

# Klondike Source Limited

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The Manager  
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## Klondike Project - Core Sampling Progress Report

At the release date (30 July 2004) of the Company's Report for the June Quarter, assays of samples from the deeper parts of Hole DDH04-05 (drilled to 341m) were awaited. Results for a batch of 20 half-core samples have now been received. The majority of these samples represent intervals ranging from one to two metres in length; these have reported nil to weakly anomalous gold. The district background for Klondike Schist appears to be approximately 0.01 g/t Au.

Of considerable geological importance however, are the analyses for two samples of shorter length (15cm and 70cm) taken between 235m and 246m depth. These samples were taken in order to identify which of several visually identified vein systems are potentially gold mineralized. Moderately to strongly geochemically anomalous gold and arsenic values in these two samples show that gold mineralization is associated with two types of veins, both of which cross-cut the host schist in which disseminated pyrite is common.

1. A sample of 15cm length assaying 0.2 g/t Au, and 0.6% arsenic contains a single 10mm quartz-arsenopyrite-pyrite veinlet which is considered to carry the entire gold contribution. It is obviously strongly auriferous.
2. The 70cm sample (0.06 g/t Au, and 0.5% arsenic) consists of a single multi-phase quartz vein with coarse arsenopyrite disseminated along the vein margins. It is likely that the arsenopyrite, which constitutes about 1% of the 70cm sample, is significantly auriferous and makes this vein distinctly gold anomalous compared to the common metamorphic quartz of the Klondike Schist.

The geology and geochemistry of these samples, and of other similar sections of the cores, clearly indicate that an apparently wide-spread gold mineralizing event has taken place within the Klondike Hills.

While clearly not the ore grade mineralization we are looking for, this is a significant advance in the Company's exploration project:

1. It increases our confidence that the source of the district's placer gold lies within the Klondike Hills.
2. It provides the first definitive evidence of the geological nature of at least one style of source mineralization.
3. Gold and arsenic soil geochemical anomalies that are the principal targets of the current drill program, are now confirmed as indicating the presence of subsurface quartz-sulphide-gold veins.

Interpretation of the core and sample results to date suggests that drill holes 1 to 5 have encountered traces of gold mineralization set within a relatively low-temperature alteration halo. This is consistent with being in the outer or distal zones of an areally extensive gold system. Continued sampling and interpretation will seek to determine likely vectors to the principal locus of the gold mineralizing system.

To date some 126 samples have been assayed from 5 drill holes. A further 115 samples (mainly holes 1 and 2) are with the laboratory and further sampling is in progress on holes 3, 4 and 5. Although the drill rig has been on site at Hole 6 for over a week, the contractor has delayed startup until 18 August.

Yours faithfully  
**Klondike Source Limited**

**Robert G Adamson**  
Chief Executive Officer

