846	1,133,928
	\$ 3,507,622	\$ 7,674,881
Non-cash investing activities		
Capitalized to property, plant and equipment		
Rehabilitation provision	\$ -	\$ (4,808)
Accounts payable and accrued liabilities	\$ (2,931)	\$ (13,137)
Non-cash financing activities		
Capital stock issuance costs in accounts payable and accrued liabilities	\$ -	\$ 102,345
Fair value of agents' warrants	\$ -	\$ 290,708

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		Reserves	Deficit	Total
	Number	Amount	Share-based payments		
Balance at December 31, 2019	314,177,110	\$ 63,225,056	\$ 6,753,121	\$ (57,756,804)	\$ 12,221,373
Private placements	60,026,500	6,602,915	-	-	6,602,915
Capital stock issuance costs	-	(874,581)	290,708	-	(583,873)
Warrants exercised	600,000	54,000	-	-	54,000
Share-based compensation	-	-	12,942	-	12,942
Stock options expired	-	-	(190,020)	190,020	-
Net loss and comprehensive loss for the period	-	-	-	(1,666,032)	(1,666,032)
Balance at March 31, 2020	374,803,610	69,007,390	6,866,751	(59,232,816)	16,641,325
Capital stock issuance costs	-	(1,896)	-	-	(1,896)
Warrants exercised	16,043,499	1,495,359	(40,426)	-	1,454,933
Share-based compensation	-	-	464,759	-	464,759
Stock options expired	-	-	(272,983)	272,983	-
Net loss and comprehensive loss for the period	-	-	-	(7,453,774)	(7,453,774)
Balance at December 31, 2020	390,847,109	70,500,853	7,018,101	(66,413,607)	11,105,347
Warrants exercised (note 7)	16,400,000	1,476,000	-	-	1,476,000
Share-based compensation (note 7)	-	-	17,439	-	17,439
Stock options expired (note 7)	-	-	(10,413)	10,413	-
Net loss and comprehensive loss for the period	-	-	-	(2,023,645)	(2,023,645)
Balance at March 31, 2021	407,247,109	\$ 71,976,853	\$ 7,025,127	\$ (68,426,839)	\$ 10,575,141

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 THREE MONTHS ENDED MARCH 31, 2021

1. NATURE AND CONTINUANCE OF OPERATIONS

Goldsource Mines Inc. (the “Company” or “Goldsource”) is a Canadian resource company engaged in exploration activities. The Company’s primary business objective is to advance the mineral properties at the Eagle Mountain Project through exploration and technical studies, targeting low-cost gold production 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” and on the OTCQB under the symbol “GXSF”. 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, based on 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 March 31, 2021, the Company had cash and cash equivalents of \$3.5 million. Subsequent to March 31, 2021, the Company received gross proceeds of \$12.7 million from the completion of a private placement (note 12) which the Company believes will be sufficient to maintain its exploration activities at the Eagle Mountain Property for the next 12 months. These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business.

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

The Company’s business could be adversely affected by the effects of the ongoing outbreak of respiratory illness caused by the novel coronavirus (“COVID-19”). Since early March 2020, significant measures have been implemented in Canada, Guyana, and the rest of the world by governmental authorities in response to COVID-19. The Company cannot accurately predict the impact COVID-19 will have on the ability of third parties to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In particular, the continued spread of COVID-19 globally could materially and adversely impact the Company’s business including without limitation, employee health, limitations on travel, the availability of industry experts and personnel, restrictions on planned drill programs, and other factors that depend on future developments beyond the Company’s control. In addition, COVID-19 has resulted in a widespread health crisis that has adversely affected the economies and financial markets of many countries (including Canada and Guyana), resulting in an economic downturn that may negatively impact the Company’s financial position, financial performance, cash flows, and its ability to raise capital. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on the Company’s exploration activities, including the impact on the timing of its planned pre-feasibility study, cannot be reasonably estimated at this time. The recent increase in COVID-19 cases and variants globally may impact the Company’s operations due to additional government mandated shutdowns or closures.

