

Klondike Source Limited



2 November 2005

Company Announcements Office
Newcastle Stock Exchange

Update on International Financial Reporting Standards (IFRS)

Note 10 of the half yearly report of Klondike Source Limited (KSL) for the six months ended 30 June 2005 KSL advised that the Company would shortly complete its assessment of the impact of the Australian equivalents to IFRS on the consolidated financial report at 30 June 2005. This evaluation has been completed and the Company is satisfied that the half yearly report to 30 June 2005 complies with A-IFRS. Set out below is a summary of the conclusions from this work.

First time adoption

These disclosures are covered by AASB 1. The opening balance sheet has been restated and is AIFRS compliant.

Income Tax

Income tax disclosures are covered by AASB 112. Deferred tax balances are now calculated based on a balance sheet approach. Previously they were calculated using a profit and loss approach. The current income tax expense and provision for current income tax are calculated based on the current year's profit or loss.

The deferred tax balances are calculated using the balance sheet giving rise to temporary differences. Any movement in deferred tax balances is disclosed as a deferred income tax expense. Current income tax expense and deferred income tax expense are disclosed separately on the face of the income statement.

The recognition criteria for deferred tax balances have changed. Deferred tax liabilities must be recognised. Previously they could be offset against unrecognized deferred tax assets if reversing in the same period. For the half-year ended 30 June 2005 there were no deferred tax liabilities.

Deferred tax assets, including tax losses, must be recognised if it is probable that they will be realised. Previously tax losses could only be recognised if realisation was virtually certain and timing differences if the realisation was beyond reasonable doubt.

For the half-year ended 30 June 2005 there is reasonable doubt as to the realisation of deferred tax assets and therefore no deferred tax assets have been recognised.

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Options issued to directors and employees.

These disclosures are covered by AASB 2.

Salaries paid by issue of shares

The salary expense and increase in share capital is measured by reference to the fair value of the shares issued.

Issue of options

Issues of options are to be valued at the time of vesting by reference to the fair value of the options issued. After recognition of the expense at vesting date no adjustment is made at a future time if the options are not exercised. Disclosure requirements are similar to current requirements

For the half-year ended 30 June 2005 there have been no options issued to directors or employees.

Exploration Properties

Under current Australian GAAP exploration and evaluation expenditure carried forward is valued on a cost basis in accordance with the exploration, evaluation and development expenditure accounting policy set out in Not 1 to the Financial Statements. Under AIFRS this will remain unchanged except that “pre-exploration” cost will not be recognised. Pre-exploration costs are costs incurred prior to licences being granted.

From management’s analysis of expenditures at 30 June 2005 no adjustments are necessary because no exploration costs have been incurred on licences prior to them being granted.

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Robert J Waring
Company Secretary