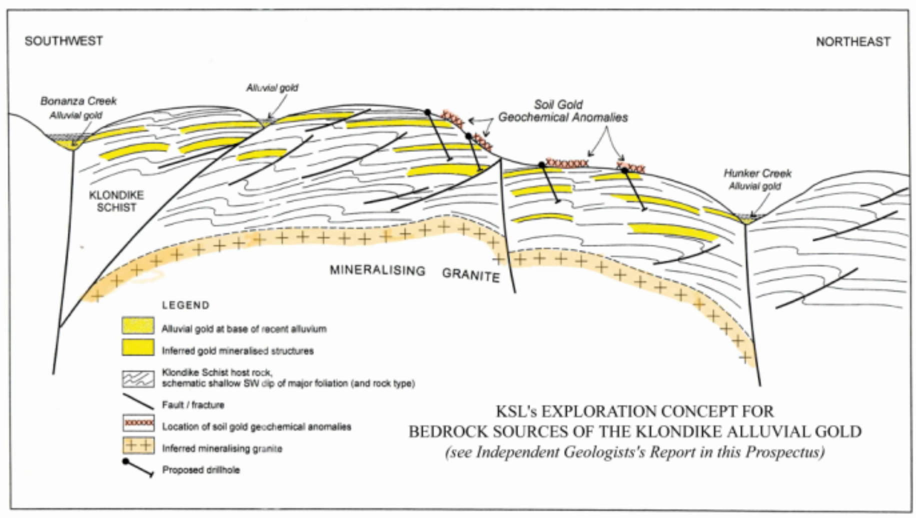
Klondike Source Limited

ABN 64 087 595 980

PROSPECTUS



Prospectus for an Offer of 20,000,000 fully paid ordinary Shares for subscription at 10 cents per share to raise $2 million, with a Minimum Subscription of 10,000,000 Shares to raise $1 million.

This Prospectus is dated 13 November 2003

Sponsoring Broker and Nominated Adviser: WHI Securities Pty Limited

This offer is speculative and high risk and professional advice should be sought before investment is made under this Prospectus. This offer is not underwritten.

Board of Directors

Patrick J D Elliott – Non-Executive Chairman
Raymond J Soper – Non-Executive Director
Colin M Thomas – Executive Director, Technical

Chief Executive Officer

Robert G Adamson
(Alternate Director for C M Thomas)

Company Secretary

Robert J Waring

Registered Office

Level 10, 80 Arthur Street
NORTH SYDNEY NSW 2060
Telephone: (02) 9957 3199
Facsimile: (02) 9954 4011
E-mail Address:
info@klondikesource.com.au
Website:
www.klondikesource.com.au

Australian Business Number

64 087 595 980

Share Registry

Registries Limited
Level 2, 28 Margaret Street
SYDNEY NSW 2000
PO Box R67
Royal Exchange
SYDNEY NSW 1223
Telephone: (02) 9290 9600
Facsimile: (02) 9279 0664
E-mail Address:
registries@ registriesltd.com.au
Website:
www.registriesltd.com.au

Corporate Solicitor

John C Kinna

Independent Geologist

Roy Cox & Associates Pty Limited
75 Tindall's Lane
BERRY NSW 2535

Auditors and Independent Accountants

Barnes Dowell James
Level 13, 122 Arthur Street
NORTH SYDNEY NSW 2060

Sponsoring Broker and Nominated Adviser

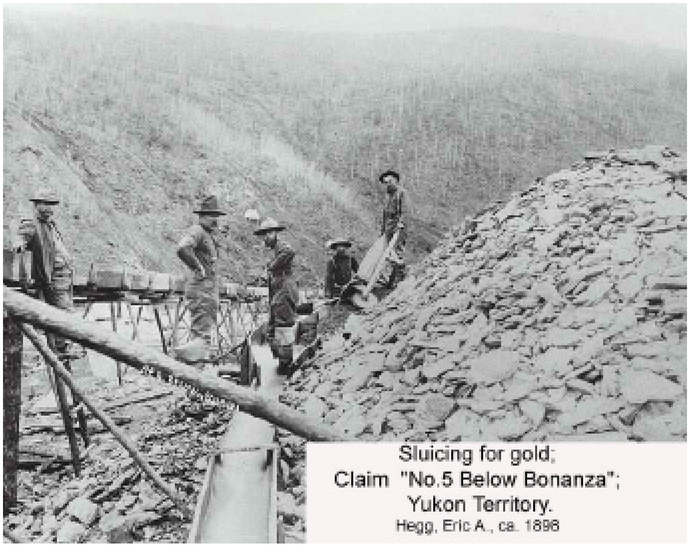
WHI Securities Pty Limited
Level 3, 14 Martin Place
SYDNEY NSW 2000
Telephone: (02) 9222 9111
Facsimile: (02) 9221 9680

Canadian Solicitors

Davis & Company
Barristers & Solicitors
Suite 200, 304 Jarvis Street
WHITEHORSE YT
CANADA Y1A 2H2

Canadian Accountants

MacKay LLP
Chartered Accountants
Suite 200, 303 Strickland Street
WHITEHORSE YT
CANADA Y1A 2J9



Sluicing for gold;
Claim "No.5 Below Bonanza";
Yukon Territory.
Hegg, Eric A., ca. 1898

Dear Investor,

The Directors of Klondike Source Limited (KSL) invite you to become a Shareholder and join us in the potentially highly rewarding adventure of exploring for primary (hardrock) gold deposits in the Klondike Goldfield in Canada's Yukon Territory. The Company's aim is to locate one or more primary (hardrock) deposits in the Klondike Goldfield, each with minimum resources of 5 million ounces of gold.

Klondike – a famous gold rush

The Klondike was the scene of the famous Klondike Gold Rush of 1896-1900, the third of the great 19th century gold rushes after California and Victoria. During the Gold Rush, miners from far and wide recovered gold from some of the richest alluvial channels in the world. After the richest deposits were depleted, the field was extensively dredged with alluvial mining continuing to the present time.

Largest alluvial goldfield still lacking discovery of major hardrock gold source

The Directors believe that the alluvial gold deposits of the Klondike Goldfield probably constitute the world's largest geochemical gold anomaly, and that it is the largest alluvial goldfield still lacking discovery of a major hardrock gold source. Despite reported alluvial production of over 12 million ounces of unrefined gold from the Klondike River and its tributaries, there has been negligible production (1,000 ounces) from hardrock sources.

KSL considers the Klondike source may be from nearby flat-lying high grade deposits

The Klondike Goldfield is part of the extensive Tintina Gold Belt within which two large gold deposits (resources of +5 million ounces) have been discovered in the last 15 years. Particularly significant is the discovery of the high-grade Pogo deposit to the west in Alaska (Probable Mineral Reserve of 7 million tonnes at 16.1 g/t). The Pogo deposit is a flat lying deposit and lies in the same geological terrain as the Klondike Goldfield. KSL considers that, contrary to previous hypotheses, the gold in the Klondike alluvials may have been sourced from nearby flat-lying high grade deposits similar to the Pogo deposit.

Going back to old alluvial goldfields with new ideas has proven highly rewarding. Examples where the application of modern exploration technology and concepts have yielded impressive results include Sukhoi Log and Muruntau in Russia, Macraes in New Zealand and Kanowna Belle in WA.

Application of modern exploration techniques has revealed gold geochemical anomalies which define major untested drill targets

KSL's exploration focus is in the northwestern third of the Klondike goldfield, which has sourced over 80% of reported alluvial gold production. The Company has been working in the Klondike since 1999, has developed new hardrock exploration concepts and has undertaken specialised geochemical sampling. The application of modern exploration techniques has revealed distinct geochemical gold anomalies not hitherto suspected, and which define major untested drill targets.

KSL will have 100% of all its mining tenements

The Company's operations in Canada are conducted by its wholly owned Canadian subsidiary KSL Exploration (Yukon) Limited (KSL Yukon). By agreement between the Company, KSL Yukon and KSL Yukon's joint venture partner, PacRim Resources Ltd, a Canadian listed company, KSL Yukon will, subject to the successful completion of this capital raising, hold in its own right 100% of all the mining tenements. No non-government royalties are payable in respect of any of the tenements.

KSL has issued no vendor shares to the Founders

The capital structure of the Company has been designed to offer the investor a "fair go". There are no vendor shares to the Founders of the Company. The Founders have been issued Founders Options exercisable at 2.5 times the current Offer Price and thus will be rewarded as Founders only when there is an increase in the Company's share price from which all Shareholders benefit.

The Company's objectives are centred upon the creation of shareholder wealth by exploration for and evaluation of major gold deposits. The strategy is to complete the exploration program detailed in this Prospectus under the direction of KSL's professionally experienced Board; to build a Canadian-based exploration team over time; to strengthen the strong tenement position already held in the Klondike; to initially test prospective areas and probably to farm-out to major mining companies the costly mining feasibility work.

KSL believes it has an opportunity to discover the source of the Klondike alluvials

In conclusion, the search for the hardrock sources of the Klondike alluvial gold anomaly with a new exploration approach, using Australian experience and modern techniques, provides the Company and its Shareholders with a major opportunity. This high-risk exploration venture with potentially very high rewards offers, I believe, an attractive exploration investment.

Yours faithfully,

Patrick J D Elliott
Chairman

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NSX Disclaimer

Application will be made for listing of the Company's securities offered by this Prospectus by the Stock Exchange of Newcastle Limited.

The fact that the Stock Exchange of Newcastle Limited may list the securities of the Company is not to be taken in any way as an indication of the merits of the Company or the listed securities.

The Stock Exchange of Newcastle Limited takes no responsibility for the contents of this document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this document.

Important Notices

This Prospectus is dated 13 November 2003 and was lodged with ASIC on that date.

The ASIC does not take any responsibility for the contents of this Prospectus. No Shares will be allotted or issued on the basis of this Prospectus later than the expiry date being the date which is 13 months after the date of this Prospectus. Defined terms and abbreviations used in this Prospectus are explained in Section 13 (Glossary).

No person is authorised to give any information or to make any representation regarding the Offer. Any information or representation in relation to the Offer which is not contained in this Prospectus may not be relied upon as having been authorised by the Company or its Directors.

This Prospectus provides information for investors to decide if they wish to invest in Klondike Source Limited and should be read in its entirety before deciding to apply for Shares. Particular attention is drawn to the risk factors contained in Section 2.17 (Details of Offer), and Section 9 (Investment Risks). You should contact your stockbroker, solicitor, accountant or professional adviser before deciding to invest.

The Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

In accordance with Chapter 6D of the Corporations Act 2001 this Prospectus is subject to an exposure period of seven days from the date of lodgement with ASIC. This period may be extended by the ASIC for a further period of seven days. The purpose of this exposure period is to enable this Prospectus to be examined by market participants prior to the raising of funds. This Prospectus will be generally available during the exposure period by being posted on KSL's website at www.klondikesource.com.au. If this Prospectus is found to be deficient, Applications received during the exposure period will be dealt with in accordance with Section 724 of the Corporations Act 2001. Applications received prior to the expiration of the exposure period will not be processed until after the exposure period. No preference will be conferred on Applications received in the exposure period and all Applications received during the exposure period will be treated as if they were simultaneously received on the Opening Date.

Applications for Shares can only be submitted on Application Forms attached to and forming part of, or accompanying this Prospectus. This Prospectus will also be distributed as an electronic prospectus. Application Forms are only available with a Prospectus, including electronically from the website referred to above.

Important Information

This Prospectus is important and should be read in its entirety, together with the Application Form attached to this Prospectus. Investment in the Shares offered by this Prospectus should be considered speculative and high risk. The Shares are not appropriate for investors who require security of capital and income and are not risk tolerant. There is no guarantee that KSL will successfully implement its objectives or that investors will not lose some, or possibly all, of the capital invested or that any dividends will be paid. Before KSL can generate ongoing revenues it must successfully implement the objectives described in this Prospectus. If after reading this Prospectus you have any questions about the Shares being offered under this Prospectus or any other matter then you should consult your professional adviser.

Offer Statistics and Key Dates

Offer Statistics

Offer Price: 10 cents per Share

	Minimum Subscription	Maximum Subscription
Shares being offered under this Prospectus	10,000,000	20,000,000
Shares on Issue prior to this Offer	13,094,900	13,094,900
Shares on Issue following this Offer and after completion of PacRim/KSL Consolidation Agreement	35,070,000	45,070,000
Market capitalisation at Offer Price including Options	$3.5 million	$4.5 million

There are no Options being offered under this Prospectus.

The details of the Company's Options are set out in Section 1.4 (Capital Structure) and Section 12.2 (The Company's Options).

Key Dates

Lodgement of Prospectus with the ASIC	13 November 2003
Offer Opens (Opening Date)	20 November 2003
Closing Date	16 December 2003
Expected last date for dispatch of share holding statements	22 December 2003
Trading of Shares expected to commence on NSX	30 December 2003

These dates are indicative only and may change. The Company reserves the right to change the above dates and in particular close the Offer early, or extend the Closing Date or to withdraw or otherwise not to proceed with the Offer described in this Prospectus. Applications may not be processsed prior to the Opening Date and Applicants are encouraged to submit their applications as soon as possible. The Offer may close earlier than the date specified above.

No Application for Shares will be accepted nor will Shares be issued until the expiry of a minimum period of seven days, or any longer period required by ASIC under Section 727(3) of the Corporations Act 2001, following the date of lodgement of the Prospectus.

Directors

Patrick J D Elliott, BCom, MBA, CPA
Non-Executive Chairman

Pat Elliott has over 30 years experience in investment, financial and industrial management, having previously been employed by Consolidated Goldfields Australia Limited, Morgan Grenfell Australia Limited and Natcorp Investments Limited. He is currently a director of Argonaut Resources Ltd (Chairman), Magnesium International Limited (Deputy Chairman), Eastern Star Gas Limited, Marlborough Resources NL (Chairman) and St Francis Group Ltd.

Colin M Thomas, BSc (Hons)
Executive Director - Technical

Colin Thomas, a geologist with over 40 years professional experience, has specialised in regional and district geological studies for precious and base metals, uranium and diamonds and has undertaken significant consulting projects for mining and exploration companies over the past 30 years throughout Australia, New Zealand, Indonesia, Iran, India and several African countries. In addition, he has major experience in the assessment and valuation of mineral exploration properties for equity fund raising. He is a principal of RobSearch Australia Pty Ltd.

Raymond J Soper, BSc, MBA, MAusIMM
Non-Executive Director

Ray Soper is a mining engineer and company director with 37 years experience in the mining industry. He has worked with MIM Holdings, Renison Goldfields, McKinsey and Co, North Ltd, the Lachlan Resources Group and Resource Finance Corporation Ltd in the fields of mining, mineral economics, mining finance, exploration, technology development and related activities. He is a director of GTN Resources Ltd, Huntley Investment Company Ltd, PlatSearch NL, Buka Minerals Ltd, Continental Minerals Corporation Ltd and Paradigm Gold Limited.

In addition, two additional Directors are expected to be appointed to the Board on the completion of the PacRim Consolidation Agreement (see Section 11 – Material Contracts).

Officers

Chief Executive Officer

Robert G Adamson, MSc (Hons), MAusIMM (CP), MICA

Bob Adamson has over 35 years experience in exploration, working initially with the CRA group and Newmont in Australia, where he made major contributions to the discovery of the Telfer gold deposit in 1972. Subsequently he was Superintendent of Geology for Tsumeb Corporation (managed by Newmont) in Namibia, Manager for BP Minerals NZ, Managing Director of Cluff Resources Pacific and a director of Cluff Zimbabwe (owner/operator of the largest gold mine in that country - the Freda Rebecca). For the past eight years he has been an independent consultant closely associated with RobSearch Australia Pty Ltd.

Colin Thomas has appointed Bob Adamson as his Alternate Director.

Company Secretary

Robert J Waring, BEc, CA, FCIS, FAICD, MAusIMM

Robert Waring has over 20 years experience in company secretarial, accounting and commercial areas of the mining industry. This includes financial assessment of projects and companies for both acquisitions and feasibility studies and the commercial aspects of joint ventures. Robert has acted as Company Secretary of a number of listed and unlisted companies and is currently company secretary for the ASX listed companies PlatSearch NL, Gloucester Coal Ltd, Intec Ltd, The Brain Resource Company Limited and Aeris Technologies Ltd.

Prior to specialising in the mining industry he spent nine years with an international firm of chartered accountants. Robert Waring has also worked as Company Secretary/Commercial Manager for the Lachlan Resources Group and Financial Controller of the Metalliferous Mining Division of North Ltd.

This section is intended to be a summary only and should be read in conjunction with the more detailed information contained elsewhere in this Prospectus. In particular, it should be read in conjunction with Section 9 of this Prospectus (Investment Risks) which sets out the risks associated with an investment in the Company.

1.1 Overview of the Klondike Source Project

Promising Hardrock Drill Targets

- The Company's aim is to locate primary (hardrock) gold deposits in the Klondike Goldfield, with minimum resources of 5 million ounces and which are amenable to low cost mining. An excellent exploration model is provided by the recently discovered Pogo deposit (5.5 million ounce resource at 18.9 g/t gold) with a reported Probable Mineral Reserve of 7 million tonnes at 16.1 g/t gold, which is located in a similar shallow-dipping structural environment 300 km to the west in Alaska.
- KSL's exploration over the past four years has defined several large gold-prospective drilling targets. Drilling is planned to commence by June 2004 and the first results are expected in July/August 2004.
- Other major shallow-dipping primary gold deposits have been discovered recently in districts long known for extensive alluvial deposits (eg Macraes, New Zealand, and Sukhoi Log, Russia). The Directors of KSL believe that the Klondike district may host similar major deposits.
- The Independent Geologist's Report supports KSL's exploration model, exploration targets and proposed work program and budgets. This report can be found at Section 6 of this Prospectus.

Strong Tenement Position

- KSL has established a strong tenement position in the Klondike district, with, subject to this Offer reaching Minimum Subscription and allotment occurring, a 100% interest in 575 Claims, covering an area of about 101 km^2.
- Indigenous land titles have been defined. The Canadian Government and the indigenous people of the region have formally agreed as to which areas are native lands (Settlement Land). All of the Company's tenement interests fall outside any Settlement Land (please refer to the Canadian Solicitors' Report in Section 7 of this Prospectus).

Fair Go for Investors

- By this Prospectus, the Company invites subscriptions for 20 million Shares at 10 cents each, to raise $2 million. The Minimum Subscription is 10 million Shares raising $1 million.
- All Shares previously issued by KSL have been issued at 10 cents, the same level as the Offer Price. Shares will be issued by KSL to PacRim Resources Ltd on the successful completion of this raising pursuant to the PacRim/KSL Consolidation Agreement. Details of this agreement are set out in Section 11.4 (Material Contracts).
- No vendor shares have been issued to the Founders of the Company. The Founders, Directors and Managers hold Options exercisable at premiums to the Offer Price of Shares under this Prospectus. Accordingly, they will not benefit from these Options until the Share price exceeds their exercise price which is 2.5 times the Offer Price.

1.2 Purpose of the Offer

The funds received by the Company from the Offer will be used to:

- carry out, in the Klondike district in the Yukon Territory in Canada, an initial drilling program on the prospects and on other exploration and exploration support including the acquisition of additional mining tenements and the maintenance of Claims,
- cover administrative expenses including the costs of this Offer,
- by agreement with RobSearch Australia Pty Ltd to repay part of the $106,334 owing to it. The amount repaid will equal no more than 6% of the amount raised through the Issue.

The Directors are committed to ensuring that overheads are kept to a minimum so that a high proportion of the funds raised will be dedicated to exploration activities on the tenements. The total proceeds of the Issue will not be less than the Minimum Issue Amount ($1 million) but may be up to the Maximum Issue Amount ($2 million). The expenses of the Issue (assuming the Offer is fully subscribed) are expected to be approximately $218,000. This includes a Sponsoring Broker's fee of $10,000, a management fee of $20,000 and a Nominated Adviser's fee of $10,000 is paid in respect of the Issue and brokerage of 5% in respect of all Applications. Expenses of the Issue include broker's fees, independent experts' reports, legal advice, NSX fees and Prospectus printing and distribution costs. Fees paid to brokers in the case of a Minimum Subscription of $1 million are as set out in Sections 2.10 and 2.11.

Accordingly, the proposed application of funds over the next two years, based on current budgets, assuming that either the maximum or minimum amounts are raised pursuant to this Prospectus, is set out below.

1.3 Application of Funds

On successful completion of the Issue, the funds available for expenditure will be:

	Maximum Subscription		Minimum Subscription
	2004 $	**2005 $**	**2004 $**
Current cash on hand	90,000	885,000	90,000
Funds raised	2,000,000	-	1,000,000
Interest income	50,000	20,000	20,000
Funds available	2,140,000	905,000	1,110,000
The funds raised from the Offer will be applied as follows:			
Pay the expenses of the Issue estimated at	218,000	-	168,000
Fund administration costs for 12 months or 24 months	200,000	200,000	200,000
Fund the Company's exploration program in respect of each of the 2004 and 2005 years:			
Prospect drilling	465,000	460,000	452,000
Other exploration	39,000	33,000	28,000
Support and exploration management	206,000	187,000	200,000
Sub total	710,000	680,000	680,000
Payment of liabilities	127,000	-	62,000
Working capital at end of period	885,000	25,000	-

A detailed exploration budget is set out at the conclusion of the Independent Geologist's Report (Section 6). Details of the costs of the Issue can be found in Section 12.10 (Additional Information).

On completion of the Offer, the Directors believe that KSL will have sufficient working capital to achieve its stated objectives in accordance with its exploration budget set out in this Prospectus:

- if the Maximum Subscription is raised, for the 2004 and 2005 years, or
- if the Minimum Subscription is raised, for the 2004 Year.

If the Minimum Subscription only (or otherwise less than the Maximum Subscription) is raised, the Directors will during this period review the Company's funding options and decide whether to seek funding by a further equity raising, or from industry participants.

WHY IS KLONDIKE SOURCE LIMITED RAISING FUNDS OUTSIDE CANADA FOR A CANADIAN PROJECT?
• A common Canadian view is that there is no gold left in the Klondike - it has all been eroded away. The Company challenges this view. The lack of hardrock discoveries could be the result of a number of factors including very limited exploration using modern techniques. • The Australian technical and management team is unknown in Canada. The Directors believe that Australian investors will be more willing to evaluate the KSL proposition on its merits, especially as the experienced KSL team is well known in Australia.

1.4 Capital Structure

A feature of the proposed capital structure of the Company is that the Founders of the Company have not been issued any vendor shares. Instead, the Founders, Directors and certain consultants have been issued Founders Options which are exercisable at a premium of 2.5 times the Offer Price.

On completion of the PacRim/KSL Consolidation Agreement (which is to become effective after the Offer closes) the Company is to issue, in consideration for the assignment of the whole of PacRim's Joint Venture interest to KSL Yukon, Shares and Options in the Company equal to those held by existing holders at the date of the agreement, being 21 October 2003. As a consequence, 11,975,100 Shares, 5,487,600, 25 cent Options and 6,487,500 20 cent Options will be issued to PacRim.

WHY ARE THERE NO VENDOR SHARES FOR THE FOUNDERS?
Klondike Source Limited has been structured in such a way that the only Shares issued prior to this Offer are those issued to seed capital investors (including the Founders) who paid 10 cents per Share. • The Founders and the Directors of the Company consider it vital to align the interests of the Founders with those investors who support the Company. They consider that the use of Options with a high exercise price rather than fully paid (vendor) shares is the best way to achieve this. • The Founders have reasonable expectations that success in the Klondike exploration project will result in the Company's Share price rising significantly above the Founders Option exercise price.

Details of the Shares and the Options comprising the proposed capital structure of the Company are as follows:

Shares	**Number**	**Price (cents)**	**$ Subscribed**	**%** (Note 1)
Shares issued to Founders as subscribers' Shares	100	10	10	
Shares issued to Founders/Directors as seed capital subscribers	5,400,000	10	540,000	11.98
Shares issued to seed capital subscribers other than Founders/Directors (Note 2)	6,575,000	10	657,500	14.59
Current issued capital	11,975,100	10	1,197,510	26.57
Shares issued to seed capital subscribers other than Founders/Directors in October 2003	500,000	10	50,000	1.11
Shares issued to Founders/Directors and a former director in October 2003 to satisfy debts for consulting and directors' fees	619,800	10	61,980	1.37
	13,094,900	10	1,309,490	29.05
Shares to be issued to PacRim Resources Ltd	11,975,100	10	1,197,510	26.57
Shares to be issued pursuant to this Prospectus				
Minimum Subscription	**10,000,000**	10	1,000,000	
Maximum Subscription	**20,000,000**	10	2,000,000	44.38
Issued Shares upon completion of this Issue				
Minimum Subscription	35,070,000	10	3,507,000	
Maximum Subscription	45,070,000	10	4,507,000	100.00

Notes: (1) Percentage of Share Capital is indicated for the Maximum Subscription of $2,000,000 being raised.
(2) Brokerage of 5% was paid on funds subscribed where the shareholder was introduced by a broker.

Options (issued for nil cash consideration)	**Number**	**Exercise Price (cents)**	**Expiry Date**
Options issued to Founders, Directors and consultants	5,487,600	25	31/12/2007
Options issued to Founders and Directors as seed capital subscribers	2,700,000	20	31/12/2007
Options issued to seed capital subscribers other than Founders/Directors	3,787,500	20	31/12/2007
Total current issued options	11,975,100		
Options to be issued to PacRim Resources Ltd			
25 cent options	5,487,600	25	31/12/2007
20 cent options	6,487,500	20	31/12/2007
	11,975,100		
Total issued Options after issue to PacRim	23,950,200		
Total issued capital if all Options are exercised			
Minimum Subscription	59,020,200		
Maximum Subscription	69,020,200		

Subject to issuing at least 15 million shares as a result of the Issue, the Company will issue to WHI Securities Pty Limited (WHIS) 500,000 Options with an expiry date of 31 December 2007 and an exercise price of $0.25 and which will be held in escrow for a minimum of 12 months subject to NSX arrangements.

1.5 Proforma Financials

The Company's proforma balance sheet as at 31 August 2003 in the case of both a Minimum Subscription and Maximum Subscription under this Offer is to be found in Section 10 (Independent Accountant's Report) and should be read in conjunction with the notes to the Independent Accountant's Report.

2.1 The Offer

KSL is offering for subscription a total of 20,000,000 Shares at an Application Price of $0.10 per Share to raise $2,000,000. Upon completion of the Issue, the holdings of the new Shareholders shall represent 44.38% of the issued Shares. No options are offered under this Prospectus.

All Shares offered under this Prospectus will rank equally with existing Shares. The rights attaching to the Shares are further described in Section 12.1 of this Prospectus (Additional Information).

This Prospectus provides information for investors to decide if they wish to invest in the Company, and should be read in its entirety. If you have any question about the desirability of, or the procedure for investing in the Company, please contact your stockbroker, solicitor, accountant or other professional adviser.

There are significant risks associated with investment in the Company and the Shares offered under this Prospectus must be regarded as a speculative investment. The Shares offered under this Prospectus carry no guarantee whatsoever with respect to return on capital investment, payment of dividends or the future value of the Shares.

2.2 How to Apply for Shares

Applications for Shares can only be made by completing and lodging a hard copy of an Application Form which was attached to, or accompanied by a copy of this Prospectus in accordance with the detailed instructions which accompany it. During the Offer period, any person may obtain a hard copy of this Prospectus free of charge by contacting the Company by e-mail at info@klondikesource.com.au or by telephone on (02) 9957 3199 or by contacting the Share Registry (see below).

Applications must be for a minimum of 20,000 Shares ($2,000) and thereafter in multiples of 5,000 Shares ($500).

An Application Form must be accompanied by a cheque drawn on an Australian bank in Australian currency. Cheques must be made payable to "Klondike Source Limited New Issue Trust Account" and be crossed "not negotiable".

Applicants should ensure that cleared funds are available at the time the Application Form is lodged as dishonoured cheques or uncleared funds will result in the Application being rejected.

2.3 When and Where to Apply

The Offer opens at 9:00 am on 20 November 2003 and closes at 5:00 pm Eastern Summer Time on 16 December 2003, subject to the right of the Company to close the Offer earlier or to extend the closing time and date of the Offer without notice.

The Opening Date of the Offer may be extended by the period of any extension required by ASIC under Section 727(3) of the Corporations Act 2001.

Investors are encouraged to submit their Applications as early as possible after the Offer opens as it may close at any time thereafter without notice.

Completed Application Forms may be lodged at any time after the issue of this Prospectus. Application Forms must have arrived at the Company's share registry, Registries Limited, by the Closing Date unless the Offer is closed earlier or extended. The contact details of Registries Limited are:

PO Box R67 **Royal Exchange** **Sydney NSW 1223**	**OR**	**Level 2, 28 Margaret Street** **Sydney NSW 2000**	**Telephone (+61 2) 9290 9600** **Facsimile: (+61 2) 9279 0664**

Email: registries@registriesltd.com.au

The Issue is not underwritten. If the minimum subscription of 10,000,000 Shares is not achieved by the Closing Date (or such later date as the Directors may determine, but not more than four months after the date of this Prospectus), then all Application Monies received pursuant to this Prospectus will be returned to investors without interest.

Pending the allocation of Shares offered by the Prospectus, the Company will deposit all Application Monies received into a separate bank account and hold them in the account on trust for so long as the monies, or any part of them, are liable to be repaid in accordance with the Prospectus and the general law.

2.4 Investor Questions

Investors having questions on how to complete the Application Form, or who would like further copies of this Prospectus, should contact:

- the Company by telephone (+61 2) 9957 3199, facsimile (+61 2) 9954 4011 or by e-mail: info@klondikesource.com.au, or
- Registries Limited by telephone (+61 2) 9290 9600, facsimile (+61 2) 9279 0664 or email: registries@registriesltd.com.au

2.5 Subscription Limits and Acceptance of Applications

The **minimum** number of Shares which may be issued under this Prospectus is 10 million Shares comprising Application Monies of $1 million.

The **maximum** number of Shares that may be issued under this Prospectus is 20 million Shares comprising Application Monies of $2 million.

The Application constitutes an offer to acquire Shares on the terms and conditions set out in this Prospectus. KSL reserves the right:

- not to proceed with the Offer at any time before the issue of Shares;
- to reject any Application, including, but not limited to Applications that have been incorrectly completed or are accompanied by cheques that are dishonoured;
- to reject or aggregate Applications which appear to be multiple Applications by the same party;
- to issue to any Applicant fewer Shares than applied for by the Applicant;
- to accept Applications at variance with the 20,000 Shares minimum Application and 5,000 Shares multiple formula; and
- to decide to whom Shares will be issued in its absolute discretion.

As consideration for the Directors agreeing to consider an Application, the relevant Applicant agrees, except if Section 724 of the Corporations Act applies, that the Application is an irrevocable offer which cannot be withdrawn, unless the Applicant has a right to withdraw under the Corporations Act or the Company consents.

