

KLONDIKE SOURCE LIMITED

CHAIRMAN'S ADDRESS

ANNUAL GENERAL MEETING 27 MAY 2004

I welcome shareholders to this Annual General Meeting, the first since the Company's \$1.8 million capital raising and listing on the Newcastle Stock Exchange.

As shareholders are aware, we are exploring for the source of the Klondike alluvials – the site of the great gold rush in 1897/98.

The hardrock source of these alluvials has never been found. Traditional exploration has focussed on the outcropping quartz vein systems in the locality. However, there has, to date, been little success and the known systems appear too small to have been the source of the 12 million ounces of recorded gold bullion production.

In effect, the Klondike alluvials are probably the most intense geochemical anomaly ever seen.

Klondike Source has compiled the available exploration data and undertaken extensive geochemical and structural analysis. Our belief is that the source of the alluvials is a large, underlying, intrusive system with gold deposited in flat-lying schist units from which the alluvials have shed. Our technical team, headed by Bob Adamson and Colin Thomas, has developed plenty of evidence that points to this being the most likely source.

The next step and the most exciting is the drilling of the targets that all their work has identified.

Drilling on our claims is due to commence in early June. The program will comprise 2,200 metres of diamond drilling and, depending on early results, will test the anomalies set out in our recent prospectus. The drilling program will run from June to August and results will be released as soon as possible.

We are optimistic that success will follow from our rigorous technical approach and persistence. The likely footprint sizes are quite large which significantly improves the odds of success.

This is a hugely exciting exploration program that, if successful, offers the prospect of dramatic increases in the Klondike Source share price.

Thank you



P J D Elliott
Chairman