

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

THE MATTERS RAISED IN THIS DOCUMENT WILL AFFECT YOUR SHAREHOLDING IN THE COMPANY. YOU ARE ADVISED TO READ THIS DOCUMENT IN ITS ENTIRETY BEFORE THE ANNUAL GENERAL MEETING REFERRED TO BELOW IS CONVENED.

IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE, PLEASE CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

Klondike Source Limited

ACN 087 595 980

**Notice of Annual General Meeting
and
Related Documentation**

NOTICE OF ANNUAL GENERAL MEETING TO BE HELD AT
10th FLOOR, 80 ARTHUR STREET, NORTH SYDNEY, NEW SOUTH WALES AT
11:00AM ON WEDNESDAY, 31 MAY 2006 IS INCLUDED WITH THIS INFORMATION MEMORANDUM.
TO BE VALID, ALL PROXY FORMS FOR USE AT THIS MEETING MUST BE COMPLETED AND
RETURNED TO THE COMPANY NO LATER THAN **11:00AM ON 29 May 2006**

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PART A: ABOUT THESE DOCUMENTS

Shareholders in Klondike Source Limited (the “**Company**”) are requested to consider the Resolutions set out in the Notice as well as the contents of all other Documents in connection with the proposed Transactions.

You can vote by:

- attending and voting at the Meeting; or
- appointing someone as your proxy to attend and vote at the Meeting on your behalf, by completing and returning the Proxy Form to the Company in the manner set out on the Proxy Form (see **Part G** of these Documents). The Company must receive your duly completed Proxy Form by no later than 11:00am on **29 May 2006**.

A glossary of the key terms used throughout this document is contained in Part F of this document.

Please read the whole of this document carefully, determine how you wish to vote and then cast your vote accordingly, either in person or by proxy.

PART B: LETTER FROM THE CHAIRMAN

28 April 2006

Dear Shareholder

On behalf of the Board, I am inviting you to support the Acquisition, announced on 10 April 2006 and which will be considered at the Annual General Meeting to be held on 31 May 2006.

The reasons for the Acquisition and the likely impact and benefit to KSL shareholders that are expected to arise from the completion of the Acquisition are set out in the Explanatory Memorandum which is Part E of this Notice.

The Directors request your careful consideration of the proposed Transactions and all the Documents in arriving at a decision as to how you wish to vote in respect of the Resolutions that are intended to authorise the Company to engage in the proposed Transactions referred to below.

Proposed Transactions:

Shareholders will be asked to consider and vote upon the following matters in connection with the Acquisition:

1. the issue of up to 33,113,471 KSL Shares, in consideration for the acquisition by the Company of all the Crossland Shares;
2. the issue of up to 15,325,100 KSL Options exercisable at \$0.23 and expiring on 31 December 2007, in consideration for the acquisition by the Company of all of the Crossland Options;
3. the appointment of Robert Anthony Cleary as an executive director of the Company;
4. the appointment of Geoffrey Samuel Eupene as an executive director of the Company;
5. the appointment of Peter William Walker as a non-executive director of the Company;
6. the appointment of Robert Lewis Richardson as a non-executive director of the Company;
7. changing the name of the Company to "Crossland Uranium Mines Limited";
8. the issue of 6 million Incentive Shares to Robert Anthony Cleary or his Associate;
9. the issue of 9 million Incentive Shares to Geoffrey Samuel Eupene or his Associate;
10. the issue of 1 million Incentive Shares to Peter William Walker or his Associate;
11. the issue of 1 million Incentive Shares to Patrick J D Elliott or his Associate;
12. the issue of 1 million Incentive Shares to Robert Lewis Richardson or his Associate; and
13. the entry by the Company into the Consultancy Agreement with Geoffrey Samuel Eupene or his Associate.

Shareholders will also be asked to consider and vote upon the following matters:

14. to increase the level of the ceiling on total directors' fees payable to \$200,000 in any year;

15. the issue of 571,430 ordinary shares to non-executive director Mr P J D Elliott, at 3.5 cents per share, as payment for \$20,000 owing to him for director's fees for the two years ended 31 December 2005;
16. the issue of 571,430 ordinary shares to non-executive director Mr R J Soper, at 3.5 cents per share, as payment for \$20,000 owing to him for director's fees for the two years ended 31 December 2005; and
17. the issue of 465,711 ordinary shares to the Company's Chief Executive Officer Mr R G Adamson (who is an alternate director for Mr C M Thomas), at 3.5 cents per shares, as payment for consulting fees owing to him of \$16,300.

Recommendation

The Directors unanimously recommend, unless they have an interest in a particular resolution, that you vote **in favour** of **all** the Resolutions.

Your vote is important and we encourage you to either attend the Meeting in person or complete the Proxy Form accompanying the Notice and return it in accordance with the directions provided.

Yours sincerely



Raymond J Soper
Acting Chairman

PART C: NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the annual general meeting of members of Klondike Source Limited ACN 087 595 980 (the "**Company**") will be held at 10th Floor, 80 Arthur Street, North Sydney, New South Wales at 11:00am on Wednesday, 31 May 2006 (Sydney time).

Definitions

Unless expressly provided otherwise, each capitalised term used in this Notice has the same meaning as is ascribed to it in Part F - Glossary of Terms - of the Documents.

ORDINARY BUSINESS

1. **To receive the Accounts**

To receive the Reports of the Directors and auditors, and the Financial Report for the year ended 31 December 2005.

2. **To elect a Director**

Mr P J D Elliott retires as a Director pursuant to the Company's Constitution and, being eligible, offers himself for re-election.

3. **Adoption of Remuneration Report**

To adopt the Remuneration Report for the financial year ended 31 December 2005.

SPECIAL BUSINESS

1. **To be passed as an Ordinary Resolution**

Subject to all other Resolutions, under Special Business, from 1 to 13, being passed in accordance with their respective terms, pursuant to Listing Rule 6.26(1) the Company be authorised to issue and allot up to 33,113,471 KSL Shares to the Crossland Shareholders on a Pro Rata Basis (the "**First Resolution**").

2. **To be passed as an Ordinary Resolution**

Subject to all other Resolutions being passed in accordance with their respective terms, pursuant to Listing Rule 6.26(1) the Company be authorised to issue and allot up to 15,325,100 Options exercisable at \$0.23 and expiring on 31 December 2007 to the Crossland Shareholders on a Pro Rata Basis (the "**Second Resolution**").

3. **To be passed as an Ordinary Resolution**

Subject to all other Resolutions being passed in accordance with their respective terms, Robert Anthony Cleary having given his consent to act as a Director, be appointed a Director with such appointment to be effective on, and conditional upon, completion of the Acquisition (the "**Third Resolution**").

4. **To be passed as an Ordinary Resolution**

Subject to all other Resolutions being passed in accordance with their respective terms, Geoffrey Samuel Eupene having given his consent to act as a Director, be appointed a Director with such appointment to be effective on, and conditional upon, completion of the Acquisition (the "**Fourth Resolution**").