Where the number of Shares issued to an Applicant is less than the number of Shares applied for, the surplus Application Monies will be returned to the Applicant as soon as possible after close of the Offer. Interest will not be paid by KSL on Application Monies returned to an Applicant. Any interest earned on Application Monies will be retained by KSL.

2.6 Allotment of Shares

The allotment of Shares to Applicants will occur as soon as practicable after Applications and Application Monies have been received for all the Shares, but no earlier than seven days after this Prospectus was lodged with the ASIC and further, that the Company has received NSX permission for Official Quotation of the Shares unconditionally or on conditions acceptable to the Directors. After allotment of Shares, statements of shareholding (holding statements) will be dispatched, notifying the Applicants of the number of Shares issued to them. Unsuccessful Applicants will also be notified and their Application Monies returned to them without interest. It is the responsibility of Applicants to determine their allocation prior to trading in Shares. Applicants who sell Shares before receiving notice of their holding do so at their own risk. In the event of an oversubscription for Shares beyond the Maximum Subscription, the Directors propose, subject to the rights relating to Applications referred to above, to issue Shares on a first come, first served basis.

2.7 Indicative Timetable

Offer opens	20 November 2003
Offer closes	16 December 2003
Dispatch of statements of shareholding (holding statements)	22 December 2003
Trading of Shares expected to commence on NSX	30 December 2003

The above is indicative only.

2.8 NSX Listing

Application will be made within seven days after the date of this Prospectus, for admission of KSL to the Official List and for quotation of the Shares on issue to be admitted to quotation on the NSX. If admission to the Official List and Official Quotation is granted, Official Quotation will commence as soon as practicable after the allotment of Shares to investors. If KSL is not admitted to the Official List of the NSX and the Shares offered under this Prospectus are not granted Official Quotation within three months after the date of this Prospectus, none of the Shares offered under this Prospectus will be allotted and all Application Monies will be refunded without interest to Applicants within the time prescribed by the Corporations Act 2001.

The fact that NSX may admit KSL to the Official List is not to be taken in any way as an indication of the merits of KSL or of the Shares. NSX, its officers and employees take no responsibility for the contents of this Prospectus.

2.9 Quotation of Securities and CHESS

KSL will apply to participate in the Clearing House Electronic Sub-register System, known as CHESS, pursuant to the NSX Listing Rules and the SCH Business Rules. Following the issue of Shares, KSL will provide Shareholders with a holding statement (which is similar to a bank account statement) that sets out the number of Shares allocated to each Shareholder under this Prospectus. If applicable, this notice will also advise Shareholders of their Holder Identification Number (HIN) and Securityholder Reference Number (SRN). Shareholders will receive an explanation of sale and purchase procedures under the CHESS system with the notice.

If a shareholding changes during a month, Shareholders will receive a statement at the end of that month. Shareholders may also request statements at any other time (although KSL may charge an administrative fee).

2.10 Brokers' Fees

The Issue is not underwritten. KSL will pay to WHI Securities Pty Ltd (WHIS) a fee of $10,000 to act as Sponsoring Broker, and, in respect of the capital raising, a management fee of 1%. A brokerage fee of 5% is payable to a broker in respect of Application Monies accompanied by Application Forms bearing that broker's stamp (to the extent Shares are issued in respect of that Application).

Subject to issuing at least 15 million shares as a result of the Issue, the Company will issue to WHIS 500,000 Options with an expiry date of 31 December 2007 and an exercise price of $0.25 and which will be held in escrow for a minimum of 12 months subject to NSX arrangements.

2.11 Nominated Adviser's Fee

KSL will pay to the Nominated Adviser (WHIS) a fee of $10,000 to be paid in respect of the Issue and thereafter a fee of $15,000 per annum. It is a Listing requirement of the NSX that a Nominated Adviser be appointed by the Company whose function will be to advise and guide the Company with respect to its initial and ongoing compliance with the NSX Listing Rules and the monitoring of the Company's corporate governance practices. The Nominated Adviser has advised the Company that it will require the Company to provide quarterly reports to Shareholders and it will hold the Company accountable for meeting detailed budgets on a monthly basis.

2.12 Foreign Offerees

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make an offer. It is the responsibility of any overseas Applicant to ensure compliance with all the laws of any country relevant to the Application. The return of a completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

2.13 No Issue of Securities after 13 Months

No Securities will be allotted or issued on the basis of this Prospectus later than its Expiry Date (13 months after the date of the Prospectus).

2.14 Restricted Securities

As a condition of granting official quotation of the Shares, the NSX may classify certain Shares as restricted securities. In this event, the holders of Shares to be classified as restricted securities will be required to enter into appropriate agreements with the Company in regard to these restrictions. See Section 12.5 (Additional Information).

2.15 Electronic Prospectus

This Prospectus (without the Application Form) may be viewed and downloaded from www.klondikesource.com.au during the Exposure Period. After the Exposure Period, the Prospectus with Application Form will be available on-line, although Application Forms may not be lodged electronically and must be mailed or delivered to the Share Registry. The Offer is only available to persons receiving the electronic version of the Prospectus in Australia. Hard copies of the Prospectus and Application Form are obtainable free of charge by contacting the Share Registry on (02) 9290 9600.

2.16 Privacy Act

If you are an Applicant in Australia, it is necessary to inform you for the purposes of the Privacy Act, that if you complete an Application Form for Shares, you will be providing personal information to the Company (directly or to the Company's Share Registry). The Company collects, holds and will use that information to assess your application, service your needs as security holder, facilitate corporate communications to you and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of take-overs, regulatory bodies, including the Australian Tax Office, authorised securities brokers, print service providers, mail houses and the Company's Share Registry.

2.17 Financial Prospects and Risks

The Company has been operating for over four years. Revenue and profitability for the Company is dependent on, among other things, exploration and development success and the current and future regulatory environment within which the Company operates.

In view of these factors, the Directors consider that they are unable to provide potential investors with reliable revenue or profit projections or forecasts.

You should read all of this Prospectus, including Section 9 relating to Investment Risks, before making any decision to invest. Investment in the Shares should be considered as speculative and high-risk and is not suitable as an investment for investors who require security of capital or income.

In particular, investors should be aware that the primary objective of KSL is to discover one or more large, gold deposits on the basis of new geological concepts/interpretations of the Klondike Goldfield and that KSL is therefore offering focussed and concentrated exposure to one endeavour. Should commercial discoveries not eventuate from either direct exploration by the Company or from that resulting from farm-outs, it is likely that KSL will need to seek alternative activities or be wound up and in that case investors may lose their investment.

3.1 History and Corporate Structure

Klondike Source Limited (KSL) is an Australian company incorporated in New South Wales as a public company on 14 May 1999 for the purpose of exploring for major hardrock gold deposits in the Klondike district of the Yukon Territory in Canada by applying new exploration concepts developed by the Company's Founders.

On 17 May 1999 the KSL negotiated a joint venture with Barramundi Gold Ltd (Barramundi), a Vancouver listed company, that gave it the right to earn a 50% interest in Barramundi's Klondike tenements, covering the northern half of the Goldfield, by the expenditure of C$1 million. KSL raised working capital from pre-float investors at a price of 10 cents per Share (the same price as the current issue) and undertook exploration work.

On 6 October 1999, KSL incorporated its wholly owned Canadian subsidiary KSL Exploration (Yukon) Limited (KSL Yukon) under the Yukon Business Corporations Act, to hold title and otherwise carry on KSL's Canadian exploration operations. On 16 June 2001 KSL assigned the whole of its Joint Venture Interest to its subsidiary KSL Yukon.

By February 2002, KSL had expended sufficient funds to earn its initial 20% interest in the Joint Venture Tenements. On 27 February 2002 Barramundi assigned to KSL Yukon an initial 20% earned interest and by June 2003 KSL Yukon had earned a beneficial interest in the Joint Venture Claims of 40%.

On 11 October 2002, Barramundi duly changed its name to PacRim Resources Ltd (PacRim). This change of name has not yet been recorded against the claims by the Mining Recorders Office at Dawson City, Yukon Territory.

On 21 October 2003, KSL concluded an agreement with PacRim (the PacRim/KSL Consolidation Agreement) for the acquisition of PacRim's interest in the Klondike tenements by KSL Yukon by the issue of sufficient Shares and Options to give PacRim 50% of the issued Shares and Options in KSL as at the date of the agreement. The agreement is conditional upon KSL raising a sum of $500,000 for exploration. This condition will be satisfied on the successful completion of this capital raising. On completion of the PacRim KSL/Consolidation Agreement the joint venture between PacRim and KSL Yukon will terminate.

3.2 The Company's Objective

The objective of the Company in undertaking the Klondike Source Project is to create shareholder wealth by:

- exploring for and initiating the definition and evaluation of major gold deposits that can be profitably mined at a gold price of US$250 per ounce**;**
- acquiring mining company partners to fund the major costs of feasibility studies and mine development. KSL will develop a discovery itself only if that course provides an exceptional opportunity for the Company; and
- utilising the concepts and insights developed in the Klondike Goldfield to locate other areas of major gold exploration potential elsewhere in the Yukon and in neighbouring districts of Alaska.

3.3 The Company's Strategies

The strategies of the Company in achieving its objective are:

- to complete the exploration program detailed in the Independent Geologist's Report;
- to use highly experienced exploration professionals to develop a Canadian-based exploration team;
- to strengthen the strong tenement position now held in the Klondike Goldfield by using structural mapping and innovative geochemistry to define prospective areas; and
- to initiate technically justified and cost effective drilling to test the economic potential for substantial gold deposits with major economic viability.
- to apply for further tenements over prospects identified by the Company in the Klondike region.

3.4 The Directors and Officers

The Board of Directors presently comprises three Directors, Messrs P J D Elliott (Non-Executive Chairman), C M Thomas (Executive Director - Technical) and R J Soper (Non-Executive Director). Mr R G Adamson is Alternate Director for Mr Thomas. On completion of the PacRim/KSL Consolidation Agreement, PacRim will be entitled to nominate an additional two Directors to the Board of KSL. The other Company Officers are Mr R G Adamson (Chief Executive Officer) and Mr R J Waring (Company Secretary). The profiles of all of the present Directors and the Company's Officers have been provided earlier in this Prospectus (see Management Profiles).

The current Directors of KSL Yukon are Mr C M Thomas, who is also a Director of KSL, and Mr R G Adamson, who is Chief Executive Officer of KSL. On completion of the PacRim/KSL Consolidation Agreement, PacRim will be entitled to nominate two nominees to be appointed to the Board of KSL Yukon.

3.5 Other Personnel

The Company's management and technical team are supported by the following personnel:

Corporate Solicitor

John C Kinna
Solicitor

John Kinna is a lawyer with 25 years experience in the mining and petroleum industries. He has advised governments and companies in a number of countries. He has worked in Papua New Guinea and for the Commonwealth Secretariat in London, advising on mining and petroleum matters in Africa, Asia and the Pacific. Since returning to Australia in 1981, he has been engaged predominantly in corporate and commercial work with an emphasis on projects in Australia and elsewhere, including Papua New Guinea, Africa and China, and corporate, joint venture and prospectus advice and documentation. He has also advised governments through the World Bank, the UN, the Commonwealth Secretariat and AusAID. He has given a number of papers on various aspects of mining and petroleum laws, policies and agreements, in London, Singapore, India and Australia.

Senior Technical Team

The technical team will be led by Colin Thomas (Director) and Bob Adamson (Chief Executive Officer), both of whom are experienced minerals geologists. Both are Directors of the Company's subsidiary. Also included in the team will be Peter Gunn, an experienced geophysicist, and Roger Marjoribanks, a specialist structural geologist. Their particulars are as follows:

Peter J Gunn BSc, MSc, PhD
Geophysical Consultant

Peter Gunn is a consultant geophysicist who has worked on exploration projects in 30 countries. He has held positions of Chief Geophysicist with major exploration groups and has been Head of the Geophysical Mapping Group of the Australian Geological Survey Organisation. His expertise in the interpretation of aeromagnetic and gravity data has been recognised by numerous invitations to present keynote papers and workshops.

Roger Marjoribanks PhD, BSc (Hons), MAIG, MSEcGeol
Geological Consultant

Roger Marjoribanks is a specialist geologist in the fields of structural geology, geological mapping, air photo interpretation and exploration techniques. His recent experience includes gold and base metal exploration in Indonesia, Malaysia, Vietnam, Western Australia and the Northern Territory. These involved geological mapping at all scales, interpretation of satellite and aeromagnetic imagery, and structural analysis of outcrop and drill core. He has presented workshop-training courses on structural geology and related fields. His previous experience included senior positions as Chief Geologist for RGC Exploration and Senior Regional Geologist, Anaconda Australia Inc. As a consulting geologist he was responsible for the conceptual discovery of the Greenfield Gold Mine (Coolgardie area) and resolution of the structure of the Granites Gold Camp, Tanami Complex (NT). He has written a number of books and papers which have been published in scientific journals.

3.6 The Company's Policies

Effective Management

The Directors are committed to ensuring that a maximum proportion of the funds raised will be applied to exploration. Overheads and administration costs are budgeted in the order of 20%-25% of expenditure. Additionally, the Directors are committed to engaging professional people with extensive experience in the relevant disciplines. Both within its Board and through its consultants, the Company has established a very experienced Australian-based team, with outstanding technical credentials and worldwide experience covering the fields of exploration management, geochemistry and structural geology. The technical development of the Company to-date has been built on this expertise. A substantial escalation of exploration will require the development of a Yukon-based exploration team. KSL will build on the associations already established with Dawson City-based exploration and other professionals.

Statement of Corporate Governance

The Directors of KSL are responsible to the Shareholders for the performance of the Company in both the short and the longer term and seek to balance these sometimes competing objectives in the best interests of the Company as a whole. Their principal focus is to enhance the interests of the Shareholders and ensure that the Company, including its controlled entity, is properly managed. The Board draws on relevant best practice principles, particularly those issued by the ASX Corporate Governance Council in March 2003. At its October 2003 meeting, the Board examined the KSL corporate governance practices compared to the best practice principles proposed by the ASX Corporate Governance Council. While KSL will align itself with the principles proposed by ASX, it is mindful that there may be some instances where compliance is not practicable for a company of KSL's current small size.

Functions of the Board

The functions of the Board include:

- review and approval of corporate strategies, the annual budget and financial and business plans;
- overseeing and monitoring organisational performance and the achievement of the Company's strategic goals and objectives thereby advancing the interests of the Shareholders and stakeholders;
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Company's auditor;
- appointment of and assessment of, the Chief Executive Officer and the members of the senior management and technical teams;
- ensuring that there are effective management processes in place and approving major corporate initiatives;
- enhancing and protecting the reputation of the Company;
- ensuring the significant risks facing the Company and its controlled entity have been identified and appropriate and adequate control, monitoring and reporting mechanisms are in place;
- otherwise monitoring and reviewing the Company's controls and systems including those concerned with occupational health and safety and environment and human resource matters, so as to ensure compliance with laws and the highest ethical standards; and
- ensuring that the Shareholders are appropriately informed of the progress of the Company.

A description of the Company's main corporate governance practices is set out below:

The Board of Directors

In recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chairman will be a Non-Executive Director. The Board will continuously review its performance and mix of skills to ensure they are appropriate to allow the Board to maximise its effectiveness and contribution to the Company.

The Board meets throughout the year and expects to have a minimum of six meetings per year.

Conflict of Interests

The Directors, either as employees of, or consultants to, the Company or through controlled entities connected with them, may provide services to the Company. In accordance with accepted corporate governance practice, the Directors concerned have declared their interests in those transactions to the Company and took no part in decisions relating to them.

Independent Professional Advice

Directors have the right, in connection with their duties and responsibilities to the Company, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Committees

The Directors have established an Audit Committee, which is comprised of Mr P J D Elliott and Mr R J Soper both of whom are Non-Executive Directors. The Audit Committee will have direct access to management and will meet periodically with the external auditors to assess and review internal controls and the Company's statutory reporting. Its activities will assist in ensuring the independence of the external Auditors and provide ready access to the full Board.

Shareholder Communication

The Directors are keen to ensure that all Shareholders are kept fully informed. All announcements will be available on the Company's web site (www.klondikesource.com.au) after release to NSX.

Community Relations in the Yukon

The Company will respect the legitimate rights and titles of the native people and the concerns of the local communities who are likely to be interested in or affected by the Klondike Source Project. The Canadian Government and the indigenous people of the region have formally agreed as to which area are native lands (Settlement Lands) and which are not. All of the tenements in which KSL has an interest fall outside any Settlement Lands and consequently the Directors do not anticipate any native title concerns. The Company seeks to work constructively and in consultation with interested groups in accordance with Yukon and Canadian law.

Dividend Policy

Any determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend upon the availability of distributable earnings, the operating results and financial condition of KSL, future capital requirements, general business and financial conditions and other factors considered relevant by the Directors. No assurances in relation to the payment of future dividends, or the franking credits attached to such dividends, can be given to Shareholders.

Taxation

Income tax considerations of the Company's operations are outlined in Section 5.5.

4.1 The Klondike Goldfield

The historic Klondike district, the site of the last great gold-rush of the 19th century in 1897-98, is located close to the Alaskan border in Canada's far northwestern Yukon Territory. The district has excellent logistics, with the town of Dawson City nearby.

The famously high-grade Klondike is by far the largest alluvial goldfield in the central Alaska-Yukon region (the so-called Tintina Gold Belt), with reported production of over 12 million unrefined ounces of gold. Alluvial mining continues today in the Klondike Goldfield, with annual production in the order of 50,000 to 75,000 ounces per annum (nearly 60% of the Yukon Territory production).

In stark contrast, the Klondike primary (hardrock) gold production since 1898, totals about 1,000 ounces. One hundred years of prospecting and intermittent exploration has failed to locate a major quartz vein gold source.

This lack of success has made it difficult to raise funds in Canada for the hardrock gold exploration of the Klondike district. In KSL's view this has resulted from a subjective, poorly based conclusion that most, if not all of the hardrock gold has been eroded away. The lack of exploration success has led the North American exploration industry and academic geoscientists to ignore the Klondike district as part of the recently defined Tintina Gold Belt (where major economically viable gold discoveries have recently been made). Notwithstanding this, the Klondike Goldfield is clearly located within the Tintina Gold Belt. The Canadian exploration industry's lack of interest and its failure to recognise the hardrock potential of the Klondike district has provided the opportunity for KSL to establish a strong presence in the Klondike Goldfield.

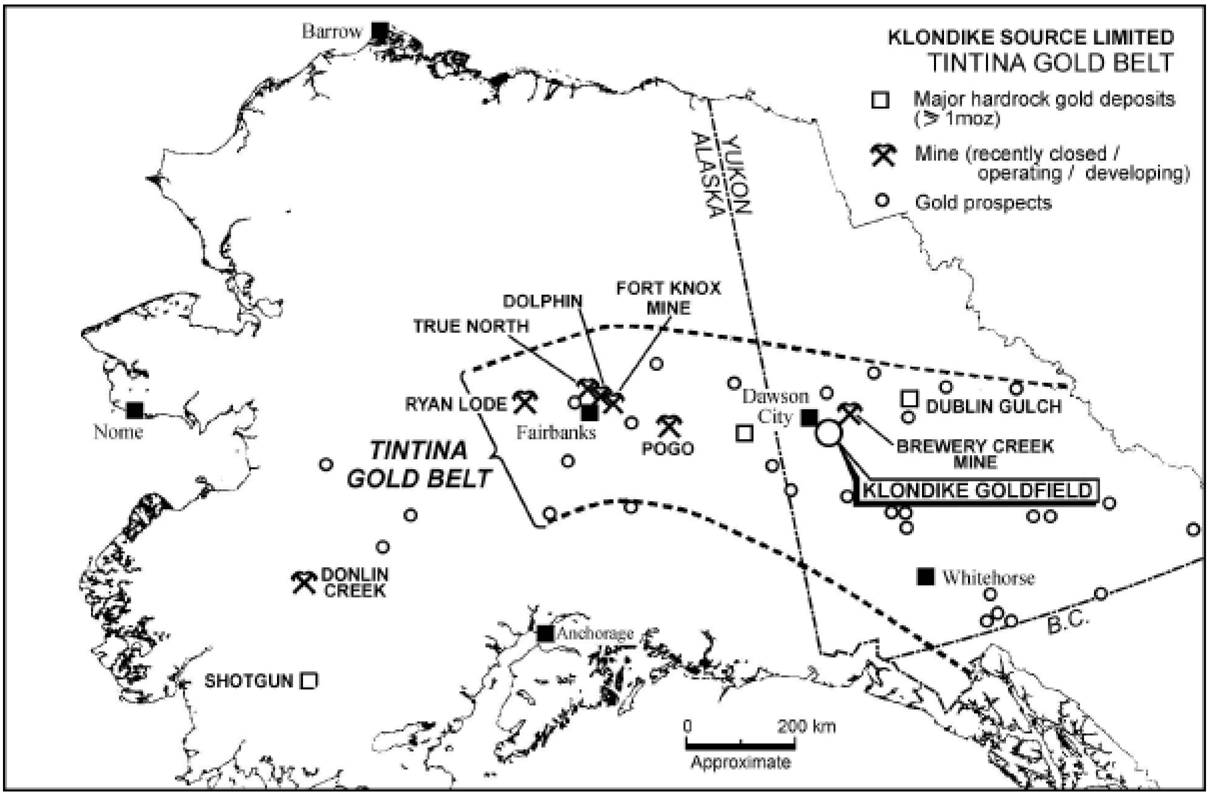
The Klondike Source Project is harnessing Australian experience and technical skills to test the hypothesis that the 12 million ounce recorded alluvial production may represent a gold anomaly (possibly the world's largest) eroded from exposed parts of several major hardrock gold deposits, which have previously eluded discovery (see box below).

WHY KSL MAY SUCCEED WHERE OTHERS HAVE FAILED	
Canadian Conventional Wisdom	**The KSL View**
• The alluvial gold came from vertical quartz veins and disseminations in the overlying country rock, and the source has been largely eroded and concentrated in the present day drainage to produce the rich alluvial deposits.	• There is no evidence that all of the hardrock sources have been eroded. The alluvial deposits are likely to represent only a part of the original gold endowment of the district.
• Extensive prospecting for the remaining depth extensions of the small vertical gold-bearing quartz veins has been unsuccessful.	• The failure to find major vertical gold-bearing quartz vein structures indicates that such veins were never present in sufficient numbers to be the source of the alluvial gold.
• If the source was widespread low-grade disseminations in country rock, it would be uneconomic to mine and therefore there is little chance of future exploration success.	• The concentration of the high-grade alluvial deposits in the Bonanza Creek area suggests that widespread disseminations of gold in country rock are a very unlikely source. More probably, the 7.2 million ounces of reported alluvial gold production from the Bonanza Creek area resulted from partial erosion of large high-grade flat-lying gold deposits located above the Bonanza Creek system. Recently, one such flat-lying deposit (Pogo) has been located elsewhere in the Tintina Gold Belt in eastern Alaska. There could well be other Pogo-style deposits (especially where alluvial deposits indicate that a gold district exists).

4.2 A Major Gold Exploration Play

The 1,000 km^2 area of the Klondike Goldfield has probably shed 50% to 100% more gold than the more than 12 million ounces of production reported for alluvial mining. Thus, the district can be considered as having a very substantial gold endowment. Significantly, small areas of the large goldfield district appear to be substantially gold enriched, illustrated by the fact that over 80% of alluvial gold production has come from only one third of the area in the northwestern part of the goldfield. KSL's major claim block is in this particular area.

In the past 15 years, nearly 13 million ounces of gold resources have been discovered in the surrounding Tintina Gold Belt including two very large (+5 million ounces) gold deposits. Particularly significant is the recent discovery in Alaska of the Pogo deposit (5.5 million ounce geological resource at an average grade of 18.9 g/t; providing a Probable Mineral Reserve of 7 million tonnes at 16.12 g/t gold), which is a major gold deposit in terms not only of size but also of grade. It has shallow-dipping structural geology, at least two stacked lenses and no surface outcrop. The discovery of this deposit – in the same geological terrain as the Klondike Goldfield – provided the exploration model, possible reward and the basis for the establishment of the Klondike Source Project.



The discovery of the Pogo deposit resulted from modern stream sediment geochemical sampling, not from alluvial gold workings in its vicinity. By contrast, in the Klondike Goldfield, the Company considers that the large recorded alluvial gold production indicates that the Klondike district is prospective for a number of deposits of Pogo style and magnitude. Several targets for such deposits are contained within the Claims which are held by KSL's wholly owned subsidiary KSL Yukon. For details concerning these Claims please refer to Section 8 (Report on Tenements and Title Searches). The Company is focussing on a single mineralised district with prospectivity comparable to the Kalgoorlie, Yandal or Laverton districts of Western Australia's Eastern Goldfields.

KSL believes that the Klondike is, almost certainly, the largest producing alluvial goldfield still lacking a major hardrock gold discovery. It is notable that elsewhere there are several examples where it took in the order of 100 years to discover major hardrock gold and mineral deposits in areas of substantial alluvial gold production or many minor vein deposits (eg Sukhoi Log (Russia) and Macraes (New Zealand)). In each case the hardrock discoveries only became possible where new exploration technologies and ore deposit models were pursued. In some cases, notably Sukhoi Log and Macraes the reason is that the hardrock deposits are flat-lying mineralised zones.

Previous exploration on the Klondike Goldfield has lacked the benefit of any hypothesis of the district's structural geology and thus the implications for surface geochemical surveys of shallow-dipping (Pogo-type) geometry of the Klondike Schist host rocks.

The Directors consider that potential rewards are commensurate with the obvious major risk of mineral exploration which is illustrated by the lack of hardrock exploration success in the Klondike over the past 100 years (see Investment Risks, Section 9 of this Prospectus).

THE KLONDIKE AS A FLAT-LYING OR STRATABOUND PRIMARY GOLDFIELD		
The Klondike is probably the ONLY major alluvial field yet to yield a good hardrock discovery		
The Dichotomy	**Examples**	**Years to Discovery**
• Hardrock gold discoveries came quickly where the alluvials are sourced from transgressive quartz veins	Bendigo/Ballarat - Australia Sierra Nevada - California	0-5 5-10
• … but took a long time where the alluvial gold is sourced from flat-lying stratabound deposits or in forested terrain.	Fairbanks - Alaska Macraes - New Zealand Lena Goldfield – Russia *	50-100 120 130

* The Lena Alluvial Goldfield and the Sukhoi Log gold deposit provide an excellent example:

The Lena Alluvial Goldfield is famous for its huge placer gold production - more than 32 million ounces - from 1829 to the present day. The bedrock source of these placers, arising from Late Proterozoic metamorphic rocks containing abundant black shales, lay undiscovered for more than 100 years. Early prospecting concentrated on quartz veins, but these were not sufficient to explain the enormous placer mineralisation. Only in the 1970's was it recognised that the gold was hosted by pyritic formations within the metamorphic rocks.

The Sukhoi Log hardrock gold deposit is reported to contain geological resources of at least 40 million ounces of gold.

4.3 The Company's Exploration Interests

The Klondike Source Project is focussed on exploration of the 1,000 km^2 area which hosts the likely sources of the alluvial gold production.

KSL through its wholly owned Canadian subsidiary, KSL Yukon, is exploring two major groups of tenements:

(i) the northern part of the goldfield where exploration commenced under a farm-in agreement with PacRim. Current exploration is based on a contiguous block of 443 claims (the Joint Venture Claims) covering 75 km^2 (Figure 2, Section 6 (Independent Geologist's Report)), and

(ii) an area of 26 km^2 in the south-east part of the Goldfield where three claim blocks, totalling 132 claims, are owned and controlled 100% by KSL through its wholly-owned Yukon subsidiary company.

In the past four years KSL has spent A$683,127 (C$614,814) on exploration on all of these Claims.

4.4 Prospectivity of Initial Targets Confirmed

Initial exploration results based on an innovative soil geochemistry technique, previously untried in this district (though successful elsewhere in sub-Arctic North America), provide geochemical validity for the prospectivity of KSL's target zones. To date, within the Joint Venture Claims, four major gold anomalous areas, each of one half to several square kilometres in area, have been partially defined. Each area holds sufficient promise to merit an initial drilling program in 2004.

The proposed exploration drilling program which will commence by June 2004, will consist of diamond drilling to test from three to five target zones to:

- locate the sources of the geochemical anomalies, and
- confirm the KSL structural model and its prospectivity in the Klondike Goldfield, and
- provide firm parameters for surface exploration surveys (geological, geochemical, geophysical) to cost effectively further define valid exploration targets.

Furthermore, KSL's exploration knowledge, particularly with new drilling data and structural concepts, will be integrated with recently acquired detailed government aeromagnetic data. This will provide a firmer basis for staking or acquiring interests in new exploration properties and continuing focussed exploration into 2005 and subsequent years. For details of the exploration program and budgets, refer to Section 6 of this Prospectus (Independent Geologist's Report).

LARGE PROSPECTIVE TARGETS

In the northern Joint Venture Claims, KSL has:

- defined coherent soil geochemical gold anomalous zones with substantial Pogo-like dimensions, and
- interpreted shallow-dipping gold-prospective structures:
    - Prospect A: larger than 2,500 m by 1,000 m;
    - Prospect B: 1,500 m by 750 m;
    - Prospect C: 1,200 m by 1,000 m.

KSL Yukon's Hit Claims, (see Figures 2 and 8 in the Independent Geologist's Report – Section 8) have one identified gold prospective structure approximately 1,000 m by 1,000 m. Probable anomalies have been defined on two of the three small northwestern KSL Claim blocks.

Exploration results to date support KSL's concepts.
Drilling is planned to commence by June 2004 with first results expected in July/August 2004.

5.1 The Tenements (Claims)

The Company commenced its hardrock exploration work under the Joint Venture Agreement with PacRim, (then named Barramundi Gold Ltd) initially by undertaking systematic ground exploration surveys which were conducted over a large block of claims covering 150km^2. The results of these surveys have led to the current exploration focus on drill targets in the centre of a block of 443 claims (75km^2).

In addition, KSL staked over 230 claims in the southern half of the Goldfield in which it held a 100% interest. Similar systematic surveys have led to the Company retaining the most prospective areas secured by 132 claims.

At the successful conclusion of this Issue and with the completion of the PacRim/KSL Consolidation Agreement, KSL will hold a 100% interest in 575 claims covering some 101km^2.

For further information concerning the Claims refer to the Report on Tenements and Title Searches (Section 8) and for further information concerning the PacRim/KSL Consolidation Agreement and other matters relating to the consolidation of interests refer to Section 11 (Material Contracts).

5.2 Material Aspects of Claim Tenure

Small Claims

The Quartz Mining Act (QMA) provides only for small Claims (each a maximum of 457m x 457m) which must be correctly staked and tagged.

The Directors are satisfied that the Claims have been staked and tagged in accordance with the QMA.

