

Klondike Source Limited



15 October 2004

The Manager
Stock Exchange of Newcastle Limited
384 Hunter Street
NEWCASTLE NSW 2300

Issue of Options

Klondike Source Limited (KSL) advises that it has issued a number of options as detailed below. None of these options will be quoted on NSX.

At the Company's Annual General Meeting (AGM) held on 27 May 2004, shareholders approved amendments to the Employee Incentive Option Plan (EIOP) and the issue of options to directors. Subsequent to that meeting the KSL Board resolved to make an offer of 1.3 million options to eligible directors, officers and consultants. Included in the 1.3 million options are 600,000 granted to director P J D Elliott and 400,000 options to alternate director and CEO R G Adamson (as approved by shareholders at the AGM). Following written acceptance of these offers the options have now been issued. These EIOP options have an exercise price of 20 cents and expire on 20 April 2009.

The KSL Board has also issued 1.6 million options to Founders C M Thomas (800,000) and R J Soper (800,000). This issue of options to founding directors was approved by shareholders at the AGM and the options have an exercise price of 30 cents and expire on 31 December 2007.

The Company's IPO Prospectus dated 13 Nov 2003 stated that subject to issuing at least 15 million shares as a result of the issue, KSL would issue to the Sponsoring Broker WHI Securities Pty Ltd 500,000 options with an expiry date of 31 December 2007 and an exercise price of \$0.25. The 500,000 options have now been issued and are escrowed until March 2005.

Yours faithfully
Klondike Source Limited

Robert J Waring
Company Secretary