

gsh/psh/gsh583

23 September 2003

The Manager
Company Announcements Office
Australian Stock Exchange Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

Via ASX Online

No. of pages – 40

Dear Sir,

Re: Audited financial report

Enclosed for release to the market is a copy of the audited financial report for Goldsearch Limited for the year ended 30 June 2003.

The annual general meeting is to be held at The All Seasons Premier Menzies Hotel, 14 Carrington Street, Sydney on Thursday 20 November 2003 at 11.00 am.

The annual report and notice of annual general meeting are currently scheduled to be lodged with ASX and mailed to shareholders on Monday 20 October 2003.

For and on behalf of the directors of
Goldsearch Limited



P S Hewson
Secretary

DIRECTORS' REPORT

Your directors have pleasure in submitting the statement of financial position of the Company at 30 June 2003 together with related statement of financial performance, statement of cash flows and notes thereto for the year then ended and report as follows:

Directors

The names of the directors in office at the date of this report and throughout the year are:

Mr J. Landerer, CBE AM
Mr A.G. Harris
Mr R.B. Leece, AM RFD (appointed 7/8/02)
Mr J.M.E. Percival

Principal activities

The principal activities of the Company during the year were exploration for gold and other minerals and investment in technology related opportunities.

There were no significant changes in the nature of the activities of the Company that occurred during the year.

Results

The result for the financial year was a loss of \$1,339,168 after income tax expense of \$nil.

Dividend

No dividends were paid or declared during the year by the Company and no recommendation is made as to dividend.

Review of operations

During the year under review:

- The Company expended and capitalised \$350,876 on exploration and wrote off \$833,571 of capitalised exploration costs.
- On 31 July 2002 the Company's 106,607,369 quoted options expired.
- On 7 August 2002 Mr R B Leece, AM RFD was appointed a director of the Company to fill a casual vacancy on the board.
- Following the resignation of an executive 3,000,000 unquoted options lapsed on 22 August 2002 under the terms of their original issue.
- In the report for the quarter ended 30 September 2002 released on 30 October 2002 the Company advised that, during the quarter:
 - Work area clearances were completed on four exploration licences (ELs 9407, 5702, 9443 and 9741) in the Musgrave Block project and that field exploration activity was expected to commence in the December quarter.
 - The Company reduced the area under application in the St Arnaud prospect located 100 kilometres west of Bendigo in Victoria from 311 square kilometres to 59 square kilometres.
- In the report for the quarter ended 31 December 2002 released on 31 January 2003 the Company advised that, during the quarter
 - Field exploration activity commenced on four of the Company's Musgrave block exploration licences (ELs 9407, 5702, 9443 and 9741). A helicopter supported visit to the area to substantiate geological structures took place during November 2002. This was the first visit by mining company geologists in over 20 years. A total of 21 rock samples and 8 orientation geochemical samples were collected.
 - Phelps Dodge Australasia Inc visited the site of the Hawks Nest prospect in the Gawler Craton region of South Australia to explore the base metal potential of EL 2899 which covers an area of 324 square kilometres and that a detailed work program was being assessed.
 - An application was made for 39 units at Windeyer in central west New South Wales (Orange prospect ELA 2026) located approximately 50 kilometres south-south-west of Mudgee.
- On 11 February 2003 the directors advised that they proposed an underwritten issue of shares and options to existing shareholders on a one for four rights entitlement to raise additional working capital of approximately \$1.4 million net.
- On 14 February 2003 the directors announced that the Company had entered into a joint venture agreement with Rheola Gold Mining Company Pty Ltd to earn an interest in its mining tenements, which are located close to Rheola approximately 45 kilometres west of Bendigo in Victoria. The tenements (MLs 5093 and 5309) cover an area of approximately 104 hectares and are a continuation of the Old Matrix mine.
- On 24 March 2003 the directors advised that underwriting arrangements for the proposed issue announced on 11 February 2003 had

been finalised and a prospectus for the issue had been lodged with ASIC.

- In the report for the quarter ended 31 March 2003 released on 29 April 2003 the Company advised that, during the quarter:
 - In the South Australian DeRose Hill sector (EL2910) of the Musgrave Block, heritage clearance for a first pass geochemical sampling visit was completed and sampling was to commence in April 2003 to follow up extensive nickel and cobalt geochemical anomalism defined by previous explorers in the early 1970's.
 - In the Northern Territory region of the Musgrave Block an orientation geochemical sampling program and study completed during the December quarter enabled Independence Gold NL to formulate an effective and logistically simple sampling strategy for the region. Results from this study confirmed the viability of wide spaced reconnaissance sampling techniques which will allow rapid assessment of areas where prospective targets are typically covered by significant amounts of wind blown, aeolian desert sands.
 - Under the joint venture with Rheola Gold Mining Company Pty Ltd a nine hole 786 metre percussion (RAB) drill program was completed on 8 March 2003 to explore the gold potential of the Matrix Reef located 43 kilometres west of Bendigo in Victoria. (the program did not identify any significant gold accumulation and accordingly the Company did not exercise the option to proceed with the joint venture.)
- On 29 May 2003 the directors advised having completed the allotment of the 36,491,869 shares and options offered by the Company's prospectus dated 24 March 2003. 5,440,158 shares and options were allotted pursuant to acceptances from shareholders and the remaining 31,051,711 shares and options were subscribed to by the underwriters to the issue.

Significant changes

Apart from the expiry of options and the issues of securities set out in the above review of operations, there were no significant changes to the state of affairs of the Company which occurred during the financial year ended 30 June 2003.

Events subsequent to balance date

Except for the matters set out in Note 17 to the attached financial statements, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations, the result of those operations, or the state of affairs of the Company in financial years subsequent to the financial year ended 30 June 2003.

Likely developments

The directors intend the Company to continue to explore the Company's mineral tenements both by direct exploration and by joint venture and to seek new exploration or development projects; they also intend to realise the remainder of the Company's technology investments; otherwise there are no known likely developments in the operations of the Company.

Information on directors

John LANDERER, CBE AM
(non-executive chairman of directors)

- Appointed as director and non-executive chairman on 11 October, 1995.
- A qualified lawyer - LL.B., Sydney University.
- Senior partner of Sydney Lawyers, Landerer & Company.
- Chairman of directors of National Hire Group Limited and a director of a number of other prominent private family companies.
- Beneficially holds 2,829,936 fully paid ordinary shares in the capital of the Company and has an indirect interest in a further 1,621,565 shares, 621,565 quoted options and 3,000,000 unquoted options over unissued ordinary shares in the Company.