5. **To be passed as an Ordinary Resolution**

Subject to all other Resolutions being passed in accordance with their respective terms, Peter William Walker having given his consent to act as a Director, be appointed a Director with such appointment to be effective on, and conditional upon, completion of the Acquisition (the "**Fifth Resolution**").

6. **To be passed as an Ordinary Resolution**

Subject to all other Resolutions being passed in accordance with their respective terms, Robert Lewis Richardson having given his consent to act as a Director, be appointed a Director with such appointment to be effective on, and conditional upon, completion of the Acquisition (the "**Sixth Resolution**").

7. **To be passed as a Special Resolution**

Subject to all other Resolutions being passed in accordance with their respective terms, and pursuant to the provisions of section 157 of the Corporations Act, the name of the Company be changed to "Crossland Uranium Mines Limited" (the "**Seventh Resolution**").

8. **To be passed as a Special Resolution**

Subject to all other Resolutions being passed in accordance with their respective terms, pursuant to Listing Rule 6.44 and in accordance with provisions of Part 2E.1, Division 3 of the Corporations Act, the Company be authorised to issue and allot 6 million Incentive Shares to Robert Anthony Cleary or his Associate (the "**Eighth Resolution**").

9. **To be passed as a Special Resolution**

Subject to all other Resolutions being passed in accordance with their respective terms, pursuant to Listing Rule 6.44 and in accordance with provisions of Part 2E.1, Division 3 of the Corporations Act, the Company be authorised to issue and allot 9 million Incentive Shares to Geoffrey Samuel Eupene or his Associate (the "**Ninth Resolution**").

10. **To be passed as a Special Resolution**

Subject to all other Resolutions being passed in accordance with their respective terms, pursuant to Listing Rule 6.44 and in accordance with provisions of Part 2E.1, Division 3 of the Corporations Act, the Company be authorised to issue and allot 1 million Incentive Shares to Peter William Walker or his Associate (the "**Tenth Resolution**").

11. **To be passed as a Special Resolution**

Subject to all other Resolutions being passed in accordance with their respective terms, pursuant to Listing Rule 6.44 and in accordance with provisions of Part 2E.1, Division 3 of the Corporations Act, the Company be authorised to issue and allot 1 million Incentive Shares to Patrick J D Elliott or his Associate (the "**Eleventh Resolution**").

12. **To be passed as a Special Resolution**

Subject to all other Resolutions being passed in accordance with their respective terms, pursuant to Listing Rule 6.44 and in accordance with provisions of Part 2E.1, Division 3 of the Corporations Act, the Company be authorised to issue and allot 1 million Incentive Shares to Robert Lewis Richardson or his Associate (the "**Twelfth Resolution**").

13. To be passed as an Ordinary Resolution

Subject to all other Resolutions being passed in accordance with their respective terms and in accordance with provisions of Part 2E.1, Division 3 of the Corporations Act, the Company be authorised to enter into the Consultancy Agreement with Geoffrey Samuel Eupene or his Associate (the **"Thirteenth Resolution"**).

14. To be passed as an Ordinary Resolution

In accordance with the Company's Constitution, the Company hereby resolves that the maximum aggregate non-executive directors fees to be paid in any twelve month period be \$200,000 (the **"Fourteenth Resolution"**).

15. To be passed as an Ordinary Resolution

The Company be authorised to issue and allot 571,430 ordinary shares to non-executive director Mr P J D Elliott on terms and conditions as set out in Parts A and D of this Notice of Annual General Meeting (the **"Fifteenth Resolution"**).

16. To be passed as an Ordinary Resolution

The Company be authorised to issue and allot 571,430 ordinary shares to non-executive director Mr R J Soper on terms and conditions as set out in Parts A and D of this Notice of Annual General Meeting (the **"Sixteenth Resolution"**).

17. To be passed as an Ordinary Resolution

The Company be authorised to issue and allot 465,711 ordinary shares to non-executive director Mr R G Adamson on terms and conditions as set out in Parts A and D of this Notice of Annual General Meeting (the **"Seventeenth Resolution"**).

By order of the Board



Robert J Waring
Company Secretary

PART D: NOTICE REQUIREMENTS FOR RESOLUTIONS

1. The First Resolution – Issue of the Acquisition Shares

In accordance with the disclosure requirements of the Listing Rules:

- (a) a maximum of 33,113,471 KSL Shares (the “**Acquisition Shares**”) will be allotted and issued by the Company;
- (b) the Acquisition Shares are intended to be allotted and issued within six (6) months after the date of the Meeting;
- (c) the consideration payable by the proposed allottees of the Acquisition Shares is the transfer to the Company of the unencumbered title in all of the Crossland Shares;
- (d) the names of the allottees – each of whom is a Crossland Shareholder - of the Acquisition Shares and the number of Acquisition Shares allotted to each of them, are:

Allottee	Number of Acquisition Shares
Graham Donald Carman	2,318,067
Peter Michael Nicholson	2,235,310
Catherine Mary Nicholson	331,124
John Leonard Gaskell	447,062
Alan McDonald Brown	801,873
Stephen John Lonergan	447,062
Bernard Rowe	389,093
Warren Ormsby	119,217
Panstyn Investments Pty Limited	620,969
Baron Nominees Pty Limited	620,920
Iipseity Pty Limited	681,353
Alistair Bell	310,460
Rogo Investments Pty Limited	869,287
Phillian Pty Limited	1,407,865
Paradigm Geosicence Pty Limited	51
Peter William Walker	2,179,482
Excess Pty Limited <N J Walker Trust>	7,144,376
Cleary Family Superannuation Fund	1,892,326
Eupene Nominees Pty Limited	3,201,350
Gaden Nominees Pty Ltd <Gaden Family Trust>	7,096,224
Total	33,113,471

- (e) the terms of the Acquisition Shares will be, upon issue and allotment, identical to the terms of all other KSL Shares, the material terms of which are:

(i) **Voting**

Subject to any special rights or restrictions for the time being attaching to any class of Share, at a general meeting every member present in person or by proxy, attorney or representative - has one vote on a show of hands and on a poll has one vote for each Share held. The number of votes to which a holder of partly paid Shares is entitled on a poll is equivalent to the proportion that the amount paid on the Share is of the issue price of the Share (ignoring amounts paid in advance).

(ii) **Dividends and Reserves**

Subject to:

- A. any special rights or restrictions for the time being attaching to any class of Share,
- B. certain provisions of the Constitution and the Listing Rules, and
- C. the operation of any bonus share plan or dividend re-investment plan,

the profits of the Company which the Directors from time to time determine to distribute by way of dividend are divisible amongst the Shareholders of the Company in proportion to the amounts paid up on the shares held by them.

(iii) **Issue of further Shares**

The Directors may (subject to the Constitution, the Listing Rules and the Corporations Act) allot or otherwise issue further Shares in the capital of the Company on such terms and conditions as they see fit.

