

Klondike Source Limited



10 April 2006 KSL Release to NSX

KLONDIKE SOURCE LTD MOVES INTO URANIUM EXPLORATION

- Klondike proposes acquisition of Crossland Mines Pty Ltd.
- Crossland holds an attractive portfolio of exploration tenements that are prospective for uranium and other minerals. The tenements were selected before the current uranium boom.
- Crossland principals Bob Cleary and Geoff Eupene hold strong credentials in the uranium industry. Experienced geophysicist Bob Richardson has agreed to join the board, and to provide consulting services.
- Crossland is focused on one of the most productive uranium provinces in the world.

10 April 2006: Klondike Source Limited (KSL) (NSX: KSL) today announced plans to merge with Crossland Mines Pty Ltd (Crossland) through an offer to acquire 100% of the issued capital of Crossland on the basis of 2.3654 KSL shares per Crossland share and an equivalent number of KSL options to those currently on issue.

The offer is conditional on KSL shareholder approval.

Crossland has 20 shareholders who have each indicated their intention to accept the offer.

KSL shareholders will hold approximately 50% of the merged company upon completion of the merger.

The focus of the merged company will be to explore for uranium deposits in northern Australia. A secondary objective will be to explore the tenements for diamond, gold and base metal deposits.

KSL has \$750,000 cash of which \$700,000 will be available to the Board of the merged company. It is proposed that these funds will be used to advance the property portfolio, acquire new tenements, and to prepare the company for an IPO on the ASX to raise \$4 million to advance exploration.

The merged company will retain the most promising of KSL's claims in the Klondike Goldfield. While KSL's activities in the Klondike have not so far been successful, the claims will not require additional exploration spending for some time, and represent a valuable option. Other companies are actively exploring the Klondike goldfield and any significant success should result in KSL's tenements rapidly appreciating in value.

KSL has an NSX listing and 200 shareholders.

Klondike Source Limited

ACN 087 595 980

Rationale for the Merger

As has been previously advised to shareholders, KSL has been pursuing acquisition of new interests following disappointing results from the drilling program undertaken in the Yukon Territories, Canada, in 2004. Crossland represents an attractive acquisition for KSL for the following reasons:

- Uranium oxide prices have recovered as a result of the resurgence in nuclear power, higher alternative energy prices, and the recognition of the relative environmental benefits;
- Crossland's tenements are particularly prospective; and
- Crossland's management team of Bob Cleary and Geoff Eupene, supported by geophysicist Bob Richardson, have impressive uranium exploration and operating experience.

Proposed Board and Management

Crossland Directors Bob Cleary and Peter Walker have agreed to become Directors of KSL following the acquisition, with Bob Cleary agreeing to take on the role of Chairman. In addition, former Geopeko geophysicist and exploration manager Bob Richardson has accepted an invitation to become a director of the merged company.

Geoff Eupene will become Executive Director of Exploration in the merged entity. Geoff has many years of practical and management experience in exploring for, discovering, and proving up uranium deposits with Geopeko from 1970 to 1980, and since then as independent consultant to many uranium exploration companies.

Bob Cleary's 17 years of experience in the mining industry has been dominated by a uranium focus. He was the longest serving GM Operations of Australia's most successful Uranium mine, Ranger, following that with more than 5 years as MD of ERA Limited, giving him an excellent appreciation of just what it takes to successfully mine, produce and market this most unique mineral.

Bob Richardson is an experienced geophysicist and explorationist who was involved in the original discovery of Ranger by Peko-Wallsend in the 1970s. He was also involved in the establishment of Austrex, an international airborne geophysical contractor specialising in airborne radiometric surveys, and has deep experience of uranium exploration.

In addition to Geoff Eupene, Bob Cleary and Bob Richardson, the other Directors of KSL will be Pat Elliott and Peter Walker.

Pat Elliott has over 31 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 NL (Chairman), Magnesium International Limited (Managing Director and Deputy Chairman), Australian Oriental Minerals NL (Chairman) and Heritage Gold NZ Limited (Chairman).

Peter Walker is a Darwin lawyer who has practiced in the resources industry for over 30 years. He has been a director of several companies including the Ashton Mining subsidiary Australian Diamond Exploration NL, which discovered and developed the Merlin diamond mine.

Members of the board represent a very well credentialed team with experience unique in Northern Territory uranium exploration, development and corporate management. In order to secure the involvement of this strong team, the KSL board has resolved, subject to shareholder approval, to issue Performance Shares to this team that will convert to fully paid ordinary shares on achievement of agreed milestones. Current members of the KSL board consider that it is appropriate to incentivate the

proposed Crossland team in this fashion, particularly since the consideration is contingent, and will only become valuable when the agreed milestones are achieved and significant value has been added to the company.

Resolutions relating to the incentive shares will be included in the Notice of Meeting for the forthcoming Annual General Meeting of the Company, when a series of resolutions relating to the acquisition of Crossland Mines Pty Ltd will be put to shareholders for approval.

About Crossland Mines

Crossland holds a package of exploration tenements primarily focused on uranium that has been assembled since 2003. The package comprises 12 granted tenements and four applications which stretch from the Kimberley of WA, through the Northern Territory to North West Queensland. These are variously prospective for uranium, diamonds and base and precious metals.

This original Crossland tenement package was assembled using an innovative proprietary IP that selects areas with features similar to those associated with known major mineral deposits. Follow-up work has encountered encouraging signs of mineralisation in areas that have hitherto not been recognised as having potential, and has led to increased scrutiny of other target areas where earlier positive indications had not received much attention.

