

Duncan Hay
(02) 9222 9111
djhay@whisecurities.com.au
2nd December 2003

CAPITAL DETAILS

Issue price	A10¢
Shares in IPO	10 million 20 million
Shares pre-IPO	13,094,900
Shares post-IPO*	35,070,000 45,070,000
Options post-IPO**	12,975,000
Market cap. post-IPO	A\$3.5 million A\$4.5 million

*After completion of PacRim/KSL consolidation.

**A20¢ and A25¢ options, both 31st December 2007.

DIRECTORS

Non-Exec. Chairman	Pat Elliott
CEO	Bob Adamson
Technical Director	Colin Thomas
Non-Executive	Ray Soper

DIRECTORS' SHAREHOLDINGS*

Pat Elliott	2,500,000	19.1%
Colin Thomas	1,750,050	13.4%
Ray Soper	1,117,540	8.5%
Bob Adamson	296,750	2.3%

*Pre-IPO.

REGISTERED OFFICE

Level 10, 80 Arthur Street
North Sydney NSW 2060
Tel: 61 2 9957 3199
Fax: 61 2 9954 4011
E-Mail: info@klondikesource.com.au
Website: www.klondikesource.com.au

Klondike Source Ltd [KSL]

Klondike Source is using new techniques and geological understanding to explore for the hardrock source of the historic 12Moz Klondike Goldfield, one of the world's richest alluvial gold provinces.

The Klondike has yet to reveal its hardrock source...

...and this is not surprising given the lack of exploration.

- An A\$2m NSX IPO is underway to fund exploration for the primary source of the Klondike alluvial goldfield in northwest Canada.
- The 12Moz Klondike goldfield is the only one of the world's top 8 alluvial gold fields without a known source.
- Despite over 100 years of alluvial mining, the hardrock area of the Klondike goldfield is significantly under-explored, with no previous drilling in KSL's tenements and very little in the rest of the goldfield.
- After the IPO, KSL will wholly own 575 claims covering an area of about 100km², all of which are free of native title issues.
- KSL has used modern geochemical techniques to identify previously unknown and undrilled gold anomalies.
- KSL believes that the Klondike's alluvial gold was sourced from flat-lying stacked lenses, rather than the traditional quartz reefs of conventional wisdom.
- Using similar geological models on old alluvial goldfields has recently led to the discovery of several world-class deposits, including Sukhoi Log and Muruntau in Russia, Macraes in New Zealand and Kanowna Belle in Australia.
- ***KSL's experienced, well-known Australian management team, is applying new exploration technology and concepts to a world-class, but inadequately explored, goldfield.***

PROFILE

Klondike Source Ltd (KSL) was formed by current non-executive directors, Colin Thomas and Ray Soper, and was incorporated as a public company in New South Wales in May 1999. The company was established in order to recommence exploration for undiscovered hard rock (primary) gold deposits in the Klondike Goldfield of the Yukon Territory, northwest Canada.

Also in May 1999, KSL negotiated a joint venture with Vancouver listed Barramundi Gold Ltd (Barramundi), which gave it the right to earn a 50% interest in Barramundi's Klondike tenements, by spending C\$1m (in October 2003, Barramundi changed its name to PacRim Resources Ltd).

Subsequently, during 1999-2000 KSL raised A\$1.2m at A10¢ in seed capital in Australia. A\$700,000 of this was used to complete geological mapping and geochemical surveying, in order to generate targets for the post-IPO drilling campaign.

In October 1999, KSL incorporated its wholly owned Canadian subsidiary, KSL Exploration (Yukon) Ltd (KSL Yukon), in order to carry out all the Canadian exploration activities (this will still be the case after the IPO) and in June 2001, KSL's entire JV interest was assigned to KSL Yukon.

