



Goldsource Proposes Merger with Coal Gasification Technology Company - Prepares For Summer Drill Program

TSX-V: GXS

FWB: G5M

For Immediate Release

VANCOUVER, B.C. July 11, 2011 – Goldsource Mines Inc. (“Goldsource” or the “Company”) and Zero Emission Energy Plants Ltd (ZEEP) are pleased to report that they have entered into a binding Letter of Intent (“LOI”) for a business combination (the “Transaction”) whereby the two companies would merge.

Goldsource is a publicly listed Canadian resource company engaged in the exploration and development of Canada’s newest coal field in the province of Saskatchewan. Goldsource is responsible for recently identifying one of Canada’s most promising new coal deposits, in Eastern Saskatchewan and to date has outlined coal resources of more than 170 million tonnes of good quality, sub-bituminous thermal coal (see below for categories). Headquartered in Vancouver, BC, the Company is managed by experienced mining and business professionals.

ZEEP is a private Bermuda company at arm’s length to the Company with worldwide rights to a leading and state of the art gasification technology developed by the Pratt & Whitney Rocketdyne (“PWR”) division of United Technologies Inc.. The technology is able to convert heavy hydrocarbons, such as the Goldsource coal, into clean transportation fuels and chemicals while largely eliminating pollutants. Industry has used gasification technology and equipment to transform heavy hydrocarbons for nearly 50 years, but the PWR technology eliminates virtually all of the issues commonly encountered with the older generation equipment. The PWR technology has undergone extensive testing at a pilot plant located in Chicago, Illinois that has been supported by the US Department of Energy, Alberta Energy Research Inc. (AERI) and ExxonMobil. ZEEP has partnered with PWR in the advancement of the new technology and as the commercialization partner, is exploring opportunities for installations of the technology around the world. ZEEP is managed by a team of professionals with extensive experience in gasification technologies and the acquisition and development of large energy projects. ZEEP has offices in Houston, Calgary, Beijing China and Sydney Australia. (for further information please go to www.ZEEP.com)

Letter of Intent

The obligations of Goldsource and ZEEP to complete the Transactions contemplated in the LOI will be subject to, among other things, negotiation of definitive documentation (the “Transaction Documents”) which will contain the terms and conditions set out in the letter agreement and such other terms and conditions as are customary for transactions of the nature contemplated by the LOI.

Pursuant to the LOI, the parties will complete the Transaction on the basis that for each Goldsource common share a Goldsource shareholder will receive 1.2727 shares of the combined entity (“NEWCO”) and each ZEEP shareholder will receive one share for each of their ZEEP shares. NEWCO will have approximately 154.8 million shares issued and outstanding and approximately 183.0 million shares on a fully diluted basis after giving effect to a financing of US\$10 million to be completed by ZEEP prior to closing of the Transaction. Goldsource and ZEEP shareholders will hold approximately 23.4% and 76.6% respectively of NEWCO.

The contemplated Transaction will be classified as a reverse take-over under the policies of the TSX Venture Exchange and will be subject to a number of conditions including, but not limited to, receipt of all required regulatory approvals, the receipt of a fairness opinion, board of directors and shareholder approval and the completion of such due diligence as necessary to satisfy each of Goldsource and ZEEP as to their respective financial condition, assets, corporate records, business operations and any other affairs of the other party deemed necessary. ZEEP will also be continued under the Business Corporations Act (Alberta) and be required to complete a financing of approximately US\$10 million from arm’s-length third party investors.

Trading in the Company’s shares will be halted on the TSX Venture Exchange until the conditions required by the TSX-Venture Exchange for reinstatement of trading have been met. The parties have agreed to complete the requirements for

reinstatement of trading on the TSX Venture Exchange in a timely fashion so that trading of Goldsource shares may resume. The target date for completion of the Transaction is expected to occur in the fourth quarter of 2011 following a meeting of the Goldsource shareholders.

J. Scott Drever, President of Goldsource stated; “We are extremely pleased with this proposed combination in that gives Goldsource shareholders an excellent opportunity to have the real value of our Saskatchewan coal resources recognized. We are aware that monetizing the value of this our coal assets is a significant challenge and now Goldsource will be able to achieve this by combining our coal resource with the best, new clean energy technologies currently available in the industry.” He also went on to say that, “the combination of Goldsource and ZEEP will also provide Goldsource shareholders with participation in a number of clean energy, project developments through a truly world class management team with the capabilities to complete the development of our mine and construct a major clean energy center in Saskatchewan as well as in many other locations around the world.”

Ron Oligney, CEO of ZEEP, stated that he’s also excited by the combination of the two Companies. “The combination of PWR’s game changing gasification technology and Goldsource’s promising Saskatchewan coal resource will allow us to create one of the world’s best industrial clean-tech stories”. He went on to say, “The management team at ZEEP has long believed that with the right application of technologies like the PWR gasifier, heavy hydrocarbons like coal, petroleum coke and biomass can be a significant portion of our energy supply mix in the future. Coal is one of the world’s most abundant forms of energy and there’s nothing wrong with using it as long as we apply the innovation that allows it to be used in an environmentally friendly manner. He went on to say, “with the Goldsource coal, and the use of the PWR gasification technology the merged company can become a leader in the advancement of clean coal energy projects.”