Survey of Mineral Claims

The Company has carried out surveys of the Joint Venture Claims using the Global Positioning System (GPS) and the Directors are satisfied that the actual location of the stakes defining the boundaries of the Joint Venture Claims are as recorded and shown on the Quartz Claims Maps maintained by the Yukon Mining Recorder. A similar survey of the KSL Yukon Claims has not been completed. The Directors do not anticipate that the completion of these surveys will reveal any material deficiency in the location or definition of the KSL Yukon Claims.

Overlapping Surface Rights

Placer claims under the Yukon Placer Mining Act provide surface rights for mining of secondary deposits of alluvial gold. Locally, some Joint Venture Claims and KSL Yukon Claims include parts of stream drainages that are staked as placer claims by other parties. The only effect of overlapping placer (alluvial) and quartz (hardrock) claims relates to surface disturbance by access roads or drill sites, which could affect placer mining. In such cases, the QMA provides for disputes resolution and particularly, compensation payments that may arise out of any conflict between overlapping titles.

The Directors are satisfied that there are no such issues that are material with respect to the exploration prospects as currently defined or envisaged.

Encumbrances

The Report on Title and Tenement Searches has verified that there are no liens, charges or encumbrances, options, royalties or agreements (with the exception of the Heads of Agreement and Deed of Assignment assigning a 20% interest in the claims to KSL Yukon) registered, recorded or filed in the office of the Dawson Mining Recorder against the records of the Joint Venture Claims or the KSL Yukon Claims.

The Company has had no notice of, nor are the Directors, after reasonable enquiries, aware of any statutory liens, miner's liens, unregistered transfers or any other adverse interest against the Joint Venture Claims and the KSL Yukon Claims not registered, recorded or filed in the office of the Dawson Mining Recorder.

Native Title

A reference to the Final Agreement between the Tr'ondek Hwech'in (the indigenous people of the region) and the Government of Canada is made in the Canadian Solicitors' Report (Section 7). The Final Agreement releases and surrenders to the Crown all aboriginal claims, rights, titles and interests, inter alia, to all Non-

Settlement Land as described in the Canadian Solicitors' Report (Section 7). Maps have been prepared showing the Tr'ondek Hwech'in Category A Settlement Land. These maps form an integral part of the Tr'ondek Hwech'in Final Agreement.

As a result of their own enquiries, including the inspection of relevant maps comprising part of the Final Agreement, the Directors are satisfied that:

- the whole of the lands within or in the vicinity of the Joint Venture Claims are Non-Settlement Land;
- the whole of the lands within or in the vicinity of the area covered by the KSL Yukon Claims are Non-Settlement Land; and
- no other persons hold any aboriginal claim right, title or interest in the Joint Venture Claims or the KSL Yukon Claims.

National Parks

As described in the Canadian Solicitors' Report, lands within national park reserves are not open for staking under the Quartz Mining Act. To the extent that any Claim is inadvertently staked within a national park reserve, it is not valid. The Mining Recorder determines whether a Claim infringes upon a national park reserve.

The Directors are satisfied that none of the Claims in which KSL has an interest impinge upon any national park reserve.

Environmental Regulations

Mineral exploration in the Yukon is conducted under a similar environmental regulatory framework as in Australia, with the submission of operating plans of increasing detail and regulatory control as the work progressively impacts on the environment. An important requirement is to prevent contamination of watercourses which are the spawning ground of salmon.

The Directors are satisfied that the Company can operate in accordance with the current environmental regulations and have a reasonable expectation that the Yukon Environmental and Socio-Economic Assessment Act (YESAA) as described in the Canadian Solicitors' Report will not impose any additional material restrictions on the Company's operations.

For further Information concerning the regulatory environment applying to the Company's operations in the Klondike please refer to Canadian Solicitors' Report and see also Section 9.7 (Investment Risks).

5.3 Required Expenditure and Renewal of Claims

The QMA requires minimum annual exploration expenditure of C$100 (A$110) per claim for renewal of tenure. Certification of statutory expenditure for renewal of claims is by way of assessment reports which provide a full record of exploration work on the claims and listing of direct costs incurred. A period of six months is allowed after the application for the renewal of claims is made to allow for submission of assessment reports under the QMA.

In the Joint Venture Claims, a core of 303 claims covering the major prospects have recognised tenure to December 2004 with the remaining 140 claims having expiry dates in August/September 2004.

In the KSL Yukon Claim blocks the key areas and prospects (eg the Hit Claims) have tenure to late August/September 2004; other such claim areas have tenure to June 2004. All other KSL Yukon Claims have tenure at least to August/September 2004.

The number of claims may vary from time to time according to new claims staked or redundant claims relinquished but on the basis of claims currently held, the Company will, in the 2004 field season, be required to expend an amount of C$57,500 (A$64,000) to extend tenure for a further 12 months.

5.4 Limited Field Seasons

Extreme weather conditions through the winter dictate that exploration work is limited to the period between May and November. It should be noted, however, that this seasonal limitation generally applies only to exploration activities. Numerous mines operate all year round in Alaska and northern Canada.

5.5 Tax Considerations

This part is not intended to be a definitive statement on tax considerations applying to the Company's operations but an outline of salient features to enable prospective investors to understand the principles of taxation on the Company as it conducts its activities in Australia and Canada. Prospective investors should, particularly at the time of disposal of shares, seek advice from their own professional advisers concerning their particular circumstances.

Taxation of the Company

Australia

KSL is incorporated in Australia and it has its effective management in Australia and for taxation purposes is a resident of Australia.

Should the exploration activities of KSL Yukon prove successful, KSL will derive income in Canada from management activities and receive dividend income from the investment in KSL Yukon. The dividends received will be exempt from Australian income tax. As a consequence, any expenditures in Australia incurred which are related to the earning of exempt dividend income, will not be allowable deductions in Australia. Where relevant, any expenditures incurred in Australia in the management of the Canadian operations would be claimed as part of the Canadian operations.

The Company has incurred expenditures in respect of its Australian operations and these losses have been carried forward. No recognition of the future tax benefit has been made in the financial statements.

Canada

KSL has ceased to carry on its business of exploration in Canada following the transfer of the rights to the tenements to its subsidiary KSL Yukon. All activities in Canada are limited to management of its investment in KSL Yukon. KSL should not be liable to taxation in Canada, except on disposal of its subsidiary, which is not contemplated at this stage.

We comment later in this report on the taxation of dividends to shareholders.

Taxation of the Subsidiary Company

KSL Yukon conducts a business in the Yukon and whilst it has its effective management in Australia it has a permanent establishment in the Yukon and would not be subject to Australian taxation. The Australian Taxation Office will not tax such income at the corporate level as it would be subject to taxation in Canada. Under the Tax Treaty Australia treats as exempt income all income derived which has been subject to tax in the comparable tax country.

The Yukon Territory provides a discretionary rebate of the cost of exploration by way of the Yukon Mineral Exploration Tax Credit and such a credit may only be given to taxpayers which are subject to taxation in the Yukon. The availability of the cash rebate is determined on a year to year basis in respect of qualifying taxpayers. Tax rebates of approximately 20% of the exploration expenditure have in previous years been available in exchange for foregoing a tax deduction for this expenditure in respect of later claims against Yukon territorial tax (but not Federal tax).

It would be expected that the eligible costs incurred in conducting eligible exploration activities in the Yukon would be subject to the Yukon Mineral Exploration Tax Credit. KSL Yukon has claimed and received this tax credit in respect of the 2000 and 2001 years and, if available, will claim a credit in respect of later years. Such a credit would provide additional funds to be spent on further exploration of the tenements. However, because of the discretionary nature of the credit the Directors do not know whether it will be available in the future.

Taxation of Australian Shareholders

Taxation on Dividends

It is ackowledged by the Directors of KSL that they will not be in a dividend paying position for some years and consequently the legislation could be significantly different at that stage.

However, on the basis the simplified imputation system continues as it exists at 1 July 2003, all public companies paying a dividend from that date can choose the franking percentage in the frankable distribution.

The Government is conducting a review of Australia's international tax regime to determine whether changes are needed to encourage Australian companies expanding overseas. This review will include a review of the dividend imputation system and foreign source income. At present there are no credit or franking credits available when KSL pays dividends to its Shareholders.

Taxation on Capital Gains

Shareholders who dispose of their shares at a price in excess of their cost base may be subject to capital gains tax.

Tax is imposed on the gain realised on disposal. A taxpayer will only make a capital gain or loss if a CGT event happens.

Shareholders who own their shares in KSL for more than 12 months will be entitled to a discount equal to a varying discount percentage:-

(a) 50% if the gain is made by an individual or certain trusts;

(b) 33.3% if the gain is made by a complying superannuation fund.

This discount is not available to other entities such as companies.

Special rules apply if the taxpayer has access to capital losses.

Gains arising on the disposal of share held for less than one year will be assessed at the full amount.

Shareholders who dispose of their shares at a price less than their cost base may incur a capital loss. A capital loss may be able to be offset against capital gains in the same year of income or in a subsequent year of income. A capital loss may not be offset against ordinary income. There is no discount of capital losses.

Roy Cox & Associates
(A.C.N. 001 832 579) **Pty. Limited**

75 Tindall's Lane, Berry, NSW 2535, Australia

Consultants in Economic & Mining Geology

10th November 2003

The Directors
Klondike Source Limited
Level 10, 80 Arthur Street
North Sydney NSW 2060
Australia

Dear Sirs,

Independent Geologist's Report

This Report has been prepared for inclusion in a Prospectus to be dated on or about 12th November 2003 by Klondike Source Limited (KSL) for the purpose of offering for subscription up to 20,000,000 Shares at an issue price of 10 cents each.

EXECUTIVE SUMMARY

Klondike Source Limited is proposing to raise up to $2 million to finance its exploration for large primary gold deposits in the Klondike Goldfield, in Canada's Yukon Territory. The primary source of the Goldfield's recorded production of 12.2 million ounces gold (recovered almost entirely from alluvial deposits) has never been discovered.

Since 1999 the Company's experienced field geologists have undertaken a re-interpretation of the geology of the Goldfield, conducting their own geological mapping and making full use of all available topographic, geological, remote sensing, geochemical and geophysical data. This work has led to the development of realistic models for the primary gold deposits which sourced the rich alluvials. This interpretation has been used to identify prospective areas for primary gold mineralisation and to acquire exploration tenements over these target areas.

Over four field seasons (1999, 2000, 2001 and 2002) the Company has undertaken geological mapping and geochemical soil surveys. These surveys have identified several prospective targets with potential for hosting large tonnage, primary gold mineralisation. Klondike Source Limited now proposes to test those prospects having the most significant gold geochemical soil anomalies and favourable geological characteristics by diamond drilling to define the nature of the primary gold mineralisation and delineate its subsurface extent.

Roy Cox & Associates Pty. Limited considers that the Company's geological interpretation, exploration concept and strategy, together with its proposed work programs, are technically sound, pragmatic, well focused and conform to best industry practice. The proposed exploration budgets are considered to be realistic and cost-effective. They focus clearly on achieving the Company's stated objectives in a timely manner.

The Company's carefully selected exploration tenements are considered to be prospective for hosting large primary gold deposits. Potential investors should, however, be fully aware that gold exploration is a high-risk venture where the potential for substantial rewards has to be carefully weighed against the risks involved. It is not possible for Roy Cox & Associates Pty. Limited to quantify these risks for the potential investor in the Company's Klondike exploration project.

1. TERMS OF REFERENCE

The terms of reference for the preparation of this Independent Technical Expert's Report by Roy Cox & Associates Pty. Limited (RCA) are to:

- Review and evaluate all technical data available to KSL on the Klondike Goldfield, particularly on its exploration tenements, both published and unpublished, and including the results of newly acquired geological, geochemical, geophysical and remote sensing data, together with the Company's interpretations thereof.
- Critically assess the technical basis of KSL's exploration concept for primary gold deposits in the Klondike Goldfield.
- Review and assess KSL's exploration strategy, technical programs and budgets proposed to test these concepts.
- Express an independent opinion on the technical merits, exploration potential and risks involved.

This Report has been prepared in conformity with the requirements of the NSX, ASX and the VALMIN Code of the Australasian Institute of Mining & Metallurgy. However, with respect to this Code, it should be noted that RCA has not undertaken a specific field examination of KSL's exploration interests in the Klondike Goldfield because RCA's Principal Consultant has had professional working experience in the Canadian Cordillera and is familiar with the Klondike district. Furthermore, KSL's exploration is at an early stage with only geological mapping and geochemical sampling completed to date. There are no mineralised outcrops or drill core to inspect at this stage so a site visit was not considered to be warranted. RCA is satisfied that there is sufficient current information available to allow an informed appraisal to be made without a site inspection.

It should be noted that the Australasian Code for Reporting Mineral Resources and Ore Reserves (JORC Code) is not directly relevant in this Prospectus because KSL is an exploration company in the early phase of exploration and does not have Mineral Resources to report at this stage. Furthermore, resource figures quoted for other gold deposits and mines in this Report are those widely quoted in North American publications. Such figures may not conform to the JORC Code but they are largely derived from mining company sources and, as such, can be considered reasonably reliable. However, it should be noted that references to past alluvial production refer to unrefined gold (crude ounces), sources of which have a range of 550 to 950 fineness (i.e. 55% to 95% pure gold).

2. INTRODUCTION

A) Project Location

KSL's exploration tenements are located within the Klondike Goldfield, in the central western part of the Yukon Territory, Canada (Figure 1). The Klondike Goldfield, covering approximately 1,000 km^2 (an area measuring about 50 km by 20 km), is located to the immediate southeast of Dawson City (latitude 64^{o}03'N, longitude 139^{o}20'W), some 280 km south of the Arctic Circle and 536 km (by road) north of Whitehorse, the capital of the Yukon Territory.

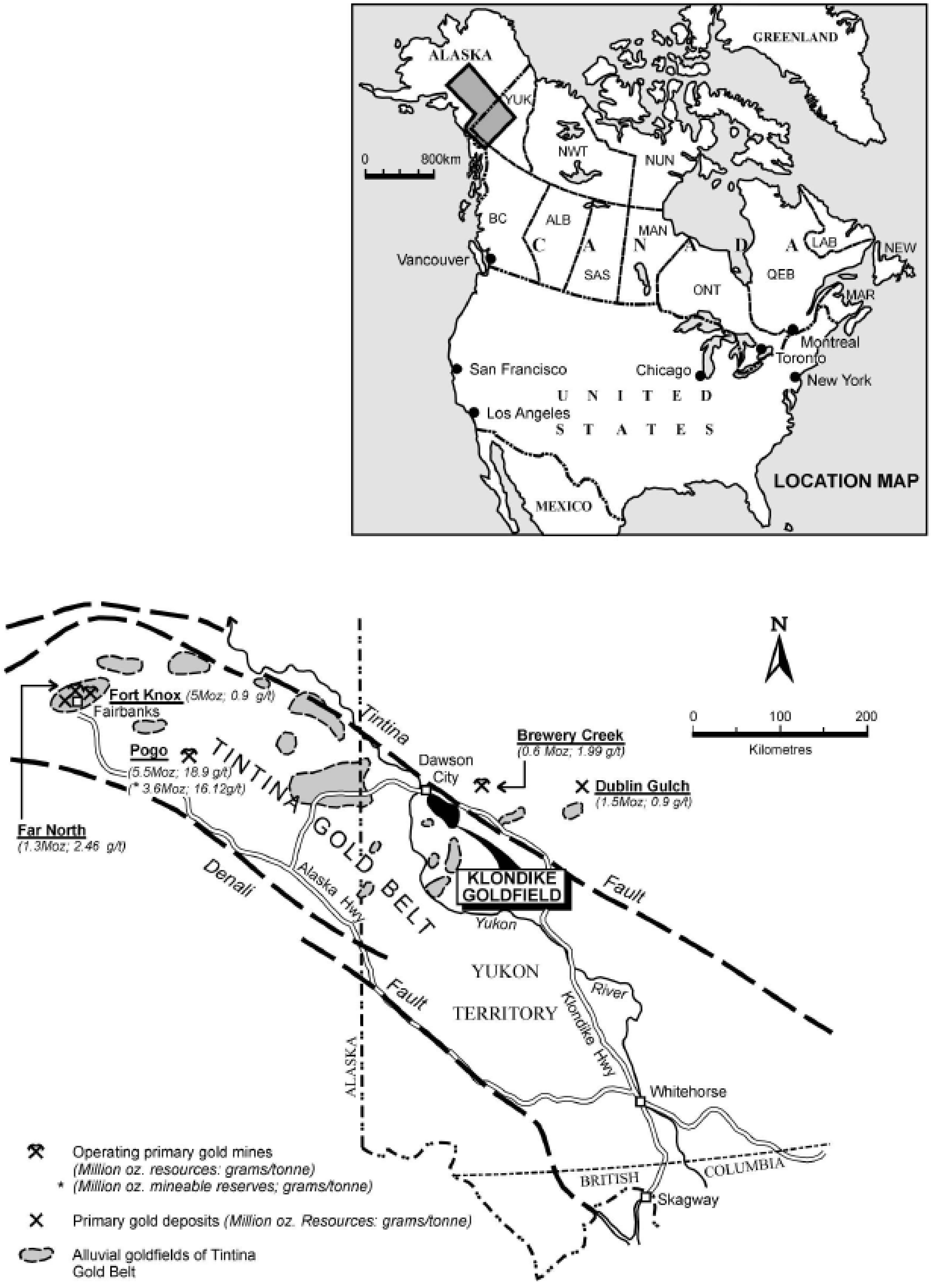
The historic town of Dawson City, at the confluence of the Yukon and Klondike rivers, was the centre for the famous Klondike gold rush at the end of the 19th Century. Dawson City is now readily accessible year round by sealed road (the Klondike Highway, from Whitehorse) and by air (from Vancouver, via Whitehorse). It has good infrastructure including electricity, water, sewerage, telecommunications, Government services, etc.). The district has a permanent population of about 2,000 people that at least doubles during the summer tourist season (May through September).

The Klondike Goldfield is centrally located in the Tintina Gold Belt (Figure 1), which extends from Fairbanks (Alaska) for over 1,000 km southeastwards to central Yukon (southeast of Dawson City). In the Yukon, the Tintina Gold Belt hosts the Brewery Creek gold mine located some 50 km northeast of the Klondike Goldfield. In Alaska, the Tintina Gold Belt includes the famous Fairbanks alluvial goldfield, with 7.65 million ounces gold production, as well as important primary gold deposits at Fort Knox, Far North and the newly discovered major deposit (5.2 million ounces gold "geological resource") at Pogo, approximately 300 km westnorthwest of the Klondike Goldfield.

B) Topography and Climate

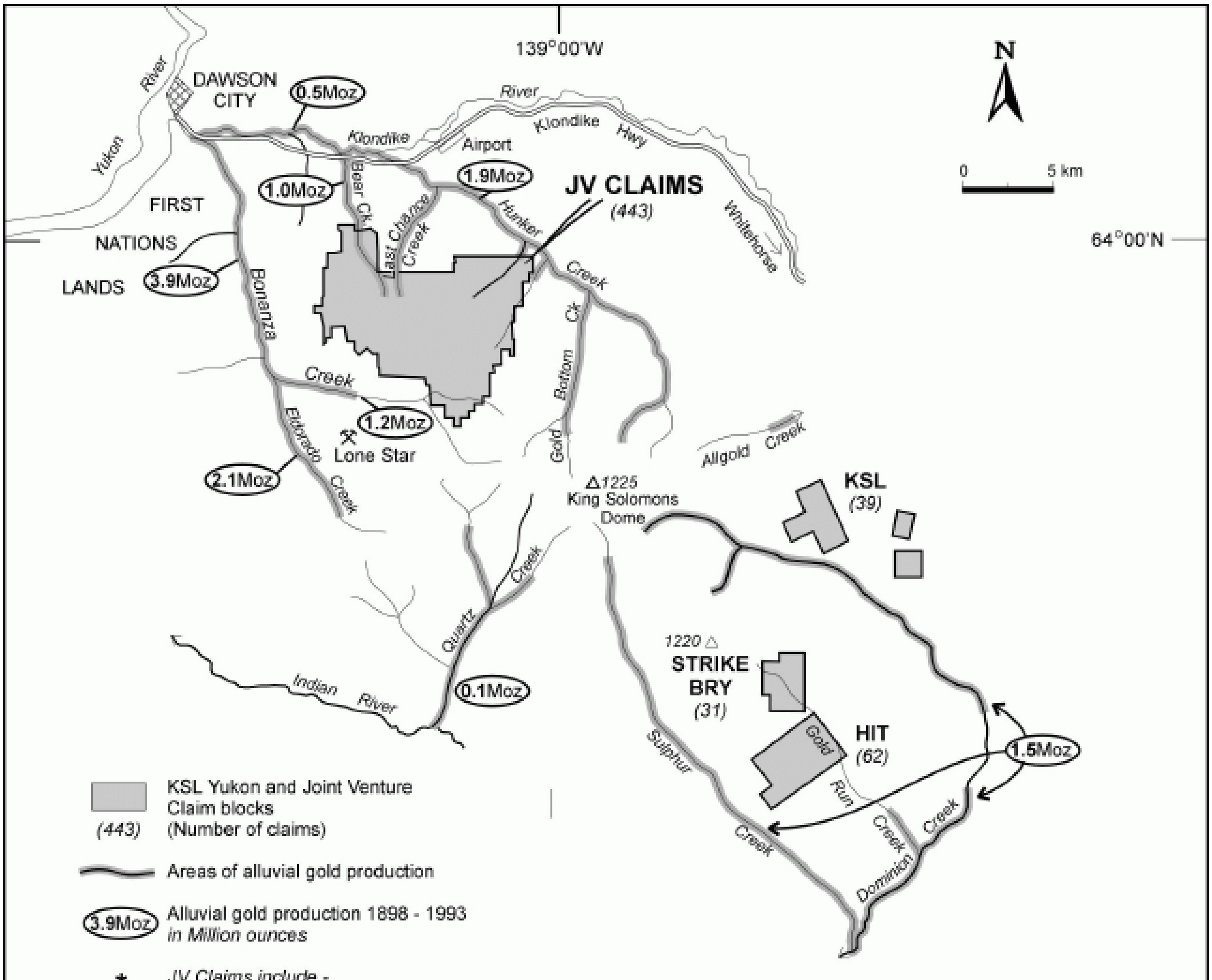
The Dawson district is a well-dissected upland plateau with elevations ranging from less than 350 m to over 1,200 m above sea level. It is characterised by rounded hills and numerous rivers and creeks. The district's hillsides were clear-felled during the gold rush such that present-day vegetation comprises second-growth scrub forest. Below the tree line (at approximately 1,100 m above sea level) bedrock is blanketed by moss, locally up to 0.5 m thick.

The area has a typical northern continental climate, with low annual precipitation and a wide range of temperatures. Summers are short and warm whilst the winters are long and extremely cold.



KLONDIKE SOURCE LIMITED
Location Map and Tintina Gold Belt
Figure 1

This Plan has been edited by Roy Cox & Associates for inclusion in this Prospectus



KLONDIKE SOURCE LIMITED
KLONDIKE GOLDFIELD:
Alluvial Gold Production & KSL's Tenement Interests
Figure 2

This Plan has been edited by Roy Cox & Associates for inclusion in this Prospectus

The district is exceptional in Canada, having escaped Plio-Pleistocene glaciation. It is, however, presently subject to permafrost, up to 65 m deep.

C) Mining Tenements

The Klondike Goldfield consists of unoccupied Crown Lands open to prospecting and claim staking, except for several small National Park reserves over small historic mining sites. Most of the valley floors are held under placer (alluvial) mining claims that have precedence only for the surface mining rights. Indigenous land rights in this part of the Yukon Territory have been settled. Areas of Indigenous Title occur close to the Yukon River but outside KSL's area of interest.

KSL's Yukon exploration interests (Figure 2) comprise 575 Claims, totalling approximately 101 km^2, within the Dawson Mining District, as set out in Schedule 1 of Section 8 "Report on Tenements and Titles Searches" in this Prospectus.

The majority of these Claims (443 Claims, totalling approximately 75 km^2), are Joint Venture Claims (JV Claims", see Figure 2) under a farm-in agreement between KSL's Yukon subsidiary (KSL Yukon) and Barramundi Gold Limited (now PacRim Resources Ltd, PacRim). The PacRim/KSL Consolidation Agreement (particulars of which can be found in Section 11 of the Prospectus) provides in effect that in the event KSL raises a minimum of $500,000 and issues shares and options to PacRim, a 100% interest in the JV Claims will vest in KSL Yukon.

The balance of the Claims (132 Claims, totalling approximately 26 km^2) are owned 100% by KSL Yukon.

It is not within RCA's terms of reference to validate the title of these Claims or the terms of the farm-in agreement or the PacRim/KSL Consolidation Agreement.

D) Mining History

Rich alluvial gold deposits were discovered in the Klondike Goldfield in 1896 and led to the last major gold rush (1897-98) of the 19th Century. Total recorded gold production from the Klondike Goldfield is 12.2 million ounces, of which 7.2 million ounces came from the Bonanza Creek drainage covering approximately 140 km^2. This production came almost entirely from secondary (alluvial) sources, making the Klondike one of the world's largest alluvial goldfields.

The main period of alluvial production was between 1897 and 1923, initially by hand workings and then, from 1905 onwards, by dredging. Limited production (50,000-70,000 ounces gold per annum) continues today, using bulldozers and trommel and sluice box methods.

Primary (lode) production for the entire Klondike Goldfield totals about 1,000 ounces gold, from the Lone Star mine (7,650 tonnes ore at 5.1 g/t gold) between 1912-1914.

3. PREVIOUS EXPLORATION

Up to the present day primary (hardrock) gold exploration has been largely focussed on prospecting. Easily identifiable quartz lode prospects have been staked under the little-modified Yukon Quartz Mining Act (see Sections 5 and 7 of this Prospectus for details). This Act requires ground to be staked with small Mineral Claims measuring 1500 ft by 1500 ft (i.e. 457 m by 457 m). Prospectors and junior exploration companies with prospective claim blocks have traditionally farmed these out to larger exploration/mining companies for systematic exploration.

Only one major, goldfield-wide exploration program has been conducted in the Klondike Goldfield. This was a Kennecott/Arbor Resources program, undertaken during the late 1980's and early 1990's. This program covered a large number of claim blocks amalgamated to cover the northern half of the Klondike Goldfield. Kennecott identified from alluvial production records that almost 60% of historic gold production came from the Bonanza Creek drainage area. This area included the sole hardrock locality with any primary gold production above a few ounces, namely the Lone Star mine (Figure 2). Kennecott/Arbor focussed most of their attention and drilling budget on the Lone Star area. They had limited success in defining a "resource" of approximately 900,000 tonnes at 2 g/t gold, based largely on percussion drilling. Elsewhere, geochemical soil and geophysical (induced polarisation) surveys were undertaken, with very limited follow-up, shallow percussion drilling.

During the mid-1990's PacRim (previously known as Barramundi Gold Ltd.) considered the Klondike Goldfield prospective for primary gold deposits and ambitiously staked and acquired claim blocks over approximately half the area. With limited funding PacRim conducted a systematic geochemical drainage survey, albeit on creeks extensively worked historically for alluvial gold, completed one detailed geochemical soil survey over optioned claims covering two small gold and/or base metal quartz lodes, and a small detailed, low-level aeromagnetic survey. None of this work led to PacRim defining any targets for drilling. No drilling was undertaken by either Kennecott or Arbor Resources within the confines of KSL's JV Claims. In addition, no drill holes have tested the KSL Yukon Claims (which include the Hit Prospect).

Thus, exploration since 1896 has failed to locate any significant primary source of the numerous rich alluvial gold deposits in the Klondike Goldfield. To date only about 25-30 individual quartz lodes have been discovered in the entire Goldfield. These lodes are all of small dimensions and limited tonnage potential. Only four lodes have been extensively explored, without success. Of these, only one lode (Lone Star shear zone with sulphidic quartz veins) has been mined. It has very small dimensions and limited tonnage potential.

One explanation for the failure to locate the primary source, favoured by some, is that virtually all the gold in the alluvial deposits was derived from mesothermal quartz veins in the overlying country rocks and these sources have been completely eroded away. This seems rather fortuitous and highly improbable. The paucity of major quartz vein systems (e.g. sheeted vein swarms and stockworks) suggests an alternative hypothesis needs to be sought.

4. GEOLOGY

A) Regional Setting

The Klondike Goldfield is located in the northern Canadian Cordillera within a domain of the Upper Palaeozoic Tanana Terrane. It lies west of a major regional strike-slip shear and graben structure, the WNW-trending Tintina Fault Zone (Figures 1 and 3), which separates the Precambrian North American continent from the younger Cambrian volcano-sedimentary arcs bordering the northeast Pacific Ocean. This Fault zone, some 1,000 km long, shows a right-lateral displacement of approximately 400 km, mainly of Late Tertiary age.

The Tanana Terrane, which was the actively moving component relative to the Archaean/Proterozoic craton to the northeast of the Tintina Fault Zone, is highly deformed.

The Klondike Goldfield covers an ovoid area of low-grade metamorphic rocks (Klondike Schist), centred 15 km southwest of and extending approximately 50 km parallel to the Tintina Fault Zone. It is bounded on the north by the Klondike River, on the east by Hunker Creek, on the south by Dominion Creek, Sulphur Creek and Quartz Creek, and on the west by Eldorado Creek and Bonanza Creek (Figures 2 and 3).

B) Geomorphology and Surficial Cover

The Klondike Goldfield forms part of the Yukon Plateau, a well-dissected uplifted erosional surface (dipping gently south) of Tertiary age characterised by rounded hills and a multitude of small streams tributary to the main rivers. Remnants of the plateau surface outcrop at 1,200-1,400 m above sea level.

This subdued mature landscape is the result of extensive subaerial Miocene erosion with drainage patterns dominantly to the southwest (to the Pacific Ocean), followed by Pliocene uplift and drainage rejuvenation that initiated and maintained White Channel Gravel sedimentation until the early Pleistocene. Subsequent uplift of the Yukon Plateau resulted in drainage reversals (the Yukon River basin is now drained in a north-westerly direction to the Arctic Ocean) that were completed with the onset of Pleistocene glaciation. Continued uplift during the Pleistocene resulted in down cutting and incision of the drainage systems to their present levels.

The main geomorphological features of the Klondike Goldfield are:

- The district is underlain by permafrost, up to 65 m depth.
- The valleys are flat and wide in their lower reaches, gradually narrowing towards their heads into steep-sided, V-shaped gullies ending abruptly in broad amphitheatres.
- Many of the lower valley slopes are terraced.
- Alluvial deposits formed initially during the late Tertiary uplift, derived from deep weathering and erosion of the bedrock (including primary gold deposits).
- A later period of uplift (Late Pleistocene-Recent) resulted in deeper erosion, reworking of the earlier alluvials and the formation of Recent alluvials in the present-day valleys. Remnants of the earlier alluvials are preserved as terrace deposits.
- The alluvial deposits of the district have been classified into three main groups: High Level Gravels (including White Channel Gravels), Intermediate Level Gravels, and Low Level Gravels (present-day rivers, creeks and gullies).

