



**INTERIM FINANCIAL STATEMENTS**  
*(Unaudited – Prepared by Management)*

**SEPTEMBER 30, 2009**  
**THIRD QUARTER**

***Notice of no Auditor review of Financial Statements.***

*The accompanying unaudited financial statements of the company have been prepared by and are the responsibility of the company's management.*

*The company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.*

**GOLDSOURCE MINES INC.**  
**BALANCE SHEETS**  
(Unaudited - Prepared by Management)

	<b>September 30, 2009</b>	<b>December 31, 2008</b> (audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 650,588	\$ 2,757,014
Short term investments (Note 5)	5,003,082	11,723,757
Amounts receivable and prepaid expenses	<u>207,174</u>	<u>235,327</u>
	5,860,844	14,716,098
<b>Equipment</b> (Note 6)	62,817	-
<b>Mineral properties</b> (Note 7)	14,189,642	5,423,156
<b>Advance receivable</b> (Note 8)	<u>79,820</u>	<u>403,375</u>
	\$ 20,193,123	\$ 20,542,629
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<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ <u>556,871</u>	\$ <u>732,854</u>
<b>Shareholders' equity</b>		
Share capital (Note 10)	25,142,269	24,851,469
Contributed surplus (Note 10)	7,560,304	6,398,051
Deficit	<u>(13,066,321)</u>	<u>(11,439,745)</u>
<b>Total shareholders' equity</b>	<u>19,636,252</u>	<u>19,809,775</u>
	\$ 20,193,123	\$ 20,542,629

*Nature of operations (Note 1)*  
*Subsequent events (Note 13)*

**On behalf of the Board:**

\_\_\_\_\_  
*"J. Scott Drever"*  
**Director**

\_\_\_\_\_  
*"Graham C. Thody"*  
**Director**

**GOLDSOURCE MINES INC.**STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS and DEFICIT  
(Unaudited - Prepared by Management)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2009	2008	2009	2008
<b>EXPENSES</b>				
Administrative services	\$ 13,470	\$ 11,400	\$ 53,473	\$ 33,300
Insurance	15,052	15,978	50,451	23,691
Investor relations	46,214	7,000	93,225	9,111
Management fees (Note 9)	30,000	22,500	90,000	67,500
Office and general	33,661	6,217	65,138	10,833
Professional fees (Note 9)	29,928	53,083	135,456	137,678
Rent and communications	15,223	7,118	29,182	19,481
Shareholder communications	11,703	9,900	44,259	19,943
Stock based compensation (Note 11)	395,450	74,125	1,118,786	293,625
Trade shows and conferences	576	2,747	33,054	5,495
Transfer agent and regulatory fees	2,591	2,047	20,719	14,205
Travel and related costs	31,670	17,382	41,109	19,980
<b>Loss before other items</b>	<u>(625,538)</u>	<u>(229,497)</u>	<u>(1,774,852)</u>	<u>(654,842)</u>
<b>Other items</b>				
Foreign exchange loss	(153)	-	(452)	-
Interest income	4,379	107,027	148,728	172,054
Write-off of mineral property expenditure	-	(4,596,930)	-	(4,596,930)
<b>Loss before future tax recovery</b>	<u>(621,312)</u>	<u>(4,719,400)</u>	<u>(1,626,576)</u>	<u>(5,079,718)</u>
Future income tax recovery	-	643,316	-	643,316
<b>Net and comprehensive loss for the period</b>	<u>(621,312)</u>	<u>(4,076,084)</u>	<u>(1,626,576)</u>	<u>(4,436,402)</u>
DEFICIT, beginning of the period	<u>(12,445,009)</u>	<u>(6,821,484)</u>	<u>(11,439,745)</u>	<u>(6,461,166)</u>
<b>DEFICIT, end of the period</b>	<u>\$ (13,066,321)</u>	<u>\$ (10,897,568)</u>	<u>\$ (13,066,321)</u>	<u>\$ (10,897,568)</u>
Loss per share, basic and diluted	\$ (0.03)	\$ (0.21)	\$ (0.08)	\$ (0.24)
Weighted average number of shares outstanding	19,754,616	19,310,442	19,426,791	18,284,203