Albert G. HARRIS
(non-executive director)

- Appointed a director on 11 October 1995.
- Member of the Institute of Measurement and Control.
- Has been involved in the international petroleum and mineral resources industries for 50 years.
- Has had senior management responsibility for exploration operations and the development of petroleum and mineral projects in Australia, the Middle East, West Africa and the USA.
- Director of Takoradi Gold NL.
- Beneficially holds 200,000 fully paid ordinary shares in the capital of the Company and 3,000,000 unquoted options over unissued ordinary shares in the Company.

Robert B. LEECE, AM RFD
(non-executive director)

- Appointed a director on 7 August 2002.
- A civil engineer with extensive experience in project management and construction, both in the private and public sectors.
- Formerly Deputy Director General of the Olympic Co-ordination Authority and chief executive of the Olympic Roads and Transport Authority for the 2000 Sydney Olympic Games.
- He was also chairman of the Southern Sydney Recovery Task Force to co-ordinate and manage the damage from the 1999 Sydney hail storms.
- Has been involved as a director of several public and private development companies including Abigroup, Transfield and Merlin International Properties.
- Indirectly holds 8,662,465 fully paid ordinary shares in the capital of the Company and 621,565 quoted options over unissued ordinary shares in the Company.

John M.E. PERCIVAL
(executive director – acting general manager operations)

- Appointed a director on 11 October 1995.
- Has been involved in investment and merchant banking for over 25 years including 15 years as investment manager of Barclays Bank New Zealand Limited.
- Has had extensive experience in stockbroking, corporate finance and investment management.
- Indirectly holds 900,000 fully paid ordinary shares in the capital of the Company and 3,000,000 unquoted options over unissued ordinary shares in the Company.

Corporate governance

The following statement outlines the principal corporate governance practices that were in place throughout the financial year.

The directors of the Company in office at the date of this statement are set out above. Three of the four directors are non-executive, including the chairman.

Directors are required to seek re-election by shareholders at least every three years.

The composition of the board is determined by all directors using the following principles:

- The chairman of the board should be a non-executive director.

- The board should comprise a majority of non-executive directors.

When a vacancy exists on the board or where it is considered that a director with particular skills or experience is required, the board selects a panel of candidates with the appropriate expertise and experience from which the most suitable candidate is appointed on merit.

The shareholders determine the aggregate remuneration of the directors, and the directors then determine the allocation of the approved remuneration between themselves.

The board is responsible for establishing the policies of the Company, overseeing its financial position, approving major capital expenditures, and exploration programs and expenditures. The board is also responsible for the appointment and supervision of the chief executive of the Company, and monitoring the corporate conduct of its officers.

The board meets monthly and deals with most corporate governance matters, including:-

- reviewing executive remuneration;
- reviewing the composition of the board;
- reviewing published reports and stock exchange announcements to ensure their accuracy and compliance with statutory requirements;
- identification of areas of significant business risk and the management of those risks; and
- the establishment and maintenance of appropriate ethical standards for the Company.

A separate, formally constituted, audit committee reviews the published accounts of the Company as well as the external auditing arrangements and the adequacy, quality and effectiveness thereof. The committee consists of all four directors. Mr J. Landerer, CBE AM is chairman of the committee.

Because of the relatively small size of the Company and its operations, the board does not consider it appropriate, at this time, to form separate committees to deal with executive remuneration or nomination of directors.

Individual directors are able to seek independent professional advice, at the Company's expense, on matters relevant to their role as a director. This is subject to the prior approval of the chairman, which may not be unreasonably withheld, and the other directors being given a copy of such advice.

Board members, executive management and company officers are made aware of the requirements to follow corporate policies and procedures, to obey the law and to maintain appropriate standards of honesty and integrity at all times.

Directors' and auditors' indemnification

During or since the end of the financial year the Company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- Under the provisions of the constitution of the Company every officer (and former officer) of the Company is indemnified, to the extent permitted by law, against all costs expenses and liabilities incurred as such an officer providing it is in respect of a liability to another person (other than the Company or a related body corporate) where such liability does not arise out of conduct involving a lack of good faith and it is in respect of a liability for costs and expenses incurred in defending proceedings in which judgement is given in favour of the officer or in which the officer is acquitted or is granted relief under the Law.
- In prior years the Company paid premiums on a policy to insure each of the directors and executives of the Company against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or executive of the Company, other than conduct involving a wilful breach of duty in relation to the Company. This policy was allowed to lapse in November 2001 and at the date of this report has not been renewed.

Directors' meetings

Attendance of individual directors at board meetings held during the year ended 30 June 2003 was as follows:

Director	Meetings held	Meetings attended
J. Landerer, CBE AM	13	12
A.G. Harris	13	13
R.B. Leece, AM RFD	13	8
J.M.E. Percival	13	13

In addition there were 3 meetings of the audit sub-committee which were attended by directors as follows:

Director	Meetings held	Meetings attended
J. Landerer, CBE AM	3	2
A.G. Harris	3	3
R.B. Leece, AM RFD	3	2
J.M.E. Percival	3	3

Options

At the date of this report there are 36,491,869 quoted and 13,500,000 unquoted options over unissued shares in the capital of the Company, details of which are set out in Notes 16 and 17 to the attached financial statements. During the financial year 36,491,869 quoted options were issued; 106,607,369 quoted options expired; and 3,000,000 unquoted options lapsed. No options were exercised during the financial year or to the date of this report. 1,500,000 unquoted options have been issued subsequent to balance date.

Directors' and officers' remuneration

The remuneration of the directors is established by the shareholders. The remuneration of executive directors and executive officers of the Company is established by the board of directors. Details of remuneration paid during the year to directors and the five most highly remunerated executive officers are as follows:

<u>Directors:</u>	<u>Fees</u>	<u>Super'n</u>	<u>Total</u>
	\$	\$	\$
J. Landerer, CBE AM	22,207	1,999	24,206
A.G. Harris	24,000	nil	24,000
R B Leece, AM RFD	19,998	1,800	21,798
J.M.E. Percival	22,207	1,999	24,206
<u>Officers:</u>	<u>Salary</u>	<u>Super'n</u>	<u>Total</u>
	\$	\$	\$
J M E Percival	56,000	5,040	61,040

No share options were granted to directors or executives of the Company during the financial year. The value of the options over unissued shares is calculated using the Black Scholes option pricing model, which takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Environmental regulation

The Company's operations are subject to general environmental regulation under the laws of the states and territories of Australia in which it operates. In addition, the various exploration licences held by the Company impose environmental obligations on it in relation to site remediation following sampling and drilling programs. The board is aware of these requirements and management has been instructed to ensure that they are complied with. The directors are not aware of any breaches of these environmental regulations and licence obligations during the year.