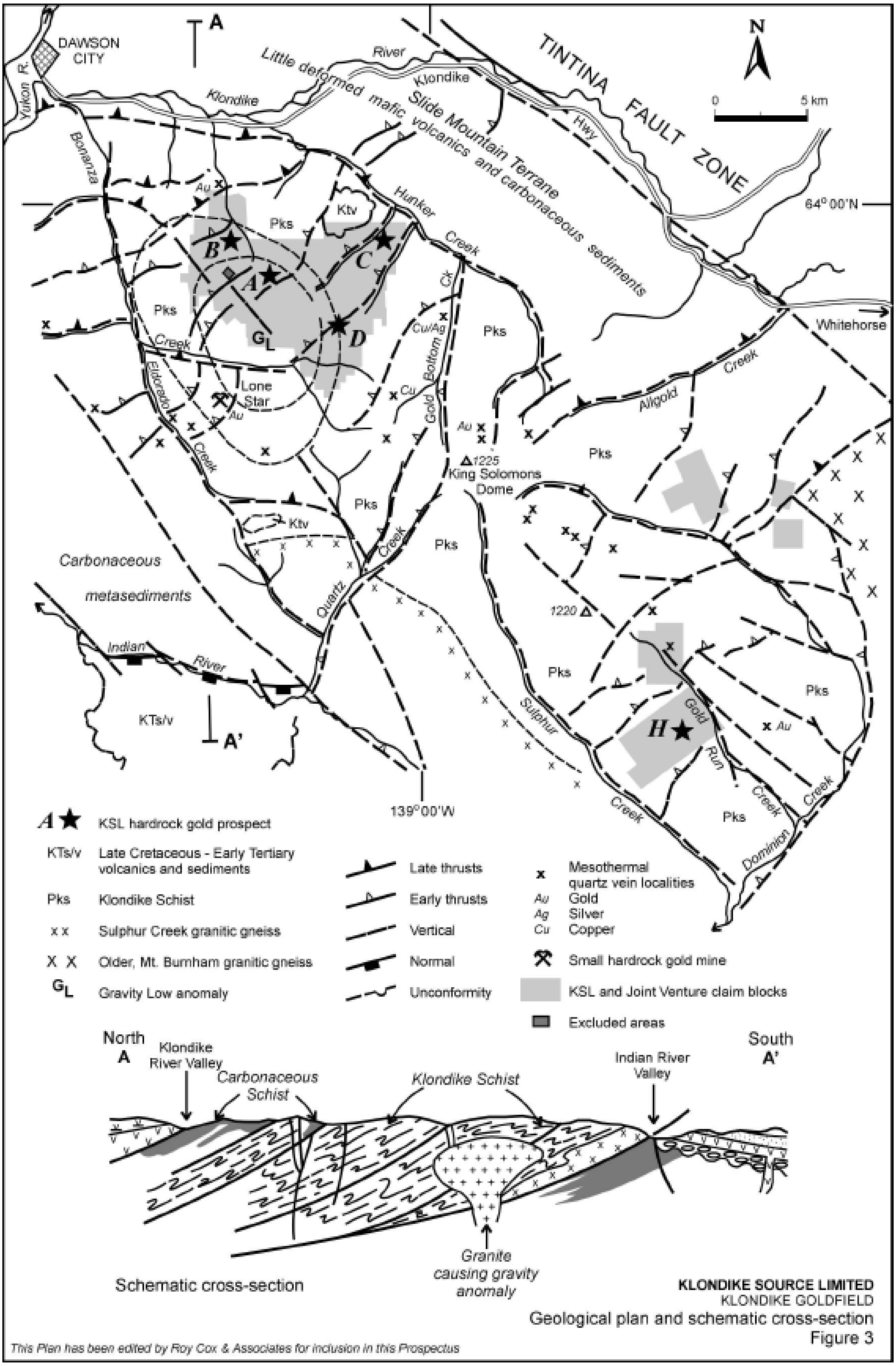
The Klondike Goldfield was not, somewhat surprisingly, subject to Plio-Pleistocene glaciation. Nevertheless the present-day river systems and associated fluvial sediments were formed under near-glacial conditions.

The alluvial gold deposits of the Klondike Goldfield were formed from erosion of the Klondike Schist over the past 5 million years. They occur as two major types:

- Remnant terraces (White Channel Gravels) of Plio-Pleistocene age between 40-100 m above the current valley floors.
- Recent alluvial gravels at the bases of the present-day drainage systems.

The White Channel Gravels are rich in hydrothermal and metamorphic vein quartz and suggest rapid erosion of an old plateau or erosion surface. They were extensively sluiced to recover gold from the basal one to two metres.

Gold in the Recent alluvial gravels is considered to have been largely derived from erosion of the White Channel Gravels (i.e. secondary deposits). However, a significant component was almost certainly derived from the recent erosion cycle of bedrock (primary) resources, as evidenced by the presence of dendritic rather than flattened gold specimens.



KLONDIKE SOURCE LIMITED
KLONDIKE GOLDFIELD
Geological plan and schematic cross-section
Figure 3

C) Lithologies

A simplified lithologic/stratigraphic sequence for the structurally complex Klondike Goldfield, based on KSL's geological mapping and interpretation (Figure 3), is summarised below:

Plio-Pleistocene	Two erosional cycles resulting in two major types of alluvial deposit
Eocene	Major uplift and displacement along Tintina Fault Zone; quartz porphyry intrusions
Cretaceous/Paleocene	Granodiorite intrusions, with associated felsite and rhyolite dykes
Permian	Regional metamorphism and deformation (Sulphur Creek Granitic Gneiss)
Palaeozoic	"Klondike Schist"
	Major unconformity
Late Devonian (?)	"Mt Burnham Granitic Gneiss"

The geological basement of the Klondike Goldfield consists of the low-grade metamorphic Klondike Schist, an intensely deformed sequence of largely felsic metavolcanic rocks. The age of this unit is probably Upper Palaeozoic. The Klondike Schist consists of a probably lower stratigraphic unit of chloritic schists (of basaltic lava derivation), overlain by pyritic quartz-muscovite schist (of intermediate to dominantly acid volcanic derivation). A quartz-eye porphyry schist is an easily identifiable unit characteristic of acid volcanic origin. Minor carbonaceous schists, often pyritic, are a notable minor component of sedimentary origin.

Closely associated with the Klondike Schist, and also strongly deformed, are intrusive rocks of probably subvolcanic origin, including metagabbro, metadiorite and metaporphyry.

The Klondike Schist has also been extensively intruded by several suites of younger (Tertiary), less deformed, acid and basic intrusive rocks, occurring as stocks and dykes.

In the northern and north-eastern part of the Goldfield, between the Tintina Fault Zone/Klondike River and Hunker Creek, the Klondike Schist is bounded by the much less deformed "Slide Mountain Terrane" consisting of carbonaceous metasediments and mafic/ultramafic volcanics (with pillow lava structures). The age of this sequence is unknown. These rocks lack any evidence of gold mineralisation.

In the southern part of the Goldfield the Klondike Schist has been extensively granitised and mapped as the Sulphur Creek Granitic Gneiss. These two units, which merge into one another, provide evidence that the regional metamorphism was of Permian age.

In the south-eastern part of the Goldfield, close to the Tintina Fault Zone, the Klondike Schist is bounded by an older, coarse-grained pegmatitic gneissic unit, the Mt. Burnham Granitic Gneiss.

During the early Tertiary the Klondike district experienced several episodes of mafic and felsic dyke intrusion, local andesitic volcanism and emplacement of small granitic intrusions. Extensive low-temperature hydrothermal alteration (quartz veinlets, argillic and pyritic) is associated with these magmatic events, even affecting the lower auriferous White Channel Gravels. There is, however, no evidence of these alteration systems being associated with the source(s) of the district's rich alluvial gold deposits.

D) Structures

KSL has developed an elegant structural interpretation for the Klondike Goldfield based on field mapping and checking. The complexity of the structural deformation, particularly that due to the Tertiary uplift and displacement along the Tintina Fault Zone, has been identified.

The Klondike Schist has a dominantly shallow-dipping (20°) early schistosity, which probably parallels lithological boundaries. Folding evident in outcrop cannot be identified at larger scales. Doming related to the metamorphic deformation of the Klondike Schist may be inferred. Small deformed quartz veins of metamorphic origin are ubiquitous and demonstrably do not carry gold. There is also a prominent younger crenulation cleavage, which partly obliterates early schistosity and reflects more than one period of high strain folding.

Most important is the inference of two major sets of shallow-dipping brittle fracture thrusts and related vertical strike-slip faults. The older shallow (less than 45°), NW-dipping set of structures post-dates the major early schistosity and pre-dates the suites of Late Cretaceous to Early Tertiary dykes. Inferred dilational fracture zones related to this set of faults are KSL's major exploration targets. The younger set of N-dipping thrusts is most prominent in the northern part of the Klondike district. These structures are probably related to early to mid-Tertiary strike-slip movement along the Tintina Fault Zone.

The geological interpretation has delineated two major domes within the Goldfield, clearly defined on Landsat images and by the drainage patterns on air photos. The northernmost dome (Bonanza Dome) is bounded by the Bonanza and Hunker Creek drainages, and displays an asymmetrically located ridgeline. The southern dome (Dominion Dome) is bounded by the Sulphur Creek and Dominion Creek drainages. Both domes are elongated NW-SE, with their long axes parallel to the Tintina Fault Zone. KSL has postulated that there could be a causative pluton at depth (Figure 3). The existence of feldspar porphyry dykes and sills within the northernmost dome, together with a district gravity anomaly, is possibly related to such a pluton.

KSL has noted the significance of dip and scarp slopes – the steeper, shorter scarp slopes consist of older, more complex metamorphic rocks, whilst the gentler, longer (pediment) dip slopes consist of colluvium and minor, younger volcanics overlying the Klondike Schist. Both the topographic maps and Landsat images show that the ridge-line is asymmetrically located between the major drainages within the Goldfield.

5. DISTRICT GOLD MINERALISATION

The spatial distribution of secondary (alluvial) gold mineralisation within the Klondike Goldfield may well reflect the original distribution of primary (hardrock) mineralisation. It is therefore important to thoroughly analyse the type, nature and distribution of secondary gold within the Goldfield to gain clues as to possible primary mineralisation characteristics. From production records it is evident that almost 60% of the total recorded Goldfield production (12.2 million "crude ounces" gold) came from the north-western Bonanza Creek/Eldorado Creek drainage area, the eastern part of which represents only about 15% of the total Goldfield area.

A) Secondary

There are four types of secondary (alluvial) gold mineralisation within the Klondike Goldfield:

- The Low Level Gravels are the most important in terms of gold production. The valley floor gravels are 1.2 - 3.0 m thick and rest on weathered schist bedrock. They are generally overlain by 0.6 - 9.0 m black, frozen "muck". The pebbles consist of flat, rounded discs of schist and other rocks of local origin. The most productive creeks were Bonanza, Eldorado, Bear, Hunker, Dominion, Gold Run, Sulphur and Quartz (Figures 2 and 3).
- The Intermediate Level Gravels were produced during the deepening of the present-day valleys and represent remnants of former valley-bottom deposits. Most are small, seldom exceeding a few metres in width or a few hundred metres in length, and are 2 - 5 m thick.
- The High Level River Gravels are extensively distributed, especially in the Bonanza and Hunker creeks. They consist mainly of ancient river deposits and lie at elevations of 135 m above present-day valley bottoms. Payable gold grades were reported in only one locality. They are not of economic significance.
- The High Level Creek (White Channel) Gravels are ancient creek deposits laid down in flat-bottomed valleys before the last uplift (of 180 – 215 m). They now occur as wide benches at elevations of 45 – 90 m above present-day valley floors. They are irregularly distributed due to subsequent erosion. Their age is unknown but is considered to be Late Miocene or earlier. Their characteristic white colouration is due to leaching out of iron, by circulating surface waters, before they were permanently frozen.

The main features of the Klondike alluvial deposits are:

- The gold mineralisation has passed through several stages of erosion and concentration, each stage resulting in successive enrichment, with the last stage resulting in the phenomenally rich Low Level Gravels of Recent age.
- Most alluvial pay streaks were remarkably persistent in grade over considerable lengths, especially in Eldorado Creek which yielded 65 ounces gold per running foot for 4 miles (6.65 kg. gold per running metre for 6.4 km).
- Within the Goldfield the rich alluvials, especially those of the Low Level Gravels, show an asymmetric distribution pattern that offers the key to designing an exploration strategy for locating the primary gold source(s).
- The grain size of the recovered gold particles was coarsest near the stream heads (Low Level Gravels), where it was angular in shape. Further downstream the particles became more rounded, flattened, finer grained and developed larger rims of purer gold (i.e. higher fineness) due to leaching of silver. Large nuggets are uncommon. These grains show significant signs of physical transport and leaching. A study of over 2,000 gold particles from 36 alluvial deposits established relationships between various parameters (e.g. roundness, flatness, thickness and percentage of high fineness rims) and distance of transport of the particle. The roundness and flatness in particular show a rapid increase within the first 5km from source.

- The morphology of the gold grains in the pay streaks of the Low Level Gravels provides some interesting information of relevance to gold genesis. The coarser gold particles from gullies, at the heads of streams, include angular grains, flakes, sprigs, wires and nuggets of fairly large size. These grains provide evidence of multiple primary sources. Their relatively coarse size and lack of rounding and flattening indicate that they are relatively close to source. The presence of some sprig and wire gold in association with pyrite is genetically significant because such fine and delicate gold particles would not withstand transportation in a high-energy stream. It is probable, therefore, that the pyrite enclosing such gold particles was leached out after transportation.
- The fineness of the alluvial gold is variable, not only in different creeks but also along different portions of the same creek. These fineness variations, from 650 to 850, suggest a variety of primary sources.
- Commonly associated minerals in the Low Level Gravels include barite, goethite, pyrite and tourmaline.

The origin of the gold in the rich Klondike alluvials has long been debated because no sizeable and/or rich primary deposits have ever been found. Some gold obviously came from the minor quartz lode and shear zone deposits of the district, but no major sheeted vein swarm, stockwork or structurally-controlled stratabound deposits have ever been found (*Note* - these would be expected to occur on or close to topographic highs, due to the resistance of quartz to erosion, and therefore would be relatively easy to locate, if present at outcrop).

It is unreasonable to accept the thesis of some earlier workers that the erosion of a few dozen (or even a hundred) minor quartz lodes was mainly responsible for the formation of the phenomenally rich Klondike auriferous alluvials containing over 12.2 million "crude ounces" gold.

It is reasonable to conclude that the major primary source(s) have not been identified by earlier explorers.

B) Primary

Several types of primary gold mineralisation have been identified to date in the Klondike Goldfield. These are:

- Small quartz veins, mostly carrying trace to small amounts of gold (0.1 - 1.5 g/t gold). These veins usually carry small amounts of pyrite ± barite, galena. A few veins contain carbonate and others fluorite and chalcedony.
- NW-trending shear zones (oriented parallel to the Tintina Fault Zone, to which they are genetically related) containing irregular lenses of quartz, pyrite, galena, sphalerite and barite, with marked sericitisation and pyritisation of the wallrocks. Gold values are spotty, closely associated with the sulphides, but generally low (0.3 - 1.5 g/t gold) and related to small ragged grains of free gold.
- Auriferous quartz-muscovite schist at the Lone Star occurrence contains narrow conformable bands of pyrite, sphalerite, galena and chalcopyrite. Petrographic studies and metallurgical testing have shown that the gold is extremely small in size (<10 microns) and is intimately associated with disseminated pyrite grains.
- Weakly auriferous bands of pyritic graphite schist. The gold in these bands (average grade 0.005 g/t gold) is associated with pyrite (individual grains contain up to 2 g/t gold).

As discussed above, it is unreasonable to conclude that the few dozen small primary sources identified to date have been responsible for the formation of the phenomenally rich Klondike alluvials containing over 12.2 million "crude ounces" gold.

RCA concurs with KSL geologists that it is far more plausible to postulate that the major primary source(s) of the alluvial gold in the Klondike Goldfield was a large tonnage, high-grade structurally-controlled, stratabound deposit(s) such as the recently discovered Pogo orebody in the Alaskan section of the Tintina Gold Belt.

6. KSL's EXPLORATION

A) Concepts

KSL's hypothesis is that although some of the original primary gold has been eroded to produce the alluvial deposits, it does not follow that all the primary sources have been eroded away. The lack of major gold-bearing quartz lode deposits in the Klondike Goldfield strongly suggests that such deposits may never have been present in sufficient numbers to be the main source of the alluvial gold. Furthermore, the concentration of high-grade alluvial gold in restricted areas (e.g. Bonanza Creek area) suggests that widespread, low-grade disseminated gold in the country rocks is a very unlikely source. It seems much more plausible that the 7.2 million ounces alluvial gold in the Bonanza Creek area resulted from partial erosion of large high-grade, shallow-dipping and structurally-controlled deposits located above the Bonanza Creek system, close to source. One such high-grade deposit having this geometry has recently been discovered along strike in the Tintina Gold Belt at Pogo in Alaska (about 300km west northwest of Dawson City and 145km southeast of

Fairbanks - Figure 1). Exploration at Pogo has delineated a "geological resource" of 5.2 million ounces gold in the non-outcropping Liese Zone (9.05 million tonnes with an average grade of 17.8 g/t gold). This resource includes a "Probable Mineral Reserve" of 7.0 million tonnes with an average grade of 16.1 g/t gold on which an underground mine is being developed. There could well be other deposits of similar type within the Tintina Gold Belt, especially where alluvial deposits are known, such as in the Klondike Goldfield. With this in mind, KSL commissioned a comparative study of the structural geology and setting of the Pogo deposit, Klondike Goldfield and other primary auriferous deposits in the Tintina Gold Belt.

Up to the present time the Klondike Goldfield has not been considered prospective for granite-associated Tintina Gold Belt deposits (e.g. Pogo, Fort Knox and Brewery Creek), although located geographically in the central sector of this Gold Belt. However, the evidence in the Klondike Goldfield for gold-rich sulphides and shallow-structured schists and gneisses, similar to the Pogo district, allied to major (negative) gravity anomalies (inferring granitic bodies at depth) indicates analogous prospectivity, that is the potential for large (>5 million ounces), high-grade (>5 g/t) gold deposits.

B) Strategy

The Company's exploration strategy to date has been well focussed on locating large-tonnage primary gold deposits within the Klondike Goldfield. The main points of this strategy have been to:

- Develop a structural geology map of the Klondike Goldfield.
- Compare the structural geology synthesis of the Klondike with other mineralised districts in the Tintina Gold Belt of Alaska and the Yukon.
- Develop an understanding of the Goldfield's geomorphology and surface geology and, in so doing, develop a new "model" for the district's primary gold mineralisation.
- Implement appropriate modern exploration methods, particularly geochemical soil (mobile metal ion) surveys applicable to the terrain, to test the KSL exploration model.

C) Database

Commencing with a field examination to assess the exploration potential of the Klondike Goldfield in 1999, KSL acquired relevant data from the public domain and initiated discussions with Barramundi Gold Ltd (now PacRim), which led to the signing of a joint venture agreement. Available information that was collected, compiled and interpreted by KSL included:

- Alluvial gold production data and reports.
- Regional aeromagnetic survey data (0.5 mile/0.8 km line spacing) by Geological Survey of Canada, 1965, presented at 1:250,000 and 1:31,360 scales.
- Regional geochemical stream sediment survey by Geological Survey of Canada, 1980's, presented at 1:250,000 scale.
- Aerial photography (black and white, vertical) by Canadian Government, 1986, presented at 1:50,000 scale.
- National gravity survey database, Geological Survey of Canada.
- Public domain exploration reports.
- Geological map compilation by PacRim, 1997, presented at 1:100,000 scale.
- Regional and district geochemical stream sediment survey by PacRim, 1997, presented at 1:100,000 scale.
- Proprietary technical data made available by PacRim.
- Landsat imagery (using only Bands 3, 4 and 5), 1999, presented at 1:100,000 scale.
- Regional low-level (120m) airborne geophysical surveys (aeromagnetics/radiometrics/VLF-EM) by Geological Survey of Canada, 2001, presented at 1:50,000 scale.

D) Exploration Results

During 1999 KSL developed a geological interpretation of the Klondike Goldfield using all available technical data, as detailed above, on a 1:50,000 scale photomosaic base. The interpretation was field checked during the 1999 and 2000 field seasons by experienced field geologists to ensure that it fitted the available data. The depth of experience of

KSL's geologists shows through in the final product (interpretive plans and sections) integrating all relevant data. It forms a strong and firm foundation on which the Company has developed a realistic gold genesis hypothesis and exploration strategy to search effectively for primary gold deposits within the Klondike Goldfield. This interpretation was used initially to select prospective areas for staking claims and for undertaking follow-up surface exploration.

During the course of the 1999-2002 field seasons KSL has undertaken well planned and focussed exploration programs comprising:

- District air photo, Landsat and low-level aeromagnetic interpretations at 1:50,000 scale, using the published Government topographic map sheets as a base. These interpretations have paid particular attention to (1) structural features of potential significance for locating major primary gold mineralisation, (2) classifying the differences of slope surfaces for designing geochemical soil surveys and (3) regional aeromagnetic features (anomalies and structures) and (4) the results of previous mapping.

- District geological mapping utilising fully the above air photo and Landsat imagery, and aeromagnetic/radiometric data and interpretations.

- District geochemical rock chip orientation sampling in four separate areas, including (1) pyritic sulphide zones in quartz-muscovite schists, (2) mesothermal veins, (3) quartz vein/iron carbonate alteration associated with major thrusts and (4) other areas of quartz veining/iron carbonate alteration.

- An initial orientation program of geochemical soil sampling, using both mobile metal ion (MMI*) and -80 mesh techniques, to compare the effectiveness of the MMI technique in the immature, cold climate soils of the Klondike Plateau uplands. The MMI samples were taken from the base of the "A" soil horizon and the –80 mesh samples from the less well-developed "B" horizon. All samples were analysed for gold and silver, and several suites were analysed for a range of other elements. The program consisted of fourteen widely spaced reconnaissance traverse lines across inferred favourable structural and geological loci. This survey is the first to utilise the recently developed MMI technique in the Klondike Goldfield. Both techniques gave meaningful results.

  **Note: The MMI technique utilises extractants containing strong ligands to detach unbound or weakly attached metal ions from soils, resulting in "mobile metal ions" in concentrations readily measurable by inductively coupled plasma (ICP) analysis. MMI geochemistry usually produces an anomaly of sharper and higher contrast than conventional (-80 mesh) techniques. It is generally superior to conventional techniques in those areas where residual soils (particularly the "B" horizon) are poorly developed or have been removed by recent erosion. MMI analytical data are conveniently and uniformly presented as Response Ratios (RR), where RR is the ratio of the sample value relative to the survey background value (i.e. a RR of 10 indicates the sample value is 10 times the background).*

- Reconnaissance geochemical MMI soil surveys over a number of areas, selected on the basis of geological and structural criteria as having favourable prospectivity for gold mineralisation, in two main claim blocks as shown in Figures 2 and 3:

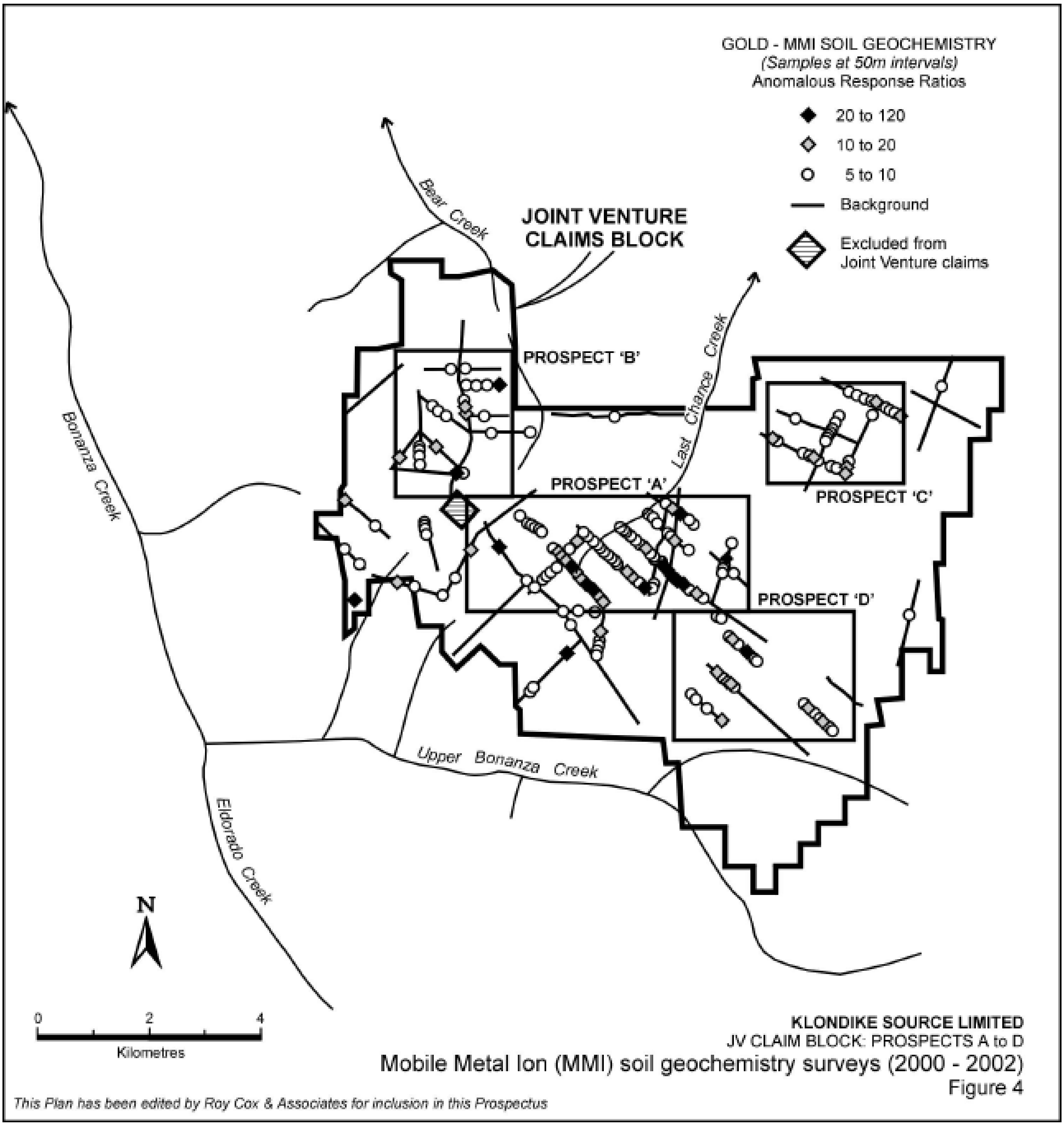
  1) <u>JV Claims</u>

  Four areas (Prospects A, B, C and D - Figure 4) were upgraded to prospects on the basis of reasonably well-defined geochemical gold anomalies. A total of 1,904 MMI samples were collected (mostly at 50m intervals along each line) on 70 traverse lines, giving 96.20 line kilometres of soil sampling. In addition, a total of 435 –80 mesh samples were collected, mainly on ridge crest traverses where "B" horizon soils are better developed. The traverse lines were oriented NW-SE and spaced at approximately 500 m line centers across the inferred strike of potential mineralised zones.

  2) <u>KSL Yukon Claims</u>

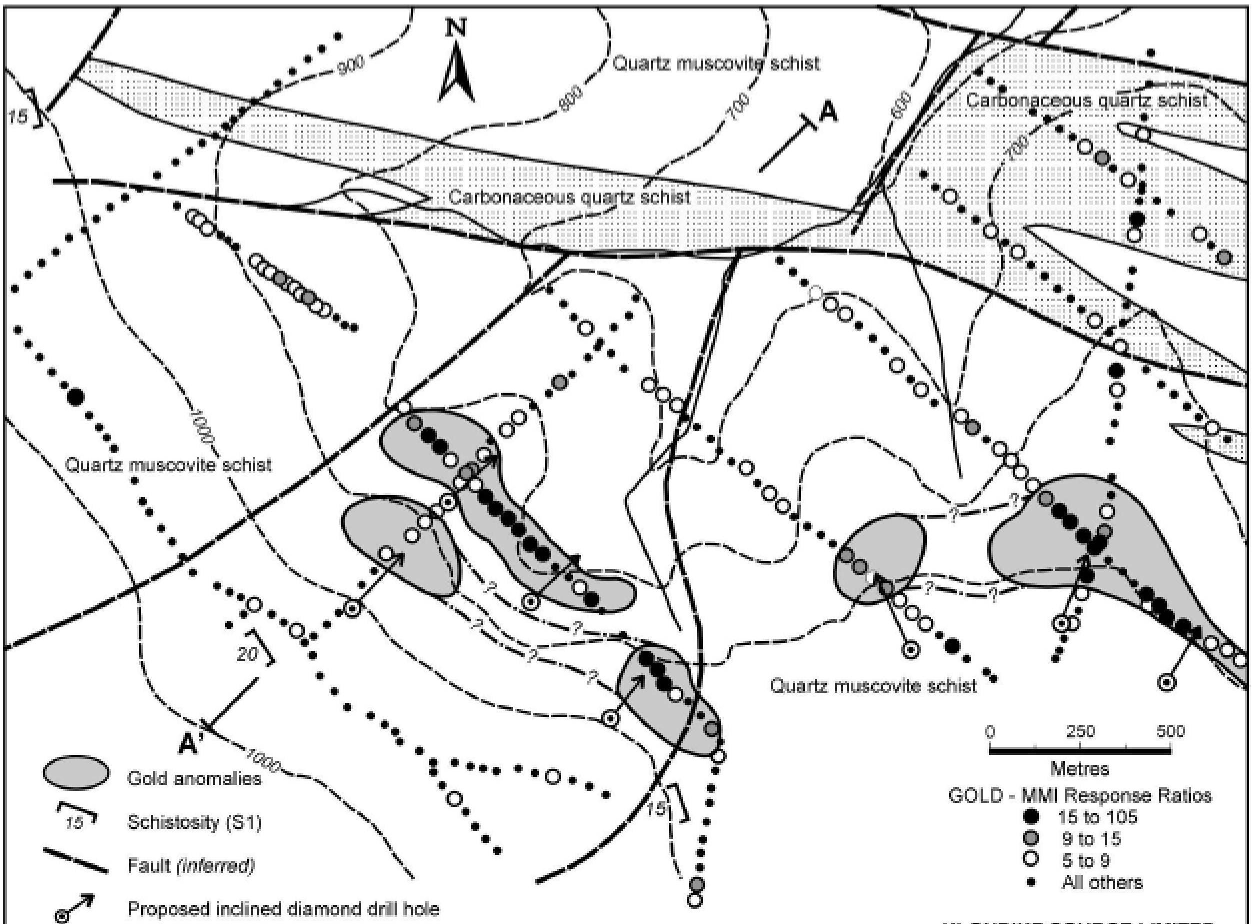
  Initial reconnaissance geochemical soil surveys were undertaken on all four claim blocks during the 2000 and 2001 field seasons. A total of 621 MMI samples were collected (mostly at 50m intervals along each line) on 40 traverse lines, mainly oriented NW-SE, giving 31.1 line kilometres of sampling. In addition, a total of 33 –80 mesh soil samples were collected. Several gold anomalies were detected, with associated high silver values. With the exception of the Hit Claims, the gold anomalies are of a lower order, and the silver anomalies of a higher order, of magnitude than those on the JV Claims. The Hit Prospect (Figure 8) has been upgraded to a prospect on the basis of reasonably well-defined geochemical gold anomalies.

