

Klondike Source Limited



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PRESS RELEASE dated 12 February 2004 - for immediate use

1. Progress of Klondike Source Limited's IPO

- KSL has subscriptions and firm commitments in excess of the Minimum Subscription of \$1million for its Newcastle Stock Exchange IPO sponsored by Sydney broker WHI Securities Pty Ltd.
- The Directors are likely to close the issue earlier than the scheduled closing date of 27 February 2004, the date set out in the Supplementary Prospectus dated 18 December 2003.

2. Yukon tax credits and Australian currency appreciation extend KSL exploration funds

- In January 2004, the Yukon Territory Government announced an extension to March 2007 of the Territory's Mineral Exploration Tax Credit which offers a tax credit up to 25% on eligible exploration expenditures. KSL Exploration (Yukon) Limited has received rebates under this scheme for geological and geochemical surveys carried out since 2000; these rebates helped fund KSL exploration in subsequent years.
- Recent appreciation of the Aus\$ relative to the Can\$ (from 0.9 in November 2003 to 1.02 at 11 February 2004) together with the extension to the tax credit, provides considerable financial and exploration advantages to KSL.
- The principal benefit is that the IPO funds budgeted for drilling will now translate into significantly greater drilling metreage and potentially, more holes for the initial program.

3. KSL drill plans on schedule

The Company's plans to commence drilling in June this year are well advanced. Quotations have been received from drilling contractors based in the Yukon Territory. Next month, the Company expects to file a notification of work plan with the relevant Yukon government department.

4. Neighbouring exploration and NASDAQ Market Capitalisation

- KSL is pleased to note recent increased exploration interest in the Klondike goldfield and associated corporate activity.
- During January 2004, Klondike Star Mineral Corporation, a company listed on NASDAQ OTCBB (code KDSM), announced an option to farm in to nearly 500 claims, including the former Lone Star gold mine (about 1,000 oz gold production!), located in the Klondike Goldfield to the south of the KSL claims.
- At 30 November 2003, Klondike Star had on issue 10,433,037 shares, but has since raised C\$4,160,000 through two raisings, one of 1,000,000 shares at \$1.00, the other of 2,000,000 shares at \$1.58 per share. Following these raisings the company had 13,433,037 shares on issue not counting warrants. The NASDAQ closing price for KDSM shares on 10 February 2004 was \$3.57.

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