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, 2020, which include information necessary or useful to understanding the Company’s business and financial statement presentation. In particular, the Company’s significant accounting policies and use of judgments and estimates were presented in notes 2 and 3 of those consolidated financial statements, and have been consistently applied 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.

GOLDSOURCE MINES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
FOR THE THREE MONTHS ENDED MARCH 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation and measurement (continued)

Certain comparative figures have been reclassified to conform to the current period's presentation.

These condensed consolidated interim financial statements were approved for issuance by the Board of Directors on May 27, 2021.

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 Guyanese 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.

Use of estimates and judgements and COVID-19

The preparation of these condensed consolidated interim 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 condensed consolidated interim financial statements and the reported amounts of revenues and expenditures during the period.

COVID-19 has severely disrupted the global economy and financial markets. It is difficult to estimate the nature, timing, and extent of the business and economic impact on the Company's financial performance and this uncertainty could materially affect the Company's operations and financial condition. This uncertainty could also materially affect estimates including the valuation of long-lived assets, including property and equipment and mineral property assets. Actual results may materially differ from these estimates.

3. MINERAL PROPERTY AND EXPLORATION AND EVALUATION EXPENDITURES

Eagle Mountain Gold Project – Guyana

	As at December 31, 2019	Additions during the year	As at December 31, 2020	Additions during the period	As at March 31, 2021
Mineral property acquisition costs					
Mineral property acquired	\$ 5,848,127	\$ 25,186	\$ 5,873,313	\$ -	\$ 5,873,313
Shares issued	853,427	-	853,427	-	853,427
Impairment	(126,046)	-	(126,046)	-	(126,046)
Total mineral property acquisition costs	\$ 6,575,508	\$ 25,186	\$ 6,600,694	\$ -	\$ 6,600,694

During 2020, the Company terminated its option agreement to acquire a 100% interest in the Bishop Growler property, as exploration activities on the Bishop Growler property indicated that the property did not have the potential to be included in a large-scale mining operation. Accordingly, during 2019, the Company recorded impairment expense of \$126,046 for all related capitalized acquisition costs.

On October 20, 2020, the Company entered into an option and purchase agreement to acquire a 100% interest in the Ann Mining Claim, at the Minnehaha Creek area, for total consideration of US\$290,000. The terms of the agreement include immediate access to the land for exploration purposes for 2 years, the right to purchase the claim for US\$250,000, and the right to terminate the agreement at any time. In 2020, the Company made an option payment of \$25,186 (US\$20,000) upon the signing of the agreement. The remaining payments are scheduled as follows:

- i. US\$20,000 upon signing of the agreement (paid);
- ii. US\$20,000 in October 2021; and
- iii. US\$250,000 upon exercise of the option for the acquisition of the property.

GOLDSOURCE MINES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
FOR THE THREE MONTHS ENDED MARCH 31, 2021

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

Eagle Mountain Gold Project – Guyana (continued)

The following table details the exploration and evaluation expenditures on the Company’s Eagle Mountain Gold Project:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Exploration and evaluation expenditures:		
Assays	\$ 75,685	\$ 73,044
Camp costs	187,334	166,150
Depreciation (note 4)	97,310	53,678
Drilling	694,188	664,002
Operations and general	79,960	72,052
Salaries (note 6)	451,163	372,356
Technical services and consulting	102,112	119,260
Total exploration and evaluation expenditures	\$ 1,687,752	\$ 1,520,542

The Company pledged a \$259,626 (US\$206,200) (December 31, 2020 – \$262,718 (US\$206,200)) reclamation site bond, included in deposits on the statement of financial position, held by 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 (“EMPL”), which was renewed on October 18, 2019 for a three-year period. 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 Guyanese 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 THREE MONTHS ENDED MARCH 31, 2021

