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Source Enters Into Letter of Intent for Capricho Gold – Silver - Copper Property, Sinaloa, Mexico

SOURCE EXPLORATION CORP. (the “Corporation” or “Source”) (SOP: TSX-V) today announced that its 100 % owned Mexican subsidiary Roca Verde Exploration de Mexico has entered into a Letter of Intent with Empresa Minera Caprice, JC, S.A. de C.V. (EMC) to enter into an option agreement to acquire EMC’s Capricho mineral exploration concessions located in Sinaloa, Mexico (the "Option"). The Capricho concessions (the "Project") are host to high – grade gold, silver and copper mineralization contained within iron – skarn units and mineralized shear zones.

The Capricho concessions are located in northeastern Sinaloa, Mexico, approximately 120 kms. from Culiacan. The Project is readily accessible by a paved highway, and is comprised of three mining concessions totalling approximately 652 hectares. The existing concessions are currently being mined for free gold by artisan miners using hammers, picks and shovels. No previous drilling has been done on the concessions.

Brian E. Robertson, President and CEO, stated, “Acquiring such a high impact project is testament to the advantages in expertise and relationships that we enjoy in Mexico. Capricho is an ideal technical complement to our established portfolio of Mexican projects. The fact that no previous drilling has been performed on this Property that is host to multiple showings of impressive free gold suggests good potential to identify high- grade, high tonnage gold mineralization. We will be commencing a diamond drilling program at Capricho at the earliest possible date.”

Visible gold, much of it occurring as free gold, is found in the contact - metamorphosed sediments and underlying granodiorite intrusive. The free gold is also found in shear zones, which were the focus of mining by the Spaniards during the Colonial period. It should be noted that the presence of visible free gold is not necessarily indicative of higher grade mineralization and that further work is necessary in order to establish its significance.

A regional airborne magnetic survey completed in 1994 by SGM (Servicio Geologico Mexico) identified two pronounced magnetic highs measuring 1,200 metres and 2,500 metres in diameter and associated with the areas of identified mineralization. In addition to gold, iron mineralization and copper – lead – zinc – molybdenum occurring as replacement bodies in metasomatized limestone and marble rock units are known to occur on the concessions.

Source has completed preliminary reconnaissance geological work and sampling at the Project as part of its due diligence. Samples were cut as chip samples across two metre long intervals using hammers and moils. The locations of the sample sites are shown on Figure 1 below. Highlights of the assay results from this sampling are detailed in Table 1. The complete set of results is available on Source's website at www.sourceexploration.com – see Projects - Capricho. The areas sampled at Ramon, Tranquilino and Mina Don Chavelo are believed to be part of a continuous skarn system with a strike extension in excess of 1.1 kms.

