

Klondike Source Limited



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30 January 2006

The Manager,
Stock Exchange of Newcastle Limited
384 Hunter Street
NEWCASTLE NSW 2300

Dear Sir,

Report for Quarter ending 31 December, 2005

We submit the following quarterly report for Klondike Source Limited and its 100% owned subsidiary, KSL Exploration (Yukon) Limited (KSL Yukon) for the three months to 31 December 2005.

EXPLORATION – KLONDIKE GOLDFIELD

No exploration activities were conducted during the quarter.

KSL Tenements and Database

During the quarter, 59 of the 100% owned claims and 303 joint venture claims were relinquished.

The Company's present claim holdings are:

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

Most of the joint venture claims are current through 2010; their long term and the associated datasets comprise an asset which is crucial to future exploration in the Klondike district. The Company is well positioned in the event of exploration successes on adjacent properties.

NEW PROJECTS

The Company continues to evaluate new project opportunities. Our objective is either:

1. to contribute critical technical know-how and sufficient exploration expenditure to generate drill targets of significant economic potential, or
2. to use existing resources to participate in a suitable seed capital opportunity.

FINANCIAL

Cash on hand at 31 December 2005 was \$768,000.

Robert G Adamson MSc(Hons) MAusIMM CPGeo MMICA
Chief Executive Officer

Quarterly report to Newcastle Stock Exchange

Name of entity

Klondike Source Limited

ABN

64 087 595 980

Quarter ended ("current quarter")

31 December 2005

Consolidated statement of cash flows

Cash flows related to operating activities

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for		
(a) exploration and evaluation	-	(35)
(b) development		
(c) production		
(d) administration (includes payment for work done during the 2005 year)	(14)	(90)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	11	37
1.5 Interest and other costs of finance paid		
1.6 Income tax rebate received	-	138
1.7 Other income -		
Net Operating Cash Flows	(3)	50
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		-
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	-	10
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	-	10
1.13 Total operating and investing cash flows (carried forward)	(3)	60

1.13 Total operating and investing cash flows (brought forward)	(3)	60
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc.		
1.15 Proceeds from sale of forfeited shares		
1.16 Proceeds from borrowings		
1.17 Repayment of borrowings	-	(32)
1.18 Dividends paid		
1.19 Other (provide details if material)- IPO share issue costs		
Net financing cash flows	-	(32)
Net increase (decrease) in cash held	(3)	28
1.20 Cash at beginning of quarter/year	761	730
1.21 Exchange rate adjustments to item 1.20	10	10
1.22 Cash at end of quarter	768	768

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

1.23 Aggregate amount of payments to the parties included in item 1.2	4
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Salaries, Directors fees and consultancy fees at normal commercial rates.

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

3.1 Loan facilities

3.2 Credit standby arrangements

Amount available \$A'000	Amount used \$A'000
-	-
-	-

Estimated cash outflows for next quarter

4.1 Exploration and evaluation

4.2 Development

	\$A'000
20	
-	
Total	20

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

5.1 Cash on hand and at bank

Deposits at call

Bank overdraft

Other - 30 day bank bills

	Current quarter \$A'000	Previous quarter \$A'000
105	77	
33	54	
630	630	
Total: cash at end of quarter (item 1.22)	768	761

Changes in interests in mining tenements

6.1 Interests in mining tenements
relinquished, reduced or lapsed

6.2 Interests in mining tenements
acquired or increased

Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of of quarter
Quartz Mining Claims	100%	87	28
Quartz Mining Claims	56% (JV)	788	485

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities (description)					
7.2 Changes during quarter					
(a) Increases through issues					
(b) Decreases through returns of capital, buy-backs, redemptions					
7.3 Ordinary securities		31,504,900	25,840,560		
7.4 Changes during quarter					
(a) Increases through issues ordinary shares					
(b) Decreases through returns of capital, buy-backs, redemptions					
7.5 Convertible debt securities (description)					
7.6 Changes during quarter					
(a) Increases through issues					
(b) Decreases through returns of capital, buy-backs, redemptions					
7.7 Options					
Description and conversion factor		Total Number	Number Quoted	Exercise price	Expiry Date
Listed					
Nil					
Unlisted					
31 December 2007 Options	1 share for 1 option	6,487,500	Nil	20 cents	31-Dec-07
31 December 2007 Options	1 share for 1 option	5,487,600	Nil	25 cents	31-Dec-07
7.8 Issued during quarter		Nil			
7.9 Exercised during quarter		Nil			
7.10 Expired during quarter		Nil			
7.11 Debentures		Nil			
7.12 Unsecured		Nil			

Compliance statement

1

This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to NSX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: _____ Date: 31 January 2006
(Company Secretary)

Print name: Robert Waring

Notes

1

The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2

The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3

Issued and quoted securities The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4

The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.

5

Accounting Standards NSX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.