See accompanying notes

**GOLDSOURCE MINES INC.**  
**STATEMENTS OF CASH FLOW**  
(Unaudited – Prepared by Management)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2009	2008	2009	2008
<b>OPERATING ACTIVITIES</b>				
Loss for the period	\$ (621,312)	\$ (4,076,084)	\$ (1,626,576)	\$ (4,436,402)
Stock based compensation	395,450	74,125	1,118,786	293,625
Accrued interest income	(3,082)	(73,555)	(3,082)	51,664
Future income tax recovery	-	(643,316)	-	(643,316)
Write-off of mineral property expenditures	-	4,596,930	-	4,596,930
Changes in operating assets and liabilities				
Amounts receivable and prepaid expenses	184,246	(156,689)	28,153	(182,150)
Refundable permit applications	-	(3,200,000)	-	(3,200,000)
Accounts payable and accrued liabilities	38,530	(50,831)	(128,560)	29,174
<b>Cash used in operating activities</b>	<u>(6,168)</u>	<u>(3,529,420)</u>	<u>(611,279)</u>	<u>(3,490,475)</u>
<b>FINANCING ACTIVITIES</b>				
Issuance of share capital for cash	3,800	2,700	123,050	18,006,850
Share issuance costs, net of non-cash items	-	(22,765)	-	(1,142,813)
<b>Cash provided by (used in) financing activities</b>	<u>3,800</u>	<u>(20,065)</u>	<u>123,050</u>	<u>16,864,037</u>
<b>INVESTING ACTIVITIES</b>				
Redemption (acquisition) of short term investments, net (Note 5)	(5,000,000)	3,110,000	6,723,757	(8,350,000)
Recovery (advance) on drilling contract	-	96,625	323,555	(403,375)
Purchase of equipment	(9,124)	-	(74,070)	-
Mineral property expenditures, excluding non-cash items	(1,727,592)	(760,705)	(8,591,439)	(4,509,016)
<b>Cash provided by (used in) investing activities</b>	<u>(6,736,716)</u>	<u>2,445,920</u>	<u>(1,618,197)</u>	<u>(13,262,391)</u>
<b>Increase (decrease) in cash</b>	(6,739,084)	(1,103,565)	(2,106,426)	111,171
Cash, beginning of period	7,389,672	1,224,361	2,757,014	9,625
<b>Cash, end of period</b>	<u>\$ 650,588</u>	<u>\$ 120,796</u>	<u>\$ 650,588</u>	<u>\$ 120,796</u>

**Supplemental disclosure with respect to cash flows (Note 12)**

See accompanying notes

**1. NATURE OF OPERATIONS**

Goldsources Mines Inc. (the "Company") is subject to the jurisdiction of the Province of British Columbia pursuant to the British Columbia Business Corporations Act.

The Company is in the process of exploring its coal properties and has not yet identified a commercial resource. The recoverability of the carrying values of coal properties is dependent upon the discovery of an economically recoverable resource and the Company obtaining the necessary financing to complete exploration, development and construction of processing facilities, obtaining government approvals and attaining future profitable production of the mineral resources.

These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern and do not reflect adjustments related to the carrying values and balance sheet classification of assets and liabilities that would be necessary, were the going concern assumption inappropriate.

**2. SIGNIFICANT ACCOUNTING POLICIES****Mineral properties**

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be impairment in value. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production. Mineral properties which are sold before they reach the production stage will have all proceeds from the sale credited against the cost of the property. Properties which have reached the production stage before being sold will have a gain or loss calculated based on the portion of that property sold.

The recorded cost of mineral properties is based on cash paid, the value of share considerations and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependent on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

**Equipment and depreciation**

Equipment is recorded at cost and depreciated over its estimated useful life using the straight line method at the following annual rates:

Equipment and furniture	5 years
Field equipment	5 years
Computer hardware	3 years
Computer software	2 years
Vehicles	5 years

**Cash and Short term investments**

Short term investments comprise highly liquid Canadian dollar denominated guaranteed investment certificates with terms to maturity of greater than ninety days but no more than one year.

Short term investments are carried at the lower of cost or recoverable amount.

**Use of estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)****Stock based compensation plan**

The Company accounts for stock based compensation using the fair value based method with respect to all stock based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this method, stock based payments are recorded as an expense or capitalized to mineral costs over the vesting period or when the awards or rights are granted, with a corresponding increase to contributed surplus. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to share capital.

**CHANGES IN ACCOUNTING POLICIES**

Effective January 1, 2009, the Company adopted the new CICA issued Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Other Intangible Assets". This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard did not have a material impact on the Company's interim consolidated financial statements.