To date Crossland has raised \$750,000 from its shareholders most of which has been expended on advancing the company's tenement package.

Uranium Properties

Crossland holds the following tenements that have potential for uranium:

The Crossland Project (E80/3143 and E80/3143) is near Drysdale River Station in the Kimberley of WA. The area contains the Proudfoot uranium prospect which was identified in the early 1990s and subsequently explored by PNC (Japan). Field reconnaissance has also provided positive response for diamonds as well as indications of copper, gold and platinum. The next step in the exploration program will be detailed airborne geophysics, followed by drilling of geophysical targets.

The Chilling Project (EL 23682) is located south of Daly River in the Northern Territory. The area is adjacent to prospects for uranium, gold and tin, and there is also nickel potential. Additional holdings have been applied for (see later). More detailed geophysics, followed by drilling at targets generated, is proposed.

The Tripod Project (EPM 13652 and EPM 14796) is 100km ESE of Dajarra in North West Queensland. It is close to the Osborne Copper Gold Mine of Placer Pacific. Geophysics indicates that the Osborne rocks should be present in the area, beneath cover rocks. The cover sediments have been explored in nearby areas for uranium. It is proposed to complete airborne geophysics, mainly targeting the Osborne style of mineralisation in suitable settings revealed by the geophysics.

The Western Creek Project (EL 23684) lies in an area believed to be underlain by the Daly Basin. The area has received virtually no previous exploration except for diamonds on very wide sample spacing. It exhibits curious geochemistry and geophysics, and it is proposed to follow up with a shallow drilling program to collect samples from alluvial channels. These will be scanned for concentrations of elements that have given anomalous results in reconnaissance, such as uranium, thorium, rare earths, molybdenum, arsenic and bismuth. The samples will also be analysed for diamond indicator minerals,

New EL Applications

Crossland has lodged applications for a group of tenements in the north Australian craton that are prospective for uranium. The North Australian Craton is the most prospective terrain in the world for unconformity-related uranium deposits, though the accessibility of much of the favourable potential is restricted by title issues. It can be assumed that outcropping deposits (such as Ranger, Koongarra etc) would have been discovered by now due to the close association of outcropping deposits and strong radiometric anomalies. However shallow soil and water cover masks the radiometric response even from strongly mineralised deposits, and there has been very little serious exploration to date for non-outcropping deposits.

Crossland considers that the target areas are worthy of exploration for non-outcropping unconformity-related uranium deposits which it expects could occur in favourable structures beneath sandstone cover rocks.

The Crossland applications extend north from the Chilling Project area and contain some identified uranium occurrences, as well as tin and gold prospects.

Crossland will seek to utilize the strong credentials of its board and management team to secure additional holdings prospective for uranium deposits.

Other Projects

The Old Yard Project (EL 24279) is located near Willeroo in the Northern Territory. The target area was selected using the IP referred to above, but also because of its potential for Nickel-Platinoid deposits in associated basic rocks. Reprocessing of geophysics as well as reconnaissance sampling is planned.

The Charley Creek Project (EL 24281) is on Milton Park Station about 100km WNW of Alice Springs. It was targeted for Ni-Pt deposits as for Old Yard, and a similar program is proposed.

The Baines Project (EL 23686) is located in the headwaters of the East Baines River in the NT. Previous exploration for diamonds has produced encouraging results from both micro-diamonds and indicator minerals, but the source has not been located. Parts of the area have not been reconnaissance sampled as yet. More thorough sampling and more detailed airborne geophysics are planned for the next stage of exploration.

The Lake Woods Project (ELs 23687 and 24520) lies on the eastern side of Lake Woods, and straddles the Ashburton Ranges between Elliott and Renner Springs. The area responded positively to reconnaissance sampling for diamonds, and further research has shown that Ashton identified the area as a "hot spot" for diamonds in the 1980s, but did not complete follow up because of distractions to other areas. Microdiamonds have been detected from most streams draining from a central high area, and possible indicator chromite has been observed. The area is also prospective for nickel, and for base metals, and contains previously unrecorded gypsum, in a setting where it may have provided sulphur for nickel sulphide deposits in basic intrusives within the EL. Detailed airborne geophysics to generate drill targets is proposed.

The Sylvester Project (EL 23683 and EL 23685) lies on the Barkly Tableland on Brunette Downs Station. The area is prospective for diamonds, and has responded positively to Crossland's reconnaissance. It is another "hot spot" as determined by Ashton, and some drainages nearby were bulk sampled by them. Our indications have come from other drainages within the tenements. Shallow drilling of drainages to collect samples for diamond exploration is planned.

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Transaction Details

KSL has made an offer to acquire 100% of Crossland's capital and is advised that all Crossland shareholders have indicated their intention to accept the KSL offer. The offer to Crossland shareholders is 2.3654 KSL shares for every Crossland share plus 15,325,100 options to be issued to Crossland shareholders on a pro-rata basis.

Crossland's Issued Capital is 13,999,053 shares. If KSL is successful in acquiring 100% of Crossland, the Issued Capital of KSL will become 66,226,942 shares and 30,650,200 options.

In addition it is proposed to issue Incentive Equity to the management of the Company subject to the approval of shareholders.

Conditions

The transaction is subject to the approval of KSL shareholders. KSL has a December year end and recently released its annual report. It is proposed that KSL shareholders will vote on the proposed merger at the AGM.

KSL is preparing the Notice of Meeting and Explanatory Statement which are expected to be released in mid April and the Shareholders General Meeting to be held around mid May 2006.

For further information please contact:

Bob Adamson

Chief Executive Officer