(iv) **Share Plans**

The Directors are authorised to adopt and amend share plans such as bonus share plans and dividend re-investment plans.

(v) **Transfer of Shares**

A Shareholder may transfer Shares by any method of transferring or dealing in shares introduced by the stock exchange or operated in accordance with the Listing Rules and in any such case, recognised under the Corporations Act or by an instrument of transfer in writing in any usual form or in any other form approved by the Directors, or the stock exchange, that is otherwise permitted by law. The Directors may refuse to register a transfer where the Listing Rules permit the Company to do so. The Directors will refuse to register a transfer where the Company is required to do so under the Corporations Act or the Listing Rules, or the transfer is in breach of the Listing Rules or where the Shares the subject of the transfer are restricted securities and the transfer is in breach of any restriction agreement in respect of those Shares. Analogous provisions apply to any purported transfer of an Option.

(vi) **General meetings and notices**

General meetings may be convened in the manner provided for in the Corporations Act and the Listing Rules.

(vii) **Winding Up**

Subject to:

- A any special or preferential rights attaching to any class or classes of Shares, and
- B the right of a liquidator, with the sanction of a special resolution of the Shareholders, to divide amongst the Shareholders any particular assets of the Company, and in a manner, both of which were authorised by that special resolution,

Shareholders will be entitled on a winding up to participate in the distribution of any surplus assets of the Company, in proportion to the Shares held by them less any amounts which remain unpaid on their Shares at the time of such distribution.

The above description of the material terms of the KSL Shares is not intended to constitute a complete description of all terms, rights and liabilities attaching to the KSL Shares. Such a complete description involves a review of the complete Constitution and the relevant provisions of the Corporations Act and the Listing Rules, and may require the provision of independent expert legal advice.

- (f) no cash proceeds will be received as a result of the issue of the Acquisition Shares.

In accordance with the intent of the Listing Rules, the Company will disregard any votes cast on the First Resolution by:

- a person who may participate in the proposed issue and a person who might obtain a benefit from the completion of the transaction or transactions contemplated in or by, or incidental to, the First Resolution, except a benefit arising solely in the capacity as a KSL Shareholder, if the First Resolution is passed; and
- any Associate of that person or those persons.

However, the Company will not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

(g) **Interest of KSL Directors**

KSL Directors, Messrs P J D Elliott and R J Soper are shareholders in Crossland through shares held by Panstyn Investments Pty Limited (1.88% of Crossland shares) and Ipseity Pty Limited (2.06% of Crossland shares) respectively. Refer to the letter from independent directors Messrs Thomas and Adamson in Annexure A of this Document.

2. The Second Resolution of Special Business – Issue of the Acquisition Options

In accordance with the disclosure requirements of Listing Rules:

- (a) a maximum of:
15,325,100 Options exercisable at \$0.23 and expiring on 31 December 2007; (the “**Acquisition Options**”) will be allotted and issued by the Company;
- (b) the Acquisition Options are intended to be allotted and issued within six (6) months after the date of the Meeting;
- (c) the consideration payable by the proposed allottees of the Acquisition Options is the transfer to the Company of the unencumbered title in all of the Crossland Options;
- (d) the names of the allottees – each of whom is a Crossland Option Holder - of the Acquisition Options and the number of Acquisition Options allotted to each of them are:

Allottee	Number of Acquisition Options
Graham Donald Carman	1,072,814
Peter Michael Nicholson	1,034,514
Catherine Mary Nicholson	153,246
John Leonard Gaskell	206,903
Alan McDonald Brown	371,111
Stephen John Lonergan	206,903
Bernard Rowe	180,074
Warren Ormsby	55,174
Panstyn Investments Pty Limited	287,388
Baron Nominees Pty Limited	287,365
Iipseity Pty Limited	315,334
Alistair Bell	143,683
Rogo Investments Pty Limited	402,311
Phillian Pty Limited	651,568
Paradigm Geoscience Pty Limited	24
Peter William Walker	1,008,677
Excess Pty Limited <N J Walker Trust>	3,306,457
Cleary Family Superannuation Fund	875,779
Eupene Nominees Pty Limited	1,481,603
Gaden Nominees Pty Ltd <Gaden Family Trust>	3,284,172
Total	15,325,100

(e) The terms of the Acquisition Options will be, upon issue and allotment:

as to 15,325,100 Acquisition Options:

- issue price – the transfer to the Company of the unencumbered title in all of the Crossland Options;
- exercise price – \$0.23;
- expiry date – 31 December, 2007; and
- entitlement upon exercise – one (1) KSL Share;

(f) no cash proceeds will be received by the Company as a result of the issue of the Acquisition Options.

In accordance with the intent of the Listing Rules, the Company will disregard any votes cast on the Second Resolution by:

- a person who may participate in the proposed issue and a person who might obtain a benefit from the completion of the transaction or transactions contemplated in or by, or incidental to, the Second Resolution, except a benefit arising solely in the capacity as a Shareholder, if the Second Resolution is passed; and
- any Associate of that person or those persons.

However, the Company will not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

(g) **Interest of KSL Directors**

KSL Directors, Messrs P J D Elliott and R J Soper are shareholders in Crossland through shares held by Panstyn Investments Pty Limited (1.88% of Crossland shares) and Ipseity Pty Limited (2.06% of Crossland shares) respectively. Refer to the letter from Messrs Thomas and Adamson (Annexure A).

3. **The Third Resolution of Special Business – Appointment of Robert Anthony Cleary as a Director**

It is intended that on completion of the Acquisition, Robert Anthony Cleary will be appointed to the Board as a Director.

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

4. **The Fourth Resolution of Special Business – Appointment of Geoffrey Samuel Eupene as a Director**

It is intended that on completion of the Acquisition, Geoffrey Samuel Eupene will be appointed to the Board as a Director.

Geoff Eupene will consent to 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.

5. **The Fifth Resolution of Special Business – Appointment of Peter William Walker as a Director**

It is intended that on completion of the Acquisition, Peter William Walker will be appointed to the Board as a Director.

Peter Walker is a Darwin lawyer who has practised 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.

6. **The Sixth Resolution of Special Business – Appointment of Robert Lewis Richardson as a Director**

It is intended that on completion of the Acquisition, Robert Lewis Richardson will be appointed to the Board as a Director.

Bob Richardson has 40 years experience in mineral exploration management, geophysics and exploration technology. His career includes 15 years with the Peko-Wallsend Group as Chief Geophysicist and Exploration Manager. He was a founder in 1976 and Managing Director of Austirex Aerial Surveys that became a major international airborne geophysical contractor. He was a co-founder and Managing Director of Lachlan Resources NL in 1986 and PlatSearch in 1987 and he is non-executive director of Western Plains Gold Ltd.

7. **The Seventh Resolution of Special Business – Change in Company Name**

Section 157 of the Corporations Act requires shareholders to approve by a special resolution i.e. by a vote of no less than 75% of the shares held by the persons attending and voting upon that resolution, whether in person or by proxy, any name change of a company.