**Credit Risk and the Fair Value of Financial Assets and Financial Liabilities - EIC-173**

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This abstract provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this abstract did not have a material impact on the Company's interim consolidated financial statements.

**Mining Exploration Costs - EIC-174**

In March 2009, the Emerging Issues Committee of the CICA issued EIC-174, Mining Exploration Cost. This abstract provides guidance on the accounting and the impairment review of capitalized exploration costs. The adoption of this abstract did not have a material impact on the Company's interim consolidated financial statements.

**FUTURE ACCOUNTING POLICIES****International Financial Reporting Standards ("IFRS")**

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company is currently evaluating the future impact of IFRS on its financial statements and will continue to invest in training and additional resources to ensure a timely conversion.

**3. MANAGEMENT OF CAPITAL**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties. The Company considers as its capital its shareholders' equity.

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

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets which are revised periodically based on the results of its exploration programs, availability of financing and industry conditions. Annual and materially updated budgets are approved by the Board of Directors'.

**3. MANAGEMENT OF CAPITAL (continued)**

There are no external restrictions on management of capital.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest any excess cash in liquid short term interest-bearing instruments. When utilized, these instruments are selected with regard to the expected timing of expenditures from continuing operations. The Company currently has sufficient capital resources to meet its planned operations and administrative overhead expenses through its current operating period. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activities. The Company believes it will be able to raise capital as required in the long term, but recognizes there will be risks involved that may be beyond its control.

**4. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT**

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

**a. Capital Risk Management**

The Company manages its capital to safeguard the Company's ability to continue as a going concern, to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company considers the items included in the shareholder's equity as capital. The Company manages the capital structure and makes adjustment to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets, incur debt, or return capital to shareholders. As of September 30, 2009 the Company did not have any debt and is not subject to externally imposed capital requirements.

**b. Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient cash balances to meet current working capital requirements. The Company is considered to be in the exploration stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is invested in business accounts with quality financial institutions and which is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

**c. Credit Risk**

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash, short term investments and amounts receivable. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and short term investments with high-credit quality financial institutions.

The majority of the Company's cash and short term investments are held with major Canadian based financial institutions.

**d. Interest Rate Risk**

The Company's exposure to interest rate risk arises from the interest rate impact on its cash and cash equivalents. The Company's practice has been to invest cash at floating rates of interest, in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash as they are generally held with large financial institutions. A 1% change in the market interest rates would not have a significant effect on the Company's loss and comprehensive loss for the period.

**GOLDSOURCE MINES INC.****NOTES TO THE FINANCIAL STATEMENTS**

For the nine month period ended September 30, 2009

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**5. SHORT TERM INVESTMENTS**

Short term investments comprise highly liquid Canadian dollar denominated guaranteed investment certificates with term to maturity of greater than 90 days but not more than one year. Short term investments are carried at the lower of cost or recoverable amount. The counter-parties include Canadian based financial institutions. At September 30, 2009 the investments were yielding an interest rate of 0.5% with a maturity of August 16, 2010.

The fair market value of the Company's short term investments approximate their carrying value at the balance sheet dates.

**6. EQUIPMENT**

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>September 30, 2009 Net Book Value</b>	<b>December 31, 2008 Net Book Value</b>
Equipment and furniture	\$ 9,953	498	9,455	\$ -
Field equipment	33,424	4,343	29,081	-
Computer hardware	2,300	575	1,725	-
Computer software	11,893	4,187	7,706	-
Vehicles	16,500	1,650	14,850	-
	<u>\$ 74,070</u>	<u>11,253</u>	<u>62,817</u>	<u>\$ -</u>

During the nine month period ended September 30, 2009 depreciation of \$11,253 was capitalized to mineral property expenditures.

**7. MINERAL PROPERTIES**

By agreement ("MPI Agreement") dated April 12, 2006 and amended May 1 and May 15, 2008 with Minera Pacific Inc., ("Minera") the Company acquired the exclusive rights to use certain information generated from Minera's proprietary UMSERT Methodology which will assist the Company in identifying areas in Saskatchewan and Manitoba that may be prospective for minerals.