The results obtained from KSL's exploration over the past four field seasons have been particularly encouraging. Target areas considered prospective for hosting significant primary gold mineralisation have been identified from geological,



geochemical, geophysical and remote sensing data in both the JV and KSL Yukon Claims. Follow-up geochemical sampling of soils, using two independent techniques (MMI and -80 mesh) on variably-spaced lines, has confirmed the prospectivity for gold mineralisation in at least five of these target areas (Prospects A, B, C and D in the JV Claims – Figure 4; and the Hit Prospect in the KSL Yukon Claims – Figure 8).

Follow-up testing of Prospects A, B, C and D is now warranted by diamond drilling to confirm the presence of primary gold mineralisation and to delineate its subsurface extent. Concurrently with this drilling program, further geochemical soil (MMI) surveys are warranted to (1) infill and extend the existing grids over the five prospects defined to date and (2) investigate other, as yet untested, target areas considered prospective for hosting significant primary gold mineralisation.



KLONDIKE SOURCE LIMITED
PROSPECT 'A' - JOINT VENTURE CLAIMS
MMI soil geochemistry gold anomalies & proposed drill holes
Figure 5

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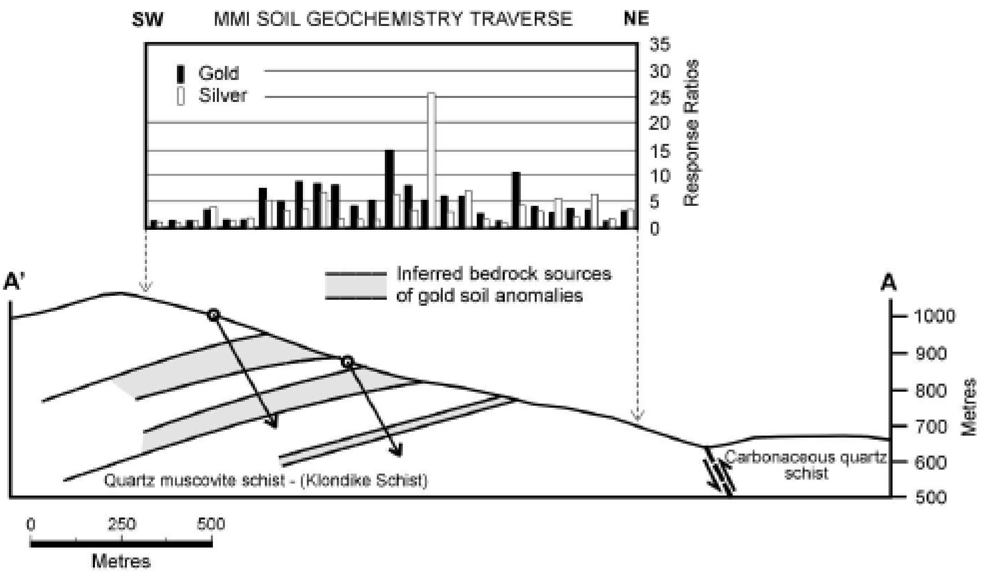


KLONDIKE SOURCE LIMITED
PROSPECT "A" - JOINT VENTURE CLAIMS
Cross-section showing proposed drill holes
Figure 6

This Plan has been edited by Roy Cox & Associates for inclusion in this Prospectus

The main features of the five highest priority targets are summarised below:

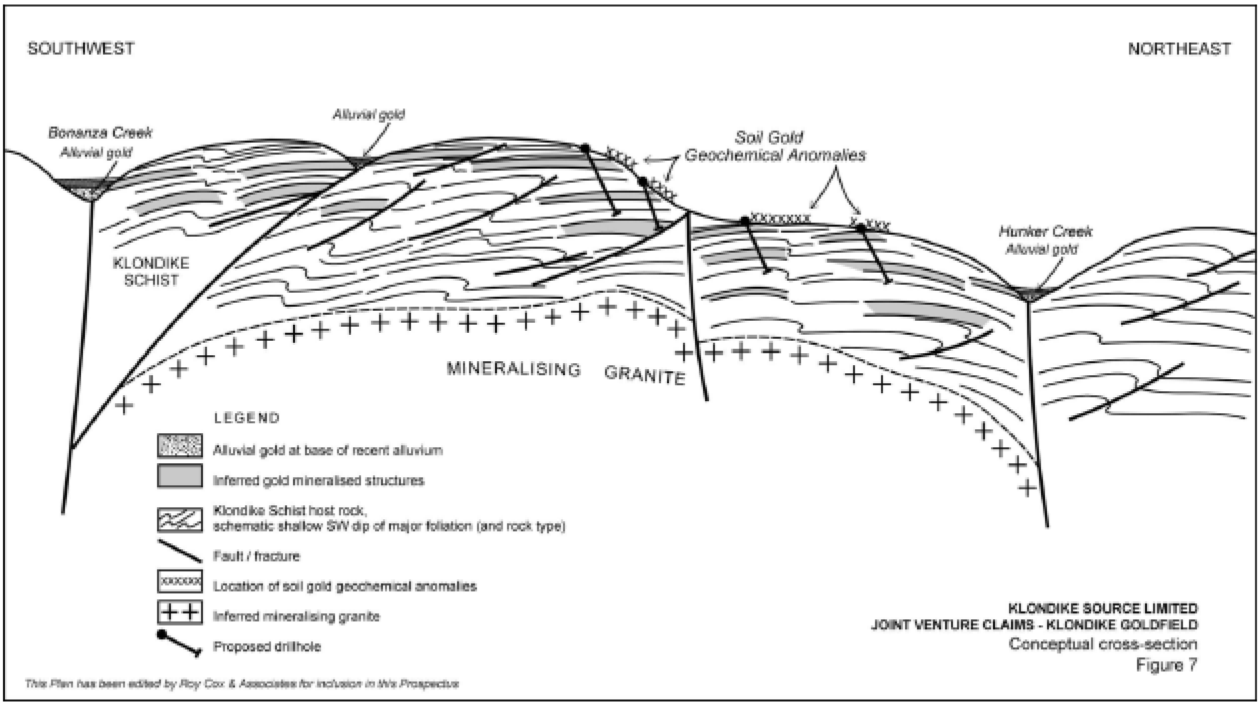
a) Prospect A

Anomalous gold values, defined by MMI geochemical soil sampling on eight traverse lines (supported by –80 mesh on three lines), occur in at least four main subparallel, easterly-trending zones over a strike length of >2.5 km and an across-strike distance of >1 km (Figure 5). The four zones, hosted by Klondike Schist, are interpreted to represent distinct zones of anomalous bedrock, which appear to dip gently southwards (Figure 6). These anomalous zones, separated by unmineralised country rock, are open along strike in both directions (to the east and west) and warrant further infill and step-out geochemical soil (MMI) sampling to fully delineate the surface extent of anomalous gold values. The true thicknesses of the anomalous bedrock zones are unknown. They are likely to be considerably less than the horizontal widths of the MMI soil anomalies that represent "target" zones of secondary geochemical dispersion.

The anomalous gold values defined to date occur within a target area of approximately 2.5 km^2. Thus in terms of surface dimensions, structural style, multiple subparallel zones and shallow dip they are comparable to those of the major Pogo deposit.

Prospect A is the *most prospective target* discovered by KSL to date. It has very substantial surface dimensions for hosting primary gold mineralisation of potential economic significance and warrants thorough subsurface testing by an initial program of diamond drilling to locate and identify potential gold mineralisation.

Provision has been made in the 2004 budget (Table 1) for an initial program of at least 1,500 m of diamond drilling (six inclined drillholes on five cross-sectional lines – Figure 5) to test two of the four main anomalous zones over a strike length of 2 km to a vertical depth of approximately 200 m (Figures 6 and **7**). Provision has also been made in the 2005 budget (Table 1) for a follow-up program of diamond drilling at Prospect A, if warranted.



Conceptual cross-section
Figure 7

b) Prospect B

Prospect B is located 4 km northwest from the centre of Prospect A (Figure 4). Anomalous gold values, defined by MMI geochemical soil sampling on seven traverse lines, occur in two main subparallel, easterly-trending zones over a strike length of at least 1.5 km and an across-strike distance of approximately 750m. They are supported by –80 mesh sampling on two traverses. The two zones, hosted by Klondike Schist, are interpreted to represent distinct zones of anomalous bedrock that appear to dip gently southwards. These anomalous zones, separated by unmineralised country rock, are open along strike in both directions and warrant further infill and step-out geochemical soil sampling to fully delineate the surface extent of anomalous gold values. The true thicknesses of the anomalous bedrock zones are unknown. The anomalous gold values defined to date occur within a target area of approximately 1 km^2 (Figure 4).

Prospect B, as presently defined by geochemical soil sampling, has surface dimensions less than half those of Prospect A but it is, nevertheless, a very substantial and prospective target for hosting primary gold mineralisation of potential economic significance. It warrants subsurface testing by diamond drilling to locate and identify potential gold mineralisation. Provision has been made in the 2005 budget (Table 1) for an initial inclined diamond drillhole, totalling approximately 250 m, to test the strongest geochemical (MMI) anomaly.

c) Prospect C

Prospect C is located approximately 4-5 km to the northeast from the centre of Prospect A. Anomalous gold values, defined by MMI geochemical soil sampling on four traverse lines (supported by –80 mesh samples on one line), occur in at least three subparallel, easterly-trending zones over a strike length of >1.2 km and an across-strike distance of >1 km. The three zones, hosted by Klondike Schist, are interpreted to represent distinct zones of anomalous bedrock that appear to dip gently southwards. These anomalous zones, separated by unmineralised country rock, are open along strike to the east and warrant further infill and step-out geochemical soil sampling to fully delineate the surface extent of anomalous gold values. The true thicknesses of the anomalous bedrock zones are unknown. The anomalous gold values defined to date occur within a target area of approximately 1 km^2 (Figure 4).

Prospect C, as presently defined by geochemical soil sampling, has surface dimensions less than half those of Prospect A but it is, nevertheless, a very substantial and prospective target for hosting primary gold mineralisation of potential economic significance. It warrants subsurface testing by diamond drilling to locate and identify potential gold mineralisation. Provision has been made in the 2005 budget (Table 1) for an initial inclined diamond drillhole, totalling approximately 250 m, to test the strongest geochemical (MMI) anomaly.

d) Prospect D

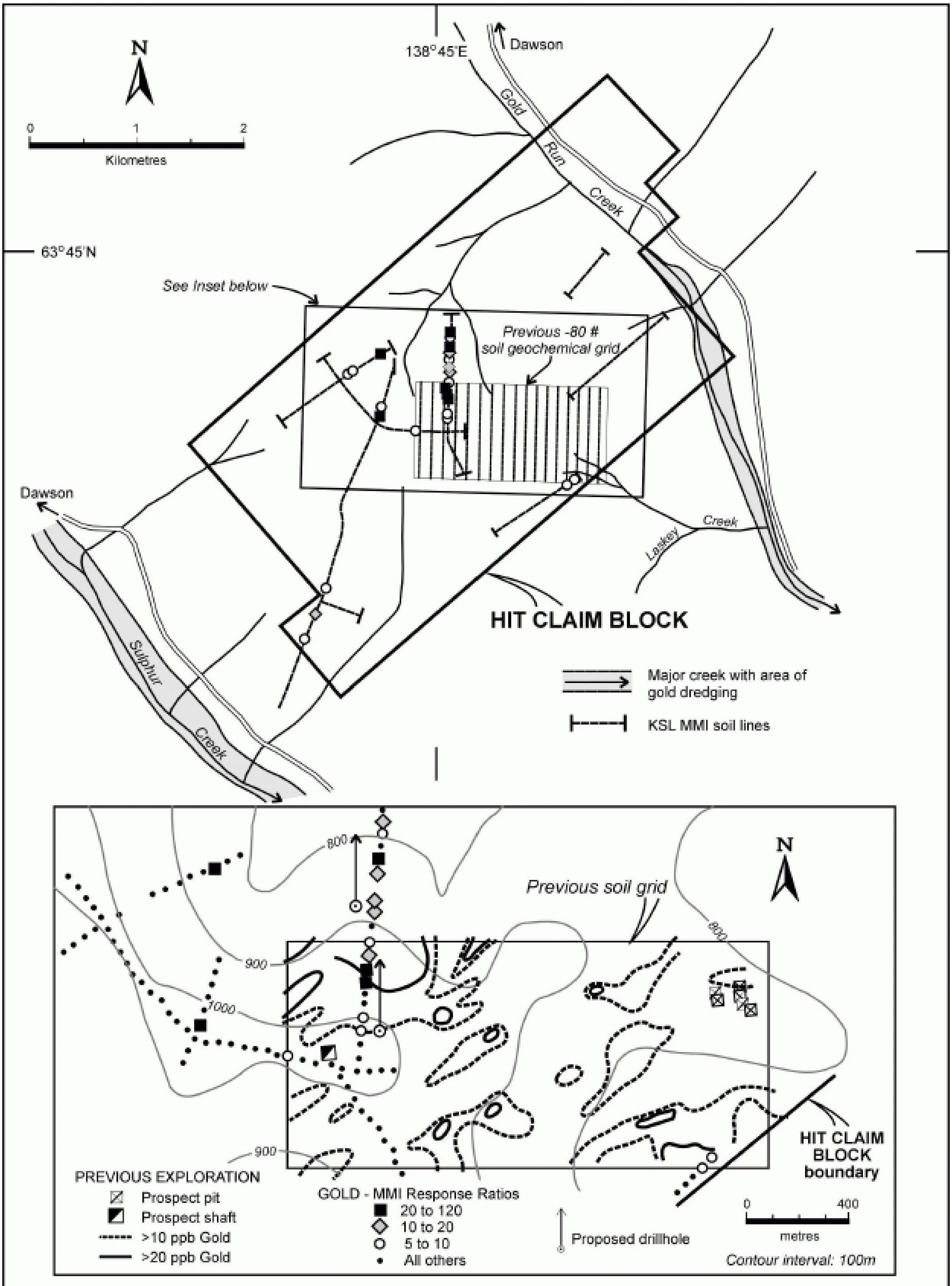
Prospect D is located approximately 3-5 km to the southeast from the centre of Prospect A. Anomalous gold values, defined by MMI geochemical soil sampling on three traverse lines, occur in at least three main subparallel, northeasterly-trending zones over a strike length of at least 750 m and a similar distance across strike. The three zones, hosted by Klondike Schist, are interpreted to represent distinct zones of anomalous bedrock that appear to dip gently northwestwards. These anomalous zones, separated by unmineralised country rock, are open along strike in both directions and warrant further infill and step-out geochemical soil sampling to fully delineate the surface extent of anomalous gold values. The true thicknesses of the anomalous bedrock zones are unknown. The anomalous gold values defined to date occur within a target area of at least 0.5 km^2 (Figure 4).

Prospect D, as presently defined by geochemical soil sampling, has surface dimensions approximately one fifth those of Prospect A but it is, nevertheless, a substantial and prospective target for hosting primary gold mineralisation of potential economic significance. It warrants subsurface testing by diamond drilling to locate and identify potential gold mineralisation. Provision has been made in the 2005 budget (Table 1) for an initial inclined diamond drillhole, totalling approximately 350 m, to test the strongest geochemical (MMI) anomaly.

e) Hit Prospect

Anomalous gold values, defined by conventional –80 mesh geochemical soil sampling undertaken by previous explorers in 1988, have been partially confirmed (or replicated) by an MMI soil traverse undertaken by KSL. The original soil anomalies, on nine traverse lines, occur in at least four main sub-parallel, easterly-trending zones over a strike length of >1 km and an across-strike distance of approximately 1 km (Figure 8). The four zones, hosted by Klondike Schist, are interpreted to represent distinct zones of anomalous bedrock separated by unmineralised country rock. They are open along strike in both directions and warrant further infill and step-out geochemical soil sampling to fully delineate the surface extent of anomalous gold values. The true thicknesses of the anomalous bedrock zones are unknown. They are likely to be considerably less than the horizontal widths of the MMI soil anomalies that represent "target" zones of secondary geochemical dispersion. The anomalous gold values defined to date occur within a target area of at least 1.5 km^2 (Figure 8).

The Hit Prospect, as presently defined by geochemical soil sampling, has substantial surface dimensions and is therefore a significant prospective target for hosting primary gold mineralisation of potential economic significance. It warrants further geochemical soil sampling (both infill and step-out) to fully delineate the surface extent of the anomalous gold mineralisation, followed by diamond drilling to locate and identify sub-surface gold mineralisation. Provision has been made in the 2004 budget (Table 1) for at least two initial inclined diamond drillholes, totalling approximately 600 m, to test the strongest geochemical (MMI) anomaly. Provision has also been made in the 2005 budget (Table 1) for a follow-up program of diamond drilling, if warranted.



KLONDIKE SOURCE LIMITED
HIT PROSPECT
Soil geochemical gold anomalies
Figure 8

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E) Exploration Potential

1) Primary Gold Mineralisation

The exploration strategy developed by KSL for discovering large tonnage, primary gold deposits in the Klondike Goldfield is based upon new district geological and metallogenic models interpreted from geological mapping, remote sensing data (Landsat images and aerial photography), geochemical soil surveys (especially MMI) and geophysical surveys (especially aeromagnetic, radiometric and gravity surveys). The exploration targets are large tonnage, structurally-controlled, stratabound deposits such as that recently discovered at Pogo in nearby southeastern Alaska.

KSL clearly recognised the inadequacies of the metallogenic models previously postulated as the source of the rich Klondike alluvial deposits. Furthermore, the majority of the world's largest gold systems (by an order of magnitude) are stratabound/sediment-hosted (e.g. Ballarat/Bendigo, Carlin, Murantau, Sukoi Log, Telfer, Witwatersrand) and the major structural components are either dilational areas of folds (anticlinal saddle reefs) or reactive permeable rocks. These structural domains are essentially flat lying or have a plumbing seal that is shallow-dipping.

KSL has, by diligent analysis and interpretation of available and new data, developed and identified metallogenic models, some with the prospective parameters noted above. The four prospects defined to date offer potentially rewarding exploration targets within the Klondike Goldfield, one of the world's largest alluvial goldfields, where the primary source(s) have never been recognised or found.

2) Secondary Gold Mineralisation

KSL is not focussing its attention on the alluvial gold potential within the Klondike Goldfield because the intensive level of prospecting and alluvial mining over the past 107 years leaves little room for the discovery of new major alluvial deposits.

7. PROPOSED EXPLORATION AND BUDGETS

A) Exploration Strategy

The Company's exploration strategy is soundly based on a firm geological foundation. The main criteria and methodologies employed to date, and proposed for future exploration, consist of:

- Obtaining tenure over key geology (stratigraphy and structures), with associated favourable geochemical and geophysical signatures, as soon as possible.
- Detailed checking of geology and mineralisation using appropriate and cost-effective techniques (photo interpretation, geological mapping, soil and bedrock geochemistry), with due attention to orientation surveys, to define target areas considered prospective for hosting significant primary gold mineralisation.
- Reconnaisance then ridge and/or grid-based geochemical soil surveys (MMI, supported by –80 mesh) to define anomalous areas of gold mineralisation.
- Selection and ranking of mineralised targets for testing by diamond drilling.
- Diamond drill testing (Phase 1) of first priority targets, using HQ-size core to maximise recovery, to investigate the nature and extent of the sub-surface primary gold mineralisation. Orientation of drill core to provide three-dimensional structural data.
- Independent monitoring of sampling, sample preparation and assaying for all bedrock and drill core samples.
- Follow-up (Phase 2) diamond drilling of favourable Phase 1 targets to delineate gold mineralisation and resources in three dimensions.

The Company's stated objective is to locate primary gold deposits with a minimum of 5 million ounces, which are amenable to low cost mining (operating and capital costs <US$150-200/ounce gold) by means of open pit or mechanised underground methods.

B) Field Programs

The Company's proposed exploration programs, to be carried out during the 2004 -2005 field seasons (essentially from mid-June to mid-September each year) have been reviewed and discussed in detail with KSL's directors and technical management. In their present form they are considered to be practical and cost-effective, focussing clearly on the Company's stated objectives and exploration strategy. The major components of these programs consist of:

- Detailed geological mapping of the prospective targets to delineate lithologies, structures and alteration as an aid to maximising the effectiveness of the planned diamond drilling.
- Geochemical soil (MMI, supported by –80 mesh) surveys to fully delineate the surface extent of the existing (already defined) mineralised targets and to define additional (new) targets.
- Diamond drilling of prospective gold target areas defined by geochemical soil sampling.

The major components of the Phase 1 field program (to be carried out during the 2004-2005 field seasons) consist of diamond drilling at Prospects A, B, C and D, geological and geochemical soil surveys to infill and/or step-out at these prospects and other target areas on the JV Claims, and at other prospective areas (including the Hit Prospect) in the KSL Yukon Claims, together with staking of claims over new target areas followed up by geological and geochemical surveys. Provision has also been made for environmental baseline surveys.

The details and priorities of the Phase 2 field program will obviously be dependent on the results obtained from the Phase 1 program. Nevertheless it is anticipated that the major components of the Phase 2 field program, to be carried out during the 2005 field season, will consist of follow-up diamond drilling at existing prospects (where warranted), diamond drilling of new targets, together with further geological and geochemical surveys.

TABLE 1 - KSL's PROPOSED EXPLORATION BUDGETS, 2004-2005

CAPITAL RAISING	$2 Million		$1 Million
BUDGET ITEMS	**2004 (AUD)**	**2005 (AUD)**	**2004 (AUD)**
PROSPECT DRILLING	*(2,100 metres)*	*(2,100 metres)*	*(2,100 metres)*
Drilling, Mobilisation & Site Preparation	260,000	260,000	260,000
Drill Fuel	15,000	15,000	15,000
Drillers Field Accommodation	50,000	50,000	46,000
On-Site Geology	40,000	40,000	35,000
Assaying (drill core)	25,000	25,000	25,000
Field Assistant/Core Yard Labour	40,000	40,000	36,000
Planning, Environment & Rehabitation	35,000	30,000	35,000
Sub-Totals	**465,000**	**460,000**	**452,000**
OTHER EXPLORATION			
Geochemical Analyses & Petrology	25,000	15,000	15,000
Claim Staking	10,000	15,000	10,000
Tenement Fees & Administration	4,000	3,000	3,000
Sub-Totals	**39,000**	**33,000**	**28,000**
SUPPORT			
Exploration Management/Supervision	100,000	90,000	100,000
Field Accommodation & Travel (Geologists)	40,000	35,000	40,000
Core Storage & Office	20,000	25,000	20,000
Field Vehicles & Fuel	26,000	25,000	25,000
Field Supplies	20,000	12,000	15,000
Sub-Totals	**206,000**	**187,000**	**200,000**
TOTALS	**710,000**	**680,000**	**680,000**

**** NOTE : In the event that only A$1.0 million is raised in 2003 (by this Prospectus offer), no exploration will be carried out in 2005 unless further funds become available to the Company, either through a joint venture or by a further capital raising.***

.

C) Budgets

The budgets prepared for the Company's proposed Phase 1 and 2 exploration programs, to be carried out during 2004-2005, have been analysed in detail, and reviewed with KSL's technical management. The main components of these budgets are summarised in Table 1. In their present form they are considered to be realistic and cost-effective. They focus clearly on achieving the Company's stated objectives in a timely manner.

The degree of precision in preparing the exploration program and budget for Phase 2 is obviously less than for Phase 1, and will be dependent to a large extent on the nature and significance of the results obtained during Phase 1. Nevertheless, the program and budget prepared for Phase 2 conforms to best industry practice in terms of what can be realistically expected to be achieved from the Phase 1 program planned for this coming field season. It should be noted that the proposed exploration programs may be subject to amendment as new exploration data become available, or as a result of changes in underlying market or economic factors.

8. CONCLUSIONS

RCA has reviewed all the technical data on the Klondike Goldfield available to the Company, both published and unpublished. It has critically analysed and assessed KSL's geological interpretations of the Klondike Goldfield, and the gold genesis hypothesis developed therefrom. RCA has also reviewed the Company's exploration strategy and the initial exploration programs and budgets proposed to test these concepts.

On the basis of this assessment of the available technical data and the Company's interpretation of these data, RCA is of the opinion that:

- The geological interpretations fit the available factual database in a realistic and plausible manner. They represent a significant advance on all earlier interpretations because they were undertaken by experienced field geologists and utilise all presently available data, including air photos, Landsat images, topographic maps, geological mapping, geochemical and geophysical surveys, and historical gold production data. KSL's interpretation forms a strong and firm foundation on which the Company has developed a realistic gold genesis hypothesis and exploration strategy to search effectively for major primary gold deposits within the Klondike Goldfield.
- The Company's carefully selected exploration tenements are prospective for hosting large primary gold deposits. Several prospective target areas have already been identified by anomalous gold values in geochemical soil surveys.
- The exploration strategy and programs (Phases 1 and 2) proposed by the Company for its tenements are pragmatic, well focussed and technically sound. The proposed exploration budgets are realistic, practical and cost-effective.
- On the above basis, RCA endorses the geological interpretation, the gold exploration concept, and the proposed exploration strategy, programs and budgets for Phases 1 and 2.
- It should be clearly understood, however, that gold exploration is a high-risk venture where the potential for substantial rewards has to be carefully weighed against the risks involved. It is not possible for RCA to quantify these risks for the potential investor in this Project. Furthermore, it must be appreciated that there is no guarantee that this exploration venture will define and delineate a significant major deposit with economic gold reserves.

9. DECLARATIONS

A) Qualifications and Experience

RCA is well-established firm of economic and mining geology consultants, formed in January 1980 by Dr. Roy Cox, its principal consultant. The firm has undertaken consulting assignments throughout Australasia as well as many overseas locations in Africa, Asia, Europe, North America and South America. Dr. Cox is the sole author of this Report.

Dr. Cox has 42 years of professional experience in the international exploration and mining industries. He is a graduate of the Royal School of Mines, London (B.Sc. [Special] and ARSM in Mining Geology, 1961) and Sydney University (Ph.D. in Economic Geology, 1968). He also holds a Diploma in Exploration Management from the Australian Mineral Foundation, Adelaide (1980). Dr. Cox is a Fellow of the Australian Institute of Geoscientists and a past Fellow of the Society of Economic Geologists, Institution of Mining & Metallurgy, and Australasian Institute of Mining & Metallurgy. Prior to establishing his consultancy, Dr. Cox was Chief Geologist for seven years with Placer Exploration Limited, operating exploration programs and feasibility studies throughout Australia and the southwest Pacific for gold, base metals, coal and uranium.

Dr. Cox has extensive experience in gold, base metals and tin-tungsten. He has played significant roles in the exploration, evaluation and feasibility studies of a number of important projects and mines, including (in chronological order) Geevor tin mine (Cornwall), Levant tin-copper mine (Cornwall), Cleveland tin-copper mine (Tasmania), Pioneer nickel-copper project (Western Australia), Granduc copper mine (British Columbia), Lady Loretta zinc-lead-silver mine (Queensland), Kidston gold mine (Queensland), Porgera gold mine (Papua New Guinea), Wolgan coal project (New South Wales), Benambra copper-zinc mine (Victoria), Forrestania nickel mine (Western Australia) and the Rosia Montana and Certej gold-silver mines (Romania).

B) Independence

RCA is a completely independent company and has no interest or association with KSL or any of its directors. RCA hereby warrants that its directors, management and staff have no material present or contingent interest or involvement not only with the owners or promoters of, or related parties to, KSL, but also in the outcome of this Independent Geologist's Report.

This Independent Technical Expert's Report has been commissioned by KSL's directors with payment to be made solely on a time-charge fee basis, as per RCA's standard "Terms of Reference and Professional Fees" dated 1st July 2000. The payment of fees to RCA is not contingent upon the outcome of the Prospectus.

C) Limitations

This Independent Geologist's Report is based on a review of published information and information proprietary to, and provided by, KSL. A site inspection was not undertaken by RCA, as it was not considered to be warranted. The data provided and detailed discussions with the technical management of KSL cause RCA to be confident of the veracity of the proprietary information. However, the views expressed in this Report are solely those of RCA.

D) Consents

RCA has given its consent in writing to the issue of the Prospectus with this Independent Geologist's Report included in the form and context in which it is included and has not withdrawn its consent before the lodgement of the Prospectus with the Australian Securities and Investments Commission.

RCA was only commissioned to prepare this Independent Technical Expert's Report, and has authorised only the issue of this Report. RCA has not been involved in the preparation of, nor has authorised or caused the issue of any other part of, the Prospectus in which this Report is included.

Yours faithfully,
Roy Cox & Associates Pty. Limited,

Roy Cox PhD, BSc[Special], ARSM, FAIG
Principal Consultant and Managing Director

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DAVIS LEGAL ADVISORS since 1892
& company

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November 8, 2003 ***file number:*** 45426-0001

The Directors
Klondike Source Limited
10th Floor, 80 Arthur Street
North Sydney NSW 2060
AUSTRALIA

Dear Sirs:

Re: Solicitors Report on Regulatory Environment

This Report has been prepared for inclusion in a Prospectus to be dated on or about November 12, 2003 by Klondike Source Limited (KSL) for the purpose of offering for subscription up to 20,000,000 Shares at an issue price of 10 cents each. We consent to its inclusion in that Prospectus.

In preparing this report, we have acted as solicitors for KSL. We are qualified to practise law in the Yukon Territory, Canada. This Report and the opinions herein are limited to the laws of the Yukon Territory and of Canada applicable therein.

The Report relates to the legal environment relating to the holding of mining tenements (Claims) located in the Klondike district of the Yukon Territory.

Mining Law in the Yukon

Hardrock mining in the Yukon Territory is governed by the *Quartz Mining Act,* S.Y. 2003, c.14 (QMA) and other legislation discussed later in this report under the heading "Environmental Regulations". The QMA is a statute enacted by the Yukon Legislature. Part I governs the staking and maintenance of mining claims on "vacant territorial lands" in the Yukon and any lands in the Yukon in respect of which the right to enter, prospect and mine for minerals is reserved to the Crown. Notwithstanding the foregoing, claims may not be staked on any land occupied by any building, any land falling within the curtilage of any dwelling house, any land available for water power purposes or for the time being actually under cultivation, any land on which a church or cemetery is situated, or land lawfully occupied for mining purposes, Indian reserves, national parks and defence, quarantine or other like reservations made by the Yukon Government except in extremely limited circumstances.

