

# Klondike Source Limited

ABN 64 087 595 980

Half Yearly Report  
30 June 2005

**DIRECTORS**

Patrick J D Elliott (Chairman)

Colin M Thomas

Raymond J Soper

**CEO AND ALTERNATE DIRECTOR**

Robert G Adamson (alternate to C M Thomas)

**SECRETARY**

Robert J Waring

**REGISTERED AND  
ADMINISTRATION OFFICE**

Level 10, 80 Arthur Street, North Sydney, NSW 2060

Telephone: (02) 9957 3199

Facsimile: (02) 9954 4011

**AUDITORS**

Barnes Dowell James

**BANKERS**

Westpac Banking Corporation

## CONTENTS

Directors' Report .....	2
Statement of Financial Performance .....	3
Statement of Financial Position .....	4
Statements of Cash Flows.....	5
Notes to the Financial Statements.....	6
Directors' Declaration .....	9
Independent Audit Review Report .....	10
Audit Independence Declaration .....	11

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2004 and any public announcement made by Klondike Source Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

# DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Klondike Source Limited and the entity it controlled at the end of, or during the six months ended 30 June 2005.

## Directors

The following persons were directors of Klondike Source Limited during the whole of the financial year and up to the date of this report:

Patrick J D Elliott (Chairman)  
Colin M Thomas

Raymond J Soper  
Robert G Adamson (Alternate for C M Thomas)

## Review of operations

### Exploration

The Company has not undertaken any exploration on its Yukon mining claims during the past six months.

The only work undertaken has been statutory reporting of exploration work undertaken in the 2004 field season. Such reports are required for confirmation of applications for the renewal of tenure of the claims. The exploration reports submitted have been approved and tenure of relevant claims confirmed.

During the period, the Company received the tax credit of 25% on eligible exploration expenditure for the 2004 field season. This amounted to \$127,000.

The Company has received a request to farm-in to one block of claims. We have proposed terms for the farm-in which are currently being considered.

In the September quarter, limited expenditure has been provided for environmental rehabilitation work relating to the company's exploration drilling program in 2004.

### New Projects

During the first six months of 2005 the Company received a number of proposals for new project funding. The majority of the proposals failed to meet the investment criteria defined by the Directors. There were several projects which were of interest, albeit had significantly onerous terms, and alternative terms proposed by the Company were not accepted.

The Company is actively committed to acquiring one or more new projects on terms it considers will meet the investment criteria of the shareholders. At the present time two investment opportunities, both energy-related, are under consideration.

### KSL Tenement and Database

The Company's present claim holdings are:

- 87 claims (100%), and
- 788 claims (56% joint venture interest with PacRim Resources Limited)

KSL possesses one of the largest claim holdings in the Klondike Goldfield, and a very extensive district-wide database which includes the new drilling data. It has been commented that this is a well-organised database that has considerable value for explorationists and academics alike.

Most of the joint venture claims have sufficient expenditure to remain current for about five years. Their term and the associated datasets comprise an asset which is crucial to future exploration and academic research in the Klondike district. This provides the Company with potential leverage in negotiating with other parties regarding the next stage exploration of these claims. Furthermore, the Company also is well positioned in the event that exploration, already underway by other parties on adjacent properties, is successful.



**R J Soper**  
Director

Sydney  
12 September 2005

# STATEMENT OF FINANCIAL PERFORMANCE

*For the six months ended 30 June 2005*

		Consolidated	
	Note	2005	2004
		\$	\$
<b>Revenue from ordinary activities</b>	2	<b>18,022</b>	21,770
Exchange Rate Gains (Losses)		<b>(20,914)</b>	36,007
Administration costs		<b>(72,339)</b>	(71,922)
Consultants fees		<b>(29,482)</b>	(55,054)
Office rent		<b>(13,284)</b>	(13,284)
Depreciation		<b>(525)</b>	(2,337)
Other expenses from ordinary activities		<b>(16,827)</b>	(12,452)
<b>Loss from ordinary activities before income tax expense</b>		<b>(135,349)</b>	(97,272)
Income tax expense	3	-	-
<b>Net loss from ordinary activities after income tax expense</b>	7	<b>(135,349)</b>	(97,272)
Basic and diluted loss per share (cents)	5	<b>(0.43)</b>	(0.40)

The above statements of financial performance should be read in conjunction with the accompanying notes.

