

Goldsearch Limited

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gsh/psh/asx jun 04 qtr

28 July 2004

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

Via ASX Online

No. of pages – 11

Dear Sir,

Re: Report for the quarter ended 30 June 2004

Enclosed please find the quarterly report and duly completed Appendix 5B for Goldsearch Limited for the quarter ended 30 June 2004.

Yours faithfully,



P S Hewson
Secretary

Report for the quarter ended 30 June 2004

HIGHLIGHTS

Musgrave Block project – Independence Group joint venture

Northern Territory

Sampling close to the northern margin of EL 5701 returned up to 12.03% lead in east west trending quartz veins. Other samples from the same general area included lead values of 1.85%, 1.49% and 1.41%. In association with lead, copper returned a maximum value of 2.55%. Sampling in the eastern portion of EL 5703 also returned up to 8.76% copper in altered phyllite. Field crews have since mobilised to the area and the planned large regional soil sampling program commenced on 22 June.

South Australia

A ground electro-magnetic (EM) survey designed to cover an area of anomalous geochemical results for various nickel suite elements highlighted a series of potential conductive bedrock features. This is additional to the geochemical anomaly defined in the northwest of the De Rose Hill Project (EL 2910) during April 2004. Drilling of these EM conductors is scheduled during this coming quarter.

Victoria

Sandy Creek (EL 4812)

On 7 June 2004 the Company's application for an exploration licence at Sandy Creek, approximately 6 kilometres south of the township of Tallangatta in north eastern Victoria was granted. Previous gold mining, as late as the early 1990's, had achieved encouraging results. Work plans are currently being prepared for submission to the Victorian Department of Primary Industries.

Queensland

Yorkey's (ML 50098)

The Company has been in discussion with the owners of Yorkey's mining lease ML 50098 and agreement has been reached for the purchase of ML 50098. Final transfer of the mining lease is expected during July which will enable drilling to commence in August.

Conditional agreement for the sale of the investment in Reefway Pty Ltd

During the quarter Goldsearch Limited signed an agreement to dispose of its entire shareholding in Reefway Pty Limited to Avon Resources Limited.

EXPLORATION ACTIVITIES

MUSGRAVE BLOCK JOINT VENTURE PROJECT WITH INDEPENDENCE GROUP

Based on the encouraging results received from the recent reconnaissance rock chip sampling program in the Northern Territory, a large regional soil sampling program covering over 1,400 square kilometres commenced on 22 June. The program consists of 760 geochemical samples collected from within EL 5701 and EL 5703 and is planned to test an extensive area of mafic and felsic volcanic rocks of the middle to lower Tjauwata Group. These rocks are interpreted as a Mesoproterozoic rift sequence and are intruded by a number of potential high-level granitic plutons. Conceptually this geological setting is considered prospective for a number of styles of precious and base metal mineralisation.

In South Australia, a recently completed ground EM geophysical survey, designed to cover an area of anomalous geochemical results for various nickel suite elements, highlighted a series of potential conductive bedrock features. These conductors will be drill tested as soon as a suitable drill rig can be sourced, to determine if they are potentially associated with nickel-bearing sulphide mineralisation.