Directors' benefits

Since the end of the previous financial year no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the annual accounts of the Company, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related entity with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, other than:

- Mr J. Landerer, CBE AM receives a benefit from fees paid for legal services provided by the Company's solicitors, Landerer & Company, of which he is the senior partner. Fees paid for these services during the year totalled \$56,496 (2002: \$9,530) and were charged at normal commercial rates.
- Mr J Landerer, CBE AM partly underwrote the rights issue made by the Company during the year and in this capacity was paid underwriting fees of \$1,459.
- Mr R B Leece, AM RFD, through his family company Daradine Pty Limited, partly underwrote the rights issue made by the Company during the year and in this capacity Daradine Pty Limited was paid underwriting fees of \$1,459.
- Mr A.G. Harris received reimbursement for travelling expenses totalling \$2,948 (2002: \$1,755) during the year.

Signed in accordance with a resolution of the board of directors.

J. Landerer, CBE AM
Director

A.G. Harris
Director

Sydney
23 September 2003

GOLDSEARCH LIMITED
ABN 73 006 645 754

STATEMENT OF FINANCIAL POSITION
as at 30 June 2003

	Note	2003	2002
		\$	\$
CURRENT ASSETS			
Cash assets	24(a)	1,337,710	791,432
Receivables	6	22,715	12,391
Other	7	22,300	22,631
TOTAL CURRENT ASSETS		1,382,725	826,454
NON-CURRENT ASSETS			
Other financial assets	9	521,500	472,745
Property, plant & equipment	8	5,872	8,446
Exploration and investment expenditure	10	2,100,778	2,583,473
TOTAL NON-CURRENT ASSETS		2,628,150	3,064,664
TOTAL ASSETS		4,010,875	3,891,118
CURRENT LIABILITIES			
Payables	14	60,493	72,674
Provisions	15	20,713	9,282
TOTAL CURRENT LIABILITIES		81,206	81,956
TOTAL LIABILITIES		81,206	81,956
NET ASSETS		3,929,669	3,809,162
EQUITY			
Contributed equity	16	22,696,356	21,236,681
Accumulated losses	5	(18,766,687)	(17,427,519)
TOTAL EQUITY		3,929,669	3,809,162

The accompanying notes form part of these financial statements.

GOLDSEARCH LIMITED
ABN 73 006 645 754

STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2003

	Note	2003 \$	2002 \$
Revenue from ordinary activities	2	22,330	28,157
Provision for diminution in value of investment		-	358,491
Professional and legal fees		108,905	159,771
Capitalised exploration expenses written off		833,571	103,500
Salary costs (including directors fees)		110,071	94,631
ASX and share registry expenses		35,543	43,662
Operating lease expenses (office premises)		39,327	35,545
Insurance		9,798	14,893
Provision for non-recovery of loan		-	12,500
Underwriting costs		140,823	7,273
Depreciation and amortisation		3,093	1,479
Other costs		80,367	82,269
Total expenses from ordinary activities		1,361,498	914,014
Loss from ordinary activities before income tax expense	3	(1,339,168)	(885,857)
Income tax expense relating to ordinary activities	4	-	-
Loss from ordinary activities after income tax expense		(1,339,168)	(885,857)
Net loss		(1,339,168)	(885,857)
Net loss attributable to members of Goldsearch Limited		(1,339,168)	(885,857)
Non-owner transaction changes in equity		-	-
Total changes in equity other than those resulting from transactions with owners as owners		(1,339,168)	(885,857)
Basic earnings/(loss) per share - cents per share	25	(0.90)	(0.64)

The accompanying notes form part of these financial statements.

GOLDSEARCH LIMITED
ABN 73 006 645 754

STATEMENT OF CASH FLOWS
for the year ended 30 June 2003

	Note	2003	2002
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Payments to suppliers and employees		(270,857)	(424,456)
Payments to related parties	18(d)	(117,118)	(43,797)
Interest received		18,053	27,657
Proceeds from non-operating activities		-	75,500
		<hr/>	<hr/>
Net cash used in operating activities	24(b)	(369,922)	(365,096)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for exploration activities		(315,344)	(180,605)
Payment to related parties for exploration activities	18(d)	(37,994)	(29,949)
Payment for property, plant & equipment		(559)	(2,309)
Payment for investment in listed entities		(48,755)	(96,860)
		<hr/>	<hr/>
Net cash used in investing activities		(402,652)	(309,723)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		1,459,675	1,000,000
Payment of share issue costs		(140,823)	(7,273)
		<hr/>	<hr/>
Net cash provided by financing activities		1,318,852	992,727
Net increase in cash held		546,278	317,908
Cash at beginning of year		791,432	473,524
		<hr/>	<hr/>
Cash at end of year	24(a)	1,337,710	791,432
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form part of these financial statements.

GOLDSEARCH LIMITED
ABN 73 006 645 754

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

1 STATEMENT OF ACCOUNTING POLICIES

(a) General

The financial report is a general purpose financial report that has been prepared in accordance with applicable Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), and the Corporations Act 2001. The financial report has also been prepared on an accrual basis of historical cost and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

(b) Income tax

Tax effect accounting principles have been adopted whereby the income tax expense shown in the statement of financial performance is based on the operating profit before income tax adjusted for any permanent differences between taxable and accounting income. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. The future income tax benefit relating to tax losses is not carried forward as an asset unless there is virtual certainty of realisation of the benefit.

Income tax on net cumulative timing differences which occur when items are included or allowed for income tax purposes in a different period from that for accounting are shown at the Australian corporate tax rate of 30% in the provision for deferred income tax and future income tax benefit as applicable.

(c) Property, plant and equipment

Property, plant and equipment are included in the accounts at cost or at independent or directors' valuation less, where applicable, any accumulated depreciation or amortisation.

The carrying value of property, plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

GOLDSEARCH LIMITED
ABN 73 006 645 754

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

1. STATEMENT OF ACCOUNTING POLICIES (continued)

All fixed assets, including capitalised leased assets but excluding freehold land, are depreciated over their estimated useful lives to the Company. Mining plant and equipment is depreciated in this manner over the estimated life of the relevant mine with due regard to each item's physical life limitations.

The depreciation rates used for each class of asset are:

Plant and equipment	20-40% DV
Leased plant and equipment	33.3% PC
Leased motor vehicles	20% PC

Depreciation and amortisation charged on fixed assets used in the Company's exploration activities is capitalised as exploration expenditure as it is incurred.