The Directors believe that, after and subject to the completion of the Acquisition, it will be appropriate to name the Company “Crossland Uranium Mines Limited” in order to more accurately reflect the nature and focus of the Company’s future operations.

8. **The Eighth Resolution of Special Business – issue of Incentive Shares to Robert Anthony Cleary or Associate**

It is proposed to issue and allot 6 million KSL Shares to Robert Anthony Cleary or his nominated Associate.

The proposed terms of those KSL Shares will be identical with the terms of all other issued KSL Shares (and the material terms of which are set out in Part D, Paragraph 1(e) of these Documents, other than that:

- (1) one third in number of these KSL Shares will be issued and allotted to Robert Anthony Cleary or his nominated Associate when and if, on or prior to the second anniversary of the Acquisition Completion Date, there occurs or has occurred:
 - (a) the completion of a public offering of securities by the Company that has resulted in the Company receiving no less than A\$4,000,000 (the “**ASX Public Offering**”); and
 - (b) the commencement of Official Quotation of the Company’s securities on the ASX;
- (2) one third in number of these KSL Shares will be issued and allotted to Robert Anthony Cleary or his nominated Associate when and if, on or prior to the fourth anniversary of the Acquisition Completion Date, the average closing price of KSL Shares quoted by the ASX for a period of 30 consecutive days occurring prior to the abovementioned anniversary date, is equal to above \$0.27 (the “**Minimum Price**”). For the purposes of determining the satisfaction of this condition, the Minimum Price will be adjusted to take into account any capital raisings by, or reconstructions of the capital of, the Company that occur after the completion of the Public Offering; and
- (3) one third in number of these KSL Shares will be issued and allotted to Robert Anthony Cleary or his nominated Associate when and if, on or before the fifth anniversary of the Acquisition Completion Date, the Company establishes to the satisfaction of the Board of Directors (excluding Robert Anthony Cleary if he is a Director at this time), its ownership of a JORC compliant resource that contains no less than 10,000 tonnes of U308 or equivalent of another mineral with an in-ground gross value of no less than US\$500,000,000.

In the event that Robert Anthony Cleary ceases to be a Director prior to the issue and allotment to him of any of the abovementioned Incentive Shares, in accordance with the abovementioned conditions, he will thereupon forego any further right or entitlement to any of those Incentive Shares.

The Board of KSL believes that the input of Bob Cleary is essential to the future success of the Company as a Northern Territory centric uranium and base metals explorer. To this end the KSL Board suggests that as part of the Acquisition, Incentive Shares be issued to Mr Cleary and that these shares will only be of value on the occurrence of specific milestones as set out above.

In accordance with Listing Rules, the Company will disregard any votes cast on the Eighth Resolution by:

- a person who might obtain a benefit, except a benefit solely in the capacity as a Shareholder, if the Eight Resolution are passed; and
- an Associate of that person or those persons.

However, the Company will not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. **The Ninth Resolution of Special Business – issue of Incentive Shares to Geoffrey Samuel Eupene or Associate**

It is proposed to issue and allot 9 million KSL Shares to Geoffrey Samuel Eupene or his nominated Associate.

The proposed terms of those KSL Shares will be identical with the terms of all other issued KSL Shares (and the material terms of which are set out in Part D, Paragraph 1(e) of these Documents, other than that:

- (1) one third in number of these KSL Shares will be issued and allotted to Geoffrey Samuel Eupene or his nominated Associate when and if, on or prior to the second anniversary of the Acquisition Completion Date, there occurs or has occurred:
 - (a) the completion of the ASX Public Offering; and
 - (b) the commencement of Official Quotation of the Company's securities on the ASX;
- (2) one third in number of these KSL Shares will be issued and allotted to Geoffrey Samuel Eupene or his nominated Associate when and if, on or prior to the fourth anniversary of the Acquisition Completion Date, the average closing price of KSL Shares quoted by the ASX for a period of 30 consecutive days occurring prior to the abovementioned anniversary date, is equal to above \$0.27 (the "**Minimum Price**"). For the purposes of determining the satisfaction of this condition, the Minimum Price will be adjusted to take into account any capital raisings by, or reconstructions of the capital of, the Company that occur after the completion of the Public Offering; and
- (3) one third in number of these KSL Shares will be issued and allotted to Geoffrey Samuel Eupene or his nominated Associate when and if, on or before the fifth anniversary of the Acquisition Completion Date, the Company establishes to the satisfaction of the Board of Directors (excluding Geoffrey Samuel Eupene if he is a Director at this time), its ownership of a JORC compliant resource that contains no less than 10,000 tonnes of U308 or equivalent of another mineral with an in-ground gross value of no less than US\$500,000,000.

In the event that Geoffrey Samuel Eupene ceases to be a Director prior to the issue and allotment to him of any of the abovementioned Incentive Shares, in accordance with the abovementioned conditions, he will thereupon forego any further right or entitlement to any of those Incentive Shares.

The Board of KSL believes that the input of Geoff Eupene (the proposed Exploration Director) is essential to the future success of the Company as a Northern Territory centric uranium and base metals explorer. To this end the KSL Board suggests that as part of the Acquisition, Incentive Shares be issued to Mr Eupene and that these shares will only be of value on the occurrence of specific milestones as set out above.

In accordance with Listing Rules, the Company will disregard any votes cast on the Ninth Resolution by:

- a person who might obtain a benefit, except a benefit solely in the capacity as a Shareholder, if the Ninth Resolution are passed; and
- an Associate of that person or those persons.

However, the Company will not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. **The Tenth Resolution of Special Business – issue of Incentive Shares to Peter William Walker or Associate**

It is proposed to issue and allot 1 million KSL Shares to Peter William Walker or his nominated Associate.

The proposed terms of those KSL Shares will be identical with the terms of all other issued KSL Shares (and the material terms of which are set out in Part D, Paragraph 1(e) of these Documents, other than that:

- (1) one third in number of these KSL Shares will be issued and allotted to Peter William Walker or his nominated Associate when and if, on or prior to the second anniversary of the Acquisition Completion Date, there occurs or has occurred:
 - (a) the completion of the ASX Public Offering; and
 - (b) the commencement of Official Quotation of the Company's securities on the ASX;
- (2) one third in number of these KSL Shares will be issued and allotted to Peter William Walker or his nominated Associate when and if, on or prior to the fourth anniversary of the Acquisition Completion Date, the average closing price of KSL Shares quoted by the ASX for a period of 30 consecutive days occurring prior to the abovementioned anniversary date, is equal to above \$0.27 (the "**Minimum Price**"). For the purposes of determining the satisfaction of this condition, the Minimum Price will be adjusted to take into account any capital raisings by, or reconstructions of the capital of, the Company that occur after the completion of the Public Offering; and
- (3) one third in number of these KSL Shares will be issued and allotted to Peter William Walker or his nominated Associate when and if, on or before the fifth anniversary of the Acquisition Completion Date, the Company establishes to the satisfaction of the Board of Directors (excluding Peter William Walker if he is a Director at this time), its ownership of a JORC compliant resource that contains no less than 10,000 tonnes of U308 or equivalent of another mineral with an in-ground gross value of no less than US\$500,000,000.