4. PROPERTY, PLANT AND EQUIPMENT

	Eagle Mountain Gold Project			Right of use asset	Corporate office	Total
	Construction in progress	Processing plant ⁽³⁾	Other equipment ⁽²⁾			
Cost						
As at December 31, 2019	\$ -	\$ 3,255,649	\$ 2,536,646	\$ 173,493	\$ 70,587	\$ 6,036,375
Additions	56,230	-	99,954	-	-	156,184
Changes in asset retirement obligation	-	(40,545)	-	-	-	(40,545)
Reclassification	(21,847)	-	21,847	-	-	-
Impairment	-	(3,215,104)	-	-	-	(3,215,104)
As at December 31, 2020	34,383	-	2,658,447	173,493	70,587	2,936,910
Additions	-	-	99,199	-	-	99,199
Reclassification	(34,383)	-	34,383	-	-	-
As at March 31, 2021	\$ -	\$ -	\$ 2,792,029	\$ 173,493	\$ 70,587	\$ 3,036,109
Accumulated depreciation						
As at December 31, 2019	\$ -	\$ 1,227,787	\$ 1,634,204	\$ 37,853	\$ 68,676	\$ 2,968,520
Depreciation for the year	-	322,673	416,856	37,852	1,911	779,292
Impairment	-	(1,550,460)	-	-	-	(1,550,460)
As at December 31, 2020	-	-	2,051,060	75,705	70,587	2,197,352
Depreciation for the period ⁽¹⁾	-	-	97,310	9,463	-	106,773
As at March 31, 2021	\$ -	\$ -	\$ 2,148,370	\$ 85,168	\$ 70,587	\$ 2,304,125
Carrying amounts						
As at December 31, 2020	\$ 34,383	\$ -	\$ 607,387	\$ 97,788	\$ -	\$ 739,558
As at March 31, 2021	\$ -	\$ -	\$ 643,659	\$ 88,325	\$ -	\$ 731,984

⁽¹⁾ During the three months ended March 31, 2021, depreciation expense of \$97,310 (March 31, 2020 – \$53,678) was recorded in exploration and evaluation expenditures (note 3).

⁽²⁾ Other equipment consists of vehicles, buildings, exploration equipment, and office equipment.

⁽³⁾ During the year ended December 31, 2020, management assessed that indicators of impairment exist for the processing plant. In 2020, damage to the processing plant caused by exposure to heavy rain, vegetation, and high humidity was identified. Management determined that the carrying value of the processing plant was impaired. Accordingly, the Company recorded impairment expense of \$1,664,644 to reduce the net book value of the processing plant to \$Nil.

5. REHABILITATION PROVISION

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

	Three months ended	
	March 31, 2021	Year ended December 31, 2020
Balance, beginning of period (year)	\$ 359,913	\$ 391,051
Changes in obligation	1,776	7,048
Accretion expense	4,472	9,407
Changes in estimates	9,782	(47,593)
Balance, end of period (year)	\$ 375,943	\$ 359,913

The present value of the rehabilitation provision, using an effective discount rate of 5% (December 31, 2020 – 5%), is currently estimated at \$375,943 (US\$222,843) (December 31, 2020 – \$359,913 (US\$213,715)), reflecting anticipated cash flows to be incurred over approximately the next seven years. The undiscounted value of these obligations is \$440,789 (US\$340,750) (December 31, 2020 – \$438,573 (US\$339,000)) calculated using a long-term inflation rate assumption of 1.2% (December 31, 2020 – 0.8%). The Company estimates that rehabilitation costs will be incurred in 2027.

GOLDSOURCE MINES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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5. REHABILITATION PROVISION (continued)

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

6. 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 Chief Executive Officer ("CEO"), President, Executive Chairman and Vice President of Finance ("VP Finance"), former Chief Financial Officer ("former CFO"), and directors. Key management personnel compensation is summarized as follows:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Management remuneration ⁽¹⁾	\$ 126,250	\$ 75,750
Directors fees	11,250	9,000
Share-based compensation ⁽²⁾	15,287	-
	<u>\$ 152,787</u>	<u>\$ 84,750</u>

⁽¹⁾ The Company paid management fees to companies controlled by the President and VP Finance and remuneration to the CEO. Remuneration was paid to the former CFO during the three months ended March 31, 2020.