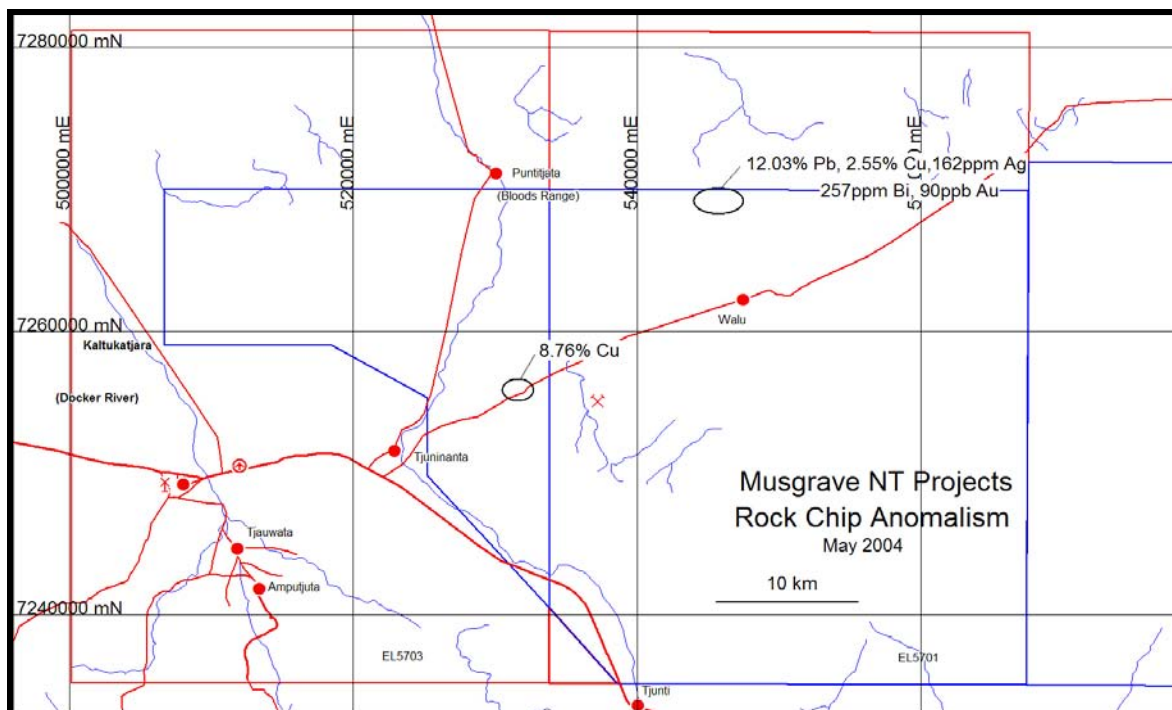
Northern Territory (ELs 5701 and 5703)

After being delayed by heavy rains, planned exploration programs commenced in the Northern Territory in late March, with a preliminary reconnaissance geological visit to the area. During this program, a number of key areas were visited and rock chips taken, to assist with the planning of the forward work program.

Encouraging lead, copper, silver and bismuth anomalism from rock chip geochemistry has highlighted the potential for base and precious metal mineralisation in mafic and felsic volcanic and volcanoclastic rocks of the Tjauwata Group (Meso proterozoic).

Sampling (14 rock chip samples) close to the northern margin of EL 5701 returned up to 12.03% lead in east-west trending quartz veining. Other samples from the same general area included values of 1.85%, 1.49% and 1.41% lead. In association with lead, copper returned a maximum value of 2.55%, silver to 162 ppm and bismuth to 257 ppm. Gold was slightly elevated with a maximum value of 90 ppb. Sampling (7 rock chip samples) in the eastern portion of EL 5703 also returned up to 8.76% copper in altered phyllite. Rock chip locations are in Figure 1.