# STATEMENT OF FINANCIAL POSITION

*As at 30 June 2005*

		Consolidated	
	Note	30.6.2005	31.12.2004
		\$	\$
<b>CURRENT ASSETS</b>			
Cash		762,387	729,963
Receivables		31,053	210,946
<b>TOTAL CURRENT ASSETS</b>		<b>793,440</b>	<b>940,909</b>
<b>NON-CURRENT ASSETS</b>			
Exploration properties		461,697	448,190
Plant and equipment		13,072	13,605
<b>TOTAL NON-CURRENT ASSETS</b>		<b>474,769</b>	<b>461,795</b>
<b>TOTAL ASSETS</b>		<b>1,268,209</b>	<b>1,402,704</b>
<b>CURRENT LIABILITIES</b>			
Payables		181,733	162,659
Provisions		15,000	-
Other current liabilities		-	1,220
Interest bearing liabilities		-	32,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>196,733</b>	<b>195,879</b>
<b>NON-CURRENT LIABILITIES</b>			
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>196,733</b>	<b>195,879</b>
<b>NET ASSETS</b>		<b>1,071,476</b>	<b>1,206,825</b>
<b>SHAREHOLDERS' EQUITY</b>			
Contributed equity	6	3,007,518	3,007,518
Accumulated losses	7	(1,936,042)	(1,800,693)
<b>TOTAL EQUITY</b>		<b>1,071,476</b>	<b>1,206,825</b>

The above statements of financial position should be read in conjunction with the accompanying notes.

# STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2005*

	Consolidated	
	2005	2004
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payment to suppliers (inclusive of GST)	(96,743)	(229,307)
Interest received	18,022	21,770
Income tax refund received	124,792	-
<b>NET CASH (OUTFLOWS) FROM OPERATING ACTIVITIES</b>	<b>46,071</b>	<b>(207,537)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditure on mining interests (exploration)	(13,507)	(266,138)
Payments for property, plant and equipment	(140)	(13,320)
<b>NET CASH INFLOWS / (OUTFLOWS) FROM INVESTING ACTIVITIES</b>	<b>(13,647)</b>	<b>(279,458)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	-	1,503,000
Share Issue Costs	-	(120,453)
<b>NET CASH INFLOWS FROM FINANCING ACTIVITIES</b>	<b>-</b>	<b>1,382,547</b>
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>	<b>32,424</b>	<b>895,552</b>
Cash at the beginning of the financial half year	729,963	364,570
<b>CASH AT THE END OF THE FINANCIAL HALF YEAR</b>	<b>762,387</b>	<b>1,260,122</b>

The above statements of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2005

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Financial Reporting Framework

The half-year consolidated financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 1029 Interim Financial Reporting, the recognition and measurement requirements of applicable AASB Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of Klondike Source Limited and its controlled entity is a listed public company, incorporated and domiciled in Australia.

The interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2004 and any public announcement made by Klondike Source Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The Company has adopted relevant new pronouncements with no material impact.

## 2. REVENUE

	Consolidated	
	2005	2004
	\$	\$
<b>Revenue from outside operating activities</b>		
Interest received	<u>18,022</u>	<u>21,770</u>
Total revenue	<u><b>18,022</b></u>	<u><b>21,770</b></u>

## 3. INCOME TAX

Loss from ordinary activities before income tax expense	<u>(135,349)</u>	<u>(97,272)</u>
Income tax calculated at 30% (2004 – 30%)	<u>(40,605)</u>	<u>(29,182)</u>
Future income tax benefits not brought to account in respect of current year	<u>40,605</u>	<u>29,182</u>
Income tax attributable to operating loss	<u><b>-</b></u>	<u><b>-</b></u>

## 4. FINANCIAL REPORTING BY SEGMENT

The consolidated entity operates predominantly in the one industry and in one geographical area, namely Canadian mineral exploration and evaluation.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2005

## 5. EARNINGS PER SHARE

	2005	2004
<b>Basic and diluted</b>		
Weighted average number or shares used in basic and diluted earnings per share	<b>31,504,900</b>	24,424,131
<b>Basic and diluted earning per share (cents per share)</b>	<b>(0.43)</b>	(0.40)