By June 2003, KSL's JV interest (held by KSL Yukon) had reached 40%, and in October 2003 an agreement was reached whereby KSL will acquire PacRim's entire residual interest by issuing 50% of the shares and options in KSL's current IPO, conditional on a minimum of A\$500,000 being raised for exploration. After the IPO, KSL will hold 100% of the Klondike project tenements through its wholly owned Canadian subsidiary, KSL Exploration (Yukon) Ltd.

KSL Claim interests

Group of Claims	Registered holder	No. of Claims	Area
JV Claims	PacRim Resources Ltd*	380	-
	KSL Exploration (Yukon) Ltd	63	-
Sub-total		443	75km²
KSL Yukon Claims	KSL Exploration (Yukon) Ltd	132	26km ²
Total		575	101km²

*After the IPO, ownership will be transferred to KSL, with the registered holder KSL (Yukon). Source: KSL

Directors' shareholdings and option holdings

Director	Total shares	% pre-IPO	% post-IPO	Total options	% pre-IPO	% post-IPO
Pat Elliott	2,500,000	19.1%	5.5%	1,250,000	9.5%	5.2%
Colin Thomas	1,750,050	13.4%	3.9%	3,070,000	23.4%	12.8%
Ray Soper	1,117,540	8.5%	2.5%	2,645,000	20.2%	11.0%
Bob Adamson	296,750	2.3%	0.7%	200,000	1.5%	0.8%

*After the IPO, ownership will be transferred to KSL, with the registered holder KSL (Yukon).

Source: KSL

Board of directors (N.B. two additional directors to be added after the IPO)

Pat Elliott Bcom, MBA, CPA Non-Executive Chairman	Accountant with over 30 years of experience in investment and financial management. Previously with Consolidated Goldfields Australia Ltd, Morgan Grenfell Australia Ltd and Natcorp Investments Ltd. Currently a director of Argonaut Resources Ltd (Chairman), Magnesium International Ltd (Deputy Chairman), Eastern Star Gas Ltd, Marlborough Resources NL (Chairman) and St Francis Group Ltd.
Colin Thomas BSc (Hons) Executive Director – Technical	Geologist with 40 years of industry experience. Specialist in regional and district studies for precious and base metals, uranium and diamonds. Experienced in the assessment of mineral exploration properties for equity raisings. Currently a principal of RobSearch Australia Pty Ltd.
Ray Soper BSc, MBA, MAusIMM. Non-executive Director	Mining engineer with over 35 years industry experience. Formerly with MIM Holdings, Renison Goldfields, McKinsey and Co., North Ltd, the Lachlan Resources Group and Resource Finance Corporation Ltd. Current director of GTN Resources Ltd, Huntley Investment Company Ltd, PlatSearch NL, Buka Minerals Ltd, Continental Minerals Corporation Ltd and Paradigm Gold Ltd.
Bob Adamson MSc (Hons), MAusIMM, MICA, CP (Geo). Alternate Director to Colin Thomas	Geologist with over 35 years experience in exploration, initially with CRA and Newmont in Australia. Former manager for BP Minerals NZ, MD of Cluff Resources Pacific and a director of Cluff Zimbabwe. Independent consultant with RobSearch Australia Pty Ltd for the last 8 years.
Rob Waring BEC, ACA, FCIS, FAICD, MAusIMM. Company Secretary	Chartered Accountant with over 20 years experience in company secretarial, accounting and commercial roles within the mining industry. Includes financial assessment of projects and companies for both acquisitions and feasibility studies and the commercial aspects of JVs. Former company secretary of a number of listed companies, and currently with PlatSearch NL, Gloucester Coal Ltd, Intec Ltd, The Brain Resource Company Ltd, Aeris Technologies Ltd and CIM Resources Ltd.

