

# Klondike Source Limited

ABN 64 087 595 980

Half Yearly Report  
30 June 2004

**DIRECTORS**

Patrick J D Elliott (Chairman)  
Colin M Thomas  
Raymond J Soper

**CEO**

Robert G Adamson

**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

**C  
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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 2003 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.

# DIRECTOR'S 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 2004.

## 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

### Corporate

During the first quarter, 18.410 million shares were allotted following the raising of A\$1.841 million. Klondike Source Limited was admitted to the Official List of the Stock Exchange of Newcastle Limited and the Company's shares commenced trading on 19 March 2004.

PacRim Resources Limited (PRL) was notified on 3 March 2004 that following approval for quotation on the Newcastle Stock Exchange, the Company would have satisfied the condition precedent in the Deed of Assignment enabling the Company to proceed with settlement of the Deed of Assignment between PRL, the Company and KSL Yukon. No shares have been issued by the Company to PRL as PRL has not yet completed the assignment.

### Exploration

The Company planned and has commenced, the first diamond core drilling program ever carried out in the central sector of the Klondike Goldfield. The Mining Land Use Notification enabling the program was approved on 14 May 2004 and drilling commenced in the second week of June. By 30th June three NQ diamond core holes had been completed for a total of 736.7 metres drilled.

While no economically significant gold assays have been intersected in these initial holes, valuable information relating to the geology and structural setting of the Klondike Goldfield has been obtained for the first time. The rapidly expanding database of lithologic, structural, geochemical and petrographic information being derived from core logging and sampling will materially assist interpretation of the goldfield's geology and determine the nature and direction of further exploration.

Geochemical soil sampling continued to extend the database generated in previous years and by 30<sup>th</sup> June, a total of 270 soil samples extending over 13.5 line km had been collected.

A total of 382 new claims were staked during the period and 24 claims were allowed to lapse.

The Company now holds 164 claims outright and 793 claims through the joint venture with PacRim Resources Limited.

In January 2004, the Yukon Territory Government announced an extension to March 2007 of the Territory's Mineral Exploration Tax Credit which offers a tax credit up to 25% on eligible exploration expenditures. KSL Exploration (Yukon) Limited has received rebates under this scheme for geological and geochemical surveys carried out by the Company since the 2000 field season.

Subsequent to 30<sup>th</sup> June 2004, an additional three holes (totalling 680 metres) have been drilled to complete the 2004 drilling program. The geological data is being assessed as core analyses are received. Some preliminary interpretations have been released and further releases will be made as additional or revised conclusions are drawn.



**Colin M Thomas**  
Director

Sydney

10 September 2004

# STATEMENT OF FINANCIAL PERFORMANCE

*For the six months ended 30 June 2004*

		<b>Consolidated</b>	
	<b>Note</b>	<b>2004</b>	<b>2003</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue from ordinary activities</b>	<b>2</b>	<b>21,770</b>	<b>3</b>
Exchange Rate Gains (Losses)		<b>36,007</b>	<b>-</b>
Administration costs		<b>(71,922)</b>	<b>(16,138)</b>
Consultants fees		<b>(55,054)</b>	<b>(16,496)</b>
Office rent		<b>(13,284)</b>	<b>(25,000)</b>
Depreciation		<b>(2,337)</b>	<b>-</b>
Other expenses from ordinary activities		<b>(12,452)</b>	<b>(352)</b>
<b>Loss from ordinary activities before income tax expense</b>		<b>(97,272)</b>	<b>(57,983)</b>
Income tax expense	<b>3</b>	<b>-</b>	<b>-</b>
<b>Net loss from ordinary activities after income tax expense</b>	<b>7</b>	<b>(97,272)</b>	<b>(57,983)</b>
Basic and diluted loss per share (cents)	<b>5</b>	<b>(0.40)</b>	<b>(0.48)</b>

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

# STATEMENT OF FINANCIAL POSITION

*As at 30 June 2004*

		<b>Consolidated</b>	
	Note	<b>30.6.2004</b>	31.12.2003
		\$	\$
<b>CURRENT ASSETS</b>			
Cash		<b>1,260,122</b>	364,570
Receivables		<b>88,807</b>	33,757
<b>TOTAL CURRENT ASSETS</b>		<b>1,348,929</b>	398,327
<b>NON-CURRENT ASSETS</b>			
Exploration properties		<b>752,585</b>	486,447
Plant and equipment		<b>11,643</b>	660
<b>TOTAL NON-CURRENT ASSETS</b>		<b>764,228</b>	487,107
<b>TOTAL ASSETS</b>		<b>2,113,157</b>	885,434
<b>CURRENT LIABILITIES</b>			
Payables		<b>259,860</b>	317,412
<b>TOTAL CURRENT LIABILITIES</b>		<b>259,860</b>	317,412
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing liabilities		<b>32,000</b>	32,000
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>32,000</b>	32,000
<b>TOTAL LIABILITIES</b>		<b>291,860</b>	349,412
<b>NET ASSETS</b>		<b>1,821,297</b>	536,022
<b>SHAREHOLDERS' EQUITY</b>			
Contributed equity	6	<b>3,007,537</b>	1,624,990
Accumulated losses	7	<b>(1,186,240)</b>	(1,088,968)
<b>TOTAL EQUITY</b>		<b>1,821,297</b>	536,022