In order to maintain the exclusive rights to use the Information, the Company agreed to pay staged cash payments over a period of two years to Minera totalling \$160,000 (\$160,000 paid) and issue a total of 325,000 common shares of the Company (250,000 shares issued) over a period of four years and, by the end of the fifth year, pay an additional \$500,000 or issue 250,000 common shares, whichever is the lesser, as determined by the Company in its sole discretion. The next payment is due on or before April 12, 2010 and consists of the issuance of 75,000 common shares.

The Company has also agreed to pay to Minera \$1,000,000 (Feasibility Payment) in the event that the Company completes an independent feasibility study on any property acquired by the Company as a result of the UMSERT Methodology. The Company has agreed to make non-refundable payments to Minera of \$100,000 in each of the third (\$100,000 paid), fourth and fifth years from the effective date of the Agreement as advances against the Feasibility Payment. Minera is further entitled to receive a 2% gross overriding royalty ("GOR") on commercial production from any such property, and the Company is entitled at any time to purchase one-half of the GOR for \$2,000,000. The next payment of \$100,000 is due on or before April 12, 2010.

The Agreement may be terminated by the Company at any time upon written notice to Minera, in which case Minera may elect to receive an assignment of any properties acquired by the Company as a result of the UMSERT Methodology.

By amendments dated May 1 and May 15, 2008, the MPI Agreement was extended whereby MPI will use its ability, knowledge and technical methodology to assist the Company in locating properties in other areas in Saskatchewan and Manitoba which may be prospective for minerals. In consideration for this, the Company agreed to pay MPI \$100,000 for each property area acquired by the Company, payable as to \$25,000 within 30 days of the date of acquisition of the first property and a further \$75,000 on the first anniversary of the initial payment on condition that the Company continues to hold at that time a property within such area.

**(a) Border Property**

The Company has received coal permits on 128,352 hectares located in Saskatchewan.

**(b) Ballantyne Property**

The Company has received coal permits on 184,496 hectares located in Saskatchewan.



**GOLDSOURCE MINES INC.**
**NOTES TO THE FINANCIAL STATEMENTS**

For the nine month period ended September 30, 2009

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**7. MINERAL PROPERTIES (continued)**
**(c) Manitoba Properties**

The Company has applied for Quarry Coal Permits comprised of several properties located in the Province of Manitoba. \$1,219,183 has been deposited with the Province of Manitoba in connection with the applications.

September 2009	Saskatchewan		Manitoba	Total 2009
	Border Property	Ballantyne Property	Manitoba Properties	
Balance, December 31, 2008	\$ 3,795,566	\$ 215,913	\$ 1,411,677	\$ 5,423,156
Additions:				
Acquisition and holding costs:				
Acquisition costs	201,250	-	-	201,250
Permit application and holding costs	124,752	7,500	(188,244)	(55,992)
Exploration expenditures:				
Air charter	571,510	-	-	571,510
Assays and laboratory	148,637	-	-	148,637
Camp rental	497,361	-	-	497,361
Drilling	2,644,649	-	156,244	2,800,893
Fuel	266,357	-	116	266,473
Geophysical services	527,347	131,001	368,544	1,026,892
Operations and general	629,921	-	6,891	636,812
Personnel and related costs	496,475	-	682	497,157
Roads and pad construction	553,024	-	-	553,024
Site support	1,115,027	-	5,920	1,120,947
Stock based compensation	109,967	-	-	109,967
Technical consultants	317,881	5,000	15,000	337,881
Transport	53,674	-	-	53,674
Subtotal	8,257,832	143,501	365,153	8,766,486
Balance, September 30, 2009	\$12,053,398	\$ 359,414	\$ 1,776,830	\$ 14,189,642

2008	Saskatchewan				Manitoba	Total 2008
	Border Property	Ballantyne Property	Big River Property	Crossroads Property	Manitoba Properties	
Balance, December 31, 2007	\$ 708,207	\$ -	\$ 3,282,255	\$ 93,327	\$ -	\$ 4,083,789
Additions:						
Acquisition and holding costs:						
Acquisition costs	43,875	-	-	43,875	-	87,750
Permit application and holding costs	147,633	215,913	-	-	1,407,427	1,770,973
Exploration expenditures:						
Air charter	381,637	-	-	-	-	381,637
Assays and laboratory	23,411	-	14,346	-	-	37,757
Drilling	272,000	-	307,745	212,287	-	792,032
Geophysical services	110,398	-	16,107	-	-	126,505
Operations and general	12,305	-	4,415	330	4,250	21,300
Personnel and related costs	12,512	-	-	-	-	12,512
Roads and pad construction	1,216,716	-	192,310	217,576	-	1,626,602
Site support	388,685	-	192,310	-	-	580,995
Stock-based compensation	77,000	-	-	-	-	77,000
Technical consulting and services	401,187	-	21,929	2,618	-	425,734
	3,087,359	215,913	749,162	476,686	1,411,677	5,940,797
Subtotal	3,795,566	215,913	4,031,417	570,013	1,411,677	10,024,586
Mineral property expenditures written off	-	-	(4,031,417)	(570,013)	-	(4,601,430)
Balance December 31, 2008	\$ 3,795,566	\$ 215,913	\$ -	\$ -	\$ 1,411,677	\$ 5,423,156