The gain or loss on disposal of all fixed assets, including revalued assets, is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in operating profit before income tax in the year of disposal. Any realised revaluation increment relating to the disposed asset which is included in the asset revaluation reserve is transferred directly to capital profits reserve.

(d) Exploration expenditure and mineral leases

Expenditure incurred on exploration, evaluation and development is accumulated in respect of each identifiable area of interest of the Company. The costs are carried forward provided that:

- i) such costs are expected to be recouped by successful development and/or exploitation of the area of interest, or
- ii) by sale of the area of interest, or
- iii) exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

GOLDSEARCH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Should any area of interest be abandoned or considered to be of no value, accumulated expenditure applicable to such area of interest is written off to the statement of financial performance in the year in which the decision is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(e) Leased assets

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Company, are classified as finance leases and are capitalised and amortised on a straight line basis over the estimated useful life of the asset where it is assumed the Company will obtain ownership of the asset or over the term of the lease. Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Lease payments for operating leases where substantially all the risks and benefits remain with the lessor are charged as expenses in the periods in which they are incurred.

(f) Business undertakings – joint ventures

The Company has certain exploration activities conducted through joint ventures with other parties. The Company's interest in these joint ventures is shown in the statement of financial position under the appropriate heading. Details of the interests in the joint venture assets and liabilities are set out in Notes 11 and 12.

(g) Cash flows

For the purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and which are used in the management function on a day-to-day basis, net of outstanding bank overdrafts.

GOLDSEARCH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(h) Earnings per share

i) Basic earnings per share:

Basic earnings per share is determined by dividing the operating profit/ (loss) after income tax by the weighted average number of ordinary shares outstanding during the financial year.

ii) Diluted earnings per share:

Diluted earnings per share adjusts the figures used in determining earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

(i) Consolidation

The accounts are not consolidated as the directors have decided that such application is of no material consequence.

(j) Restoration, rehabilitation and environmental expenditure

Restoration, rehabilitation and environmental expenditure to be incurred during the production phase of operations is accrued when the need for such expenditure is established, and then written off as part of the costs of production of the mine property concerned. Significant restoration, rehabilitation and environmental expenditure to be incurred subsequent to the cessation of production at each mine property is accrued, in proportion to production, when its extent can be reasonably estimated.

(k) Employee entitlements

Provision is made for the Company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal rate.

Contributions are made by the Company to employee superannuation funds and are charged as expenses when incurred.

GOLDSEARCH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(l) Remuneration of directors and executive officers

The cost to the Company of share options granted to directors and executive officers is included at fair value as part of the directors' and executive officers' aggregate remuneration in the financial year the options are granted.

The fair value of the share option is calculated using the Black Scholes option pricing model, which takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

No expense is recorded in the statement of financial performance for the value of options granted to directors and executive officers.

(m) Investments

Investments have been brought to account at cost or directors' valuation as noted in the financial statements.

(n) Comparative information

Comparative figures are, where appropriate, reclassified so as to be compatible with the figures presented for the financial year.

GOLDSEARCH LIMITED
ABN 73 006 645 754

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

	2003	2002
	\$	\$
2 REVENUE FROM ORDINARY ACTIVITIES		
Revenue from operating activities		
Interest received	22,330	27,657
Revenue from non-operating activities		
Sundry income	-	500
	22,330	28,157

3 LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX

a) Individually significant expenses included in the loss from ordinary activities before income tax:

Provision for diminution in value of investment	-	358,491
Capitalised exploration expenditure written off	833,571	103,500

b) Loss from ordinary activities before income tax has been determined after:

Expenses

Depreciation of plant and equipment		
Plant and equipment	3,093	2,129
Amortisation of capitalised leased assets	-	9,378
Total depreciation	3,093	11,507
Rental expense on operating leases	37,471	34,136
Movements in provisions - employee entitlements	11,431	(48,508)
Capitalised exploration expenditure written off	833,571	103,500
Provision for non-recovery of loan	-	12,500
	-	12,500

GOLDSEARCH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

4 INCOME TAX

Subject to the provisions of the Income Tax Assessment Act, if the Company derives assessable income it will be able to utilise carry-forward tax losses. As at 30 June 2003, the Company has estimated carry-forward tax losses after adjusting for permanent and timing differences of approximately \$13,072,684 (2002: \$12,228,042) which amounts to an income tax benefit of \$3,921,805 (2002: \$3,668,413). The Company has estimated carry-forward capital losses of \$141,973 (2002: \$141,973) of which income tax benefit of \$42,592 (2002: \$42,592) has not been brought into account.

Certain losses which have been incurred in the course of mining activities are only available for offset against future mining income. Due to the manner and nature of activities giving rise to these carry-forward tax losses, a detailed analysis would be required should the Company return to profits.

The future income tax benefit will only be obtained if:

- (a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- (b) the Company continues to comply with the conditions for deductibility imposed by law; and
- (c) no changes in tax legislation adversely affect the Company in realising the benefit from the deduction of the loss.

5 ACCUMULATED LOSSES

	2003	2002
	\$	\$
Accumulated losses at beginning of year	-17,427,519	(16,541,662)
Net loss attributable to members of Goldsearch Limited	-1,339,168	(885,857)
Accumulated losses at end of year	<u>-18,766,687</u>	<u>(17,427,519)</u>

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

	2003	2002
	\$	\$
6 CURRENT ASSETS - RECEIVABLES		
Other debtors	6,777	-
Loans receivable	12,500	12,500
Less provision for non-recovery	(12,500)	(12,500)
GST receivable	15,938	12,391
	22,715	12,391
	22,715	12,391

The above assets are not subject to interest and, after provisions, the full amounts are expected to be received in the ordinary course of business

7 CURRENT ASSETS - OTHER

Short term bond	18,300	18,300
Prepayments	4,000	4,331
	22,300	22,631
	22,300	22,631

8 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

Equipment at cost	43,454	42,895
Accumulated depreciation	(37,583)	(35,144)
	5,871	7,751
Motor vehicle at cost	61,300	61,300
Accumulated depreciation	(61,300)	(61,300)
	-	-
Plant and equipment at cost	6,950	6,950
Accumulated depreciation	(6,949)	(6,255)
	1	695
Total property, plant and equipment	5,872	8,446