⁽²⁾ Share-based compensation is the vested portion of the fair value at the grant date of stock options awarded to key management personnel.

Legal fees

During the three months ended March 31, 2021, legal fees of \$9,597 (March 31, 2020 – \$10,859), included in professional fees, and capital stock issuance costs of \$Nil (March 31, 2020 – \$85,252) were paid or accrued to Koffman Kalef LLP, a law firm of which an officer of the Company is a partner, of which \$5,872 (December 31, 2020 – \$Nil) was payable at March 31, 2021.

Other transactions

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 three months ended March 31, 2021, the Company was allocated \$27,907 (March 31, 2020 – \$37,378) for its share of these expenses, of which \$33,072 (December 31, 2020 – \$32,849) was payable to SilverCrest at March 31, 2021.

7. 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 March 31, 2021, the Company had 407,247,109 common shares and no preferred shares outstanding.

Three months ended March 31, 2021

The Company issued 16,400,000 common shares at a price of \$0.09 per share for gross proceeds of \$1,476,000 upon the exercise of warrants.

GOLDSOURCE MINES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
FOR THE THREE MONTHS ENDED MARCH 31, 2021

7. CAPITAL STOCK (continued)

Year ended December 31, 2020

The Company issued 16,643,499 common shares at prices ranging from \$0.09 to \$0.12 per common share for gross proceeds of \$1,508,933 upon the exercise of warrants. Accordingly, the Company reallocated \$40,426 from reserves to capital stock.

The Company completed a private placement of 60,026,500 units at a price of \$0.11 per unit for gross proceeds of \$6,602,915. 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 \$0.16 until September 24, 2022. The Company determined that the warrants did not have any residual value. The Company paid cash commissions of \$371,777 and issued 3,571,590 agents' warrants with a total fair value of \$290,708. Each agent warrant is exercisable to acquire one common share at a price of \$0.11 until March 24, 2022. The Company incurred capital stock issuance costs of \$213,992 in connection with the private placement.

Warrants

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

	Three months ended March 31, 2021		Year ended December 31, 2020	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
Outstanding, beginning of period (year)	86,464,612	\$ 0.16	102,980,872	\$ 0.13
Issued	-	-	33,584,840	0.15
Exercised	(16,400,000)	0.09	(16,643,499)	0.09
Expired	(2,000,000)	0.09	(33,457,601)	0.10
Outstanding, end of period (year)	68,064,612	\$ 0.17	86,464,612	\$ 0.16

The warrants outstanding at March 31, 2021 are as follows:

Expiry date	Exercise price	Remaining life (years)	Number of Warrants
April 11, 2021*	\$ 0.20	0.03	31,165,000
April 11, 2021*	\$ 0.12	0.03	3,401,562
March 24, 2022	\$ 0.11	0.98	3,484,800
September 24, 2022	\$ 0.16	1.48	30,013,250
			68,064,612

**Subsequent to March 31, 2021, these warrants expired unexercised.*

The weighted average remaining life of warrants outstanding is 0.72 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.

GOLDSOURCE MINES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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FOR THE THREE MONTHS ENDED MARCH 31, 2021

7. CAPITAL STOCK (continued)

Stock options (continued)

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

	Three months ended March 31, 2021		Year ended December 31, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period (year)	17,450,000	\$ 0.11	16,135,000	\$ 0.13
Issued	-	-	5,425,000	0.13
Expired	(75,000)	0.28	(3,110,000)	0.20
Forfeited	-	-	(1,000,000)	0.17
Outstanding, end of period (year)	17,375,000	\$ 0.11	17,450,000	\$ 0.11

During the three months ended March 31, 2021, no stock options were granted by the Company.