## 6. SHARE CAPITAL

	<b>Consolidated</b>	
	2005	2004
	\$	\$
<b>Issued Capital</b>		
31,504,900 fully paid ordinary shares (2004 – 31,504,900)	<b>3,150,490</b>	3,150,490
Application monies received	-	-
Less share issue costs	<b>(142,972)</b>	(142,953)
	<b>3,007,518</b>	3,007,537
<b>Movement in issued capital</b>	<b>Number</b>	\$
Shares on issue 1 January 2005	<b>31,504,900</b>	3,007,517
Issued pursuant to IPO	-	-
Less share issue costs	-	-
Shares on issue 30 June 2005	<b>31,504,900</b>	3,007,517

## 7. ACCUMULATED LOSSES

	<b>Consolidated</b>	
	2005	2004
	\$	\$
Accumulated losses at the beginning of the half year	<b>(1,800,693)</b>	(1,088,968)
Net loss for the six months	<b>(135,349)</b>	(97,272)
Retained losses at the end of the half year	<b>(1,936,042)</b>	(1,186,240)

## 8. CONTINGENT LIABILITIES

Amounts payable to RobSearch Australia Pty Limited of \$118,175 (2004 - \$102,425) are contingent on KSL raising working capital of at least \$2.5m by float or a like amount is spent by way of expenditure by joint venture partners of the Company's exploration properties.

## 9. SUBSEQUENT EVENTS

There were at the date of this report no matters or circumstances which have arisen since 30 June 2005 that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in the financial years subsequent to 30 June 2005.



# **NOTES TO THE FINANCIAL STATEMENTS**

*30 June 2005*

## **10. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENT TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The consolidated entity will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards (“A-IFRS”) for annual reporting periods beginning on or after 1 January 2005. Accordingly, the consolidated entity’s first report prepared under A-IFRS will be for the year ending 31 December 2005.

The consolidated entity has continued the process of evaluating the impact of A-IFRS on the consolidated entity and has not yet fully finalised how it is going to manage the transition to A-IFRS. The directors expect to complete the impact study and commence a plan to prepare the consolidated entity to be A-IFRS compliant shortly.

# DIRECTOR'S DECLARATION

The directors declare that the financial statements and notes set out on pages 3 to 8:

- (a) comply with Accounting standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the six months ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Dated at SYDNEY this 12th day of September 2005

On behalf of the Board

A handwritten signature in black ink, appearing to read 'R J Soper', with a stylized flourish at the end.

**R J Soper**  
Director

## INDEPENDENT AUDIT REVIEW REPORT

---

To the members of Klondike Source Limited

### Scope

We have reviewed the financial reports of Klondike Source Limited for the half-year ended 30 June, 2005 as set out on pages 3 to 8. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half year. The company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: **Interim Financial Reporting** and other mandatory professional reporting requirements and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investment Commission / Newcastle Stock Exchange.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to enquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, do not express an audit opinion.

### Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Klondike Source Limited is not in accordance with:

(a) the Corporations Act (2001), including:

- (i) giving a true and fair view of the company's financial position at 30 June, 2005 and of its performance for the half year ended on that date; and
- (ii) complying with Accounting Standard AASB 1029: **Interim Financial Reporting** and the Corporations Regulations; and

(b) other mandatory professional reporting requirements.



Barnes Dowell James  
Chartered Accountants

Anthony Dowell  
Partner

Dated this <sup>12th</sup> day of September 2005

# BARNES DOWELL JAMES

CHARTERED ACCOUNTANTS

**Partners**

C H Barnes FCA  
A J Dowell CA  
M W James CA

**North Sydney**

Level 13, 122 Arthur St  
North Sydney NSW 2060

**Associate**

M A Nakkan CA

**Manly**

Level 5, 22 Central Ave  
Manly National Building  
Manly NSW 2095

**Correspondence**

PO Box 1664  
North Sydney NSW 2059

**Telephone**

(02) 9956 8500  
Facsimile  
(02) 9929 7428  
email:  
bdj@bdj.com.au

AJD:CS

7 September 2005

The Directors  
Klondike Source Limited  
Level 10, 80 Arthur Street  
NORTH SYDNEY NSW 2060