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

**8 NON-CURRENT ASSETS - PROPERTY,
 PLANT AND EQUIPMENT (continued)**

Reconciliation of property, plant & equipment

	Equipment	Leased motor vehicle	Leased plant & equipment	Motor vehicle	Plant & equipment	Total
2003						
Carrying amount at beginning of year	7,751	-	-	-	965	8,716
Additions	559	-	-	-	-	559
Depreciation	(2,439)	-	-	-	(964)	(3,403)
Carrying amount at end of year	<u>5,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>5,872</u>
2002						
Carrying amount at beginning of year	7,570	9,379	695	-	-	17,644
Additions	2,309	-	-	-	-	2,309
Transfers	-	(9,379)	(695)	9,379	695	-
Depreciation	(2,128)	-	-	(9,379)	-	(11,507)
Carrying amount at end of year	<u>7,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>695</u>	<u>8,446</u>

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

	2003	2002
	\$	\$
9 NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS		
Shares in controlled entities at cost (Note 28)	885	885
Shares in listed companies at cost (v)	145,615	96,860
Shares in unlisted companies at cost (i)	588,172	588,172
Shares in unlisted companies at cost (iii)	733,491	733,491
Provision for diminution in value of investment (ii)	(588,172)	(588,172)
Provision for diminution in value of investment (iv)	(358,491)	(358,491)
	521,500	472,745
(i) The Company holds a 15.1% (2002: 15.1%) interest in Capix Pty Ltd (formerly Capital Markets Internet Exchange (Capix) Ltd), a company involved in development and supply of corporate treasury, stockbroking and banking software.	588,172	588,172
(ii) The directors have fully provided against the investment in Capix Pty Ltd.	(588,172)	(588,172)
(iii) During the year ended 30 June 2002 the \$733,491 of capitalised exploration expenditure on the Mount Kelly project was converted to 1,875,000 shares in Reefway Pty Limited, representing 9.68% of the shares in that company.	733,491	733,491
(iv) The directors have provided \$358,491 for diminution in value of the investment in Reefway Pty Limited. Shares in Reefway Pty Limited are carried at cost less the provision for diminution in value. The activities of Reefway Pty Limited consist of mineral exploration and the recovery of this investment is dependent on the future successful mining or realisation of mining assets by that company.	(358,491)	(358,491)

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

9 NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS (continued)

- (v) Listed investments at cost includes the following material investments:
Minority interest in Independence Gold NL shares and options.
- (vi) There would be no material capital gains tax payable if these listed assets were sold at their market values at balance date.

Reconciliation of other financial assets

Carrying amount at beginning of year	472,745	885
Additions	48,755	830,351
Provisions	-	(358,491)
Carrying amount at end of year	<u>521,500</u>	<u>472,745</u>

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

	2003	2002
	\$	\$
10 NON-CURRENT ASSETS - EXPLORATION AND INVESTMENT EXPENDITURE		
<i>Mining expenditure (Pre-production)</i>		
Exploration and evaluation expenditure carried forward in respect of mining areas of interest.		
Balance at beginning of year	2,583,473	3,200,531
Exploration expenditure, at cost	350,876	219,933
	2,934,349	3,420,464
Capitalised exploration expenditure transferred to investments (Note 9(iii) and 10(i))	-	(733,491)
Capitalised exploration expenditure written off	(833,571)	(103,500)
Balance at end of year	2,100,778	2,583,473
Depreciation included in exploration expenditure	40	649

Mineral exploration is to be amortised when production commences, or written off to the statement of financial performance. The above carrying values do not purport to be the amount receivable by the Company in the event the interests in the mining leases were farmed out or sold, with the recovery of this capitalised exploration expenditure dependent upon future successful mining or realisation of this asset.

- (i) During the year ended 30 June 2002 the Company advised Reefway Pty Limited that it would not proceed further with the Mount Kelly venture. In accordance with the agreement with Reefway Pty Limited, the Company surrendered its rights in connection with Mount Kelly and received 1,875,000 shares in Reefway Pty Limited representing 9.68% of the total issued capital. The directors have provided \$358,491 for diminution in value of this shareholding.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

11 BUSINESS UNDERTAKINGS – JOINT VENTURES

a) Allender, Hosking and LeBrun joint venture

The Company has entered into an agreement with Messrs Allender, Hosking and LeBrun whereby it can earn a 51% equity in certain exploration licences and exploration licence applications by funding exploration for the first year of each licence area. Thereafter the Company may elect to earn a further 25% equity (viz. up to a 75% equity) by funding further exploration. The current tenements covered by the agreement are ELs 5702, 9443, and 9741 and ELAs 5701, 5703, 6847 and 9740. The Company's funding commitments under this agreement are partly covered by the Independence Gold joint venture as detailed in Note 11 (b) below.

b) Independence Gold joint venture

The Company has entered into a joint venture heads of agreement with Independence Gold NL (IGO) whereby IGO can earn a 51% interest in certain designated exploration tenements held by Goldsearch, by funding twice the statutory annual expenditure commitment assigned to the exploration licence by the issuing authority.

The current exploration licences covered by the agreement are South Australian ELs 2910 and 3031 and Northern Territory ELs 5702, 9407, 9443 and 9741.

The current exploration licence applications covered by the agreement are South Australian ELAs 35, 198, 260, 262, 336-343 and 534 and Northern Territory ELAs 5701, 5703, 23783, 23785 and 23786.

The total expenditure commitments for the above exploration licences and applications at 30 June 2003 amount to \$5,635,000. IGO must spend a minimum of \$2,000,000 before earning an equity in any licence area. IGO has advised that it had expended \$594,930 under the agreement up to 30 June 2003. Accordingly, at that date, it had not earned an equity interest in any of the tenements.

c) Phelps Dodge joint venture

The Company has entered into a heads of agreement with Phelps Dodge Australasia Inc (PDA) in relation to a joint venture to explore the base metal potential of EL2899 (Hawks Nest). Under the terms of the agreement, PDA can earn an initial 51% equity interest in the tenement by contributing \$1,000,000 of exploration expenditure. PDA can then elect to earn an additional 19% equity interest by contributing a further \$3,000,000 of exploration expenditure.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

12 EXPLORATION TENEMENTS

Expenditure commitments

In order to maintain current rights of tenure to the various exploration interests held by the Company, the Company is required to perform exploration work to meet the minimum expenditure requirements specified by the issuing authority. These commitments are agreed to, and accepted by, the licence holder at the time a licence is granted.