INVESTMENT REVIEW

- **KSL is looking for the primary gold source of the Klondike alluvial goldfield, located in northwest Canada.**
- **The Klondike is probably the world's largest unexplained alluvial gold anomaly.**
- **Since gold was discovered in 1896, over 12Moz have been recovered from the rich alluvial deposits of the Klondike River and its tributaries, however, just 1000oz have been produced from hardrock sources.**
- **Over the last three years, KSL has spent around A\$700,000 to complete geological mapping and geochemical surveying and has identified a number of drill targets for the 2004 summer field season, commencing in June.**
- **KSL has developed a new geological model, in which the primary source of gold is believed to be a number of high-grade, shallow-dipping, stacked primary ore bodies, rather than the quartz veins of conventional wisdom.**

The Klondike goldfield lies within the 1000km long Tintina Gold Belt, which hosts a number of multi-million ounce hardrock gold projects, including the recently discovered, high-grade 5.5Moz Pogo deposit in Alaska. This is in a similar geological setting to the Klondike goldfield and has been used as the basis for KSL's exploration model.

KSL disputes the conventional North America wisdom that the primary source of the Klondike alluvials was either quartz reefs that have since been eroded, or low grade disseminated mineralisation that, if found, would be uneconomic to mine.

The Company believes that the alluvials were sourced from a number of high-grade, shallow-dipping, stacked primary ore bodies, similar to those at Pogo, and given the lack of exploration, there is a good chance of KSL making a major discovery.

KSL has outlined a number of drillable geochemical gold anomalies and has also identified what may be large plutons, capable of driving major gold mineralising systems.

After the current IPO, KSL will hold 100% of the Klondike project tenements through its wholly owned Canadian subsidiary, KSL Exploration (Yukon) Ltd – **none of these tenements have been previously drill tested.**

High leverage gold exposure

After the IPO, KSL will have a market capitalisation of between just A\$3.5m and A\$4.5m and therefore, shareholders will retain excellent leverage to any subsequent gold discovery.

Although the Company is targeting 5Moz+ gold deposits, WHIS conservatively estimates that a relatively modest discovery of just 1Moz could still be worth up to A\$1 per share, or 10 times the offer price of A\$0.10.

WHIS has estimated a 5Moz gold discovery to be worth up to A\$5 per share, or more than 50 times the offer price, and KSL believes that the Klondike goldfield could hold a number of such deposits.

	Value per ounce ²	% of current gold price ³	Size of ore body			
			1Moz	2Moz	5Moz	10Moz
Estimated in-ground value ¹	US\$10	3%	US\$10m	US\$20m	US\$50m	US\$100m
	US\$20	5%	US\$20m	US\$40m	US\$100m	US\$200m
	US\$50	13%	US\$50m	US\$100m	US\$250m	US\$500m
In-ground value per share ⁴	US\$10	3%	A\$0.21	A\$0.41	A\$1.03	A\$2.07
	US\$20	5%	A\$0.41	A\$0.83	A\$2.07	A\$4.14
	US\$50	13%	A\$1.03	A\$2.07	A\$5.17	A\$10.35
Times IPO price	US\$10	3%	2	4	10	21
	US\$20	5%	4	8	21	41
	US\$50	13%	10	21	52	103

¹ Estimate of value of in-ground gold to KSL.

² Estimate of value of in-ground gold to KSL on a per ounce basis.

³ US\$400/oz.

⁴ Assumes IPO fully subscribed and all options exercised (69m total shares). Using A\$/US\$ exchange rate of 0.70.

Source: WHIS estimates

THE KLONDIKE GOLDFIELD

Introduction

The Klondike alluvial goldfield is located in the Yukon Territory of northwest Canada, close to the Alaskan Border.

It is by far the largest alluvial goldfield in the central Alaskan-Yukon region, otherwise known as the 'Alaskan Goldfields'. Other alluvial goldfields in the region include Fairbanks (Alaska), Sixty Mile and Stewart River (both in the Yukon Territory).

