

Klondike Source Limited

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3 December 2004

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

Dear Sir

TERMINATION OF KSL-PACRIM CONSOLIDATION AGREEMENT, NOTIFICATION OF 50% INTEREST IN KLONDIKE JV CLAIMS AND CONSTITUTION OF JOINT VENTURE

Termination of Consolidation Agreement

The agreement dated 21 October 2003 between PacRim Resources Limited (PacRim) and Klondike Source Limited (KSL), whereby KSL was to acquire PacRim's interest in the Klondike Joint Venture tenements for the issue of KSL shares, has been terminated.

On 3 March 2004, PacRim was notified that KSL had raised at least its minimum subscription under its Prospectus issued on 13 November 2003, thereby satisfying the condition precedent in the agreement requiring KSL to raise at least \$500,000 for exploration. The agreement required that settlement was to take place within 14 days following satisfaction of the condition precedent. In spite of repeated attempts by KSL to communicate with PacRim, PacRim has failed to effect settlement. The directors of KSL have concluded that PacRim is in breach of the agreement. On 17 November 2004, KSL gave notice to PacRim terminating the agreement with immediate effect.

Notification of 50% Interest in Klondike Joint Venture Claims and Constitution of the Joint Venture

The termination of the Consolidation Agreement is without prejudice to the existing Joint Venture Heads of Agreement between the KSL and PacRim.

By a letter of 14 October 2004, KSL Exploration (Yukon) Limited (KSL Yukon) notified PacRim that having now expended CN\$1,000,000 on exploration, KSL Yukon had earned a 50% participating interest in the Joint Venture under the JV Heads of Agreement and that accordingly the Joint Venture is duly constituted, each party being entitled to a 50% interest and, according to the JV Heads of Agreement:

- (a) the parties shall thereafter share all costs in proportion to their participating interests during any period in which costs are incurred, and
- (b) failure to contribute on call will result in dilution of interest in accordance with the JV Heads of Agreement.

Potential Interests in Klondike Joint Venture and joint venture claims

As at 30 September 2004, Limited had expended CD\$1,270,500 on joint venture exploration. Should PacRim elect not to contribute 50% of CD\$270,500, KSL Exploration (Yukon) Limited will become entitled to a beneficial interest of 56% in the KSL-PRL Joint Venture and the joint venture claims.

Klondike Project Claims at 30 November 2004

<u>KSL-PRL Joint Venture Claims:</u>	Prospectus 2003	443
	Staked June 2004	346
	Relinquished 2004	<u>(4)</u>
		785 claims
<u>KSL 100% Claims</u>		139 claims

Yours faithfully

R G Adamson

Chief Executive Officer