Minimum expenditure requirements to retain current rights of tenure to granted tenements for the year ending 30 June 2004, and the parties responsible for funding that expenditure, are as follows:-

• EL2899	South Australia	\$60,000 to be funded by Phelps Dodge (Australasia) Inc
• EL2910	South Australia	\$192,000 to be funded by Independence Gold NL
• EL3031	South Australia	\$75,000 to be funded by Independence Gold NL
• EL9407	Northern Territory	\$35,000 to be funded by Independence Gold NL
• EL5702	Northern Territory	\$10,000 to be funded by Independence Gold NL
• EL9443	Northern Territory	\$50,000 to be funded by Independence Gold NL
• EL9741	Northern Territory	\$3,500 to be funded by Independence Gold NL
• EL22710	Northern Territory	\$35,000 to be funded by Goldsearch Limited
• EPM13336	Queensland	\$85,000 to be funded by Goldsearch Limited
• EL6027	New South Wales	\$35,000 to be funded by Goldsearch Limited
• EL6094	New South Wales	<u>\$30,000</u> to be funded by Goldsearch Limited
		<u>\$610,500</u>

The Company has also made application for further exploration tenements. Whilst no formal expenditure commitment exists until licences are granted and access agreements are in place, should all of these applications be granted, an additional minimum annual expenditure requirement of \$2,665,662 would arise. Of this additional minimum annual expenditure requirement \$2,124,512 would be funded by the joint venture arrangements set out in Note 11 with the Company being obliged to fund the remainder.

The above obligations, relating to both granted tenements and applications, are not provided for in the accounts and are payable as and when they fall due.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

	NOTE	2003	2002
		\$	\$
13 COMMITMENTS FOR EXPENDITURE			
Operating lease commitments :			
Non-cancellable operating leases contracted for but not capitalised in the accounts:-			
Rental of premises -			
Not later than 1 year		41,033	32,697
Later than 1 year and not later than 5 years		63,467	5,450
Later than 5 years		-	-
		104,500	38,147
		104,500	38,147

Exploration expenditure commitments:

In order to maintain current rights of tenure to granted exploration tenements, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable:

Not later than 1 year	610,500	610,500
Later than 1 year and not later than 5 years	734,000	789,000
Later than 5 years	-	133,500
	1,344,500	1,533,000
	1,344,500	1,533,000

As detailed in Notes 11 and 12 these exploration expenditure commitments are largely funded by existing joint venture arrangements.

14 CURRENT LIABILITIES - PAYABLES

Trade creditors	51,620	48,099
Sundry creditors and accruals	8,873	24,575
	60,493	72,674
	60,493	72,674

The above amounts all relate to normal unsecured creditors incurred in the normal course of the Company's business operations and are within the credit terms of each relevant supplier or service provider.

15 CURRENT LIABILITIES - PROVISIONS

Employee entitlements	20,713	9,282
	20,713	9,282
	20,713	9,282

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NOTES TO THE FINANCIAL STATEMENTS
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	2003	2002
	\$	\$
16 CONTRIBUTED EQUITY		
<i>(a) Issued shares :</i>		
145,967,479 ordinary fully paid shares at beginning of year (2002: 123,467,479)	18,491,607	17,491,607
Issued during the year:		
12,500,000 ordinary shares issued at a price of 4 cents each	-	500,000
10,000,000 ordinary shares issued at a price of 5 cents each	-	500,000
36,491,869 ordinary shares issued at a price of 4 cents each	1,459,675	-
182,459,348 ordinary fully paid shares at end of year (2002: 145,967,479)	19,951,282	18,491,607
<i>(b) Issued options:</i>		
Issue price of options issued in prior years and which have expired	2,745,074	2,745,074
Total contributed equity	22,696,356	21,236,681

(c) Movement in issued shares during the year:

Date	Details	Number of shares	Paid up capital \$
1 July 2002	opening balance	145,967,479	18,491,607
29 May 2003	ordinary shares issued	36,491,869	1,459,675
30 June 2003	closing balance	182,459,348	19,951,282

(d) Movement in share options during the year:

Total options granted but not exercised as at 30 June 2003 are as follows:

Date	Details	Exercise price	Expiry date	Number
<u>Quoted options</u>				
1 July 2002	opening balance			106,607,369
31 July 2002	options lapsed	\$0.20	31 July 2002	(106,607,369)
29 May 2003	options issued	\$0.08	30 September 2005	36,491,869
30 June 2003	closing balance			36,491,869

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

16 CONTRIBUTED EQUITY (continued)

<u>Unquoted options</u>				
1 July 2002	opening balance			15,000,000
22 August 2002	options lapsed	\$0.10	15 July 2004	(1,000,000)
22 August 2002	options lapsed	\$0.20	15 July 2004	(1,000,000)
22 August 2002	options lapsed	\$0.30	15 July 2004	(1,000,000)
30 June 2003	closing balance			<u>12,000,000</u>

(e) Uncalled capital :

No calls are outstanding at year end. All issued shares are fully paid.

(f) Terms and conditions of issued options

(i) Quoted options

All the quoted options were issued during the year and each option entitles the holder to subscribe for one fully paid share in the Company at an issue price of 8 cents per share at any time from the date of issue until expiry of the options on 30 September 2005.

(ii) Unquoted options

All unquoted options are held by directors and consultants to the board and each option entitles the holder to subscribe for one fully paid share in the Company at an issue price of 15 cents per share at any time from the date of issue until expiry of the options on 15 July 2004.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

17 EVENTS SUBSEQUENT TO BALANCE DATE

No material events or matters have occurred since 30 June 2003 to the date of this financial report except for:

- The issue on 10 September 2003 of 1,500,000 unquoted option issued to a consultant on the same terms as the unquoted options detailed in Note 16(f)(ii) above

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

	NOTE	2003 \$	2002 \$
18 REMUNERATION OF DIRECTORS AND EXECUTIVES			
(a) Directors' income :			
Aggregate amount received, or due and receivable, by directors was:		94,209	167,040
Number of directors whose income was within the following bands were:		Number	Number
\$ 20,000 - \$ 29,999		4	-
\$ 50,000 - \$ 59,999 (i)		-	3
(b) Executives' income :			
Number of executives whose income was within the following bands were:-			
\$50,000 - \$59,999		1	-
\$130,000 - \$139,999 (ii)		-	1
		\$	\$
(c) Payments to related parties :			
Current directors (iii)	23	60,903	43,797
(d) Payments to directors and director related parties have been allocated as :			
Payments for exploration (iii)		37,994	29,949
Payments for administrative and other activities		117,118	90,888
Unallocated amount attributable to options		-	90,000
Total payments to directors and director related entities		155,112	210,837
(i) Comparative directors' income, as shown above, has been recalculated in accordance with the accounting policy stated in Note 1(l). The effect of this recalculation is to increase directors' remuneration by \$90,000 in the year ended 30 June 2002 as a result of the 9,000,000 options granted to directors on 21 July 2001.			
(ii) Comparative executives' income as shown above, has been recalculated in accordance with the accounting policy stated in Note 1(l). The effect of this re-calculation is to increase executives' remuneration by \$30,000 and to adjust the income bands accordingly in the year ended 30 June 2002 as a result of the 3,000,000 options granted to an executive on 21 July 2001.			
(iii) Refer to statement of cash flow.			