During the year ended December 31, 2020, the Company granted:

- 4,350,000 stock options to directors, officers, and employees that can be exercised at a price of \$0.13 per share until December 10, 2025. These stock options vest immediately except for 50,000, 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.
- 1,000,000 stock options to the CEO of the Company that can be exercised at a price of \$0.125 per share until November 13, 2025. These stock options vest over a three-year period with 33% vesting after each of one year, two years, and three years after the grant date, respectively.
- 75,000 stock options to an employee that can be exercised at a price of \$0.125 per share until November 13, 2025. These stock options vest immediately.

Stock options outstanding and exercisable at March 31, 2021 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
June 15, 2021	\$ 0.17	250,000	0.21	250,000
June 15, 2021	\$ 0.10	200,000	0.21	200,000
June 15, 2021	\$ 0.13	400,000	0.21	400,000
June 15, 2021	\$ 0.06	400,000	0.21	400,000
June 30, 2021	\$ 0.17	50,000	0.25	50,000
June 30, 2021	\$ 0.10	100,000	0.25	100,000
June 30, 2021	\$ 0.13	150,000	0.25	150,000
June 30, 2021	\$ 0.06	150,000	0.25	150,000
February 21, 2022	\$ 0.17	1,175,000	0.90	1,175,000
March 28, 2022	\$ 0.16	500,000	0.99	500,000
May 30, 2022	\$ 0.13	50,000	1.16	50,000
January 31, 2023	\$ 0.10	1,275,000	1.84	1,275,000
January 25, 2024	\$ 0.13	2,850,000	2.82	2,850,000
June 13, 2024	\$ 0.14	450,000	3.21	450,000
November 18, 2024	\$ 0.08	500,000	3.64	500,000
December 23, 2024	\$ 0.06	3,450,000	3.73	3,450,000
November 13, 2025	\$ 0.125	1,075,000	4.62	75,000
December 10, 2025	\$ 0.13	4,350,000	4.70	4,312,500
		17,375,000		16,337,500

The weighted average remaining life of options outstanding is 3.1 years.

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7. CAPITAL STOCK (continued)

Share-based compensation

The fair value of stock options granted and agents' warrants issued during the three months ended March 31, 2020 was estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	Three months ended March 31, 2020
Expected option life (years)	2.00
Expected volatility	137%
Expected dividend yield	-
Risk-free interest rate	0.59%
Expected forfeiture rate	1.00%
Fair value per option	\$ 0.08
Total fair value	\$ 290,708

During the three months ended March 31, 2021, the Company recognized share-based compensation expense of \$17,439, for the vested portion of stock options previously granted during 2020.

During the three months ended March 31, 2020, the Company recognized share-based compensation of \$290,708, for the agents' warrants issued during the period, all of which was considered capital stock issuance costs. The Company also recognized share-based compensation expense of \$12,942 for the vested portion of options previously granted during 2019.

Share-based payment reserve

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

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

	Three months ended March 31, 2021	Year ended December 31, 2020
Balance, beginning of period (year)	\$ 7,018,101	\$ 6,753,121
Share-based compensation	17,439	477,701
Fair value of agents' warrants	-	290,708
Agents' warrants exercised, reallocated to capital stock	-	(40,426)
Stock options expired, reallocated to deficit	(10,413)	(463,003)
Balance, end of period (year)	\$ 7,025,127	\$ 7,018,101

8. CONTINGENCIES

In November 2019, Kilroy received a demand for foregone customs duty and taxes from the Guyana Revenue Agency ("GRA"). The GRA alleges that the joint venture agreement between Kilroy and Stronghold, a wholly owned subsidiary of the Company, has breached the terms of the customs duty and tax exemption granted to Kilroy during 2015 and 2016 on the purchase of mining equipment. The GRA seeks payment of \$422,121 (\$73,056,644 Guyanese dollars). Management believes that these claims are without merit and intends to defend against the claim. Accordingly, the Company has not accrued any amounts related to this claim.