**GOLDSOURCE MINES INC.****NOTES TO THE FINANCIAL STATEMENTS**

For the nine month period ended September 30, 2009

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**8. ADVANCE RECEIVABLE**

The Company advanced \$500,000 as a deposit on a drilling contract during the year ended December 31, 2008. The advance was applied on a usage basis to drilling contracts and consequently has been recorded as a long term asset. The advance is due on demand and is secured by a registered charge on certain equipment.

	September 30, 2009	December 31, 2008
Balance, beginning of period	\$ 403,375	\$ -
Advance on drilling contract	-	500,000
Less amounts recovered	(323,555)	(96,625)
Balance, end of period	\$ 79,820	\$ 403,375

**9. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$90,000 (2008 - \$67,500) for management fees to a company owned by an officer and director of the company.
- b) Paid or accrued \$67,421 (2008 - \$91,968) for legal fees which were included in professional fees and \$Nil (2008 - \$59,461) for share issue costs paid to a law firm of which an officer of the Company is a partner.

Included in accounts payable and accrued liabilities at September 30, 2009 is \$9,664 (2008 - \$2,804) due to a law firm of which an officer of the company is a partner.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**10. SHARE CAPITAL AND CONTRIBUTED SURPLUS****Authorized**

Unlimited number of common shares without nominal or par value

Unlimited Class A preference shares without nominal or par value (none outstanding)

Unlimited Class B preference shares without nominal or par value (none outstanding)

Issued and fully paid - common shares	Share Capital		Contributed Surplus
	Number	Amount	Amount
<b>December 31, 2007</b>	17,698,181	\$ 8,918,024	\$ 4,779,299
Issuance pursuant to acquisition of Mineral Properties	75,000	12,750	-
Issuance pursuant to exercise of stock options	31,500	23,990	(8,640)
Issuance pursuant to private placement	1,532,000	18,001,000	-
Share issuance costs	-	(2,104,295)	961,483
Stock-based compensation	-	-	665,909
<b>December 31, 2008</b>	19,336,681	\$ 24,851,469	\$ 6,398,051
Issuance pursuant to acquisition of Mineral Properties	75,000	101,250	-
Issuance pursuant to exercise of stock options	347,500	189,550	(66,500)
Stock-based compensation	-	-	1,228,753
<b>September 30, 2009</b>	19,759,181	\$ 25,142,269	\$ 7,560,304

**GOLDSOURCE MINES INC.****NOTES TO THE FINANCIAL STATEMENTS**

For the nine month period ended September 30, 2009

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**10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

In the nine month period ended September 30, 2009, 347,500 stock options were exercised for cash proceeds of \$123,050. As a result, \$66,500 was transferred to capital stock from contributed surplus.

**December 31, 2008**

On June 27, 2008 the Company issued 1,532,000 common shares pursuant to a private placement, at a price of \$11.75 per share for gross proceeds of \$18,001,000. The Agent received a cash commission of \$980,060 plus a reimbursement of \$58,009 for legal and other expenses relating to the private placement. In addition the Agent was granted a non-transferable compensation warrant entitling the Agent to purchase up to 91,920 common shares of the Company at an exercise price of \$13.80 per share until June 27, 2009. The compensation warrants expired unexercised. The fair value of the Agent's compensation warrants, calculated using the Black Scholes method, of \$961,483 was allocated to share issuance costs and contributed surplus.