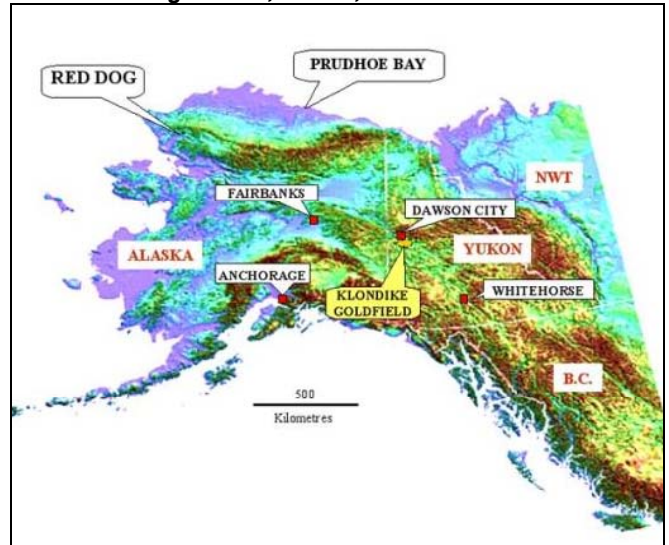
The Klondike was the scene of the third and last of the great 19th century gold rushes, between 1896 and 1900.

Since gold was discovered, over 12Moz have been recovered from the gold rich alluvials of the Klondike River and its tributary creeks, which include Bonanza, Eldorado, Last Chance, Bear and Gold Bottom.

Early mining was from some of the highest grade alluvial channels in the world. Dredging of lower-grade material continued until 1963 and modern alluvial operations now recover around 50,000-70,000oz per year.

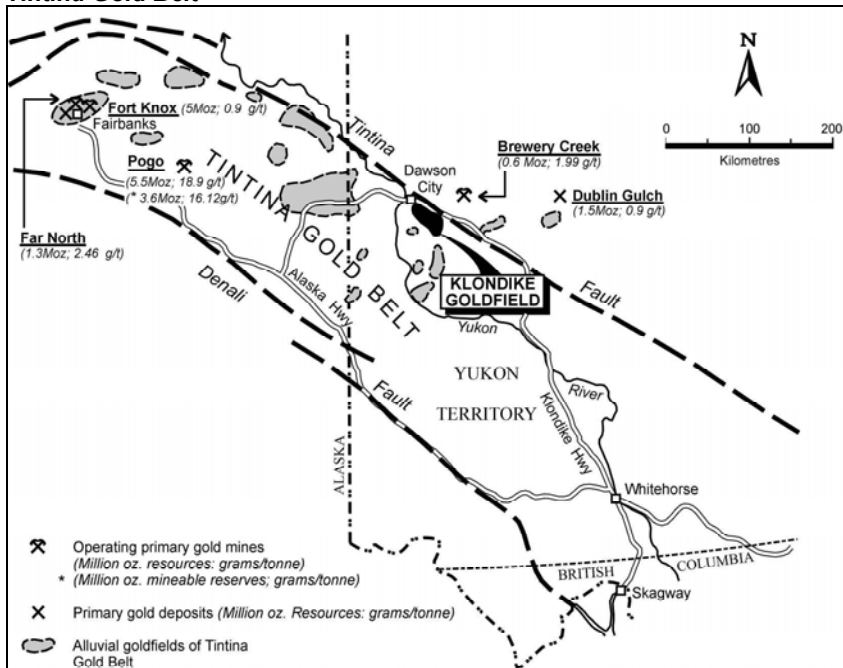
Despite the Klondike's multi-million ounce alluvial gold yield, just 1000oz has been mined from hard rock sources.

The Klondike goldfield, Yukon, northwest Canada



Source: KSL

Tintina Gold Belt



Source: KSL

Tintina Gold Belt

The 1000km Tintina Gold Belt runs from the 7.5Moz Fairbanks alluvial goldfield in Alaska, southeast into British Columbia.