Completion of the transaction is subject to a number of conditions, including Exchange acceptance and disinterested shareholder approval. The transaction cannot close until the required Shareholder approval is obtained. There can be no assurance that the transaction will be completed as proposed or at all. Investors are cautioned that, except as disclosed in the Management Information Circular to be prepared in connection with the transaction, any information released or received with respect to the reverse take-over may not be accurate or complete and should not be relied upon. Trading in the securities of the Company should be considered highly speculative. The TSX Venture Exchange has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this press release.

2011 Drill Programs

Goldsource is also pleased to report that preparation is underway for its summer drill program to commence in August at its wholly-owned Border Project (“Border”) located near Hudson Bay, Saskatchewan. The purpose of the summer program will be to test several geophysical anomalies for potential expansion of its coal resources. A second phase will be to collect a bulk coal sample for a variety of test work with respect to coal-to-liquids, gasification, power plant application and upgrading of the coal for transport will likely be carried out after freeze-up once the scope of test work for the ZEEP technology is determined.

The first part of the program will consist of 5 to 10 core holes (near road and helicopter-supported) to test 3 significant geophysical anomalies which have been identified using the Company’s proprietary proven Coal Identification Matrix (CIM). One target is approximately 5 km by 5 km and may contain a large coal resource near road and rail. The other 2 targets are both greater than 1 km by 1 km with potential to contain significant coal resources. Please see attached map for target and drill hole locations.

The second part of the program will consist of approximately 10-20 large diameter core holes to collect a representative bulk coal sample for test work at various labs and the ZEEP pilot plant. This test work will provide additional quality information with respect to its usage for coal to liquids, gasification, power plant application or upgrading for transport. The most feasible technology for the Border coal at this point appears to be coal to liquids or gasification.

The Company’s resource estimates were recently revised as part of the Preliminary Assessment completed by Marston Consultants and EBA Engineering Consultants Ltd (a Tetra Tech company). The Company expects to increase the overall tonnages and upgrade the resources in the speculative and inferred categories with the upcoming drill program. The addition of the Niska 105 deposit accounted for much of the increase to the speculative category but airborne gravity surveys shows that the target is much larger than initially believed and that the single coal intercept of 37 metres was near to the northeastern end of the deposit. There are a number of priority targets yet to be tested that could add to the overall resource base of the area.

Coal Resources at the Border Project

Category	2011 Tonnes
Indicated	79,161,000
Inferred	33,003,000
Speculative	61,183,000

Applications have been submitted to the Ministry of Energy and Resources, Saskatchewan for conversion of existing coal exploration permits to coal leases which can be maintained by paying annual lease rentals of \$5.5 per hectare. The leases will have an initial term of 15 years. The Company has applied to retain approximately 56,000 hectares under lease which will cover all current coal resources, exploration targets and road and rail infrastructure.

N. Eric Fier, CPG, P.Eng. and Qualified Person for this news release has reviewed and approved its contents.

Goldsource Mines Inc. is a Canadian resource company engaged in the exploration and development of Canada's newest coal field in the province of Saskatchewan. The Company has aggressively drilled only a portion of this new thermal coal field and has discovered 17 coal deposits of varying size with coal zone thicknesses up to 126 meters within the permit area of the Border Coal Project. Headquartered in Vancouver, BC, the Company is managed by experienced mining and business professionals.

This news release contains forward-looking statements, which address future events and conditions, which are subject to various risks and uncertainties. The Company's actual results, programs and financial position could differ materially from those anticipated in such forward-looking statements as a result of numerous factors, some of which may be beyond the Company's control. These factors include: the availability of funds; the timing and content of work programs; results of exploration activities and development of mineral properties, the interpretation of drilling results and other geological data, the uncertainties of resource and reserve estimations, receipt and security of coal permits and mineral property titles; project cost overruns or unanticipated costs and expenses, fluctuations in commodity product prices; currency fluctuations; and general market and industry conditions. Forward-looking statements are based on the expectations and opinions of the Company's management on the date the statements are made. The assumptions used in the preparation of such statements, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.

"J. Scott Drever"

**J. Scott Drever, President
GOLDSOURCE MINES INC.**

Contact: Fred Cooper
Telephone: (604) 694-1760
Fax: (604) 694-1761
Toll Free: 1-866-691-1760 (Canada & USA)
Email: info@goldsourcemines.com
Website: www.goldsourcemines.com
570 Granville Street, Suite 501
Vancouver, British Columbia V6C 3P1

Neither TSX Venture Exchange nor its Regulation Services Provider (as defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.