Claims properly staked under the QMA on land that is open for staking are valid for one year from the date of recording in the office of the Mining Recorder. The claims are renewed annually by performing and proving to the satisfaction of the Mining Recorder, sufficient assessment or representation work. Alternatively, the claim holder may renew the claim annually by paying money (C$100 per claim) in lieu of work. On April 1, 2003 the Yukon Government declared a one year waiver of annual assessment work requirement. The rights of the owner of a claim under the QMA are generally described in the QMA. These rights include limited rights to use the surface of land for efficient and miner-like operation of mines and minerals contained in the claim.

Part II of the QMA covers matters of land use and reclamation. The purpose of this part is "to ensure the development and viability of a sustainable, competitive and healthy quartz mining industry that operates in a manner that upholds the essential social, economic and environmental values of the Territory". Pursuant to Part II, Mining Land Use Regulations regulate the conduct of mineral exploration on quartz claims and provide a system for notice and approval.

Section 139 of the QMA requires a licence before a person shall engage in mining development or production. The regulations relating to the application and approval of a Quartz Mining License have not yet been fully developed.

Native Title and Devolution
The indigenous people of the region are the Tr'ondek Hwech'in (formerly known as the Dawson First Nation). The Tr'ondek Hwech'in and the Governments of Canada and Yukon have concluded the Tr'ondek Hwech'in Final Agreement, which releases and surrenders to the Crown all Tr'ondek Hwech'in aboriginal claims, rights titles and interests, in and to:

- Non-Settlement Land and all other land and water including the Mines and Minerals within the sovereignty of the jurisdiction of Canada, except the Northwest Territories, British Columbia and Settlement Land,
- the Mines and Minerals within all Settlement Lands, and
- Fee simple Settlement Land.

As part of the Final Agreement, the Government of Canada granted to the Tr'ondek Hwech'in title to the Mines and Minerals within Category A Settlement Land.

Maps have been prepared showing the Tr'ondek Hwech'in Settlement Land. These maps form an integral part of the Tr'ondek Hwech'in Final Agreement.

Authority over mining claims, the regulations of mineral exploration and mine development and the environmental protection of Yukon lands and water, was transferred or "devolved" from Canada to Yukon April 1, 2003. The Government of Canada has retained jurisdiction to protect fish, fish habitat and migratory birds.

Environmental Regulations
Mineral exploration activities in the Yukon are regulated primarily under the *Mining Land Use Regulations*, the *Waters Act* (Yukon), the *Fisheries Act* (Canada) and the *Yukon Environmental Assessment Act*.

Generally, the regulatory regime attempts to identify proposed activities that may have a significant adverse impact on the natural environment. If such activities are identified, the impacts will be assessed to determine whether the environmental impact can be mitigated and are acceptable. If any activities are found to have significant adverse environmental effects which are judged to be unacceptable, authority to undertake the activities may be denied. To the best of our knowledge, this rarely occurs.

The Mining Land Use Regulations establish a classification system based on varying levels of specific activities. These threshold levels of activities categorize mineral exploration into four classes of programs. Class I through Class IV represent exploration activities with an increasing potential to cause adverse environmental impacts. A Class II program requires Notification and both Class III and Class IV require submission of an Operating Plan and approval from the Chief of Mining Land Use.

The environmental effects of mineral exploration operations are subject to a regulatory regime which limits and regulates environmental disturbance and imposes qualitative and quantitative limits on effluent and other wastes from the exploration activities that may be deposited into the Yukon waters or onto lands where they may enter such waters.

Environmental regulations may also require reclamation of disturbed lands and the posting of security deposits to secure such reclamation.

As a result of agreements to settle aboriginal land claims issues in the Yukon, the Governments of Canada and Yukon together with the Yukon First Nations agreed to establish a new development assessment process. An act of the Parliament of Canada, the *Yukon Environmental and Socio-Economic Assessment Act* (YESAA) has been enacted to establish this process. YESAA is expected to come into effect in late 2004 to early 2005. The main elements of YESAA include an environmental assessment similar to the system in the existing *Yukon Environmental Assessment Act.* YESAA will apply to any new mining operation in the Yukon.

YESAA will, however, include a broader range of factors affecting Yukon First Nations people and a new role for participation by Yukon First Nation Governments in its administration and implementation.

National Parks
Lands within a national park reserve are not open for staking under the QMA. To the extent that any claim is inadvertently staked within a national park reserve, it is not valid. The Dawson Mining Recorder has a record of all lands which form part of a national park reserve. The procedure of the Dawson Mining Recorder is to accept the claims that have been staked and recorded. Recording of the claim does not mean that the claim does not infringe upon a national park reserve.

Yours truly,

Davis & Company

DAVIS & COMPANY

DOYLE GOLD CONSULTING

Box 627
Dawson City, Yukon
Y0B 1G0

The Directors
Klondike Source Limited
10th Floor, 80 Arthur Street
North Sydney, NSW 2060
AUSTRALIA

November 4, 2003

Dear Sirs:

Re: Report on Mining Tenements

This Report on Title has been prepared for inclusion in a Prospectus to be dated on or about 7 November 2003 by Klondike Source Limited ("KSL") for the purpose of offering for subscription 20,000,000 Shares at an issue price of 10 cents each. We consent to its inclusion in that Prospectus. The Report relates to the mining tenements ("Claims") located in the Klondike district of the Yukon Territory under the *Yukon Quartz Mining Act*, as set out in the in the Tables of Claims (Schedule 1 to this Report), which forms part of this Report.

We have been requested by KSL to conduct searches on the title to above mentioned claims which are held by:

(a) Barramundi Gold Ltd ("Barramundi") which company on October 11, 2002 changed its name to PacRim Resources Ltd and KSL Exploration (Yukon) Ltd as more particularly described in Table 1 of Schedule 1 attached ("the JV Claims"), and by

(b) KSL Exploration (Yukon) Limited ("KSL Yukon") as more particularly described in Table 2 of Schedule 1 attached ("the KSL Yukon Claims").

The author of this Report holds a Bachelor of Science degree (Earth Sciences) and has been practising geology since 1989. The author has over 10 years experience with the staking and recording of mineral claims, and with the investigating and reporting of claim title in the Yukon, and was a Government of Canada Mining Inspector in the Yukon during 1997, 1998. Doyle Gold Consulting was contracted by KSL during 2001 and 2002 to perform limited claim surveys and claim staking. Neither the author, nor Doyle Gold Consulting, holds any interest in PacRim Resources Ltd (formerly Barramundi) or KSL.

The Claims

Whilst full particulars of the Claims are set out in the Schedule to this Report - Table of Claims, the following table represents a summary of all the Claims contained therein.

Group of Claims	Registered Holder	No. of Claims	Area (approx. only)
JOINT VENTURE CLAIMS			
Table 1	Barramundi	380	
	KSL Yukon	63	
KSL YUKON CLAIMS		443	75 km^2
Table 2	KSL Yukon	132	26 km^2
Total		**575**	**101 km^2**

Searches and Title Report

For the purposes of this Report on Title we have undertaken an examination of the Abstract of Record maintained by the Dawson Mining Recorder under the *Yukon Quartz Mining Act* for each of the JV Claims and each of the KSL Yukon Claims (together called "the Claims"). We consider these searches appropriate as a basis for the opinion given in this Report.

Report

Based on and assuming the foregoing, it is our opinion that:

1. As at October 24, 2003 Barramundi was the recorded holder of the Joint Venture Claims shown in Table 1of the Schedule to this Report with the exception of the following Claims shown in Table 1 of the Schedule, of which KSL Yukon is the recorded holder:

   GIT 1-13,
   NUG 1-12,
   ACT 1-20,
   Gap 41-44,
   Fur 1
   Bobo 1-4, and
   Mice 1-9

2. KSL Yukon was the recorded holder of the KSL Yukon Claims shown in Table 2 of the Schedule to this Report.
3. KSL Yukon is recorded as holding a 20% interest in the JV Claims by way of assignment from Barramundi Gold Ltd.
4. Each such Claim was in good standing under the *Yukon Quartz Mining Act* until the expiry date set opposite that Claim in Schedule 1.
5. As at October 24, 2003, the Assignment of JV Interest from KSL to KSL Yukon (dated 16 June 2001) and the Assignment of a 20% interest in the BAM JV Claims to KSL Yukon (dated 27 February 2002) have been duly recorded against each Joint Venture Claim.
6. As at October 24, 2003, with the exception of the above mentioned, there were no liens, charges, encumbrances, options, royalties or agreements registered, recorded or filed in the office of the Dawson Mining Recorder against the records of the Claims.
7. The change of name of the company formerly known as Barramundi Gold Ltd to PacRim Resources Ltd on October 11, 2002 has not, as at the date of this Report, been recorded in the Abstract of Record maintained by the Dawson Mining Recorder.

Yours faithfully,

Doyle Gold Consulting

Ann Ledwidge

SCHEDULE 1

Tables of Claims

Joint Venture Claims

Claim No.	Grant No.	No of Claims	Expiry Date
Klondike Claims			
Klondike 2	YC 16217	1	2004/12/07
Klondike 4	YC 16219	1	2004/12/07
Klondike 6	YC 16221	1	2004/12/07
Klondike 9 – 14	YC 16224 – YC 16229	6	2004/12/07
Klondike 20 – 29	YC 16235 – YC 16244	10	2004/12/07
Klondike 62 – 73	YC 16277 – YC 16288	12	2004/12/07
Klondike 78 – 79	YC 16293 – YC 16294	2	2004/12/07
Klondike 97 – 102	YC 16312 – YC 16317	6	2004/12/07
Klondike 103	YC 20050	1	2004/12/16
Klondike 106	YC 20053	1	2004/12/07
Klondike 109 – 114	YC 16324 – YC 16329	6	2004/12/07
Klondike 133 – 136	YC 16348 – YC 16351	4	2004/12/07
Klondike 147	YC 20056	1	2004/12/07
Klondike 149 – 151	YC 16364 – YC 16366	3	2004/12/07
Klondike 171 – 182	YC 16386 – YC 16397	12	2004/12/07
Klondike 187 – 188	YC 16402 – YC 16403	2	2004/12/07
Klondike 247 – 258	YC 16462 – YC 16473	12	2004/12/07
Klondike 296 – 329	YC 16511 – YC 16544	34	2004/12/07
Klondike 342 – 376	YC 16557 – YC 16591	35	2004/12/07
Klondike 393 – 405	YC 16607 – YC 16619	13	2004/12/07
Klondike 407	YC 16621	1	2004/12/07
Klondike 409	YC 16623	1	2004/12/07
Klondike 411	YC 16625	1	2004/12/07
Klondike 413	YC 16627	1	2004/12/07
Klondike 415	YC 16629	1	2004/12/07
Klondike 417	YC 16631	1	2004/12/07
Klondike 419	YC 16633	1	2004/12/07
Klondike 424	YC 16638	1	2004/12/07
Klondike 426 – 433	YC 16640 – YC 16647	8	2004/12/07
Klondike 463	YC 16677	1	2004/12/07
Klondike 465	YC 16679	1	2004/12/07
Klondike 467	YC 16681	1	2004/12/07
Klondike 469	YC 16683	1	2004/12/07
Klondike 471	YC 16685	1	2004/12/07
Klondike 473	YC 16687	1	2004/12/07
Klondike 475	YC 16689	1	2004/12/07
Klondike 477	YC 16691	1	2004/12/07
Klondike 479	YC 16693	1	2004/12/07
Klondike 501 – 506	YC 16715 – YC 16720	6	2004/12/07

Joint Venture Claims (cont)

Claim No.	Grant No.	No of Claims	Expiry Date
Bear Claims			
Bear 1 – 27	YC 20011 – YC 20037	27	2004/12/16
Wedge Claims			
Wedge 75	YC 15979	1	2004/08/03
Wedge 77 – 95	YC 15981 – YC 15999	19	2004/08/03
Wedge 97 – 100	YC 16001 – YC 16004	4	2004/08/03
Wedge 111 – 133	YC 16015 – YC 16037	23	2004/08/03
Wedge 138 – 162	YC 16042 – YC 16066	25	2004/08/03
Wedge 164	YC 16068	1	2004/08/03
Wedge 166 – 184	YC 16070 – YC 16088	19	2004/08/03
Wedge 186 – 201	YC 16090 – YC 16105	16	2004/08/03
Wedge 204 – 219	YC 16108 – YC 16123	16	2004/08/03
Wedge 224 – 225	YC 16128 – YC 16129	2	2004/08/03
Gap Claims			
Gap 1 – 20	YC 20727 – YC 20746	20	2004/12/18
Gap 25 – 30	YC 20751 – YC 20756	6	2004/12/18
If Claims			
If 1 – 7	YC 20711 – YC 20717	7	2004/12/18
	Total BAM Claims	**380**	
Claims held by KSL Yukon on behalf of Joint Venture			
Git 1 – 13	YC 20773 – YC 20785	13	2005/01/03
Nug 1 – 12	YC 20816 – YC 20827	12	2005/01/03
Act 1 – 20	YC 20786 – YC 20805	20	2005/01/03
Gap 41 – 44	YC 20812 – YC 20815	4	2005/01/03
Fur 1	YC 21096	1	2004/09/28
Bobo 1 – 4	YC 21097 – YC 21100	4	2004/09/28
Mice 1 – 9	YC 21828 – YC 21836	9	2004/08/14
	Total claims held by KSL Yukon on behalf of Joint Venture	**63**	
	TOTAL:	**443**	

KSL Yukon Claims

Claim No.	Grant No.	No of Claims	Expiry Date
KSL Claims			
KSL 7 – 21	YC 20063 – YC 20077	15	2004/06/16
KSL 33	YC 20089	1	2004/06/16
KSL 35	YC 20091	1	2004/06/16
KSL 37	YC 20093	1	2004/06/16
KSL 39	YC 20095	1	2004/06/16
KSL 60 – 61	YC 20116 – YC 20117	2	2005/06/16
KSL 62	YC 20118	1	2006/06/16
KSL 63 – 68	YC 20119 – YC 20124	6	2005/06/16
KSL 69 – 74	YC 20125 – YC 20130	6	2004/06/16
KSL 75 – 79	YC 20406 – YC 20410	5	2004/08/30
Hit Claims			
Hit 7 – 18	YC 20137 – YC 20148	12	2004/09/16
Hit 25 – 35	YC 20155 – YC 20165	11	2004/09/16
Hit 40 – 46	YC 20170 – YC 20176	7	2004/09/16
Hit 47 – 54	YC 20333 – YC 20340	8	2004/08/29
Hit 57 – 65	YC 20343 – YC 20351	9	2004/08/29
Hit 67 – 81	YC 20353 – YC 20367	15	2004/08/29
Strike Claims			
Strike 14 – 31	YC 20315 – YC 20332	18	2004/08/29
Bry Claims			
Bry 1 – 13	YC 21562 – YC 21574	13	2004/06/26
	TOTAL:	**132**	

There are a number of risk factors that may have an impact on the future operating and financial performance of KSL. While some of the risks can be minimised by the use of safeguards and appropriate systems, some fall outside the control of the Company. There are also general risks associated with any investment in shares. Investors should therefore carefully consider all associated risks before deciding to invest in KSL and should also consider their personal circumstances (including financial and taxation circumstances) and seek appropriate professional advice before deciding to invest.

The principal risk factors applicable to the KSL business include, but are not limited to, the following -

9.1 Exploration

The business of mineral exploration is speculative and by its very nature involves risk. Historically, many exploration endeavours have been unsuccessful.

The primary objective of KSL is to discover one or more large, gold deposits on the basis of new geological concepts/interpretations of the Klondike Goldfield. KSL is offering focussed and concentrated exposure to one endeavour. Should commercial discoveries not eventuate from either direct exploration by the Company or from that resulting from farm-outs, it is likely that KSL will be wound up and investors may lose their investment.

9.2 Title

If the Company does not meet its work and/or expenditure obligations, under the Quartz Mining Act of the Yukon Territory (QMA) or the Joint Venture, dilution of its interest in, or the loss of its Claims or the Joint Venture may occur.

Although the QMA Land Use Regulations provide that a licence must be obtained before any mining or development work can take place, no regulations concerning the grant or nature of such a licence have yet been formulated. There can therefore be no certainty that in the case of a discovery, a mining licence will be granted on the basis applied for. Against this, the Yukon and Canada have a long and stable mining history. The Directors have no reason to expect that government officials may act arbitrarily. In the case of a major discovery, provided the Company fulfils its work commitments and otherwise complies with existing regulations, the Directors have no reason to expect that appropriate licenses to mine will not be issued.

9.3 Operating

Exploration and development activities may be delayed or adversely affected by factors outside the control of the Company. These include adverse climatic conditions, the performance of other parties on whom the Company may be or may become reliant, compliance with governmental requirements, shortage or delays in procuring and locating equipment or import or customs delays. Problems may also arise due to the quality or failure of locally obtained equipment or interruptions to services, or technical support which result in failure to achieve expected target dates for exploration and/or result in a requirement for greater expenditure.

9.4 Commercial and Political

The Company’s operations are in Canada, which is a stable western democracy. Nonetheless, risks may include economic, social, or political change, hyperinflation, currency instability, and changes of laws affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration and mining licensing, environmental controls and export duties.

Commercialisation of a discovery will be subject to the prevailing circumstances, particularly with respect to commodity prices, exchange rates, financing and operating costs. The Company’s revenues, if any, are expected to be in large part derived from the extraction and sale of precious metals (such as gold) and base metals. The price of mineral commodities has fluctuated widely and is affected by numerous factors beyond the Company’s control, including international economic and political trends. The effect of these factors on the price of precious and base metals cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on its capital, and a loss of all or part of an investment in the Shares may result.

9.5 Currency

The major financial obligations of KSL are denominated in Canadian dollars. As a result KSL is exposed to currency exchange rate fluctuations. The Company does not engage in hedging of exchange rate risks.

9.6 Legal Systems

The Company's exploration operations are in Canada, a foreign jurisdiction. Uncertainties may arise concerning legal factors such as: effective legal redress, whether in respect to breach of law or regulation, or in ownership disputes, being more difficult to obtain; higher (or lower) degrees of discretion on the part of government authorities; or, inconsistencies or conflicts between and within various laws, regulations, orders and resolutions.

9.7 Environmental Regulations

Environmental and safety legislation may change in a manner that may require stricter or additional standards than those now in effect, a heightened degree of responsibility of companies and their directors and employees and more stringent enforcement of existing laws and regulations. The Company is committed to a policy of environmental responsibility and sees no impediments to its ability to comply with existing environmental regulations. Investors should be aware, however, that the new Yukon Environmental and Socio-Economic Assessment Act (YESAA) is expected to come into effect in late 2004 to early 2005, which will include a broader range of factors affecting Yukon First Nations people and a new role for participation by Yukon First Nation Governments in its administration and implementation. Whilst this is not expected to place significantly greater environmental limitations on the Company's operations, some uncertainty exists as to possible delays and additional costs that may result in the 2005 and subsequent field seasons.

9.8 Competition

A number of other mining and exploration companies operate in the Yukon and may seek to stake Claims and bid for technical and other services associated with the Company's activities, thereby providing competition to the Company.

9.9 Volatility of Gold Prices

The demand for and the price of gold and other base metals is dependent on a variety of factors, including international supply and demand, global economic and political developments and sales of central banks' gold reserves. Fluctuations in gold prices may have a material effect on the Company's business, financial condition and results of operations.

9.10 Additional Capital Requirements

The Company's ultimate success may depend in part, on its ability to, raise additional capital, attract investment from industry participants or the sale of assets. The only present source of funds available to the Company is either the sale of equity or assets.

The Directors have no current plans to raise further capital following this Offer (if fully subscribed) and are satisfied that the working capital made available thereby will be sufficient for its present requirements. However, exploration success and operating expenses are factors which may impact on the amount of additional expenditure and future funding required. Any additional equity financing may be dilutive to Shareholders and, debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or future development.

9.11 Stock Market Fluctuations

Investors should be aware that there are risks associated with investment in shares of companies listed on a stock exchange. The price of KSL Shares can be expected to rise and fall in accordance with general market conditions and factors specifically affecting the resources sector.

Neither KSL nor its Directors warrant the future performance of the Company or any return on investment in Shares in KSL.

9.12 Management

In a small exploration organisation with a few executives, the progress of the Company could be influenced by the loss of a key executive. The impact resulting from such an event would be dependent on the quality of the replacement.

BARNES DOWELL JAMES

CHARTERED ACCOUNTANTS

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A J Dowell CA
M W James CA

Associate
M A Nakkan CA

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AJD:AN

10 November 2003

The Directors
Klondike Source Limited
Level 10, 80 Arthur Street
NORTH SYDNEY NSW 2060

Dear Sirs,

INDEPENDENT ACCOUNTANT'S REPORT

This report has been prepared, at your request, for inclusion in a Prospectus to be issued by Klondike Source Limited dated on or about 12 November 2003 in relation to the issue of up to 20,000,000 Shares in Klondike Source Limited at an issue price of 10 cents each.

Scope of our Report

You have requested that Barnes Dowell James report on whether anything has come to our attention that would indicate that the financial information disclosed in Section 1 of the Prospectus does not present fairly:

- Klondike's results for the period from 1 January 2003 to 31 August 2003; and
- Klondike's assets and liabilities as at 31 August 2003, both historical and assuming that the Offer and all of the transactions outlined in Section 1 of the Prospectus had taken place on that date.

This financial information has been reproduced at Appendix A to this report, including the financial reporting framework and details of adjustments to the historical financial position.

The Directors of Klondike Source Limited are responsible for the preparation and presentation of the financial information as set out in Section 1 of the Prospectus, including the assumptions detailed in that Section on which they are based.

In our role as Independent Accountant in relation to the Prospectus, we have reviewed this financial information in accordance with Australian auditing standards applicable to review engagements, in particular Auditing Standard AUS 902 – Review of Financial Reports. Such a review is limited primarily to inquiries of Klondike's directors and analytical procedures applied to the financial information. These procedures do not provide all of the evidence that would be required in an audit and, accordingly, we do not express an audit opinion.

Expressions used in this report that are defined in the Prospectus have the same meaning as in the Prospectus.

Financial Information

The historical financial information has been derived from Klondike's unaudited financial statements for the period from 1 January 2003 to 31 August 2003.

Klondike's proforma statements of financial position as at 31 August 2003 reflect the completion of the Offer as though it has taken place on 31 August 2003, and;

BARNES DOWELL JAMES

CHARTERED ACCOUNTANTS

- To reflect the completion of the Minimum Subscription under the Offer, includes the following transactions:
  - The issue of 10,000,000 Shares for $0.10 each, being the Minimum Subscription under the offer: and
  - Costs of $168,000 associated with the issue; and
- To reflect the acceptance of the Maximum Subscription under the Offer, includes the following transactions:
  - The issue of a further 10,000,000 Shares for $0.10 each, being the Maximum Subscription under the Offer; and
  - Further costs of $50,000 associated with the Issue.

Opinion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe the financial information disclosed in Section 1 of the Prospectus and reproduced at Appendix A to this report does not present fairly:

- Klondike's historical results for the period from 1 January 2003 to 31 August 2003;
- The historical statements of financial position as at 31 August 2003; and
- The proforma statements of financial position as at 31 August 2003, as they would appear assuming that certain subsequent transactions had taken place as at that date as outlined above.

Subsequent Events

To the best of our knowledge and belief, there have been no material items, transactions or events, outside the ordinary course of Klondike's business, that have occurred subsequent to 31 August 2003 which are not otherwise disclosed in the Prospectus that require comment upon or adjustment to the information referred to in this report or which would cause such information to be misleading or deceptive.

Independence

Barnes Dowell James does not have any interest in the outcome of the Offer other than in connection with the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Yours faithfully
BARNES DOWELL JAMES

A.J. DOWELL
Partner

BARNES DOWELL JAMES

CHARTERED ACCOUNTANTS

KLONDIKE SOURCE LIMITED **Appendix A**

The statement of financial performance should be read in conjunction with the accompanying notes.

Statements of Financial Position as at 31 August 2003

Set out below is Klondike's unaudited statement of financial position as at 31 August 2003 and its proforma statements of financial position as at 31 August 2003, incorporating the transactions in Note 2.

The first proforma statement of financial position shows Klondike's financial position on the assumption that the Minimum Subscription is taken up under the Offer and the second proforma statement of financial position shows Klondike's financial position on the assumption that the Maximum Subscription under the Offer is accepted.

	Historical 31 August 2003 $	Proforma Minimum Subscription 31 August 2003 $	Proforma Maximum Subscription 31 August 2003 $
ASSETS			
Current Assets			
Other Debtors	15,825	15,825	15,825
Cash	56,522	938,522	1,888,522
Total Current Assets	72,347	954,347	1,904,347
Non Current Assets			
Office Furniture and Equipment	2,318	2,318	2,318
Exploration Expenditure	487,267	487,267	487,267
Total Non Current Assets	489,585	489,585	489,585
Total Assets	561,932	1,443,932	2,393,932
Current Liabilities			
Trade and Other Creditors	201,328	139,348	139,348
Total Current Liabilities	201,328	139,348	139,348
Non Current Liabilities			
Long Term Borrowing	32,000	32,000	32,000
Total Non Current Liabilities	32,000	32,000	32,000
Total Liabilities	233,328	171,348	171,348
Net Assets	**328,604**	**1,272,584**	**2,222,584**
Shareholders' Equity			
Issued capital	1,175,010	2,118,990	3,068,990
Retained Profits (Losses)	(846,406)	(846,406)	(846,406)
Total Shareholders' Equity	**328,604**	**1,272,584**	**2,222,584**

The historical and proforma statements of financial position should be read in conjunction with the accompanying notes.

B A R N E S   D O W E L L   J A M E S

CHARTERED ACCOUNTANTS

KLONDIKE SOURCE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Financial Reporting Framework

The financial information included in this report has been prepared in accordance with applicable accounting standards and other mandatory professional reporting requirements.

The financial information has been prepared on the basis of historical costs and does not take into account changing money values or current valuations of non current assets. Cost is based on fair values of the consideration given in exchange for assets.

The following significant accounting policies have been adopted in the preparation and presentation of the financial information and will be used in the preparation of subsequent financial reports.

(a) Share Issue Costs

Costs incurred directly attributable to the issue of Shares are deducted from the proceeds of the issue.

(b) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure is considered separately for each area of interest.

Exploration and evaluation expenditure related to an area of interest will be written off as incurred, except that it may be carried forward providing that rights to tenure of the area of interest are current and provided further that at least one of the following conditions is met:

(i) Such expenditure is expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; and

(ii) Exploration and evaluation activities in the area of interest have not, at balance date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

2. Proforma Statements of Financial Position

The proforma statement of financial position as at 31 August 2003 that reflects the completion of the Minimum Subscription under the Offer as though it had taken place on 31 August 2003 (Proforma Minimum Subscription) includes the following transactions:

(a) The issue of 10,000,000 Shares for $0.10 each;

(b) Cost of $168,000 associated with the issue; and

(c) Seed capital raising in October 2003 of 500,000 Shares at $0.10 to raise $50,000 and the allotment of 619,800 Shares at $0.10 to satisfy debts to current and former directors for directors' fees and consulting fees.

The proforma statement of financial position as at 31 August 2003 that reflects the completion of the Maximum Subscription under the Offer as though it had taken place on 31 August 2003 (Proforma Maximum Subscription) includes the following transactions:

(a) The issue of 20,000,000 Shares for $0.10 each;

(b) Costs of $218,000 associated with the Issue; and

(c) Seed capital raising in October 2003 of 500,000 Shares at $0.10 to raise $50,000 and the allotment of 619,800 Shares at $0.10 to satisfy debts to current and former directors for directors' fees and consulting fees.

BARNES DOWELL JAMES

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3. Share Capital

		Number of Shares	$
(a)	On the assumption that the Minimum Subscription is taken up under the Offer		
	Shares on issue at date of the Offer	13,094,900	1,286,990
	Shares issued pursuant to the Prospectus	10,000,000	1,000,000
	Less: Costs associated with the issue		168,000
			832,000
		23,094,900	2,118,990
(b)	On the assumption that the Maximum Subscription is taken up under the Offer		
	Shares on issue at date of the Offer	13,094,800	1,286,990
	Shares issued pursuant to the Prospectus	20,000,000	2,000,000
	Less: Costs associated with the issue		218,000
			1,782,000
		33,094,800	3,068,990

It is noted that an additional 11,975,100 shares will be issued to PacRim Resources Ltd under the PacRim/KSL Consolidation Agreement.

4. Financial Reporting by Segments

The Company currently operates solely in the resources industry in Australia and Canada.

5. Contingent Liabilities

An amount payable to RobSearch Australia Pty Ltd of $98,675 is contingent on Klondike raising working capital of $2.5 million by float or as otherwise decided by the Directors.

Section 11 - Material Contracts

The Directors consider that the contracts described below and elsewhere in this Prospectus are those which an investor would reasonably regard as material and which their professional advisers would reasonably require to make an informed assessment of the Offer.

This section only contains a summary of the material contracts and their substantive terms.

11.1 Agreement appointing Sponsoring Broker and Nominated Adviser

By Letter of Engagement dated 31 October 2003 the Company appointed WHI Securities Pty Limited (WHIS) as its Sponsoring Broker and Nominated Adviser as required under the Listing Rules of the NSX. The terms of the agreement are as follows:

WHIS's role of Nominated Adviser is to assist KSL to meet its obligations under ASX and ASIC Rules and to provide surveillance on behalf of public investors and also requires the Company to:

- publish Quarterly Operational and Financial Reports at a standard no lower than those of ASX, and
- produce a monthly financial budget covering the next 18 months and provide WHIS with monthly evidence against budget.

WHIS will act as Sponsoring Broker and Lead Manager of the Issue and will co-ordinate the raising of funds on behalf of the Company. WHIS intends to market the issue in collaboration other brokers as appropriate. WHIS has agreed to allocate to other brokers the right to place up to $1.5 million of the issue. WHIS will, among other things, assist with the presentation of the prospectus (but not its content).

The agreement provides for a fee structure as follows:

- to act as Sponsoring Broker to NSX WHIS will charge a one off fee of $10,000;
- to act as Nominated Adviser WHIS will charge and engagement fee of $10,000 and an annual fee of $15,000 payable in quarterly instalments in arrears;
- in respect of the capital raising, WHIS's fee structure will comprise a management fee of 1% of total funds raised;
- a further fee of 5% will be payable out of proceeds of the issue to the broker whose stamp appears on applications for shares accepted by the Company. Funds are to be paid within three days of receipt of the funds by the Company and following the quotation and trading of the Company's shares on the NSX;
- a non-refundable engagement fee of $5,000, part of the 1% management fee, is payable to WHIS on the signing of this agreement; and
- subject to issuing at least 15 million shares as a result of the Issue the Company will issue to WHIS 500,000 25 cent options exercisable by 31 December 2007 which will be held in escrow for a minimum of 12 months subject to NSX arrangements, and

the reimbursement of outgoings, subject to approval of the Company before commitment for any expenditure over $1,000.