Figure 1 - Sampling Sites at Capricho Project

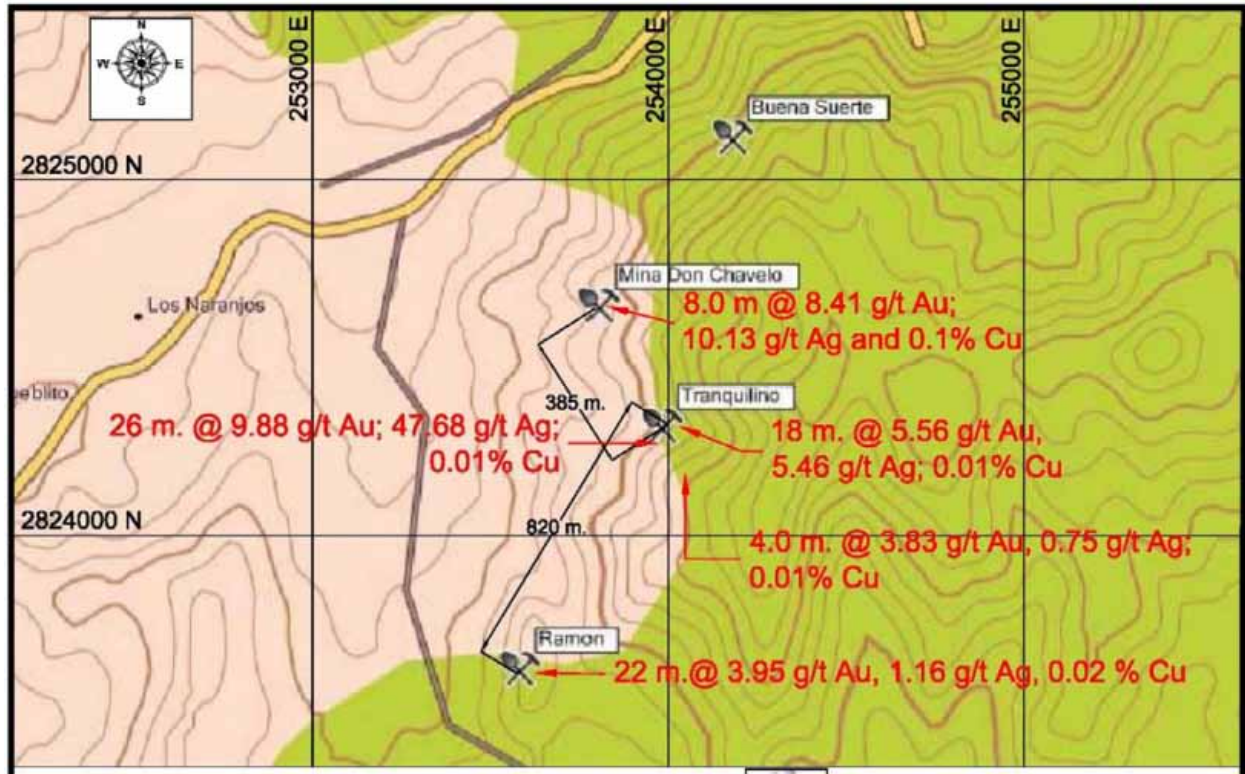


Table 1 Assay Results for Ramon, Tranquilino and Chavelo

Location	Description	Width(m)	Au g/t	Silver g/t	Copper %	Sample Direction
Ramon	Mina Fiero	22.0	3.95	1.16	0.02	Horizontal
Including		2.0	13.46	2.3	0.01	
Tranquilino	Near old adit	18.0	5.56	5.46	0.01	Vertical
Including		10.0	9.94	9.20	0.01	
and		2.0	26.13	35.8	0.01	
and		2.0	18.12	1.2	0.01	
Tranquilino	Near old adit	26.0	9.88	47,68	0.01	Horizontal
Including		18.0	14.21	68.44	0.02	
and		2.0	99.28	569.0	0.03	

Tranquilino	East Shear zone	24.0	1.95	27.68	0.03	Horizontal
Including		2.0	8.98	63.2	0.04	
Tranquilino	Shear – skarn	4.0	3.83	0.75	0.01	Vertical
Mina Don Chavelo	Adit – skarn	8.0	8.41	10.13	0.10	Horizontal

The acquisition is subject to, among other things, completion of satisfactory due diligence by Source and entering into of a definitive option agreement (the "Option Agreement") with EMC. In consideration for granting the Option, Source has agreed to make the following cash payments to EMC.

- (i) US\$ 46,000 on the effective date of the signing of the Option Agreement (the "Effective Date")
- (ii) US\$64,400 by the on the date that is on or before six month following the Effective Date
- (iii) US\$105,800 on the first anniversary of the Effective Date
- (iv) US\$165,000 on the date that is on or before 18 months following the Effective Date

Additionally, Source will be required to complete exploration expenditures on the concessions, beginning with an initial expenditure of \$US 400,000 during the first 6 months of the agreement, with total expenditures of \$US 7,500,000 over the four year period.

Pursuant to the terms of the Option Agreement, Source will have the exclusive right to earn an undivided interest in the Project provided that the Option Agreement is enforce, as follows: :

- (i) Source will earn a 27% undivided interest by making a cash payment of US\$ 285,000 to EMC on or before the second anniversary of the Effective Date
- (ii) Source will earn an additional 11 % undivided interest by making cash payments of US\$460,000 to EMC on the date that is on or before 30 months following the Effective Date
- (iii) an additional 16 % undivided interest by making cash payments of \$US 690,000 to EMC on or before third anniversary of the Effective Date
- (iv) an additional 18 % undivided interest by making cash payments of US\$920,000 to EMC on or before the date that is 42 months from the Effective Date.
- (V) An additional 28 % undivided interest, for a total interest of 100 %, by making cash payments of \$US 1,380,000 to EMC on or before the date that is at 48 months from the Effective Date.

EMC will also be granted a sliding scale gold and silver royalty on the Project, which would be 3.5 % at current gold prices. The royalty ranges from 2.0 % at a gold price of less than US\$1,000 per ounce to a maximum of 5.00 % upon the price of gold exceeding US\$3, 250 per ounce. Source will have the right to buy back one percent (1%) of the royalty at any time by delivering 1,500 ounces of gold. In addition, a 2% royalty will also be payable to EMC on all other metals other than gold and silver produced from the Project.

EMC will have the right to conduct small- scale production from the property during the option agreement and until such date that Source (or its wholly-owned subsidiary Roca Verde) becomes the owner of 100 % interest in the Project. The production from the small – scale mining operation will be limited to 60 tonnes per day. The completion of the transaction is subject to conditions typical for a transaction of this nature, including the negotiation and execution of a definitive option agreement and royalty agreement and all required regulatory approvals.

Quality Assurance/Quality Control

The Source exploration program has been conducted under the supervision of Mr. Sonny Bernales, P. Geo. The Company has implemented and adheres to a strict Quality Assurance/Quality Control program which includes inserting mineralized standards and blanks into the sample stream, 1 for about every 10 samples. The standards and blanks were obtained from CDN Resource Laboratories Ltd. of Langley, BC, Canada. Each sample bags are properly sealed and are kept in a secured, restricted storage place prior to shipping to the lab. Samples are shipped directly by Source or picked-up by the lab vehicle with chain of custody/sample submittal signed and dated. The Company sends it samples to SGS Mineral Services (ISO/IEC 17025) at Durango, Mexico, an accredited laboratory.

The technical information in this news release has been reviewed and approved by Sonny Bernales, P. Geo., Source's, Exploration Director, a registered Professional Geoscientist in the Province of British Columbia and a qualified person as defined by National Instrument 43-101. Mr. Bernales is responsible for logistics and supervision of all exploration activity conducted by Source.

About Source Exploration

Source Exploration is a well-financed Canadian based mineral exploration company committed to building long term value through ongoing discoveries and strategic acquisitions of economic gold and silver deposits in Mexico. The Las Minas gold – silver and copper project is the Company's current focus, comprised of five mineral concessions covering approximately 1,271 hectares in the core of the Las Minas district in the State of Veracruz, Mexico. The district is host to one of the largest under explored gold – silver – copper skarn systems known in Mexico, and has a strong production history that dates back to the Aztec era.

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