Figure 1 Musgrave NT project – area of rock chip anomalism

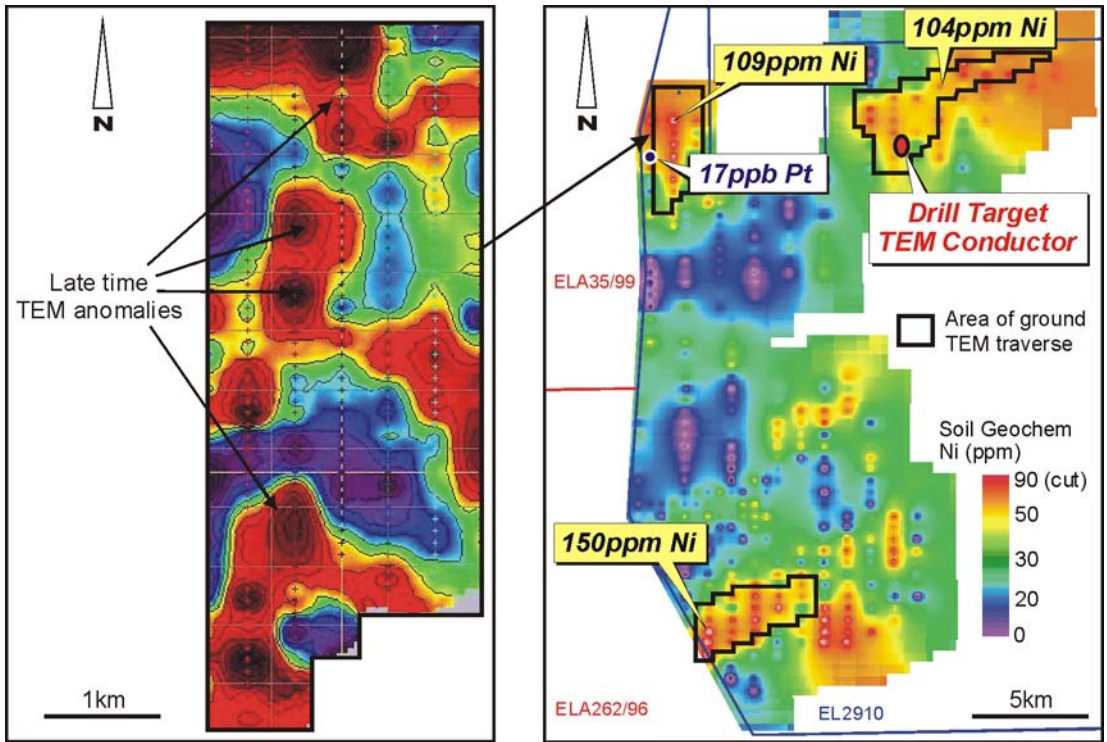


Infill geochemical sampling was completed over two targets within EL 9407, where previous wide-spaced geochemistry returned elevated base metal values. Similar weakly anomalous, elevated base metal values were returned by the recent sampling. Results are currently being interpreted and a geological assessment of the area will be undertaken before any forward work programs are planned.

South Australia (EL 2910)

Following further geochemical sampling at De Rose Hill (EL 2910), a third area of elevated nickel, cobalt and copper geochemistry was targeted with ground EM geophysics. This survey returned encouraging results, with a number of late-time signatures interpreted to potentially be associated with conductive bedrock features (Figure 2). Further ground EM geophysics is required to better define this target prior to drilling. It is proposed to drill-test this and a previously defined geophysical/geochemical target, as soon as a suitable drill rig can be sourced and mobilised to the area.

Figure 2 De Rose Hill (EL 2910) TEM Survey May 2004 – Channel 12 and Ni geochemistry



SOUTH AUSTRALIA - GAWLER CRATON

Hawks Nest joint venture project

The Red Metal/Phelps Dodge Australasia Inc alliance is reviewing other possible drill targets and re-considering its future involvement in the joint venture.

NEW SOUTH WALES

Moruya project (EL 6027)

The local quarrying group which the Company was talking to has decided to discontinue discussions. At this stage it is unlikely that Goldsearch will spend additional funds on this site, as other areas offer more attractive opportunities.

Windeyer project (EL 6094)

During the quarter the site was visited by Goldsearch personnel, accompanied by staff of an interested joint venture party. It is likely that the Company will be revisiting the site during the coming quarter in a new joint venture partnership. The interested joint venture party's geologist believes there is still some promise of a mineralised zone.

QUEENSLAND

Duck Creek project (EPM 13336)

No work was completed on EPM 13336 during the quarter. As cultural clearances of individual prospect areas are required prior to detailed exploration, it is unlikely that exploration activities will proceed in the near future. Discussions are in progress with the owner of the Chinaman mining lease ML 9088 for access, with a view to drill testing the identified mineralisation. The Company's on-going review of the regional structural environment awaits the release of airborne magnetic data by the Queensland Department of Natural Resources and Mines.

Yorkeys (ML 50098)

The Yorkeys Gold Mine is located 18 kilometres north of Kilkivan in central Queensland. It consists of the Yorkeys Surprise, Zealandia and Triad workings, which were mined from 1895 to 1902 for a total production of 3,000 tonnes grading 25 g/t gold. The workings occur at the intersection of two low angle fault zones within diorite and have a total strike extent of 600 metres with underground development to 75 metres on an underlay of 30-40°.

The project is held under mining lease ML 50098. Transfer of ML 50098 to Goldsearch Limited is expected to occur in late July 2004.

Limited exploration has been conducted at the site. In 1983 Poseidon Limited completed trenching with some percussion drilling on the Triad workings but was unable to access the Yorkeys Surprise or Zealandia workings as these were held under separate title. At Triad, anomalous gold mineralisation occurs over 150 metres with average widths of 20 metres in 6 of the 10 trenches. Within this anomalous zone the best intercept of 6 metres grading 7.9 g/t gold occurred in Trench 11. Percussion drillhole PMR3 was drilled beneath this zone and intersected 2 metres at 2.5 g/t gold.