11.2 Klondike Source Limited/Barramundi Gold Ltd Joint Venture Agreement

The Joint Venture Agreement between the Company and Barramundi Gold Ltd (BAM) (now PacRim Resources Ltd), comprises an initial farm-in agreement (the Heads of Agreement) dated 17 May 1999 as subsequently amended by further agreement between the parties dated 25 May 2000 (the Supplementary Agreement).

By the Heads of Agreement, the Company is entitled to earn a 50% interest in certain Claims held by BAM (or by KSL) within a defined "Area of Interest" (described as "the Joint Venture Claims") excepting certain "Excluded Claims" previously held by BAM. The Area of Interest was extended by the Supplementary Agreement which also eliminated the Excluded Claims so that thenceforth all Claims at any time acquired by either party within the Area of Interest were Joint Venture Claims. Both parties were free to conduct their own businesses outside the Area of Interest.

To earn its interest, KSL was committed for a "Minimum Commitment Period," of two years, to keep all Claims in good standing, to meet minimum expenditure obligations and to meet all obligations to the Yukon Government in respect of all Claims within the Joint Venture Area. If KSL performed its obligations for the Minimum Commitment Period it earned a 20% interest in the Joint Venture and for each additional year that

KSL extends the Minimum Commitment Period (at its election), it earns an additional 10% interest. To earn a 50% interest, KSL must expend a total of C$1 million (including its Minimum Commitment requirements) on a work program, the general nature of which is specified in the Heads of Agreement:

Under the agreement, the work program is to be carried out at KSL's discretion, risk and expense and, until KSL notifies BAM that it has earned its 50% interest, it is to be the operator of the Joint Venture and the work program will be under its sole control and direction, subject to specified reporting requirements to BAM.

The Heads of Agreement provides for the execution of a definitive joint venture agreement upon notification by KSL that it has earned its 50% interest or a lesser interest as the case may be. The parties expressly agreed that pending execution of a definitive joint venture agreement, that they will be bound by the key provisions set out in the Heads of Agreement.

The Heads of Agreement can be terminated on the default of either party or by KSL after a minimum period of two years. Either party (having earned a interest) could withdraw from the joint venture prior to the time of execution of a definitive joint venture agreement. In such case, all joint venture property would become the property of the joint venture, with further assurance by the parties to give full effect to such provision. After KSL's earning a 50% interest, both parties were to be deemed to have contributed C$1 million (A$1,250,000). Thereafter, failure by either party to contribute would lead to a "dilution" of its interest.

The law of Canada and the Territory of the Yukon is the applicable law.

11.3 Deed of Assignment of Mining Property by Barramundi Gold Ltd

By this Deed made on 27 February 2002 between Barramundi Gold Ltd (BAM) and KSL Exploration (Yukon) Ltd BAM assigned to KSL Yukon a 20% undivided interest in the Mining Property described therein and including the Joint Venture Mining Claims so that thenceforth BAM and KSL Yukon would hold for the time being hold their respective undivided participating interests in the Mining Property as tenants in common in the proportions of BAM 80% and KSL Yukon 20%. KSL Yukon has now earned an additional 20% beneficial interest in the Joint Venture.

11.4 Deed of Assignment of Joint Venture Property (PacRim/KSL Consolidation Agreement)

This Deed is dated 21 October 2003 between PacRim Resources Ltd (PacRim), Klondike Source Limited (KSL) and KSL Exploration (Yukon) Limited (KSL Yukon).

By this Deed PacRim agrees (at KSL's request) to transfer and assign all its right title and interest in the Joint Venture Mining Property including all the Joint Venture Mining Claims and all information, improvements and other assets used or held by the Joint Venture in connection with the conduct of the Klondike Source Project to KSL Yukon.

In consideration for the transfer and assignment, KSL has agreed to allot to PacRim 11,975,100 ordinary shares, 6,487,500 20 cent options and 5,487,600 25 cent options in the capital of KSL, to the intent that on completion PacRim will be allotted the same number and classes of Shares and Options in KSL as the Shareholders and Option Holders of KSL at the date of the Deed.

In addition to the foregoing , KSL has agreed that:

- in the event that the Company raises a sum of not less than $2,500,000 on completion of an Initial Public Offering (IPO), or the Company concludes a joint venture agreement with a third party providing for the funding of exploration with respect to the Klondike Source Project of not less that $2,500,000, KSL shall, allot additional Shares or cash (as resolved by the Board of Directors acting in the best interests of the Company), to the value of $200,000, and
- in the event that PacRim shall provide the introduction leading to a joint venture agreement as described above, KSL shall after concluding a joint venture agreement providing for the funding of exploration with respect to the Klondike Source Project of not less that $2,500,000, allot additional Shares or cash (as resolved by the Board of Directors), to the value of $50,000.

The Deed is subject to and conditional upon KSL raising funds for exploration of not less that $500,000 and Completion of the Deed is to take place within 14 days following the satisfaction of this condition.

Under the Deed, PacRim will be entitled to appoint two Directors to the boards of KSL and KSL Yukon (unless otherwise agreed) and on completion necessary transfers, notifications and scrip for the securities to be issued to PacRim will be exchanged.

PacRim and KSL also agree that all Shares and other securities held by PacRim and by existing KSL Directors will, in the event that KSL resolves to apply for Listing on an Australian stock exchange, unless otherwise agreed, be the subject of voluntary restriction agreements for a period of 24 months irrespective of any lesser requirement under Stock Exchange Listing Rules.

The law of Canada and the Territory of the Yukon is the applicable law.

11.5 Executive Service Agreement with R G Adamson

This Agreement dated 11 November 2003 sets out the terms of engagement of Mr Adamson as Chief Executive Officer of the Company and an executive Director of the Company's wholly owned subsidiary Company. Mr Adamson is, subject to the direction of the Board, responsible for:

- the overall management of the Company and implementation of the Board's directives, and
- as an executive Director of the Company's Canadian subsidiary.

The agreement provides for Mr Adamson's remuneration to be:

- a base retainer for his services of Chief Executive Officer in the sum of $1,000 per a month for a minimum of one day's service per month, to be paid monthly in advance on tax invoice, and
- a fee of $800 per day in respect of each additional days service provided to the Company as may be approved from time to time by the Board, to be paid monthly in arrears on tax invoice.
- Such remuneration is exclusive of GST and together with reasonable expenses for travel and other out of pockets is to be paid on invoice.

The agreement is for a term of two years but the Company may extend the term for further periods not exceeding 12 months providing it gives at least three months notice of its intention to do so. The agreement may be terminated (other than for specific stated reasons) by the Company or Mr Adamson by three months notice to the other at any time after the initial two years. However, if at any time after the date of the agreement certain events (described in the agreement as "Trigger Events" occur, the Company may only terminate the agreement (other than for specific stated reasons) by giving 12 months notice to Mr Adamson. Trigger Events relate to events bringing about a change of control of the Company. The agreement also provides for the obligations of Mr Adamson with respect to confidentiality and intellectual property. The agreement provides for review after each successive 12 months of Mr Adamson's term.

11.6 Agreement for the supply of Technical Services with R G Adamson

This Agreement dated 11 November 2003 sets out the terms of engagement of Mr Adamson as consulting geologist to the Company and to the Company's wholly owned Canadian subsidiary. Mr Adamson is, subject to the direction of the Board, responsible for designing, planning, direction and monitoring of the Company's exploration program and related duties.

The agreement provides for Mr Adamson's remuneration to be a fee of $800 per day in respect of each day's service provided to the Company as may be approved from time to time by the Board to be paid monthly in arrears on tax invoice:

Such remuneration is exclusive of GST and together with reasonable expenses for travel and other out of pockets is to be paid on invoice. The agreement is for a term of two years but the Company may extend the term for further periods not exceeding 12 months providing it gives at least three months notice of its intention to do so. The agreement may be terminated (other than for specific stated reasons) by the Company or Mr Adamson by three months notice to the other at any time after the initial two years. However, if at any time after the date of the agreement certain events (described in the agreement as "Trigger Events") occur, the Company may only terminate the agreement (other than for specific stated reasons) by giving 12 months notice to Mr Adamson. Trigger Events relate to events bringing about a change of control of the Company. The agreement also provides for the obligations of Mr Adamson with respect to confidentiality and intellectual property. The agreement provides for review after each successive 12 months of Mr Adamson's term.

11.7 Agreement for the supply of Technical Services and Administrative Facilities and Services with RobSearch Australia Pty Limited

This Agreement dated 11 November 2003 (to which Mr C M Thomas is a party) sets out the terms of engagement of RobSearch Australia Pty Limited (RobSearch) to perform the following services:

Technical Services

RobSearch will, subject to the directions of the Board be responsible for providing to the Company and to the Company's wholly owned Canadian subsidiary.

- the designing, planning, direction and monitoring of the Company's exploration program and related duties,
- providing the services of Mr Thomas to act as Principal Consulting Geologist of the Company for a minimum of one day's service per month and such additional time as may be required by the Board and agreed between the Board and RobSearch,
- subject to reasonable notice and availability of personnel, provide the services of any RobSearch Associate required by the Company.

The agreement provides for RobSearch's remuneration as technical services as follows:

- a base retainer for the services of Mr Thomas in the sum of $1,000 per a month for a minimum of one day's service per month, to be paid monthly in advance on tax invoice,
- a fee of $800 per day in respect of each additional days service provided to the Company by Mr Thomas as may be approved from time to time by the Board, to be paid monthly in arrears on tax invoice, and
- a fee in respect of any RobSearch Associate at cost plus 33.33%.

The agreement acknowledges that the rates of remuneration specified are concessional having regard to the Company's limited working capital, and that in the event that, for any reason, the Company's level of working capital improves significantly, RobSearch should be paid not less than a normal commercial rate for its services. Accordingly, if:

- the Company succeeds in raising not less than $2,000,000 in its Initial Public Offering and thereafter succeeds in raising not less than an additional $1,000,000 in working capital, or
- the Company succeeds in concluding an agreement whereby it is to farm-out an interest in the Project, or
- certain events (described in the agreement as Trigger Events), occur. Trigger Events relate to events bringing about a change of control of the Company,

in which case, the revised rates to be charged by RobSearch for the provision of its services in accordance with this Agreement shall be in accordance with RobSearch's normal rates to other clients for similar services and agreed by the Board.

Such remuneration is exclusive of GST and together with reasonable expenses for travel and other out of pockets is to be paid on invoice.

Administrative Facilities and Services

RobSearch will provide to the Company the following administrative facilities and services:

- office space within its premises at Level 10, 80 Arthur Street, North Sydney;
- office facilities including access to telephone, fax, photocopying and printing facilities;
- secretarial services;
- such other services or facilities as may be agreed from time to time.

Administrative facilities and services provided are to be charged on the basis of proportional cost sharing as to office rental, and direct costs and other outgoings are to be charged at cost. These costs are to be reviewed and amended on a quarterly basis.

The agreement is for a term of two years but the Company may extend the term for successive further periods not exceeding 12 months providing it gives at least three months notice of its intention to do so. The agreement may be terminated (other than for specific stated reasons) by the Company or by RobSearch on three months notice to the other at any time after the initial two years. If at any time after the date of the agreement a Trigger Event (relating to change of control of the Company) occurs, the Company may only terminate the agreement (other than for specific stated reasons) by 12 months notice. The agreement also provides for the obligations of RobSearch and Mr Thomas with respect to confidentiality and intellectual property. The agreement provides for review after each successive 12 months of RobSearch's term.

11.8 Deeds of Indemnity and Access

The Company has executed standardised but individual deeds of indemnity and access in respect of each of the Directors, other Officers and former Directors, set out below. Each deed, subject to the Company's Constitution and the Corporations Act 2001, provides the respective director (or other officer) with an indemnity to the full extent permitted by law, against all liability arising as a result of the Director acting as a director provided the liability does not arise out of conduct involving the lack of good faith.

The Deeds provides each officer with access to Board Papers for a period of seven years after his appointment ceases and the indemnity in each case continues for so long as the director (or Officer) holds office as a director (or Officer) of the Company and for a period of seven years thereafter.

The Company has entered into Deeds of Indemnity with the following Directors, former Directors and other Officers:
Patrick J D Elliott - Chairman of the Board
Colin M Thomas - Executive Director
Raymond J Soper – Non-Executive Director
Robert G Adamson - Chief Executive Officer, Alternate Director to Mr C M Thomas and former Director
Robert J Waring - Company Secretary
John L Gaskell - former Director

11.9 Convertible Note

The Company (Issuer) issued a Convertible Note (Note) to Poduta Pty Ltd, (Noteholder), a company controlled by C M Thomas, a Director of the Company, on 8 April 2003 to provide necessary working capital for the Company to continue to maintain its Mining Claims and pay for administrative expenses pending the raising of the capital necessary to proceed with its exploration program.

The Note provides for a maximum drawdown of $70,000 on request by the Issuer. At the date of this Prospectus the Company has drawn down amounts totalling $32,000. Interest is payable at bank rates applicable to Mr Thomas.

The Convertible Note provides for a Maturity Date of 30 September 2004. The Company may redeem an Amount Owing (defined to include amounts which will or may become due for payment, in connection with the Note), at any time after due notice The Noteholder may, at any time after due notice, convert an Amount Owing into Shares in the Company at the greater of 10 cents per Share and the Issue Price of the Company's Shares on float. The Noteholder may require the Company to redeem the Note prior to the Maturity Date if a Trigger Event occurs. A Trigger Event occurs if:

- there is a change in control of 50% or more of the issued capital or the voting shares in the Company; or
- a change in the majority of the directors of the Company; or
- a person or a group of associated persons becoming entitled, subsequent to the date hereof, to sufficient Shares to give it or them the ability, in a general meeting, to replace all or a majority of the Board in circumstances where such ability was not already held by a person associated with such person or group of associated persons; or
- the raising by the Issuer of not less than $2,500,000 by way of an Initial Public Offering, private placement or otherwise and for the purposes hereof the Issuer shall be deemed to have raised such amount if by way of farm-in by a third party, the value of the commitment by such third party is not less than $2,500,000; or
- the Issuer achieves an Initial Public Offering and listing on a recognised stock exchange, the making of a market or off market bid for Shares or the public announcement by any person of an intention to make such a bid.

12.1 Constitution and Rights Attaching to Shares

The Company has adopted a Constitution of a kind usually adopted by a public company that is proposing to list on NSX. Full details of the rights attaching to the Company's ordinary Shares are set out in the Constitution, a copy of which can be inspected, free of charge, at the registered office of the Company during normal business hours.

The Shares to be issued pursuant to this Prospectus will, from the date of allotment, rank equally in all respects with the Company's fully paid, ordinary Shares then on Issue. The following is a broad summary of the rights which attach to the Company's ordinary Shares.

Voting

Subject to any rights or restrictions for the time being attached to any class or classes of shares (at present there are none), and provided that no amount due and payable in respect of a call is unpaid, at a general meeting of the Company, every holder of ordinary Shares present in person or by an attorney, representative or proxy, has one vote on a show of hands and one vote per Share on a poll. A person who holds an ordinary Share which is not fully paid, is entitled, on a poll, to a fraction of a vote equal to the amount paid on the Share, divided by the total issue price of the Share.

Dividends

Subject to the rights of holders of shares issued with any special, preferential or qualified rights (at present there are none), the profits of the Company which the Directors determine to distribute, by way of dividend, are divisible among the holders of ordinary Shares in proportion to the amounts paid up on those Shares.

Rights on Winding Up

Subject to the rights of the holders of shares with special rights in a winding up (at present there are none), on a winding up of the Company, all assets that may be legally distributed among the members will be distributed in proportion to the number of fully paid Shares held by them (and a partly paid Share is counted as a fraction of a fully paid Share equal to the amount paid on it, divided by the total issue price of the Share).

Transfer

Subject to the Constitution of the Company, NSX Listing Rules and the Corporations Act 2001, ordinary Shares are freely transferable.

Creation and Issue of Further Shares

The allotment and issue of any new Shares is under the control of the Directors. Subject to any restrictions on the allotment of Shares imposed by the Constitution of the Company, NSX Listing Rules or the Corporations Act 2001, the Directors may allot, issue, grant options over or otherwise dispose of those Shares to those persons, on such terms and conditions, and with such rights and privileges, as they may from time to time determine.

Variation of Rights

At present, the Company only has ordinary Shares on issue. If shares of another class were issued, the rights attaching to the ordinary Shares could thereafter only be varied or abrogated with the sanction of a special resolution passed at a separate general meeting of the holders of the ordinary Shares, or with the written consent of the holders of at least three quarters of the ordinary Shares then on issue.

General Meetings

Each holder of ordinary Shares will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be furnished to Shareholders under the Constitution of the Company, Listing Rules or the Corporations Act 2001.

12.2 The Company's Options

The Founders and Directors of the Company have, from the early stages of the Company's existence, been committed to a share capital plan, which in the event of a public offer would not provide up-front vendor shares for the Founders. It was decided, that by means of such an option plan, the Founders will only be rewarded if the Company is successful for all Shareholders.

Pursuant to this plan, the Directors and the Founders proposed that in its early stages, one free Option should be issued for every Share in the Company subscribed for, that 50% of these Options should be issued to subscribers for Shares, (that is, one option for every two Shares allotted), and that 50% of the Options should be issued to the Founders (that is, one option for each option issued to a subscriber).

The Company has issued a total of 11,975,100 Options prior to the date of this Offer, details of which are set out in Section 2 and Item 2 of this Section.

In addition 11,975,100 Options will be issued to PacRim Resources Ltd (PacRim) by virtue of the PacRim/KSL Consolidation Agreement between PacRim, KSL and KSL Yukon dated 21 October 2003 (please refer to Section 11 (Material Contracts)) for further details concerning this transaction) and on raising not less than $1.5 million by the Issue, an additional 500,000 25 cent Options will be issued to WHI Securities Pty Limited.

Terms and Conditions of Options

The Company has issued the following Options:

Founders 25 cent Options

The principal terms and conditions applicable to the Founders Options are as follows -

Each option granted to the Founders prior to this Offer will entitle the holder to subscribe for one, fully paid, ordinary Share in the Company at an exercise price of 25 cents, exercisable at any time prior to 5.00 pm Eastern Summer Time (EST) on 31 December 2007.

No application will be made to NSX for the Options to be admitted to quotation.

Seed Capital 20 cent Options

The terms and conditions of the 20 cent Options are as follows -

Each option granted and allotted to the Seed Capital investors, prior to this Offer, entitles the holder to subscribe for one, fully paid, ordinary Share in the Company at an exercise price of 20 cents.

The Seed Capital Options are exercisable at any time prior to 5.00 pm EST on 31 December 2007, by notice in writing to the Company, accompanied by payment of the exercise price.

No application will be made to NSX for the Options to be admitted to quotation.

Terms and Conditions Common to Founder Options, and 20 cent Options

In addition to the foregoing terms and conditions applying to one or other of the Founder Options, Seed Capital Investors Options and New Investor Options, the following terms and conditions will apply to every such option -

- There will be no issue price for the Options.
- All Shares, allotted on the exercise of the Options, will rank equally in all respects with the Company's then existing, ordinary, fully paid Shares.
- The Options are freely transferable. The instrument of transfer must be in writing, signed by both parties and otherwise in such form as the board of the Company from time to time approves.
- If the Company's ordinary Shares have been admitted to quotation by NSX, the Company must apply for admission to quotation by NSX of all Shares allotted pursuant to the exercise of Options.
- The holders of an option may only participate in new issues of securities to holders of ordinary Shares in the Company, if the option has been exercised and Shares have been allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give at least seven business days notice to holders, of any new issue, before the record date for determining entitlements to the issue, in accordance with NSX Listing Rules.
- There will be no change to the exercise price of the option in the event of the Company making a pro rata issue of Shares, or other securities, to the holders of ordinary Shares in the Company (other than a bonus issue).
- If there is a bonus issue to the holders of ordinary Shares in the Company, the number of Shares over which the Options are exercisable will be increased by the number of Shares which the holder would have received, if the option had been exercised before the record date for the bonus issue. The bonus shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the bonus issue and upon issue, rank equally in all respects with the other shares of that class on issue at the date of issue of the bonus shares.
- If, prior to the expiry of any option, there is a reconstruction of the issued capital of the Company, Options are to be treated in the manner set out in NSX Listing Rules.

- There will be no change to the exercise price of the option, in the event of the Company making a pro rata issue of shares, or other securities, to the holders of ordinary Shares in the Company (other than a bonus issue).
- If, prior to the expiry of any option, there is a reorganisation of the issued capital of the Company, Options are to be treated in the manner set out in NSX Listing Rules.

Employees' Incentive Option Plan (EIOP)

KSL has, with shareholders' approval, established an Employees' Incentive Option Plan to assist in the recruitment, reward, retention and motivation of qualifying directors, managers, consultants, officers and employees (Eligible Employees) of the KSL group. As issue of options to qualifying directors will require shareholder approval. The purpose of the EIOP is to provide incentive for Eligible Employees to participate in the future growth of the Company, and upon becoming shareholders, to participate in the Company's profits and development. There have been no issues of Options under the EIOP at the date of this Prospectus.

The EIOP contains a number of Rules which are common to all classes of the Company's Options. As presently constituted, the specific rules applying to EIOP are as follows:

- The Directors are empowered to operate the EIOP in accordance with the Rules, for the time being contained, in the instrument establishing it.
- The Board may, from time to time, at its discretion, offer Options to Eligible Employees.
- The maximum number of Options which may be on issue at any time, shall be 5% of the number of shares on issue.
- All Options shall have an expiry date and all Options with a common expiry date, shall have the same terms and conditions.
- The holder of Founders Options will not be entitled to participate in the EIOP.
- Options shall be issued free of charge to Eligible Employees.
- Each Option granted and allotted to an Eligible Employee will entitle the holder to subscribe for one, fully paid, ordinary share in the Company at an exercise price which shall not be less than the greater of: 20 cents, or the weighted average price of a KSL share over the five trading days immediately preceding the date of the exercise of the Option.
- The Options expire at 5.00 pm on the fifth anniversary of the date of their issue (Expiry Date). Options that are not exercised before the Expiry Date will automatically lapse. A holder may only exercise an Option after the third anniversary of their issue date. An Option will also lapse after the holder ceases to be an Eligible Employee by reason of retirement, dismissal, resignation or termination of employment, subject to the Directors' discretion to extend in certain circumstances.
- All Options shall become exercisable, notwithstanding any other provision, if any one of a number of defined "Trigger Events" occurs. These relate to notice under Section 411 of the Corporations Act 2001 and to changes in control of the Company.
- The Options will not be quoted. However, the Company will make application for the quotation of any KSL share issued upon exercise of any Option.
- Options issued under the EIOP are not transferable, except with the written approval of the Directors.

12.3 Limitation on the Offer

This Prospectus has been prepared to conform with the requirements of the securities laws of Australia only. This Prospectus does not constitute an offer to any person to whom, or in any place in which, such offer would be unlawful.

12.4 Application Monies and Interest

Application Monies received from an Applicant on account of Shares offered under this Prospectus will, until those Shares are issued, be held by the Company in a bank account established and kept by the Company solely for the purpose of holding Application Monies.

To the fullest extent permitted by law, each Applicant agrees that such Application Monies shall not bear interest as against the Company and that any interest earned in respect of Application Monies paid into the account shall belong to the Company, irrespective of whether or not all or any of the Shares applied for by that Applicant are issued to that Applicant.

12.5 Restricted Securities

NSX may restrict certain securities (known as restricted securities, or escrowed securities) from being granted Official Quotation or trading on NSX for a period of time known as the restriction period.

Shares issued to subscribers as a result of this Prospectus (minimum of 10,000,000 up to a maximum of 20,000,000) will not be subject to any restriction.

Prior to Official Quotation of the Company's securities and commencement of trading on the NSX, the holders of securities that are to be classified as restricted securities will be required to enter into a restriction agreement with the Company on terms stipulated by the NSX Listing Rules or NSX. The holder of restricted securities will be precluded from agreeing to dispose of, or disposing of, the restricted securities or an interest in those securities or granting a security interest over the restricted securities, for the restriction period. The holder of restricted securities is not entitled to any dividend or distribution, or voting rights, in respect of the restricted securities when in breach of the NSX Listing Rules relating to the restricted securities or in breach of the restriction agreement.

Set out below are anticipated restrictions for the Company's Shares on issue at the date of this Prospectus, and the Shares to be issued to Pacrim pursuant to the Pacrim/KSL Consolidation Agreement. Some aspects of restriction are at the discretion of the NSX and accordingly the information set out below may change. NSX will consider matters relating to restriction during consideration of the Company's application for admission to the Official List.

The Founders and Directors of the Company, and Pacrim, agreed under the terms of the Pacrim/KSL Consolidation Agreement that the Shares held by each of them will be subject to a voluntary 24 month restriction. However, the Directors of the Company are concerned that because of the high proportion of restricted securities resulting from this arrangement, the voluntary restriction for a period of 24 months from the date of Official Quotation may prove to be unduly restrictive under the circumstances of KSL's capital structure.

As a result, the Company, with the consent of Pacrim, will be seeking the following alternative escrow arrangements:

- Shares issued prior to the date of this Prospectus for cash at a price of $0.10 per Share, whether to related parties (such as Founders or Directors) or otherwise (12,475,100) would not normally be anticipated to be subject to restriction. However, each of the Directors of the Company will enter into a voluntary restriction agreement, in respect of their Shares totalling 5,400,100, for a period of 24 months, or, for12 months, if after that time, the Company's Shares achieve a market price of not less than 50 cents, or, as may be otherwise agreed between KSL and PacRim and approved by NSX.
- Shares issued to Founders, Directors and others to satisfy debts for consulting services and Directors Fees, as applicable (619,800), are anticipated to be subject to restriction for 24 months from the date of Official Quotation of the Shares under the NSX Listing Rules. The Company will apply to the NSX for a partial dispensation of its Listing Rules in respect of these securities, to trigger a release from escrow in respect of these securities, if, after twelve months, the Company's Shares, achieve a market price of not less than 50 cents.
- Shares issued to PacRim under the terms of the PacRim / KSL Consolidation Agreement (11,975,100) are anticipated be subject to 24 month restriction from the date of Official Quotation of the Shares. The Company will apply to the NSX for a partial dispensation of its Listing Rules in respect of these securities if, after twelve months, the Company's Shares, achieve a market price of not less than 50 cents.

12.6 Matters Relevant to Directors

Other than set out below or elsewhere in this Prospectus, no Director has, or had within two years before lodgement of this Prospectus with ASIC, any interest in:

- the promotion or formation of this Company;

- property acquired or proposed to be acquired by the Company in accordance with its formation or promotion or the Offer;
- the Offer;

and no amounts have been paid or agreed to be paid and no benefits other than those set out below and elsewhere in this Prospectus, have been given or agreed to be given to any Director, to induce him to become a director or for services rendered by him in connection with the promotion or formation of the Company or this Offer.

Directors' Shareholdings and Option Holdings

As at the date of this Prospectus, the Directors' interests in the issued Shares and Options of the Company are as follows:

Name of Director	Shares held directly	Shares held indirectly	Options held directly	Options held indirectly
P J D Elliott	-	2,500,000	-	1,250,000
C M Thomas	50	1,750,000	-	3,070,000
R J Soper	50	1,117,490	-	2,645,000
R G Adamson (Alternate Director)	296,750	-	200,000	-

All options held by Directors expire on 31 December 2007.

Mr P J D Elliott indirectly holds 1,250,000 options with an exercise price of 20 cents.

Mr C M Thomas has an interest in 875,000 options with an exercise price of 20 cents and has an interest in 2,195,000 options with an exercise price of 25 cents.

Mr R J Soper has an interest in 450,000 options with an exercise price of 20 cents and has an interest in 2,195,000 options with an exercise price of 25 cents.

Mr R G Adamson holds 200,000 options with an exercise price of 25 cents.

Mr C M Thomas also holds indirectly, a convertible note issued by the Company providing for a maximum draw down by the Company of $70,000 of which $32,000 has been drawn. The noteholder has the right to convert the amount owing at any time to equity in the Company, see Section 11.10 (Material Contracts).

Directors' Remuneration

Directors' fees, not exceeding an annual aggregate of $100,000, have been set in accordance with the Company's Constitution, until such time as they are, in accordance with the Constitution and NSX Listing Rules, determined by the Company in general meeting.

The following fees or benefits have been paid or have been agreed to be paid to Directors or companies associated with directors over the last two years:

- Consulting and directors fees totalling $15,448 were paid to Ipseity Pty Limited, a company associated with R J Soper.
- Consulting fees totalling $4,675 were paid to Mr R G Adamson.
- Mr J L Gaskell, a former director, who has received or will receive, consideration to the value of $30,000 in respect of his services as Chairman and Director and $13,560 for consulting fees until his resignation on 30 May 2003.
- An amount of $106,334 is payable to RobSearch Pty Limited (RobSearch) for the exploration consulting services of Mr C M Thomas and for other services. A further amount of $98,675, related to deferred consulting fees will be payable to RobSearch contingent upon the Company raising through this Issue and subsequently, an amount of not less than $2,500,000. Mr C M Thomas is a director and shareholder of RobSearch.

12.7 Interests of Experts and Advisers

Other than set out below, or elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity, in connection with the preparation or distribution of this prospectus, promoter or Stockbroker to the Company, has, or had within two years before lodgement of this Prospectus with the ASIC any interest in:

- the promotion or formation of this Company;
- property acquired or proposed to be acquired by the Company in accordance with its formation or promotion, or the Offer;
- the Offer;

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any persons for services rendered by them in connection with the promotion or formation of the Company or this Offer.

Roy Cox & Associates Pty Ltd has received professional fees of $26,000 of which $22,000 was paid before 31 August 2003, for provision of the Independent Geologist's Report for inclusion in this Prospectus.

J C Kinna, Corporate Solicitor, will receive/has received professional fees for legal advisory services in connection with this Prospectus of approximately $17,000 and 50,000 Options to subscribe for Shares, exercisable at 25 cents per Share before 31 December 2007.

Davis & Company, Barristers and Solicitors, will receive/has received professional fees for provision of the Canadian Solicitors' Report for inclusion in this Prospectus of $5,000.

Doyle Gold Consulting has received professional fees for the Report on Tenements and Title Searches for inclusion in this Prospectus of $2,000.

