



15 April 2004

Dear Optionholder

NON-RENOUNCEABLE BONUS ISSUE OF OPTIONS ON A PRO-RATA BASIS

As you may be aware from previous market announcements, AdultShop.com Limited proposes to undertake a bonus issue of options. The Company will lodge a prospectus with the Australian Securities and Investments Commission and the Australian Stock Exchange on 5 May 2004 and now provides the following information. Please contact your professional adviser if you are unsure how to deal with this information.

Bonus options will be issued to all shareholders on the basis of one new option for every two shares held as at the record date of Friday, 14 May 2004. The options, which will form a new class of securities, will be issued free of charge and will be exercisable (each option having the right to subscribe for one ordinary share) at 10 cents each on or before 30 June 2006.

As an optionholder, you will only be eligible to participate in the bonus issue if you convert your options to ordinary shares on or before the Record Date of 14 May 2004.

The number of options held by you is shown at the top of this letter, as is the payment required by you if you were to exercise all of your options. You should note that as at the date of this letter, the market price of the Company's shares on the Australian Stock Exchange is 11.5 cents which is less than the exercise price of your options. **The exercise of options is entirely at your discretion.**

Please contact the undersigned if you have any queries or require clarification.

Yours faithfully

Susmit Shah
Company Secretary
AdultShop.com Limited