In the event that Peter William Walker ceases to be a Director prior to the issue and allotment to him of any of the abovementioned Incentive Shares, in accordance with the abovementioned conditions, he will thereupon forego any further right or entitlement to any of those Incentive Shares.

The Board of KSL believes that the input of the proposed non-executive directors is very important to the future success of the Company because of their prior relevant experience. To this end the KSL Board suggests that as part of the Acquisition, Incentive Shares be issued to Mr Walker and that these shares will only be of value on the occurrence of specific milestones as set out above.

In accordance with Listing Rules, the Company will disregard any votes cast on the Tenth Resolution by:

- a person who might obtain a benefit, except a benefit solely in the capacity as a Shareholder, if the Tenth Resolution are passed; and
- an Associate of that person or those persons.

However, the Company will not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

11. The Eleventh Resolution of Special Business – issue of Incentive Shares to Patrick J D Elliott or Associate

It is proposed to issue and allot 1 million KSL Shares to Patrick J D Elliott or his nominated Associate.

The proposed terms of those KSL Shares will be identical with the terms of all other issued KSL Shares (and the material terms of which are set out in Part D, Paragraph 1(e) of these Documents, other than that:

- (1) one third in number of these KSL Shares will be issued and allotted to Patrick J D Elliott or his nominated Associate when and if, on or prior to the second anniversary of the Acquisition Completion Date, there occurs or has occurred:
 - (a) the completion of the ASX Public Offering; and
 - (b) the commencement of Official Quotation of the Company's securities on the ASX;
- (2) one third in number of these KSL Shares will be issued and allotted to Patrick J D Elliott or his nominated Associate when and if, on or prior to the fourth anniversary of the Acquisition Completion Date, the average closing price of KSL Shares quoted by the ASX for a period of 30 consecutive days occurring prior to the abovementioned anniversary date, is equal to above \$0.27 (the "**Minimum Price**"). For the purposes of determining the satisfaction of this condition, the Minimum Price will be adjusted to take into account any capital raisings by, or reconstructions of the capital of, the Company that occur after the completion of the Public Offering; and
- (3) one third in number of these KSL Shares will be issued and allotted to Patrick J D Elliott or his nominated Associate when and if, on or before the fifth anniversary of the Acquisition Completion Date, the Company establishes to the satisfaction of the Board of Directors (excluding Patrick J D Elliott if he is a Director at this time), its ownership of a JORC compliant resource that contains no less than 10,000 tonnes of U308 or equivalent of another mineral with an in-ground gross value of no less than US\$500,000,000.

In the event that Patrick J D Elliott ceases to be a Director prior to the issue and allotment to him of any of the abovementioned Incentive Shares, in accordance with the abovementioned conditions, he will thereupon forego any further right or entitlement to any of those Incentive Shares.

The Board of KSL believes that the input of the proposed non-executive directors is very important to the future success of the Company because of their prior relevant experience. To this end the KSL Board suggests that as part of the Acquisition, Incentive Shares be

issued to Mr Elliott and that these shares will only be of value on the occurrence of specific milestones as set out above.

In accordance with Listing Rules, the Company will disregard any votes cast on the Eleventh Resolution by:

- a person who might obtain a benefit, except a benefit solely in the capacity as a Shareholder, if the Eleventh Resolution are passed; and
- an Associate of that person or those persons.

However, the Company will not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

12. The Twelfth Resolution of Special Business – issue of Incentive Shares to Robert Lewis Richardson or Associate

It is proposed to issue and allot 1 million KSL Shares to Robert Lewis Richardson or his nominated Associate.

The proposed terms of those KSL Shares will be identical with the terms of all other issued KSL Shares (and the material terms of which are set out in Part D, Paragraph 1(e) of these Documents, other than that:

- (1) one third in number of these KSL Shares will be issued and allotted to Robert Lewis Richardson or his nominated Associate when and if, on or prior to the second anniversary of the Acquisition Completion Date, there occurs or has occurred:
 - (a) the completion of the ASX Public Offering; and
 - (b) the commencement of Official Quotation of the Company's securities on the ASX;
- (2) one third in number of these KSL Shares will be issued and allotted to Robert Lewis Richardson or his nominated Associate when and if, on or prior to the fourth anniversary of the Acquisition Completion Date, the average closing price of KSL Shares quoted by the ASX for a period of 30 consecutive days occurring prior to the abovementioned anniversary date, is equal to or above \$0.27 (the "**Minimum Price**"). For the purposes of determining the satisfaction of this condition, the Minimum Price will be adjusted to take into account any capital raisings by, or reconstructions of the capital of, the Company that occur after the completion of the Public Offering; and
- (3) one third in number of these KSL Shares will be issued and allotted to Robert Lewis Richardson or his nominated Associate when and if, on or before the fifth anniversary of the Acquisition Completion Date, the Company establishes to the satisfaction of the Board of Directors (excluding Robert Lewis Richardson if he is a Director at this time), its ownership of a JORC compliant resource that contains no less than 10,000 tonnes of U308 or equivalent of another mineral with an in-ground gross value of no less than US\$500,000,000.

In the event that Robert Lewis Richardson ceases to be a Director prior to the issue and allotment to him of any of the abovementioned Incentive Shares, in accordance with the

abovementioned conditions, he will thereupon forego any further right or entitlement to any of those Incentive Shares.

The Board of KSL believes that the input of the proposed non-executive directors is very important to the future success of the Company because of their prior relevant experience. To this end the KSL Board suggests that as part of the Acquisition, Incentive Shares be issued to Mr Richardson and that these shares will only be of value on the occurrence of specific milestones as set out above.

In accordance with Listing Rules, the Company will disregard any votes cast on the Twelfth Resolution by:

- a person who might obtain a benefit, except a benefit solely in the capacity as a Shareholder, if the Twelfth Resolution are passed; and
- an Associate of that person or those persons.

However, the Company will not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

13. **The Thirteenth Resolution of Special Business – entry into Consultancy Agreement**

It is proposed that the Company enter into a consultancy agreement with Geoffrey Samuel Eupene or his Associate, the material terms and conditions of which are:

- (a) Mr Eupene will be required to provide services in connection with the exploration for uranium and other mineral deposits and otherwise carry out the role of Exploration Director (the “**Services**”);
- (b) Mr Eupene will not be permitted to provide any of the Services to any other person for the duration of the consultancy agreement;
- (c) Mr Eupene will be required to provide the Services to the Company for a minimum of 12 days per calendar month;
- (d) Mr Eupene will be entitled to a minimum payment of A\$10,000 per calendar month and to \$833 per day in excess of that minimum, for the provision of the Services;
- (e) the initial term of the Consultancy Agreement is two years, commencing on 1 June 2006;
- (f) Mr Eupene will be entitled to provide other consultancy services during the term of the Consultancy Agreement, subject to the Company being satisfied that such consultancy will not cause a conflict of interest.