WHI Securities Pty Limited, Sponsoring Broker and Nominated Adviser have entered into an agreement with the Company, details of which are set out in Section 11.1 (Material Contracts). WHIS will be paid a broker's fee of $10,000 and a Nominated Adviser's fee of $10,000 in respect of the Issue. WHIS will also be paid a management fee of 1% and brokerage of 5% out of the proceeds of the Issue. In October 2003, companies associated with WHIS, Dronkay Pty Ltd and H H Sutton Nominees Pty Ltd have each been issued 50,000 shares for cash at a price of 10 cents per share. WHIS will also be issued 500,000 25 cent Options subject to a minimum of 15 million shares being issued as a result of the Issue.

Oakhill Hamilton Pty Limited, a company associated with Company Secretary R J Waring, will receive professional fees in connection with this Prospectus of approximately $6,000.

Warinco Services Pty Limited, a company associated with Company Secretary R J Waring, has received 50,000 Options to subscribe for Shares, exercisable at 25 cents per Share before 31 December 2007.

12.8 Consents and Disclaimers

The following persons have each consented to the inclusion of the following statements and the statements identified in this Prospectus as being based on statements made by those persons in the form and context in which they are included, and have not withdrawn that consent before lodgement of this prospectus with the ASIC:

Roy Cox & Associates Pty Limited – Independent Geologist's Report;

Davis & Company – Canadian Solicitors' Report;

Barnes Dowell James – Company Auditors; and

Doyle Gold Consulting – Report on Tenements and Title Searches.

The following persons have each consented to being named in this Prospectus but have not made any statements that are included in this Prospectus or any statements identified in this Prospectus as being based on any statements made by those persons and have not withdrawn their consent before lodgement of this prospectus with the ASIC:

Robert G Adamson – Chief Executive Officer

Robert J Waring – Company Secretary

WHI Securities – Sponsoring Brokers and Nominated Adviser

MacKay & Partners – Canadian Accountants

Registries Limited – Share Registrar

Peter Gunn – Technical Advisor

Roger Marjoribanks – Technical Advisor

John C Kinna – Corporate Solicitor

PacRim Resources Ltd have consented to references in the Prospectus with respect to their name, their change of name from Barramundi Gold Ltd, references arising out of its commercial relationship with KSL and references in Section 12.5 (Restricted Securities), and to the statement contained in that subsection concerning its consent to KSL's intended application to the NSX with respect to restricted securities.

To the maximum extent permitted by law, each of the persons referred to above expressly disclaims and takes no responsibility for any part of this Prospectus, other than the references to their name.

12.9 Inspection of Documents

Documents relating to the Company, such as the Constitution and the Certificate of Registration of a Company, and subject to confidentiality, Material Contracts, and the reports of the Canadian Solicitors and the Independent Consulting Geologist, are available for inspection at the office of the Company at Level 10, 80 Arthur Street, North Sydney. They will be made available for a period of six months after the date of issue of this Prospectus.

12.10 Expenses of the Issue

The estimated costs of the Issue are –

	Minimum Raising	**Maximum Raising**
	$	**$**
NSX initial fee and ASIC fees	7,000	7,000
Broker's fees, including Nominated Adviser	85,000	135,000
Legal fees	21,000	21,000
Corporate advisory fees	10,000	10,000
Independent Experts' fees	27,000	27,000
Prospectus printing and dispatch	7,000	7,000
Other costs	11,000	11,000
	168,000	218,000

Of the above amounts, Independent Expert's fees paid prior to 31 August 2003 amounted to $22,000.

12.11 Litigation

Neither the Company nor its subsidiary are involved in any litigation or arbitration proceedings, nor, so far as the Directors are aware, are any such proceedings pending or threatened against the Company or its subsidiary.

Definitions

Application Form – The application form attached to and forming part of this Prospectus. **Application** and **Applicant** have corresponding meanings.

Application Monies – Payment for Shares which must accompany an Application as specified in Section 2.

Application Price - $0.10 per Share.

ASIC – The Australian Securities and Investments Commission.

ASX – the Australian Stock Exchange Limited (ABN 98 008 624 691).

Barramundi Gold Ltd – KSL Yukon's joint venture partner being a company which duly changed its name to PacRim Resources Ltd on 11 October 2002.

Board – The Directors of the Company from time to time.

Business Day – The meaning ascribed to it in the NSX Listing Rules.

C$ – Canadian dollars.

CHESS – Clearing House Electronic Subregister System.

Claim – A mining tenement granted under the Quartz Mining Act of the Yukon Territory.

Closing Date –16 December 2003 (subject to the right of the Directors to close the Issue earlier or to extend this date without notice).

Company – Klondike Source Limited (ABN 64 087 595 980).

Constitution – The Constitution of the Company.

Directors – The Directors of the Company, or, when referring to the Subsidiary, the Directors of the Subsidiary)

Expiry Date – The expiry date of this Prospectus under the Corporations Act 2001 being the date which is 13 months after the date of this Prospectus.

Existing Options – The Options on issue at the date of this Prospectus.

Existing Option Holders – All the registered Option holders of the Company at the date of this Prospectus unless the context indicates otherwise.

Existing Shares – The Shares on issue as at the date of this Prospectus.

Existing Shareholders – All the registered Shareholders of the Company at the date of this Prospectus unless the context indicates otherwise.

Exposure Period – the minimum period of seven days after lodgement of the Prospectus, or longer period required by ASIC under section 727(3) of the Corporations Act 2001 within which no Application for Shares can be accepted, nor Shares be issued.

Founders – Colin M Thomas and Raymond J Soper, the founders of the Company and originators of the Klondike Source Project, and **Founders Options** has a corresponding meaning.

Heads of Agreement – The farm-in heads of agreement (as amended by the Supplementary Agreement) between the Company and Barramundi Gold Ltd (now PacRim Resources Ltd) particulars of which are in Section 11 (Material Contracts).

Issue – The offering and issue of Shares pursuant to this Prospectus.

Joint Venture – The farm-in joint venture established by the Heads of Agreement whereby KSL can earn a 50% interest therein on performing certain obligations.

Joint Venture Claims – The Claims held by PacRim (formerly Barramundi Gold Ltd) and KSL Yukon, on behalf of the Joint Venture in accordance with the Heads of Agreement.

Klondike Source Project – the Joint Venture Claims, and the KSL Yukon Claims and associated assets, including KSL's new exploration approach, constituting the gold exploration project in the Klondike district of the Territory of the Yukon in northwestern Canada.

KSL – Klondike Source Limited (ACN 087 595 980).

KSL Yukon – KSL Exploration (Yukon) Limited, the Company's wholly owned Canadian subsidiary Company.

KSL Yukon Claims – Claims held by KSL Yukon.

Listing Rules – The Official Listing Rules of NSX.

Maximum Subscription – The maximum number of Shares to be allotted under this Prospectus as provided in Section 2.

Minimum Subscription – The minimum number of Shares to be allotted under this Prospectus as provided in Section 2.

Nominated Adviser – Means WHI Securities Pty Limited, ACN 094 927 947.

Non-settlement Lands – Those delineated lands in a particular district where the indigenous people have irrevocably surrendered any right or title to the Crown.

NSX – The Stock Exchange of Newcastle Limited (ABN 11 000 902 063).

Offer – The offer of, or invitation to subscribe for, Shares under this Prospectus.

Offer Price - 10 cents per Share.

Official List – The Official List of NSX.

Official Quotation – Official Quotation of the Shares by NSX.

Option – An option to subscribe for a Share at an agreed exercise price on or before a specified expiry date.

PacRim – PacRim Resources Ltd – KSL Yukon's co venturer, being a company which duly changed its name from Barramundi Gold Ltd on 11 October 2002.

PacRim/KSL Consolidation Agreement – Deed of Assignment between PacRim, KSL and KSL Yukon, dated 21 October 2003 whereby PacRim is to assign the whole of its Joint Venture Interest to KSL Yukon in return for Shares and Options in KSL, particulars of which can be found in Section 11 (Material Contracts).

Prospectus – This Prospectus.

SCH Business Rules – Means Securities Clearing House Business Rules operated by ASX Settlement and Transfer Corporation Limited (ACN 008 504 532) in accordance with the Corporations Act 2001.

Settlement Lands – Those delineated lands formally granted by the Government of Canada to indigenous people (First Nations) with full or partial freehold rights including mines and minerals.

Share Registry – Means Registries Limited ACN 003 209 836

Shares – Fully paid ordinary shares in the capital of the Company and **Shareholders** has a corresponding meaning.

Sponsoring Brokers Agreement – The sponsoring Brokers Agreement dated 31 October 2003, between the Company and WHIS on the terms set out in Section 12 (Additional Information) of this Prospectus.

Subsidiary – Has the same meaning ascribed to it by Section 46 of the Corporations Act 2001.

WHIS – WHI Securities Pty Limited ABN 30 094 927 947

Interpretation

Reference to Sections

References in this Prospectus to Sections are to sections of this Prospectus.

Currency

$ or A$ = Australian dollar

C$ = Canadian dollar

US$ = United States dollar

Currency Conversions

Where C$ have been converted to A$ for comparison purposes the exchange rate used is C$1.00 = A$0.9.

Terms not included in the glossary are used in accordance with their definition in the Concise Oxford Dictionary.

Acid(ic)	an igneous rock containing more than 66% silica
aeromagnetic survey	a survey made from the air to record magnetic characteristics of rocks
alteration	change in the physical or chemical composition of a rock
alluvial	a mineral deposit formed by the action of running water
argillic alteration	alteration of certain minerals within a rock to minerals of the clay group
barite	barium sulphate, the principal ore of barium
base metal	non-ferrous metal inferior in value to precious metals; especially copper, lead, zinc and nickel
basic	descriptive of igneous rocks with relatively low silica contents
batholith	very large, usually granitic intrusion
belt	a broad zone or band of a related rock strata exposed at the Earth's surface
block (fault)	volume of rock adjacent to a plane of faulting
carbonaceous shale	fine-grained sedimentary rock, rich in carbon
Carboniferous	a time period, approximately 360 to 290 million years ago
chlorite	platy iron-magnesium silicate mineral, typically formed during alteration of other minerals at low temperatures
cleavage	planar rock structure or parting produced by deformation
colluvium	loose heterogeneous incoherent mass of soil and/or rock fragments, deposited usually at the base of a slope
complex	a large-scale field association of different rocks of any age or origin, having structural relationships so complicated that rocks cannot readily be differentiated by mapping
craton	a stabilised part of the Earth's crust, in which deformation has been only minor for a prolonged period
crenulation cleavage	planar rock structure or parting produced by deformation and oblique to other laminar structures
Cretaceous	a time period, approximately 142 to 65 million years ago
cross-section	a (vertical) section drawn at right angles to the long axis of a geological feature
Devonian	a time period, approximately 408 to 360 million years ago
dip	angle of rock strata to a horizontal surface; measured at right angles to the strike
Eocene	an epoch of the Tertiary era, approximately 54 to 38 million years ago
felsic	descriptive of an igneous or metamorphic rock composed predominantly of light-coloured minerals
fineness	a measure of the purity of gold, or of the proportion of gold in alloys
footwall	the mass of rock below a fault, or below a vein, lode or bed of ore
formation	a (named) succession of sedimentary beds having some common characteristic
geomorphology	study dealing with the form of the Earth's surface
gneiss	foliated rock formed by regional metamorphism
gold endowment	the amount of gold originally present in the rocks
grade	(to contain a particular) quantity of ore or metal relative to other constituents
granite gneiss	a metamorphosed granite
granitoid	granite and related rock types
granodiorite	a coarse-grained igneous rock, similar to granite
hardrock	descriptive of solid rock, as distinct from alluvium or other unconsolidated material
hydrothermal	of or pertaining to heated waters which transport minerals in solution; of or pertaining to hot aqueous solutions
intrusive	an igneous rock mass emplaced within surrounding rock
Landsat imagery	a 'photograph' (image) of part of the earth's surface taken from a satellite
line kilometre	standard measure of subsurface profile length provided by a geophysical survey traverse
lithology	physical and mineralogical characteristics of a rock
lode	a tabular, relatively narrow, mineral deposit

mafic	igneous rocks with dark colourations caused by their high magnesium and iron contents
mesothermal	descriptive of hydrothermal mineralisation formed at considerable depth and in the temperature range 200 to 300 degrees Celsius
metamorphic grade	the intensity of metamorphism indicated by the amount of changes in the rocks
metamorphism	the mineralogical, structural and chemical changes induced within solid rocks through the actions of heat and/or increased pressure, generally at depth
mineral resource(s)	mineralisation to which conceptual tonnage and grade figures have been assigned, but to which mining feasibility criteria have not been applied
Miocene	an epoch of the Tertiary era, approximately 24 to 5 million years ago
MMI (mobile metal ion) technique	a soil geochemical survey technique which measures the concentration of weakly attached metal ions
muscovite	a common mineral, white mica
open pit	a mine worked at surface level
ore	mixture of minerals, host rock and waste material expected to be mineable at a profit
outcrop	visible geology
Palaeozoic	a time era, comprising the Cambrian, Ordovician, Silurian, Carboniferous and Permian periods, extending approximately from 570 million to 250 million years ago
pay streak	an area of gravel in a creek or river bed with an economic concentration of gold
pediment	a broad, gently sloping, rock-floored surface developed by a long period of erosion
pegmatite	very coarse-grained igneous rock formed at a late stage of magmatic differentiation
peneplain	land surface worn-down by erosion to a nearly flat, broad plain
permafrost	a sub-surface zone of permanent frost
Permo-Carboniferous	a time period, approximately 360 to 250 million years ago
photogeology	the interpretation of geological and other features from aerial photographs
Pliocene	a time period, from 5.1 million to 2 million years ago
Plio-Pleistocene	time period spanning the Pliocene and Pleistocene boundary, some 2 million years ago
pluton(ic)	descriptive of rock formed as igneous rock by solidification at great depth
porphyry	an igneous rock in which a comparatively fine-grained matrix contains scattered coarse mineral crystals
Precambrian	a time period, approximately 3,100 million to 570 million years ago
primary	minerals, textures, and structures of a rock that came into existence at the time the rock was formed
Probable Mineral Reserve(s)	is the economically mineable part of an indicated, and in some circumstances a measured mineral resource demonstrated by at least a preliminary feasibility study
Proterozoic	the younger of the two geological periods in the Precambrian Era, approximately 2500 million to 590 million years ago
quartz-eye (porphyry)	a fine grained rock containing small, visible, often apparently rounded crystals of quartz
quartzite	a rock formed by the metamorphism of a sandstone or chert
Recent	period of time covering the last 3,000 years (since the last Ice Age)
remote sensing	descriptive of mineral-exploration methods which record reflected or radiated electromagnetic energy using cameras, radar systems, infrared detectors, etc.
resources	mineralisation to which estimated tonnage and grade figures have been assigned, but to which mining feasibility criteria have not been applied
reworking (of rocks)	rocks subject to additional, younger, geological processes
rhyolite	a lava, the extrusive equivalent of granite
running foot/metre	continuous, or more correctly contiguous, distances of a foot/metre
saddle reef	a mineral deposit located in the crest of an anticlinal fold, and following the bedding
schist	type of fine-grained metamorphic rock with laminated fabric similar to that of slate
schistosity	the foliation in schist
secondary	descriptive of a mineral formed later than the rock which encloses it, as a result of weathering, metamorphism, or dissolution and reprecipitation

sericite	a fine-grained potassium-rich variety of the common mineral mica
sericitisation	alteration to sericite
shallow-dipping	descriptive of rock strata making a shallow angle to the horizontal
sheeted vein swarms	a zone of closely parallel, usually narrow, quartz veins
sphalerite	a zinc sulphide mineral, an important ore mineral of zinc
stacked lens	sub-parallel, lenticular-shaped, zones — like the floors of a building
stake (staking)	process of defining the boundaries of a mineral/mining claim by placing stakes at the corners
stockwork	a three-dimensional network of veinlets
stratabound	mineral deposit confined to single stratigraphic unit; may or may not be conformable
stratiform	descriptive of a mineral deposit which is coextensive with the host stratigraphic unit
strike	trend/direction of rock strata in horizontal plane; extending in that particular direction
structural analysis	the analysis of structural features at all scales to enable interpretation of movements and stress fields responsible for rock deformation
structural control	influence of structural features in the deposition of mineralisation
structural feature	a feature produced by deformation or displacement of the rock
terrain	tract of land
terrane	a zone of rock strata, usually bounded by major fault(s), with common early geological histories unrelated to neighbouring zones
Tertiary	a time period, approximately 65 million to 2 million years ago
thrust fault	an overriding movement of one rock mass over another
transgressive (of veins)	geological structures such as veins cross-cutting the rock strata
Troy ounce	standard unit of measuring the weight of precious metals, different to the imperial scale weight unit of an Avoirdupois ounce.
ultramafic	(descriptive of) an igneous rock with very high magnesium and iron contents
unconformable	descriptive of rocks on either side of an unconformity
unconformity	lack of parallelism between rock strata in sequential contact, caused by a time break in sedimentation
unrefined gold	**i**mpure gold recovered from alluvial mining (in the Klondike, 55% to 95% pure gold)
volcano-sedimentary	(descriptive of) a clastic rock containing mostly fragments of volcanic origin
volcano-sedimentary arc	a large scale zone of the Earth's crust formed of coeval volcanic and sedimentary rocks
wall rock	the rock mass adjacent to a fault or fault zone
weathering	the group of processes (eg action of air, rain, water etc) whereby rocks exposed to the weather change in character, decay, and eventually crumble to soil
working(s)	opening(s) or excavation(s) made during mining or quarrying operations

Terms not included in the Glossary are given their general meaning according to the Concise Oxford Dictionary.

ABBREVIATIONS

ft	foot
g/t	grams per tonne
km	kilometre
km^2	square kilometre
m	metre
oz	Troy ounce
ppb	parts per billion
ppm	parts per million
t	tonne

Directors' Consents and Signature

This Prospectus is dated 13 November 2003 and is issued by Klondike Source Limited.

This Prospectus has been consented to by Patrick J D Elliott, Raymond J Soper and Colin M Thomas, (Directors of the Company), each of whom has consented in writing to the signing and lodgement of the Prospectus at ASIC and has not withdrawn that consent before lodgement.

Signed on behalf of the Directors.

Raymond J Soper

Klondike Source Limited

ABN 64 087 595 980

PUBLIC SHARE OFFER

APPLICATION FORM

Share Registrars use only

Broker Reference – Stamp Only

To meet the requirements of the Corporations Law, this Application Form must not be handed on unless attached to the Prospectus.

PLEASE READ ALL INSTRUCTIONS ON THE REVERSE OF THIS FORM

A I / We apply for

Shares in Klondike Source Limited at **A$ 0.10 per share**

or such lesser numbers of shares which may be allocated to me/us by the Directors

B I / We lodge full application monies $

Broker Code

Adviser Code

C Full name (PLEASE PRINT)

Title, Given Name(s) & Surname or company Name

Joint Applicant #2 or <designated account>

Joint Applicant #3 or <designated account>

D Postal Address or Post Box Number (PLEASE PRINT)

Street Number Street

Suburb/Town

State

Postcode

E Contact Name

Telephone Number – Business Hours ( )

Telephone Number – After Hours ( )

F I would like to receive the Annual Report of the Company: YES ☐ NO ☐

I would like to receive Company reports by e-mail: YES ☐ NO ☐

Email Address

G CHESS HIN (where applicable)

H Tax File Number or Exemption

Applicant #2

Applicant #3

I Cheque Details

Drawer	Bank	Branch	BSB	Amount of Cheque
				$.
				$.

J I/We declare that this application is completed according to the declaration/ appropriate statements on the reverse of this form and agree to be bound by the Constitution of Klondike Source Limited.

Returning the Application form with your cheque for the application monies will constitute your offer to subscribe for New Shares in Klondike Source Limited.

NO SIGNATURE IS REQUIRED

You should read the Prospectus carefully before completing this Application Form.

HOW TO COMPLETE THE APPLICATION FORM

Please complete all relevant sections of the Application Form using BLOCK LETTERS

A) Enter the **NUMBER OF SHARES** you wish to apply for. Applications must be for a minimum of 20,000 Shares ($2,000) as set out in Section 2.2 of the Prospectus and thereafter in multiples of 5,000 Shares ($500).

B) Enter the **TOTAL AMOUNT** of Application Monies payable. To calculate the amount, multiply the number of Shares applied for by 10 cents, being the amount per Share, or use the ready reckoner at the bottom of this page.

C) Enter the **FULL NAME(S)** and **TITLE(S)** of all legal entities that are to be recorded as the registered holder(s). Refer to the **Name Standards** below for guidance on valid registration.

D) Enter the **POSTAL ADDRESS** for all communications from Klondike Source Limited. Only one address can be recorded.

E) Enter telephone numbers and a contact person the registry can speak to if they have any queries regarding this Application.

F) All Company reports, including this Prospectus and future Annual Reports, will be available for viewing on the Company's website at www.klondikesource.com.au. If you do not wish to receive a printed copy of the Annual Report, tick no to the first question in Box F. If you wish to receive Company reports, including the Annual Report, by e-mail and not by post, tick yes to the second question in Box F.

G) If you are sponsored in CHESS by a stockbroker or other CHESS participant enter your Holder Identification Number (HIN).

H) Enter the tax file number(s) of the applicants. With a joint holding, only the tax file numbers of two holders are required.

I) Payments must be made in **Australian Currency** and cheques must be drawn on an Australian Bank. Cheques or bank drafts must be payable to **KLONDIKE SOURCE LIMITED NEW ISSUE TRUST ACCOUNT** and crossed **Not Negotiable**. Cheques not properly drawn will be rejected. Cheques will generally be deposited on the day of receipt. If cheques are dishonored the Application may be rejected.

J) Before completing the Application Form the Applicant(s) must read the Prospectus to which the Application relates. The Applicant(s) agree(s) that this Application is for Shares in Klondike Source Limited upon and subject to the terms of the Prospectus, agree(s) to take any number of New Shares equal to or less than the number of New Shares indicated in Box A that may be allotted to the Applicants pursuant to the Prospectus and declare(s) that all the details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Post or deliver your completed Application together with the Application Monies to Klondike Source Limited Share Offer C/ - Registries Limited:

PO Box R67 **Royal Exchange** **Sydney NSW 1223**	**OR**	**Level 2, 28 Margaret Street** **Sydney NSW 2000**

Applications must be received by no later than 5:00pm Australian Eastern Summer Time on 16 December 2003.

Name Standards

- Only legal entities may be registered as the holders of securities.
- The full and correct name of each entity must be shown.
- Salutations such as MR, MRS, MS should be included.
- Securities cannot be registered in the name of a trust and no trust can be implied.
- Securities should not be registered in the name of a minor or a deceased person.
- An account designation can be included. If shown, it must be contained within one line and within the "< >" symbols. The last word of the designation must be ACCOUNT or A/C.

Type of Investor	Correct Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith
Company Use company's full title, not abbreviations	ABC Pty Ltd
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams
Trusts Use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>
Deceased Estates Use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>
Minor (a person under the age of 18). Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>
Partnerships Use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>
Long Names	Mr John William Alexander Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>
Superannuation Funds Use the Fund name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>

Ready Reckoner - How to calculate Application Monies payable

To calculate the Application Monies payable multiply the number of Shares applied for by $0.10. The Application Monies payable for some common Share quantities is shown below.

Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
20,000	$2,000	40,000	$4,000	80,000	$8,000	140,000	$14,000
25,000	$2,500	50,000	$5,000	100,000	$10,000	160,000	$16,000
35,000	$3,500	60,000	$6,000	120,000	$12,000	180,000	$18,000

Klondike Source Limited

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Title, Given Name(s) & Surname or company Name

Joint Applicant #2 or <designated account>

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Street Number Street

Suburb/Town

State

Postcode

E

Contact Name

Telephone Number – Business Hours ( )

Telephone Number – After Hours ( )

F

I would like to receive the Annual Report of the Company: YES NO

I would like to receive Company reports by e-mail: YES NO

Email Address

G

CHESS HIN (where applicable)

H

Tax File Number or Exemption

Applicant #2

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LATEST NEWS FROM THE KLONDIKE.
9 O'CLOCK EDITION.
GOLD! GOLD! GOLD! GOLD!
Sixty-Eight Rich Men on the Steamer Portland.

Image courtesy of The Seattle Post-Intelligencer

The Klondike Gold Rush

On August 16, 1896 Yukon-area Indians Skookum Jim Mason and Tagish Charlie, along with Seattleite George Carmack found gold in Rabbit Creek, near Dawson, in the Yukon region of Canada. The creek was promptly renamed Bonanza Creek, and many of the locals started staking claims. Gold was literally found all over the place, and most of these early stakeholders (who became known as the "Klondike Kings") became wealthy.

Since the Yukon was so remote, word of this find spread relatively slowly for almost a year. On July 17, 1897, eleven months after the initial discovery of gold, the steamship Portland arrived in Seattle from Dawson with "more than a ton of gold", according to the Seattle Post-Intelligencer. With that pronouncement, the Klondike Gold Rush was on!

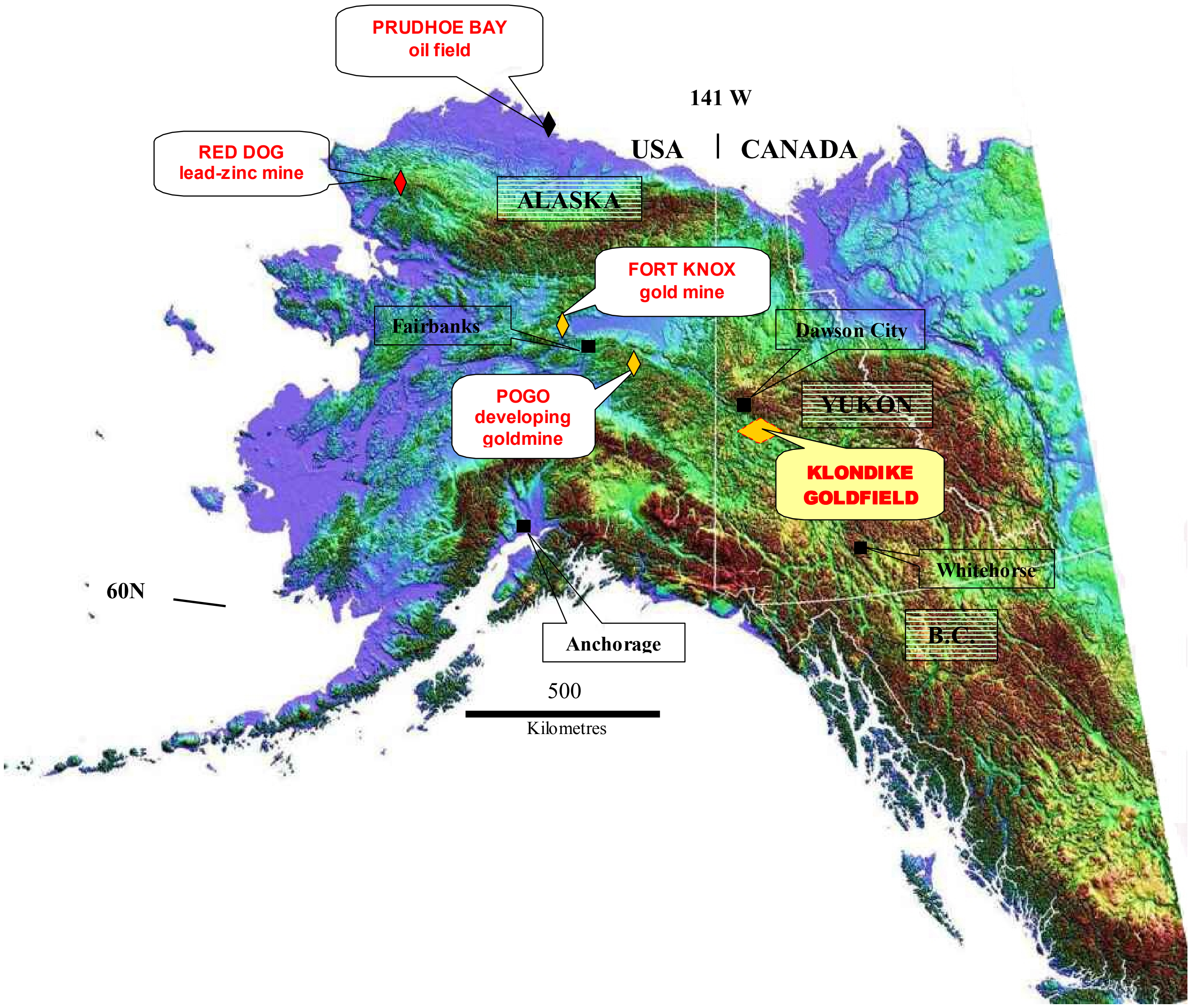
Within six months, approximately 100,000 gold-seekers set off for the Yukon. Only 30,000 completed the trip. Many Klondikers died, or lost enthusiasm and either stopped where they were, or turned back along the way. The trip was long, arduous, and cold. Klondikers had to walk most of the way, using either pack animals or sleds to carry hundreds of pounds of supplies. The Northwest Mounted Police in Canada required that all Klondikers bring a year's worth of supplies with them. Even so, starvation and malnutrition were serious problems along the trail. The story of the Klondiker who boiled his boots to drink the broth was widely reported, and may well have been true. Cold was another serious problem along the trail. Winter temperatures in the mountains of northern British Columbia and the Yukon were normally -20 degrees F., and temperatures of -50 degrees F. were not unheard of. Tents were usually the warmest shelter a Klondiker could hope for.

With the influx of the 30,000 who did make it over the trails, Dawson temporarily became the largest city north of San Francisco. The growth of Dawson was largely responsible for the creation of the Yukon Territory as a new Canadian Province on June 13, 1898. Nor was Dawson the only Canadian city to have dramatic growth due to the Klondike Gold Rush. Vancouver, British Columbia saw its population double, and in Alberta, Edmonton's population tripled.

The Klondike Kings quickly became very rich. It is estimated that over one billion dollars worth of gold was found, adjusted to late 20th century standards. Others found their fame and fortune in different manners. Jack London became well-known by writing of his experiences in the Klondike. Fred Trump, grandfather of late 20th century billionaire Donald Trump, earned his fortune running the Arctic Restaurant and Hotel in Bennett, British Columbia, along the Chilkoot Trail. Nor were the successful Klondikers limited to men. Like Fred Trump, Belinda Mulroney became wealthy by running a hotel and selling supplies. Many women found their riches running dance halls. Martha Black bought a sawmill and went on to become Canada's second female Member of Parliament. Even some of those who didn't travel to the Klondike managed to get rich from the Gold Rush. Over 1,000 miles away, Seattle businesses made over $1 million (not adjusted) selling the needed food and supplies for the trip to the gold fields.

Abstracted from www.lib.washington.edu

The Klondike Goldfield
Yukon, NW Canada



Klondike Source Limited
ABN 64 087 595 980

Registered Office
Level 10, 80 Arthur Street
NORTH SYDNEY NSW 2060
Telephone: (02) 9957 3199
Facsimile: (02) 9954 4011
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Website: www.klondikesource.com.au