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

	2003	2002
	\$	\$

19 REMUNERATION OF AUDITORS

Amounts received or due and receivable by the auditors for:

Auditing the accounts	27,478	18,317
Other services	1,849	2,768
	<u>29,327</u>	<u>21,085</u>

20 ECONOMIC DEPENDENCY

The Company's principal activities are mineral exploration and investment. Other than interest derived from funds on deposit the Company does not derive income from any trading activity and is dependent upon the support of shareholders and the market to finance its on-going exploration programme.

21 CONTINGENT LIABILITIES

The directors are not aware of any potential liabilities or claims against the Company as at the date to which these financial statements are made up.

22 CONTINGENT ASSET

The Company holds a first right of refusal over certain mineral tenement applications owned by Rank Geological Services Pty Limited ('RGS'), a company controlled by the Company's former general manager-exploration. During the previous year the Company agreed to waive this first right of refusal to enable the interest to be sold to a third party. In consideration for agreeing to waive its first right of refusal, and following grant of the tenement applications, the Company was to receive shares in the purchaser and a 1% free carried interest in the tenements through to bankable feasibility. RGS now disputes these arrangements. The Company believes it has an enforceable and binding agreement with RGS and the Company is seeking to enforce its rights under that agreement.

The directors are not able to place a value on this contingent asset.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

23 RELATED PARTY TRANSACTIONS

The names of persons who were directors of the Company at any time during the year are:

J. Landerer, CBE AM
J.M.E. Percival
A.G. Harris
R.B. Leece, AM RFD (appointed 1 August 2002)

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

(a) Director transactions

Mr J.M.E. Percival received consultant fees and travel expenses amounting to \$Nil during the year (2002: \$32,512).

Mr A.G. Harris received travel expenses amounting to \$2,948 during the year (2002: \$1,755).

Mr J Landerer, CBE AM acted as an underwriter to the Company's recent rights entitlement issue of shares and options and was paid \$1,459 (2002: Nil) in underwriting fees as disclosed in the prospectus for the issue.

(b) Director related entity transactions

Mr J. Landerer, CBE AM is a partner of Landerer & Company.
Landerer & Company act as solicitors to the Company.
Charges for services provided during the year amounted to \$56,496 (2002: \$9,530).

Mr R.B. Leece, AM RFD, through an associated company Daradine Pty Limited, acted as an underwriter to the Company's recent rights entitlement issue of shares and options and Daradine Pty Limited was paid \$1,459 (2002: Nil) in underwriting fees as disclosed in the prospectus for the issue.

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NOTES TO THE FINANCIAL STATEMENTS
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23 RELATED PARTY TRANSACTIONS (continued)

Directors and director-related entities hold directly, or indirectly, or beneficially as at the reporting date the following interests in the Company:

Directors	Ordinary shares		Quoted share options		Unquoted share options	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
J. Landerer, CBE AM	2,829,936	1,621,565	-	621,565	-	3,000,000
A.G. Harris	200,000	-	-	-	3,000,000	-
R.B. Leece, AM RFD	-	8,662,465	-	621,565	-	-
J.M.E. Percival	-	900,000	-	-	-	3,000,000

Movements in these holding during the year were as follows:

(i) Acquisitions

	Ordinary shares		Quoted share options		Unquoted share options	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
J. Landerer, CBE AM	829,936	1,621,565	-	621,565	-	-
A.G. Harris	-	-	-	-	-	-
R.B. Leece, AM RFD	-	621,565	-	621,565	-	-
J.M.E. Percival	-	-	-	-	-	-

(ii) Sales

	Ordinary shares		Quoted share options		Unquoted share options	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
J. Landerer, CBE AM	-	-	-	-	-	-
A.G. Harris	100,000	-	-	-	-	-
R.B. Leece, AM RFD	-	-	-	-	-	-
J.M.E. Percival	-	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

24 STATEMENT OF CASH FLOWS

(a) Reconciliation of cash :

For the purposes of the statement of cash flows, cash includes:

- (i) cash on hand and at bank, cash on deposit, net of outstanding bank overdrafts; and
- (ii) investments in money market instruments with less than 30 days to maturity.

Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2003	2002
	\$	\$
Cash at 30 June 2003 is shown in the statement of financial position as:		
Cash on hand	400	375
Cash at bank	1,302,690	776,657
Deposits at call	34,620	14,400
	1,337,710	791,432

(b) Reconciliation statement :

A reconciliation of "net cash (used in)/ provided by operating activities" to "loss from ordinary activities after income tax" is as follows:

Loss from ordinary activities after income tax	(1,339,168)	(885,857)
<u>Add/(less)</u>		
Depreciation	3,093	1,479
Provision for non recovery of loan	-	12,500
Provision for diminution in value of investments	-	358,492
Write-off of capitalised exploration expenditure	833,571	103,500
Underwriting fees included in financing activities	140,823	7,273
Finance lease items -		
Amortisation	-	650
Changes in assets and liabilities :		
(Increase)/decrease in receivables	(10,323)	85,016
Increase/(decrease) in provisions	11,431	(48,508)
(Increase)/decrease in prepayments	331	359
Increase/(decrease) in trade creditors and accruals net of exploration expenditure	(9,680)	-
Net cash (used in)/provided by operating activities	(369,922)	(365,096)

The Company does not have any formal loan facilities in place at the date these financial statements are made up.

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NOTES TO THE FINANCIAL STATEMENTS
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25 EARNINGS PER SHARE

2003

2002

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

Basic earnings/(loss) per share	(0.90c)	(0.64c)
Weighted average number of ordinary shares outstanding during the year	149,266,744	137,501,726
Net loss	<u>(1,339,168)</u>	<u>(885,857)</u>

Options:

As at 30 June 2003 the Company had on issue 48,491,869 (2002: 121,607,369) options over unissued capital. Refer to Note 16 for further details.

As the notional exercise price of these options would increase basic earnings (decrease loss) per share, they have not been considered dilutive.

26 SEGMENT INFORMATION

The Company operates predominantly in Australia. Industry segment information is as follows:

	Revenue 2003	Results 2003	Assets 2003	Liabilities 2003
Mineral exploration	-	(833,572)	2,100,778	-
Other investments	-	-	521,500	-
Unallocated	22,330	(505,596)	1,388,597	81,206
	<u>22,330</u>	<u>(1,339,168)</u>	<u>4,010,875</u>	<u>81,206</u>
	Revenue 2002	Results 2002	Assets 2002	Liabilities 2002
Mineral exploration	-	(103,500)	2,583,473	-
Other investments	-	(358,491)	472,745	-
Unallocated	28,157	(423,866)	834,900	81,956
	<u>28,157</u>	<u>(885,857)</u>	<u>3,891,118</u>	<u>81,956</u>

27 FRANKING CREDITS

The Company has no franking credits available.