In accordance with the Listing Rules, the Company will disregard any votes cast in respect of the Thirteenth Resolution by:

- Geoffrey Samuel Eupene; and
- any Associate of Geoffrey Samuel Eupene.

However, the Company will not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

14. The Fourteenth Resolution of Special Business – increase the level of total directors' fees

The Company proposes to seek listing on the ASX in 2006. It is proposed that, subsequent to listing, the Company increases the ceiling on the amount of non-executive director fees from \$100,000 per annum to \$200,000 per annum and that this amount will stand until a higher amount is approved by shareholders.

15. The Fifteenth Resolution of Special Business – issue of shares to Patrick J D Elliott

It is proposed to issue 571,430 KSL Shares to Patrick J D Elliott as payment for director's fees of \$20,000 owing to him. Mr Elliott and associates of Mr Elliott are excluded from voting on this resolution.

However, the Company will not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

16. The Sixteenth Resolution of Special Business – issue of shares to Raymond J Soper

It is proposed to issue 571,430 KSL Shares to Raymond J Soper as payment for director's fees of \$20,000 owing to him. Mr Soper and associates of Mr Soper are excluded from voting on this resolution.

However, the Company will not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

17. The Seventeenth Resolution of Special Business – issue of shares to Robert G Adamson

It is proposed to issue 465,711 KSL Shares to the Company's Chief Executive Officer, Robert G Adamson, (who is an alternative director for Mr C M Thomas) as payment for consulting fees of \$16,300 owing to him. Mr Adamson and associates of Mr Adamson are excluded from voting on this resolution.

However, the Company will not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

PART E: EXPLANATORY MEMORANDUM

Section 1: Introduction

1.1 Background

The information in this Explanatory Memorandum is provided to Shareholders in respect of various matters, including corporate actions and transactions that are submitted to Shareholders for their approval in compliance with various regulatory requirements.

1.2 Action required of Shareholders

The information contained in this booklet is important in deciding how you should vote on the Resolutions.

Please read all the Documents carefully and in their entirety. If you do not understand any part of any of these Documents or are in any doubt as to the course of action you should follow, you should contact your financial or other professional adviser immediately.

1.3 Vote on the Resolutions

You are encouraged to attend and vote at the Meeting. If you are unable or do not wish to attend, the Directors urge you to vote by completing and returning the enclosed Proxy Form (see **Part G**).

ORDINARY BUSINESS

The following items of ordinary business will be considered at the meeting.

Resolution 1 – Financial Report

This item of business relates to the receipt and adoption of the Company's Financial Report for the year ended 31 December 2005.

Resolution 2 – Election of Director – Mr Patrick J D Elliott

Under the Company's Constitution, Mr Elliott retires by rotation, and being eligible wishes to stand for re-election. 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).

Resolution 3 – Adoption of Remuneration Report

The Corporate Law Economic Reform Programme (Audit Reform and Corporate Disclosure Act 2004 (Cth)) (CLERP 9) requires that a resolution be put to the members to adopt the remuneration report as disclosed in page 4 of the Directors' Report. The vote on this resolution is advisory only and non-binding. The resolution gives the members the opportunity to ask questions or make comments concerning the Remuneration Report during the meeting.

SPECIAL BUSINESS

Section 2: Description of the Acquisition

Structure of Offer

On 10 April 2006, the Company 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 the issue of an equivalent number of KSL Options to the number of Crossland options on issue.

Crossland's issued securities consist of 13,999,053 shares and 15,325,099 options with an exercise price of 23 cents and which expire on 31 December 2007. 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. The current KSL shareholders will hold approximately 50% of the merged company upon completion of the merger.

Crossland has 20 shareholders who have each indicated their intention to accept the offer. The offer is conditional on KSL shareholder approval.

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 \$753,000 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 Crossland property portfolio, acquire new tenements, and to prepare the company for an IPO on the ASX to raise \$4 million to advance exploration.

Crossland Exploration Properties

Crossland's portfolio of exploration tenements is focused on uranium. It consists of 12 granted tenements and four applications which stretch from the Kimberley of WA, through the Northern Territory to North West Queensland. Certain of these tenements are also variously prospective for diamonds and base and precious metals.

This original Crossland tenement package was assembled during 2003 using an innovative proprietary IP that selected areas with features similar to those associated with known major mineral deposits. Follow-up work encountered encouraging signs of mineralisation in areas that hitherto had not been recognised as having potential, and this led to increased scrutiny of other target areas where earlier positive indications had not received much follow up. Crossland has raised \$750,000 from its shareholders, most of which has been expended on advancing the company's tenement package.

The merged company will retain KSL's claims in the Klondike Goldfield. One group of claims is already under option to a Canadian gold exploration company.

Benefits to KSL through the acquisition of Crossland

The Board considers the takeover is attractive to KSL for the following reasons:

- Uranium oxide prices have escalated significantly as a result of the resurgence in nuclear power, higher alternative energy prices, and the recognition of the relative environmental benefits;
- Crossland's tenement portfolio is demonstrably prospective for uranium and for other metals and minerals; and
- Crossland's management team of Bob Cleary and Geoff Eupene, supported by geophysicist Bob Richardson, have impressive uranium exploration and operating experience.

Section 3: Overview of Klondike Source Limited

KSL was incorporated in NSW 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. The Company's Initial Public Offering was closed on 27 February 2004 and successfully raised \$1.84 million, with subsequent listing on the Stock Exchange of Newcastle on 19 March 2004. The Company's 2004 exploration did not succeed in indicating the likely presence of a major hardrock source for the Klondike Goldfield's famed alluvial gold deposits. As a result, the Directors decided not to sole-risk further high-cost gold exploration on the Company's Klondike claims, but to seek other high quality exploration opportunities.

Section 4: Review of Crossland Mines and market opportunities and trends

Review of 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 utilise 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 is proposed to generate drill targets.

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.

Market Opportunities and Trends

Nuclear power is emerging as a significant contributor to the reduction of greenhouse gas emissions. The demand for uranium is expected to exceed mine supply over at least the next ten

years. Along with this, the volume of uranium made available from secondary sources through inventory drawdown and highly enriched uranium conversion programs has begun to decline. Uranium spot price increases already reflect this, having increased over the last three years from US\$10 to over US\$35 per pound. Australia currently supplies approximately 22% of the world's uranium for power generation. However, Australia holds around 30% of the world's uranium resources and the opportunity exists within a responsible uranium management policy to meet a greater proportion of this. Because of market conditions and previous government policies, very little exploration for uranium-only resources has occurred in Australia since the 1980s, resulting in prospective areas for uranium exploration being available to Crossland.

Section 5: Risk Factors

The proposed business activities of the Company are subject to risks. These risks include those which apply generally to investments in equity markets, and those which apply specifically to the Company's business and proposed business. Some of the specific risks can be mitigated through the use of safeguards and contingency plans.