**11. STOCK OPTIONS AND WARRANTS****Stock options**

The Company has a stock option plan under which it is authorized to grant stock options to executive officers and directors, employees and consultants enabling them to acquire issued and outstanding common stock of the Company. The exercise price of each option equals the market price of the Company's stock as calculated on the date of the grant. The options can be granted for a maximum term of 10 years and certain options to employees and consultants vest over periods of time, determined by the board of directors. On May 22, 2009 the Company adopted a new stock option plan which in effect changed the stock option plan from a "rolling 10%" plan to a "fixed number" plan, where a maximum of 3,850,000 common shares are reserved for issuance.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
As at December 31, 2007	1,200,000	\$0.71
Issued	805,000	\$1.43
Exercised	(31,500)	\$0.49
<b>Balance December 31, 2008</b>	<b>1,973,500</b>	<b>\$1.01</b>
Issued	1,475,000	\$1.33
Exercised	(347,500)	\$0.35
Cancelled	(37,500)	\$0.38
<b>Balance September 30, 2009</b>	<b>3,063,500</b>	<b>\$1.05</b>
<b>Exercisable at September 30, 2009</b>	<b>1,839,750</b>	<b>\$0.89</b>

Number of Shares	Exercise Price	Expiry Date
100,000	\$0.30	December 08, 2009
793,500	\$0.90	December 23, 2010
445,000	\$0.38	April 23, 2013
100,000	\$1.33	June 02, 2013
100,000	\$1.33	October 9, 2013
50,000	\$1.50	December 15, 2013
1,475,000	\$1.33	May 22, 2014
<b>3,063,500</b>		

**GOLDSOURCE MINES INC.**

## NOTES TO THE FINANCIAL STATEMENTS

For the nine month period ended September 30, 2009

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**11. STOCK OPTIONS AND WARRANTS (continued)****Warrants**

No share purchase warrant transactions occurred during the nine month period ended September 30, 2009. At September 30, 2009 there are no share purchase warrants outstanding enabling holders to acquire common shares.

**Stock Based Compensation**

The total stock based compensation recognized during the nine month period ended September 30, 2009 under the fair value method was \$1,986,541 (2008 - \$670,250). The weighted average fair value per option granted during the period was \$1.16 (2008 - \$1.02). The Company expensed \$1,118,786 (2008 - \$293,625) and capitalized \$109,967 (2008 - \$Nil) as mineral property expenditures, leaving an unamortized balance of \$757,788 (2008 - \$376,625). The following weighted average assumptions were used for the Black-Scholes valuation of stock options and agent's compensation warrants.

September 30	2009	2008
Risk-free interest rate	1.51%	3.17%
Expected dividend rate	-	-
Expected life (years)	3.1years	3.4 years
Expected volatility	176%	140%

**12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Significant non-cash transactions for the Company for the 9 months ended September 30, 2009 were as follows:

- The Company recorded a value of \$1,228,753 for stock options vested in the period in contributed surplus.
- The Company recorded a value of \$66,500 from contributed surplus to capital stock due to the exercise of stock options.
- Included in mineral properties is \$101,250 incurred by the issuance of common shares pursuant to a property agreement.
- Included in mineral properties is \$427,671 which relates to accounts payable and accrued liabilities for the period.

Significant non-cash transactions for the Company for the 9 months ended September 30, 2008 were as follows:

- The Company recorded a value of \$293,625 for stock options vested in the period in contributed surplus.
- The Company recorded a value of \$961,483 for agent warrants pursuant to the private placement in capital stock and contributed surplus.
- The Company recorded a value of \$3,640 from contributed surplus to capital stock due to the exercise of stock options.
- Included in mineral properties is \$12,750 incurred by the issuance of common shares pursuant to a property agreement.
- Included in mineral properties is \$501,580 which relates to accounts payable and accrued liabilities for the period.

**13. SUBSEQUENT EVENTS**

- On October 13, 2009 the Company paid \$50,000 to Minera Pacific Inc. pursuant to the MPI Agreement for the acquisition of two properties (Note 7).
- On October 30, the Company received 8 quarry coal permits from the Manitoba Mines Branch totaling approximately 44,670 hectares (Note 7).
- The Company granted 25,000 incentive stock options to a consultant with an exercise price of \$1.58 until November 19, 2014.

**GOLDSOURCE MINES INC.**

NOTES TO THE FINANCIAL STATEMENTS

For the nine month period ended September 30, 2009

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**14. COMPARATIVE FIGURES**

Certain financial statement line items from prior periods have been reclassified to conform with the current period's presentation. These reclassifications had no effect on the net loss and accumulated deficit as previously reported.