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NOTES TO THE FINANCIAL STATEMENTS
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28 CONTROLLED ENTITIES	Country of incorporation	Percentage owned
Parent entity:		
Goldsearch Limited	Australia	-
Controlled entities:		
Caytale Pty Limited (i)	Australia	100%
Chiljill Pty Limited (i)	Australia	100%
Miltonpak Pty Limited (i)	Australia	100%

- (i) The above subsidiary companies have no activities other than as holders of exploration rights on certain tenements.

Separate consolidated accounts of the economic entity formed by the Company and these wholly owned subsidiaries have not been prepared on the grounds of immateriality.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

29 FINANCIAL INSTRUMENTS

(a) Interest rate risk exposure

The Company is exposed to interest rate risk through primary financial assets and financial liabilities. The following table summarises the interest rate risk for the Company, together with the effective weighted average interest rate for each class of financial assets and liabilities.

		2003				
		Floating interest rate \$	Fixed interest maturing in		Non- interest bearing \$	Total \$
			1 year or less \$	over 1 to 5 years \$		
Financial assets						
Cash	24	1,270,689	34,619	-	32,402	1,337,710
Receivables	6	-	-	-	22,715	22,715
Investments - non-listed securities	9	-	-	-	375,885	375,885
Investments - listed securities	9	-	-	-	145,615	145,615
Total financial assets		1,270,689	34,619	-	576,617	1,881,925
Weighted average interest rate		4.29%	2.16%	0.00%	-	
Financial liabilities						
Trade and sundry creditors	14	-	-	-	60,493	60,493
Total financial liabilities		-	-	-	60,493	60,493
Weighted average interest rate		0.00%	0.00%	0.00%	-	
Net financial assets		1,270,689	34,619	-	516,124	1,821,432
					2003	2002
					\$	\$
Reconciliation of net financial assets to net assets:						
Net financial assets above					1,821,432	1,203,894
Non-financial assets and liabilities:						
Other assets					22,300	22,631
Property, plant and equipment					5,872	8,446
Capitalised exploration expenditure					2,100,778	2,583,473
Provision for employee entitlements					(20,713)	(9,282)
Net assets per statement of financial position					3,929,669	3,809,162

GOLDSEARCH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

29 FINANCIAL INSTRUMENTS (continued)

		2002				
		Floating interest rate \$	Fixed interest maturing in		Non- interest bearing \$	Total \$
Note	1 year or less \$		over 1 to 5 years \$			
Financial assets						
Cash	24	719,276	14,400	-	57,756	791,432
Receivables	6	-	-	-	12,391	12,391
Investments - non-listed securities	9	-	-	-	375,885	375,885
Investments - listed securities	9	-	-	-	96,860	96,860
Total financial assets		719,276	14,400	-	542,892	1,276,568
Weighted average interest rate		3.62%	2.85%	0.00%	-	
Financial liabilities						
Trade and sundry creditors	14	-	-	-	72,674	72,674
Total financial liabilities		-	-	-	72,674	72,674
Weighted average interest rate		-	0.00%	0.00%	-	
Net financial assets		719,276	14,400	-	470,218	1,203,894

(b) Net fair values of financial assets and liabilities

- (i) The net fair values of cash and cash equivalents and non-interest bearing monetary financial assets and liabilities approximate their carrying values as disclosed in the statement of financial position and the notes to the financial statements.
- (ii) The carrying amounts and estimated net fair values of equity investments approximate their carrying values as disclosed in the statement of financial position and the notes to the financial statements.

GOLDSEARCH LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003**

29 FINANCIAL INSTRUMENTS (continued)

(c) Foreign exchange risk exposure

The Company is not exposed to any currency exchange risk through primary financial assets or liabilities or anticipated future transactions.

(d) Credit risk exposure

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provision for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

Receivables due from major debtors are not normally secured by collateral, however the credit worthiness of debtors is monitored.

30 REHABILITATION COSTS

No known commitments for rehabilitation costs exist as at the date of preparation of these financial statements.

DIRECTORS' DECLARATION

The directors of Goldsearch Limited declare that:

- a) The financial statements and associated notes for the year ended 30 June 2003 comply with Accounting Standards and other mandatory professional requirements;
- b) The financial statements and associated notes for the year ended 30 June 2003 give a true and fair view of the financial position of the Company as at 30 June 2003 and the performance of the Company for the year then ended; and
- c) In the opinion of the directors:
 - i) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
 - ii) the financial statements and associated notes for the year ended 30 June 2003 are made out in accordance with the Corporations Act 2001, including sections 296 and 297 thereof.

Made in accordance with a resolution of the directors.

On behalf of the directors

J. Landerer, CBE AM
Director

A.G. Harris
Director

Sydney,
23 September 2003

**Independent audit report to members of
Goldsearch Limited
ABN 73 006 645 754**

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the directors' declaration for Goldsearch Limited (the company), for the year ended 30 June 2003.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.



Independence

In conducting our audit, we followed applicable independence requirements of Australian accounting ethical pronouncements and the *Corporations Act 2001*.

Audit Opinion

In our opinion, the financial report of Goldsearch Limited is in accordance with;

- a) the Corporations Act 2001, including;
 - i) giving a true and fair view of the financial position of Goldsearch Limited as at 30 June 2003, and of its performance for the year ended on that date; and
 - ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001.
- b) other mandatory financial reporting requirements in Australia.

Inherent Uncertainty regarding Exploration Expenditure and Investment in Unlisted Company

Without qualification to the opinion expressed above, attention is drawn to the following matters.

The Company is involved with the conduct of continuing exploration and evaluation procedures in order to assess the existence and economic recoverability of minerals in its area of interest. In accordance with the Company's accounting policy exploration expenditure of \$2,100,778 (30 June 2002 -\$2,583,473) has been carried as a non current asset. The recovery of these exploration costs is uncertain as it is dependent upon the successful development and exploitation, or sale, of the area of interest.

The Company has an investment in an unlisted mining exploration company. The recovery of this investment is uncertain as it is dependent upon the successful development and exploitation, or sale, of that company's mining interests.



William Buck
Chartered Accountants



Gerard Belleville
Partner

Dated this 23rd day of September 2003.
Melbourne, Australia.