

1st December 2003

Dear Optionholder

The Company's records indicate that you are the holder of options to subscribe for fully paid ordinary shares in the Company. These options expire on 31 December 2003. In accordance with ASX listing rules, the following information is provided in respect of the expiry of these options:

1. The number of options held by you is shown at the top of this letter. You will receive one fully paid ordinary share for every one option that you choose to exercise. **The exercise of the options is entirely at your discretion – you are under no obligation to exercise your options.**
2. The exercise price of your options is \$1.75 each. At the date of this notice, the market price of the Company's shares is considerably less than the exercise price of the option.
3. The due date for payment is 5 pm (Perth time), 31 December 2003.
4. If you choose not to exercise your options by the due date, the options will lapse and you lose all your rights as an optionholder.
5. The last day for quotation (trading on ASX) of the options is Monday, 22 December 2003.
6. The latest available market sale price of the Company's shares quoted on ASX on 1 December 2003 was 6.3 cents. In the three months prior to the date of issue of this notice, the highest market price was 7.7 cents (on 10 September 2003) and the lowest market price was 5.2 cents (on 2 September 2003).

If you decide to exercise your options, you should complete the option exercise form previously provided to you and send that together with your exercise monies to the Company's share registry:

Advanced Share Registry Services
7th Floor, 200 Adelaide Terrace
PERTH WA 6000

OR Advanced Share Registry Services
PO Box 6283
EAST PERTH WA 6892

Telephone: (61 8) 9221 7288; Facsimile: (61 8) 9221 7869.

The Company encourages you to seek your own independent professional advice in deciding whether or not to exercise your options. If you have any queries or require clarification of any of the matters referred to above, please contact the undersigned.

Yours faithfully



S Shah
Company Secretary
AdultShop.com Limited