However many risks are outside the control of the Company and its Directors and cannot be mitigated.

The following matters should be carefully considered in evaluating the prospects of the Company.

5.1 General Risk Factors

There are business and market risks inherent in any listed security, which could affect the Company's earnings, including:

- movements in local and international economies and share and capital markets;
- changes in interest rates and other general economic conditions;
- changes in investor sentiment and perceptions;
- upheaval and uncertainty due to terrorist activities, insurrection, war and general conflict; and
- changes in government fiscal, monetary and regulatory policies and statutory changes.

5.2 Specific Risk Factors

The key issues that will impact the success of the Company following the Acquisition will be:

- **Financial Performance and Economic Growth**
- **Reliance on Key Personnel**
- **Need to Attract and Retain Skilled Staff**
- **Management of Growth**
- **Competition**
- **Potential Acquisitions**
- **Further Capital Requirements**
- **Change in Industry Landscape**

PART F: GLOSSARY OF TERMS

Defined Terms

Acquisition means the acquisition by the Company of the unencumbered title in all the Crossland Shares;

Acquisition Completion Date means the date on which the Acquisition is completed.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning ascribed to that term in Section 12(2) of the Corporations Act.

ASX means the Australian Stock Exchange Limited (ACN 008 624 691) and any market operated by that company.

ASX Listing Rules means the listing rules of the ASX, as amended or replaced from time to time, except to the extent of any express written waiver by the ASX in their application to the Company.

Board means the board of Directors.

CHESS means Clearing House Electronic Subregister System.

CHESS Rules the business rules of the ASTC and the provisions of the Corporations Act and Listing Rules concerning the electronic share registration and transfer system as and to the extent they apply to the Company.

Company means Klondike Source Limited (ACN 087 595 980).

Constitution means the Constitution of the Company, as varied or amended from time to time.

Consultancy Agreement means the consultancy agreement, the material terms of which are set out in Part C, Paragraph 12 of these Documents.

Corporations Act means the Corporations Act 2001 (Commonwealth).

Crossland Option means an existing option issued by Crossland which entitles a Crossland Option Holder to subscribe for one fully paid share in Crossland upon payment of 23 cents on or before 31 December 2007.

Crossland Share means a fully paid ordinary share in the issued capital of Crossland Mines Pty Ltd ACN 099 478 127.

Crossland Shareholder means a person who is registered as a shareholder of a Crossland Share.

Director means a member of the board of directors of the Company.

Documents means each of the Notice, Explanatory Memorandum, Proxy Form and all other documents, that each constitute part of this booklet and that accompany each other when sent to each Shareholder.

Explanatory Memorandum means the explanatory memorandum set out in Part E of the Documents.

Incentive Share means a KSL Share more particularly referred to in Part C, Paragraphs 8 and 9 of the Documents.

KSL Share means a fully paid up ordinary share in the issued capital of the Company.

Listing Rules means the rules and procedures issued and enforced by the NSX, as amended from time to time, including all guidance notes and appendices thereto.

Meeting means the general meeting being convened by the Directors and pursuant to the Notice.

Notice means the Notice of General Meeting of the Shareholders set out in Part C of these Documents and that accompanies and forms part of these Documents.

NSX means the Stock Exchange of Newcastle Limited ACN 000 902 063.

Option or KSL Option means an option to purchase a KSL Share.

Pro Rata Basis means in respect of any Crossland Shareholder, the proportion derived by dividing the number of Crossland Shares held by that Crossland Shareholder, by the number of all the Crossland Shares.

Proxy Form means the proxy form more particularly set out in Part I and that forms part of these Documents.

Resolution means any one of the resolutions set out in the Notice.

Share means a share, of whatever class, in the issued capital of the Company.

Shareholder means the holder of a Share.

Subsidiary has the meaning given to that term in section 46 of the Corporations Act.

Trading Day has the meaning given to that term in the Listing Rules.

Transactions means the Acquisition and all other actions contemplated in each of the Resolutions.

Interpretation

In these documents, unless the context requires otherwise:

- (a) a reference to a word includes the singular and the plural of the word and vice versa;
- (b) a reference to a gender includes any gender;
- (c) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;
- (d) a term which refers to a natural person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture or a governmental agency;
- (e) headings are included for convenience only and do not affect interpretation;
- (f) a reference to a document includes a reference to that document as amended, novated, supplemented, varied or replaced;
- (g) a reference to a thing includes a part of that thing and includes but is not limited to a right;

- (h) the terms “included”, “including” and similar expressions when introducing a list of items do not exclude a reference to other items of the same class or genus;
- (i) a reference to a statute or statutory provision includes but is not limited to:
 - (i) a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;
 - (ii) a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and
 - (iii) subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation, or instrument;
- (j) reference to “\$”, “A\$”, “Australian Dollars” or “dollars” is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia;
- (k) a reference to an asset includes all property or title of any nature including but not limited to a business, a right, a revenue and a benefit, whether beneficial, legal or otherwise.

PART G: PROXIES AND PROXY FORMS

- (a) **Right to appoint:** Each member entitled to vote at the meeting has the right to appoint a proxy to attend and vote for the member at the meeting. To appoint a proxy, use the Proxy Form sent out with this Notice.
- (b) A proxy or attorney is not entitled to vote while the member appointing them is present at the meeting.
- (c) **Who may be a proxy:** A member can appoint anyone to be their proxy. A proxy need not be a member of the Company. The proxy appointed can be described in the Proxy Form by an office held eg "Chair of the Meeting".
- (d) **Two proxies:** A member who is entitled to two or more votes at the meeting, may appoint two proxies. Where two proxies are appointed:
 - (i) a separate Proxy Form should be used to appoint each proxy; and
 - (ii) the Proxy Form may specify the proportion, or the number, of votes that each proxy may exercise, and if it does not do so each proxy may exercise half of the votes.
- (e) **Signature(s) of individuals:** In the case of members who are individuals, the Proxy Form must be signed if the shares are held:
 - (i) by one person, by that member; or
 - (ii) in joint names, by any one of them.
- (f) **Signatures on behalf of companies:** In the case of members which are companies, the Proxy Form must be signed:
 - (i) if it has a sole director who is also sole secretary, by that director (and stating that fact next to or under the signature on the Proxy Form); or
 - (ii) in the case of any other company, by two directors or by a director and secretary.

The use of the common seal of the company on the Proxy Form is optional.

- (g) **Lodgement place and deadline:** Proxy forms must be received by the Company with the original or a certified copy of the authority under which the Proxy Form is signed (if the Proxy Form is signed by an attorney or other representative):

BY MAIL: **PO Box 324, Crows Nest NSW 1585; or**

BY HAND: **Level 10, 80 Arthur Street, North Sydney NSW 2060; or**

BY FACSIMILE: **(02) 9954 4011**

by no later than **11:00am (Sydney time) on 29 May 2006**. Please mark them to the attention of the Company Secretary.