Exploration within the last 15 years in the Tintina Gold Belt has defined approximately 15Moz of gold resources, including two 5Moz+ deposits (Fort Knox and Pogo).

The Klondike goldfield lies within the Tintina Gold Belt, but because a hardrock source has yet to be found, it is generally not considered to be genetically related to it.

However, KSL believes that the lack of modern exploration is the only reason it has yet to be confirmed.

Discoveries such as Pogo, which is in a similar geological setting, provide excellent analogies for potential hardrock, primary sources.

EXPLORATION IN THE KLONDIKE GOLDFIELD

Where is the hardrock source?

It is a widely held view amongst both the North American mining industry and academia, that all hardrock sources for the Klondike alluvials have been eroded away.

It has also been argued that any source that was yet to be found, would be low grade disseminated gold mineralisation, rather than higher-grade quartz veins, and therefore would be too low grade to be mined economically.

KSL argues that since modern exploration techniques and geological models for hardrock mineralisation have not been extensively used in the Klondike, neither of these hypotheses can be considered to have been proved. Furthermore, the variability of grade in the alluvial deposits and the vast thicknesses of bedrock that would need to have been eroded, suggest that disseminated gold mineralisation is unlikely.

Due to the lack of previous exploration success, the Klondike has been ignored as part of the recently defined Tintina Gold Belt, which in the last 15 years has yielded approximately 15Moz of gold resources, including two 5Moz+ deposits (Fort Knox and Pogo). KSL believes the Klondike's alluvial gold may have been sourced from flat-lying high grade deposits, similar to those discovered in Pogo, Alaska in the late 1990s, where resources of 9Mt at 18.9g/t (5.5Moz) and reserves of 7Mt at 16.12g/t (3.6Moz) have been outlined. The Pogo discovery formed the basis for the Company's geological model.

History shows that hardrock gold discoveries typically come quickly where the alluvials are sourced from quartz veins, however, it usually takes a long time (100 years or more) before discovery when they are sourced from flat lying stratabound/sediment-hosted deposits.

KSL considers the Lena alluvial goldfield and associated Sukhoi Log gold deposit in Russia to be a particularly good analogy for its proposed model for the Klondike goldfield.

The Lena alluvial goldfield has had production of around 32Moz of gold from 1829 to the present day, however, the bedrock sources of these placers lay undiscovered for more than 100 years. Early prospecting concentrated on quartz veins, but these were insufficient to explain the enormous placer mineralisation and only in the 1970s was it recognised that the gold was hosted by metamorphic rocks. The Sukhoi Log hardrock gold deposit that was then discovered is reported to contain geological resources of at least 40Moz of gold.

- ***The Klondike is probably the only major alluvial field yet to yield a major hardrock discovery and KSL believes it has the potential to host a number of Pogo-sized (5Moz) gold deposits.***

Previous exploration

Most exploration carried out in the Klondike Goldfield has involved searching for easily identifiable quartz lodes.

Only one significant, goldfield-wide exploration programme has been carried out in the area, under a Kennecott/Arbor Resources joint venture during the late 1980s and early 1990s.

This programme covered a number of claim blocks in the northern half of the goldfield, where the JV noted that almost 60% of historic gold production had come from. This area also contained the Lone Star mine, which has had the only significant hard rock gold production in the Klondike, although this was still little more than 1000oz in total.

A small resource of approximately 58,000oz gold (900,000t at 2g/t) was defined at Lone Star and although other geochemical and geophysical surveys were undertaken elsewhere, follow up drilling was very limited.

During the mid-1990s, PacRim (then Barramundi Gold Ltd) began to consolidate claims over approximately half of the goldfield and undertook a systematic geochemical drainage survey, a detailed geochemical soil survey and a small low level aeromagnetic survey. However, funds were limited and no drill targets identified.

No drilling was carried out by either the Kennecott/Arbor JV, nor by PacRim on the KSL JV claims or wholly-owned KSL claims.