Dear Sirs,

## AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF KLONDIKE SOURCE LIMITED

In relation to our audit of the financial report of Klondike Source Limited for the financial half year ended 30 June, 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Yours faithfully  
BARNES DOWELL JAMES



A.J. DOWELL  
Partner



**HALF-YEAR INFORMATION GIVEN TO THE NSX UNDER LISTING RULE 4.2A**

**Name of entity**

***Klondike Source Limited***

**ABN or equivalent reference #**

***91 086 332 836***

**Reporting period**

***Half year ended 30 June 2005***

**Previous corresponding period**

***Half year ended 30 June 2004***

***The information contained in this report should be read in conjunction with the most recent annual financial statements.***

**Contents**

**Item**

Results for announcement to the market	1.
Net tangible assets per ordinary share	2.
Details of controlled entities	3.
Details of associates and joint venture entities	4.
Dividends	5.
Accounting Standards	6.
Audit Disputes or Qualifications	7.

## 1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from ordinary activities	up/down	17.2 %	to \$	18,022
Profit(Loss) from ordinary activities after income tax attributable to members	up/down	39.1 %	to \$	(135,349)
Net profit(loss) for the period attributable to members	up/down	39.1 %	to \$	(135,349)

Dividends per Share	Amount per share	Franked amount per share at ...% tax
Final	- cents	- cents
Interim	- cents	- cents

Record date for determining entitlements to dividends

***It is not proposed to pay dividends***

### Explanations

***Refer to the Half Yearly Report attached to this Appendix.***

**2. NET TANGIBLE ASSETS PER ORDINARY SHARE (NTA backing)**

Current Period	Previous corresponding period
\$0.03	\$0.05

**3. DETAILS OF CONTROLLED ENTITIES**

**3.1 Control Gained Over Entities During the Period**

Name of entity

*Not applicable*

Date control acquired, i.e. date from which profit(loss) has been calculated

Profit (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) during the current period *since the date on which control was acquired*

Profit (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) for the *whole of the previous corresponding period*

**3.2 Loss of Control of Entities During the Period**

Name of entity

*Not applicable*

Date of loss of control, i.e. date until which profit(loss) has been calculated

Profit (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) during the current period *to the date on which control was lost*

Profit (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) for the *whole of the previous corresponding period*

Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control

#### 4. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

##### 4.1 Equity Accounted Associates and Joint Venture Entities

	% Ownership Interest		Contribution to Net Profit	
	Current Period %	Previous Corresponding Period %	Current Period A\$ '000	Previous Corresponding Period A\$ '000
<i>Not Applicable</i>				

##### 4.2 Aggregate Share of Profits(Losses) of Associates and Joint Venture Entities

###### Groups' Share of Associates' and Joint Venture Entities':

###### Not Applicable

Profit(Loss) from ordinary activities before tax

Income tax on ordinary activities

###### Profit(Loss) from ordinary activities after tax

Extraordinary items net of tax

###### Net profit(loss)

Adjustments

###### Share of net profit(loss) of associates and joint venture entities

Current Period A\$ '000	Previous Corresponding Period A\$ '000
<i>N/A</i>	



## 5. DIVIDENDS

### 5.1 Dividends per Share

Not applicable  
 Final  
 - current period  
 - previous corresponding period

Interim  
 - current period  
 - previous corresponding period

Amount per share	Franked amount per share at ...% tax	Amount per share of
- cents - cents	- cents - cents	- cents - cents
- cents - cents	- cents - cents	- cents - cents

### 5.2 Total Dividends

Not applicable  
 Interim - paid/payable on **[date]**  
 Final - paid/payable on **[date]**

Current Period A\$ '000	Previous Corresponding Period A\$ '000
-	-
-	-
-	-

All dividends reflected as distributions above were paid during the period.

### 5.3 Dividend Reinvestment Plans

*The company does not have a dividend reinvestment plan.*

The last date for receipt of election notices for participation in any  
 dividend reinvestment plans

N/A

## 6. ACCOUNTING STANDARDS

*Accounting Standard AASB 1029 "Interim Financial Reporting", other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001* have been used in compiling the information contained in this Appendix

## 7. AUDIT DISPUTES OR QUALIFICATIONS

*There are no qualifications to the audit review report.*