CORPORATE REPRESENTATIVES

A body corporate may appoint an individual to act as its representative to exercise any of the powers the body may exercise at meetings of a company's members. Unless otherwise stated, the corporate representative may exercise all of the powers the appointing body can exercise. The certificate evidencing the appointment of a corporate representative (or a photocopy or facsimile of

corporate representative may exercise all of the powers the appointing body can exercise. The certificate evidencing the appointment of a corporate representative (or a photocopy or facsimile of it) must be received by the Company at **PO Box 324, Crows Nest NSW 1585 Australia** or at **Level 10, 80 Arthur Street, North Sydney NSW 2060** or by facsimile on **(02) 9954 4011**, by no later than **11:00am** (Sydney time) on **Wednesday, 31 May 2006**.

MEMBERS WHO ARE ENTITLED TO VOTE

In accordance with Section 1109N of the Corporations Act, the Directors have determined that a person's entitlement to vote at the meeting will be the entitlement of that person set out in the registrar of members as at **11:00am** (Sydney time) on **29 May 2006**.

Klondike Source Limited



Annexure A

Dear Shareholders,

As independent directors of Klondike Source Limited (KSL) we have an obligation to advise the shareholders of KSL of our decision to support the takeover of Crossland Mines Pty Ltd (Crossland) by KSL and our reasons for that decision.

Firstly, we advise that we will be voting our shares in favour of the Special Business Resolutions as set out in the Notice of Meeting.

Secondly, the reasons for this decision are based on the following factors:

- Crossland is focussing on uranium exploration in the Northern Territory, which has Australia's most prospective geology for the discovery of major uranium deposits, illustrated by the 1970s discoveries leading to the Narbelek and Ranger Mines and world-class deposits at Koongarra and Jabiluka. Significantly, Crossland has acquired and applied for exploration licences where there are no native title issues.
- The Board and Management of Crossland are notably experienced in uranium exploration and mining in the Northern Territory.
- The rationale for uranium exploration clearly stems from the international interest in producing CO₂-free nuclear energy to offset greenhouse emissions from coal - and gas-fired power stations. This factor has already seen the spot market for uranium oxide increase in the past 18 months from below US\$10/kg to over US\$30/kg.
- Also, Crossland has a number of reasonably defined diamond exploration properties in the NT and northern WA Limited expenditure will ascertain whether defined targets can be farmed-out to a major diamond-mining group for costly bulk testing. There is, in addition, an intriguing, untested, geophysical anomaly in the covered Proterozoic basement of the southeast Mt Isa region of Queensland, where two major mines occur, namely Cannington (lead-silver) and Osbourne (gold-copper).

In conclusion, we consider that the new projects and management for KSL proposed through the merger with Crossland provides an attractive opportunity for KSL shareholders to participate in a promising future.

C M Thomas
Director

R G Adamson
Alternate Director (for C M Thomas)

PROXY FORM
Klondike Source Limited
ACN 087 595 980

Member

(Full name of member - please print)

(Address)

Appoints

(Proxy name or office held by Proxy - please print)

or failing that person, or if no person is named, **Tthe Chair of the Meeting T**to vote as directed below, or if no directions are given, as the Proxy or Chairman thinks fit (with discretion as to any business not referred to below) at the **Annual TGeneral Meeting** of the Company to be held at **11:00am on 31 May 2006**, and at any adjournment of that meeting.

IMPORTANT FOR MOTIONS BELOW

If the Chairman of the Meeting is to be your proxy and you have not directed your proxy to vote on any of the motions below, please place a mark in the adjacent box.

☐

By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of a motion and that votes cast by him, other than as a proxy holder, would be disregarded because of that interest.

If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on any motion and your votes will not be counted in computing the required majority if a poll is called on a motion.

The Chairman of the Meeting intends to vote undirected proxies in favour of each motion.

ORDINARY BUSINESS

	For	Against	Abstain
1. First Resolution as an Ordinary Resolution Receive the accounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Second Resolution as an Ordinary Resolution Elect a Director – Mr P J D Elliott	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Third Resolution an Ordinary Resolution Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SPECIAL BUSINESS

	For	Against	Abstain
1. First Resolution as an Ordinary Resolution Issue of up to 31,504,900 KSL Shares as consideration for all the Crossland Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Second Resolution as an Ordinary Resolution Issue of the Acquisition Options as consideration for all the Crossland Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Third Resolution an Ordinary Resolution Robert Anthony Cleary be appointed as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Fourth Resolution as an Ordinary Resolution Geoffrey Samuel Eupene be appointed as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Fifth Resolution as an Ordinary Resolution Peter William Walker be appointed as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Sixth Resolution as an Ordinary Resolution Robert Lewis Richardson be appointed as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Seventh Resolution as a Special Resolution Change of the Company's name to "Crossland Uranium Mines Limited"	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Eighth Resolution as a Special Resolution Issue of 6 million Incentive Shares to Robert Anthony Cleary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Ninth Resolution as a Special Resolution Issue of 9 million Incentive Shares to Geoffrey Samuel Eupene	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Tenth Resolution as a Special Resolution Issue of 1 million Incentive Shares to Peter William Walker	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Eleventh Resolution as a Special Resolution Issue of 1 million Incentive Shares to Patrick J D Elliott	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Twelfth Resolution as a Special Resolution Issue of 1 million Incentive Shares to Robert Lewis Richardson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	For	Against	Abstain
13. Thirteenth Resolution as an Ordinary Resolution Entry by the Company into the Consultancy Agreement with Geoffrey Samuel Eupene	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Fourteenth Resolution as an Ordinary Resolution Increase the level of directors' fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. Fifteenth Resolution as an Ordinary Resolution Issue 571,430 Ordinary Shares to Patrick J D Elliott	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. Sixteenth Resolution as an Ordinary Resolution Issue 571,430 Ordinary Shares to Raymond J Soper	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17. Seventeenth Resolution as an Ordinary Resolution Issue 465,711 Ordinary Shares to Robert G Adamson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Appointment of a second proxy

If appointing a second proxy, state the number or percentage of votes applicable to the proxy appointed by this form.

Date

Signature by Individual or Attorney

Execution by Company with Sole Director

Signature of Member or Attorney

Sole Director and Sole Secretary

Execution by Company

Director

Director / Secretary

Note: Please read under Part G: Proxies and Proxy Forms in the Notice of Annual General Meeting, as to completion and lodgement of this Proxy Form.

Lodgement place and deadline: Proxy forms must be received by the Company with the original or a certified copy of the authority under which the Proxy Form is signed (if the Proxy Form is signed by an attorney or other representative):

BY MAIL: **PO Box 324, Crows Nest NSW 1585; or**

BY HAND: **Level 10, 80 Arthur Street, North Sydney NSW 2060; or**

BY FACSIMILE: **(02) 9954 4011**

by no later than **11:00am (Sydney time) on 29 May 2006**. Please mark them to the attention of the Company Secretary.