Only around 25-30 individual quartz lodes have been identified in the entire goldfield and all are small, with limited tonnage potential. Just four of these have been extensively explored, without success, and only one has been mined (Lone Star).

EXPLORATION IN THE KLONDIKE GOLDFIELD – continued

KSL's exploration proposal

Since 1999, KSL has spent approximately A\$700,000 to undertake a re-interpretation of the geology of the Klondike goldfield, comprising interpretation of topographical, geological, remote sensing, geochemical and geophysical data.

This has led to the development of a **new geological model** for the Klondike, where the primary gold source is a shallow-dipping sequence of gold bearing rocks, rather than the quartz veins of conventional wisdom.

KSL has identified two major domes within the Klondike goldfield (Bonanza and Dominion), which could overlie the causative plutons for the area's primary gold mineralisation.

KSL has specifically generated drill targets using an innovative soil geochemical technique (mobile metal ion – MMI), which although successfully applied elsewhere in sub-Arctic North America, had not been used in the Klondike Goldfield.

KSL is exploring two major groups of tenements:

- 1) **The Northern JV Claims** – covers the northern part of the goldfield, where exploration commenced in late-1999 under a farm-in agreement with Pacrim. Current exploration is based on a contiguous block of 443 claims, covering 75km²

In this area KSL has defined four soil geochemical gold anomalous zones: **Prospect A** (2.5km²), **Prospect B** (1.0km²), **Prospect C** (1.0km²) and **Prospect D** (0.5km²).

N.B. after the IPO, KSL will hold 100% of these tenements through its wholly owned Canadian subsidiary.

- 2) **The KSL Yukon 100% Claims** – covers 26km² in the southeast part of the Goldfield and comprises three claim blocks, totaling 132 claims, which are owned and controlled 100% by KSL through its wholly-owned Yukon subsidiary.

A 1.5km² gold anomaly shows good promise to be a major target and probable anomalies have been defined on two of the three small northwestern KSL Claim blocks.

- **KSL proposes to diamond drill test between three and five of these targets, commencing in June 2004, in order to confirm the company's geological model and the Klondike's prospectivity and also to provide firm parameters for subsequent surface exploration surveys.**

Roy Cox & Associates Pty Ltd, in its Independent Geologist's Report for the current IPO prospectus, said of KSL's exploration strategy:

"...the Company's [KSL's] geological interpretation, exploration concept and strategy, together with its proposed work programmes, 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."

GEOLOGY OF THE KLONDIKE GOLDFIELD

Regional setting

The Klondike Goldfield is located in the northern Canadian Cordillera, within the Upper Palaeozoic Tanana Terrane. It lies west of a major regional structure, the WNW-trending Tintina Fault Zone, which separates the Precambrian North American continent from the younger, more deformed Cambrian rocks which border the northeast Pacific Ocean. It covers an area of low-grade metamorphic rocks (the Klondike Schist) and is bounded by several rivers and creeks.

The goldfield forms part of the Yukon Plateau, an uplifted terrain characterised by rounded hills and an extensive drainage system. The geomorphology of the area has been shaped by a number of major tectonic events.

The alluvial gold deposits

KSL believes that the alluvial gold deposits of the Klondike goldfield have formed from erosion of the Klondike Schist over a 5 million year period.

The deposits initially formed during the late Tertiary uplift (2 to 10 million years ago), from deep weathering and erosion of primary gold deposits within the bedrock.

A later period of uplift (Late Pleistocene-Recent) resulted in deeper erosion, re-working of the early alluvials and the formation of the recent alluvials. Remnants of the earlier alluvials are preserved as terrace deposits.

The alluvial deposits occur as two major types:

- 1) **Remnant terraces** (e.g. White Channel Gravels) of Plio-Pleistocene age (from 2 million years ago) between 40-100m above the current valley floors.

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

- 2) **Recent alluvial gravels** at the base of the present-day drainage system.