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 2004*

	<b>Consolidated</b>	
	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payment to suppliers (inclusive of GST)	(229,307)	(28,140)
Interest received	21,770	3
<b>NET CASH (OUTFLOWS) FROM OPERATING ACTIVITIES</b>	<b>(207,537)</b>	<b>(28,137)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditure on mining interests (exploration)	(266,138)	(67,167)
Payments for property, plant and equipment	(13,320)	-
<b>NET CASH INFLOWS / (OUTFLOWS) FROM INVESTING ACTIVITIES</b>	<b>(279,458)</b>	<b>(67,167)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	1,503,000	6,675
Share Issue Costs	(120,453)	-
<b>NET CASH INFLOWS FROM FINANCING ACTIVITIES</b>	<b>1,382,547</b>	<b>6,675</b>
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>	<b>895,552</b>	<b>(88,629)</b>
Cash at the beginning of the financial half year	364,570	90,659
<b>CASH AT THE END OF THE FINANCIAL HALF YEAR</b>	<b>1,260,122</b>	<b>2,030</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

## 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 2003 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

	<b>Consolidated</b>	
	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue from outside operating activities</b>		
Interest received	<u>21,770</u>	<u>3</u>
Total revenue	<u>21,770</u>	<u>3</u>

## 3. INCOME TAX

Loss from ordinary activities before income tax expense	<u>(97,272)</u>	<u>(57,983)</u>
Income tax calculated at 30% (2003 – 30%)	<u>(29,182)</u>	<u>(17,395)</u>
Future income tax benefits not brought to account in respect of current year	<u>29,182</u>	<u>17,395</u>
Income tax attributable to operating loss	<u>-</u>	<u>-</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 2004

## 5. EARNINGS PER SHARE

	2004	2003
<b>Basic and diluted</b>		
Weighted average number or shares used in basic and diluted earnings per share	<u>24,424,131</u>	11,975,100
<b>Basic and diluted earning per share (cents per share)</b>	<u>(0.40)</u>	(0.48)

## 6. SHARE CAPITAL

	<b>Consolidated</b>	
	2004	2003
	\$	\$
<b>Issued Capital</b>		
31,504,900 fully paid ordinary shares (2003 – 13,094,900)	<b>3,150,490</b>	1,309,490
Application monies received	-	338,000
Less share issue costs	<u>(142,953)</u>	<u>(22,500)</u>
	<b>3,007,537</b>	1,624,990
<b>Movement in issued capital</b>	<b>Number</b>	<b>\$</b>
Shares on issue 1 January 2004	<b>13,094,900</b>	1,624,990
Issued pursuant to IPO	<b>18,410,000</b>	1,503,000
Less share issue costs	-	<u>(120,453)</u>
Shares on issue 30 June 2004	<b>31,504,900</b>	<u>3,007,537</u>

## 7. ACCUMULATED LOSSES

	<b>Consolidated</b>	
	2004	2003
	\$	\$
Accumulated losses at the beginning of the half year	<b>(1,088,968)</b>	(707,163)
Net loss for the six months	<u>(97,272)</u>	<u>(57,983)</u>
Retained losses at the end of the half year	<u><b>(1,186,240)</b></u>	<u>(765,146)</u>

## 8. CONTINGENT LIABILITIES

Amounts payable to RobSearch Australia Pty Limited of \$102,425 (2003 - \$98,675) 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 2004 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 2004.



# DIRECTOR'S DECLARATION

The directors declare that the financial statements and notes set out on pages 3 to 7

- (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 2004 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 10th day of September 2004

On behalf of the Board

A handwritten signature in black ink, appearing to read 'C. Thomas', written in a cursive style.

**Colin M Thomas**  
**Director**

## **INDEPENDENT AUDIT REVIEW REPORT**

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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, 2004 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, 2004 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 10<sup>th</sup> day of September 2004

# **HALF-YEAR INFORMATION GIVEN TO THE NSX UNDER LISTING RULE 6.10**

Name of entity

**Klondike Source Limited**

ABN or equivalent reference #

**91 086 332 836**

Reporting period

**Half year ended 30 June 2004**

Previous corresponding period

**Half year ended 30 June 2003**

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

## **Contents**

## **Item**

Results for announcement to the market  
Net tangible assets per ordinary share  
Details of controlled entities  
Details of associates and joint venture entities  
Dividends  
Accounting Standards  
Audit Disputes or Qualifications

1.  
2.  
3.  
4.  
5.  
6.  
7.

## **1. RESULTS FOR ANNOUNCEMENT TO THE MARKET**

Revenue from ordinary activities	up/down	<b>100 %</b>	to	<b>\$21,770</b>
<del>Profit</del> (Loss) from ordinary activities after income tax attributable to members	up/down	<b>67.8 %</b>	to	<b>-\$97,272</b>
Net profit (loss) for the period attributable to members	up/down	<b>67.8 %</b>	to	<b>-\$97,272</b>

## **Dividends per Share**

Final

Interim

Amount per share	Franked amount per share at 30% tax
- cents	- cents
- 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.***

**Klondike Source Limited**

	Current Period	Previous corresponding period
2. NET TANGIBLE ASSETS PER ORDINARY SHARE (NTA backing)	\$0.06	\$0.05

**3. DETAILS OF CONTROLLED ENTITIES**
**3.1 Control Gained Over Entities During the Period**

Name of entity	<b>Not applicable</b>		
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 <i>since the date on which control was acquired</i>			
Profit (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) for the <i>whole of the previous corresponding period</i>			

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

Name of entity	<b>Not applicable</b>		
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 <i>to the date on which control was lost</i>			
Profit (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) for the <i>whole of the previous corresponding period</i>			
Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control			

# **Klondike Source Limited**

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

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

<i>Not Applicable</i>
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%Ownership Interest	
Current Period %	Previous Corresponding Period %

Contribution to Net Profit	
Current Period A\$ '000	Previous Corresponding Period A\$ '000

### **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
<i>N/A</i>	

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 30% tax	Amount per share of foreign source dividend
# 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]**

No dividends were paid during the period.

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

### 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 report.***