The Company is exposed to legal claims during the normal course of business. Management believes the claims are without merit and do not impact the condensed consolidated interim financial statements.

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9. LEASE LIABILITY

The Company's lease liabilities were as follows:

Lease liability	Three months ended		Year ended
	March 31, 2021		December 31, 2020
Lease liability	\$	90,830	\$ 101,739
Less: current portion		(55,720)	(55,720)
Long-term portion	\$	35,110	\$ 46,019

Changes to the Company's lease liability were as follows:

	Three months ended		Year ended
	March 31, 2021		December 31, 2020
Opening balance	\$	101,739	\$ 140,813
Interest expense		4,190	21,321
Interest paid		(4,190)	(21,321)
Payment of principal portion of lease liabilities		(10,909)	(39,074)
Balance, end period (year)	\$	90,830	\$ 101,739

10. 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
Comprehensive loss			
Three months ended March 31, 2021			
Net loss for the period	\$ 307,816	\$ 1,715,829	\$ 2,023,645
Three months ended March 31, 2020			
Net loss for the period	\$ 172,959	\$ 1,493,073	\$ 1,666,032
Non-current assets			
March 31, 2021			
Deposit	\$ -	\$ 267,968	\$ 267,968
Rent deposit	\$ 36,053	\$ -	\$ 36,053
Mineral property	\$ -	\$ 6,600,694	\$ 6,600,694
Property, plant and equipment	\$ 88,325	\$ 643,659	\$ 731,984
December 31, 2020			
Deposit	\$ -	\$ 271,362	\$ 271,362
Rent deposit	\$ 36,053	\$ -	\$ 36,053
Mineral property	\$ -	\$ 6,600,694	\$ 6,600,694
Property, plant and equipment	\$ 97,788	\$ 641,770	\$ 739,558

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11. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

Financial instruments carrying value and fair value

The Company's financial instruments consist of cash and cash equivalents, deposits, and accounts payable and accrued liabilities. The carrying value of 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 and is measured at amortized cost.

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

	Amortized cost		Amortized cost		Total
	(financial assets)		(financial liabilities)		
March 31, 2021					
Financial assets					
Cash and cash equivalents	\$	3,507,622	\$	-	\$ 3,507,622
Amounts receivable		32,202		-	32,202
Total financial assets	\$	3,539,824	\$	-	\$ 3,539,824
Financial liabilities					
Accounts payable and accrued liabilities	\$	-	\$	380,655	\$ 380,655
Lease liability		-		90,830	90,830
Total financial liabilities	\$	-	\$	471,485	\$ 471,485
December 31, 2020					
Financial assets					
Cash and cash equivalents	\$	4,052,594	\$	-	\$ 4,052,594
Amounts receivable		38,177		-	38,177
Total financial assets	\$	4,090,771	\$	-	\$ 4,090,771
Financial liabilities					
Accounts payable and accrued liabilities	\$	-	\$	365,183	\$ 365,183
Lease liability		-		101,739	101,739
Total financial liabilities	\$	-	\$	466,922	\$ 466,922

12. SUBSEQUENT EVENTS

Subsequent to March 31, 2021:

- On May 20, 2021, the Company completed a private placement of 115,000,000 units at a price of \$0.11 per unit for gross proceeds of \$12,650,000. 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 \$0.14 until May 20, 2023. The Company paid cash commissions of \$729,000, and issued 3,307,170 agents' warrants. Each agent warrant is exercisable to acquire one common share at a price of \$0.11 until May 20, 2023;
- 34,566,562 warrants with exercise prices ranging from of \$0.12 to \$0.20 expired unexercised; and
- The Company issued 250,000 common shares at prices ranging from \$0.06 to \$0.10 per common share for gross proceeds of \$19,000 upon the exercise of options.