Most of the gold in these is thought to have been derived from erosion of the White Channel Gravels, however, some was almost certainly derived from more recent erosion of bedrock (primary) resources, as evidenced by the presence of dendritic, rather than flattened gold specimens.

Geological basement – the source of the alluvial gold?

The basement of the Klondike Goldfield consists of the Klondike Schist, a strongly deformed sequence of sedimentary and volcanic rocks that were probably formed in the Upper Palaeozoic, approximately 300 to 250 million years ago.

North American academia has confirmed that the late Mesozoic was a period of extensive intrusive igneous activity and the major plutons that were formed could have led to the formation of large, flat lying gold deposits, as postulated by KSL for the primary source of the Klondike alluvials.

As mentioned above, KSL has already identified two major domes within the Klondike goldfield (Bonanza and Dominion), which could overlie causative plutons for the gold mineralisation. The existence of feldspar porphyry dykes and sills is further evidence of the region's deeper lying igneous activity.

WHISecurities Pty Ltd

ABN 30 094 927 947
Licenced Dealer in Securities

MANAGEMENT

Barry Dawes	Managing Director	+61 (0) 2 9222 9111	bdawes@whisecurities.com.au
David Sutton	Executive Chairman	+61 (0) 2 9222 9111	dsutton@whisecurities.com.au

INVESTMENT BANKING

Barry Dawes	Managing Director	+61 (0) 2 9222 9111	bdawes@whisecurities.com.au
Sharif Oussa	Authorised Representative	+61 (0) 2 9222 9111	soussa@whisecurities.com.au
Tony Lethlean	Consultant	+61 (0) 419 600 465	aletllean@bigpond.com

RETAIL DEALING

David Sutton	Executive Chairman/Client Advisor	+61 (0) 2 9222 9111	dsutton@whisecurities.com.au
Peter LeMessurier	Client Advisor	+61 (0) 8 8267 5533	whisecurities@firstavenue.com.au
Rob Towner	Consultant	+61 (0) 8 9202 1855	rtowner@ozemail.com.au

RESEARCH

Barry Dawes	Managing Director	+61 (0) 2 9222 9111	bdawes@whisecurities.com.au
Sharif Oussa	Authorised Representative	+61 (0) 2 9222 9111	soussa@whisecurities.com.au
Duncan Hay	Resources Analyst	+61 (0) 2 9222 9111	djhay@whisecurities.com.au

ADMINISTRATION

Rosemary Courtney	Office Manager	+61 (0) 2 9222 9111	rcourtney@whisecurities.com.au
Amanda Kuti	Reception/Research	+61 (0) 2 9222 9111	akuti@whisecurities.com.au
Karen Blenkinsop	Retail Dealing	+61 (0) 8 8267 5533	whisecurities@firstavenue.com.au

General Securities – Advice Warning

WHI Securities Pty Ltd makes no representation and gives no warranties to the accuracy or reliability of any information contained in this document and does not accept any liability (except insofar as statutory liability cannot be excluded) for any loss caused by representations, errors or omissions on the part of WHI Securities Pty Ltd its related or associated companies or by any of there respective officers, employees or agents.

Disclosure

WHI Securities Pty Ltd and its associates declare that as at 2nd December 2003 they may have a relevant interest in the securities recommended herein, in particular:

- WHI Securities Pty Ltd may earn brokerage and other fees as a result of transactions in those securities.
- The authors of this document do not have a relevant interest in any securities contained herein. This position can change at any time.
- The directors and associates of WHI Securities Pty Ltd hold shares in Klondike Source Ltd. This position can change at any time.
- WHI Securities Pty Ltd is the Nominated Adviser to Klondike Source Ltd for its NSX listing and will receive a fee on normal commercial terms.
- WHI Securities Pty Ltd is the Sponsoring Broker to Klondike Source Ltd for its NSX listing and will receive a fee on normal commercial terms.