Characterisation sampling by Goldsearch Limited of the surface dumps has identified two styles of mineralisation. Type 1 mineralisation consists of lower grade gold (~1 g/t) in association with high grade silver and anomalous lead, zinc and cadmium. Type 2 mineralisation consists of high grade gold (~10 g/t) in association with anomalous arsenic and antimony.

Initial data compilations and preliminary surveying has been completed prior to drill testing of the mineralisation in the next quarter.

VICTORIA

Sandy Creek (EL 4812)

Sandy Creek is located in the Ovens Goldfield, approximately 6 kilometres south of the township of Tallangatta in north-eastern Victoria. Alluvial gold was discovered in 1854, and the gold bearing reefs in 1877. Total production is estimated at 7,000 tonnes grading 50 g/t gold. The mineralisation is structurally controlled and consists of quartz-pyrite-arsenopyrite-stibnite-gold-silver veins. The principal targets are the Grasshopper and Honeysuckle mines, which have only been mined to 75 and 40 metres respectively. No effective modern exploration has been completed.

JOINT VENTURE OPPORTUNITIES

The Company has been continuing to evaluate joint venture opportunities on a number of prospective exploration targets in Victoria and the Musgrave region.

OTHER ACTIVITIES

Investments

Independence Group NL

The Company continues to hold 200,000 ordinary fully paid shares and 500,000 options in Independence Group NL at a cost of \$155,600. Interested shareholders may wish to visit the Independence Group web site at www.independencegroup.com.au

Capix

Goldsearch retains a 14.8% minority interest in Melbourne based IT software company Capix.

Reefway Pty Limited

During the quarter Goldsearch entered into a conditional agreement to sell its holding in Reefway Pty Limited to Avon Resources Limited for the following consideration:

- \$273,870 cash on completion;
- 5,966,667 ordinary shares in Avon Resources Limited; and
- deferred cash of \$89,500, payable on 30 June 2005.

In addition, Goldsearch will receive a royalty entitlement calculated on production from Reefway's tenements. (The royalty is payable on production from the Reefway tenements which is the greater of a gross royalty payable on certain net payable metals derived from the tenements and a 1% net smelter return. In respect of the major metals, the royalty is only payable upon certain accumulated production thresholds being exceeded; for example 100,000 tonnes of net payable copper).

The other major shareholders in Reefway; Pegmont Mines NL and Pegasus Enterprises Ltd have also agreed to sell their shareholdings to Avon.

The transaction is subject to a number of conditions precedent, including; Avon, Reefway, Pegmont and Pegasus obtaining necessary shareholder approval; and Avon raising \$2,000,000 in equity at not less than 1.5 cents per share prior to completion.

The net carrying value of this investment in the Goldsearch accounts is \$375,000.

STATEMENT

Information relating to Independence Group Limited joint venture activities in this report was prepared by Mr Heath Hellewell, Chief Exploration Geologist of Independence Group NL and accurately reflects the information compiled by him.

Information relating to the Red Metal/Phelps Dodge Australasia Inc. alliance joint venture activities in this report was prepared by Mr Rob Rutherford Managing Director/Exploration Manager of Red Metal Limited and accurately reflects the information compiled by him.

Information relating to the Goldsearch Limited tenements in this report was prepared by Mr Trevor Leahey, Exploration Manager Goldsearch Limited and accurately reflects the information compiled by him.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98.

Name of entity

Goldsearch Limited

ABN or ARBN

73 006 645 754

Quarter ended ("current quarter")

30 June 2004

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration and evaluation	(124)	(330)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(42)	(351)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	9	40
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net operating cash flows		(157)	(641)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	(10)
	(c) other fixed assets	(2)	(2)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		(2)	(12)
1.13	Total operating and investing cash flows (carried forward)	(159)	(653)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(159)	(653)
	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	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(159)	(653)
1.20	Cash at beginning of quarter/year to date	851	1,345
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	692	692

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	74
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

- Directors' fees & expenses	42,881
- Directors' superannuation	3,074
- Legal fees paid to Landerer & Company (Mr J Landerer)	27,664

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

N/A

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

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	N/A
3.2 Credit standby arrangements	Nil	N/A

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	-
Total	100

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.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	657	816
5.2 Deposits at call	35	35
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	692	851

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	ELA 4812	Application granted 7 June 04	100%	0%
	EPPM 13336	Reduced in area from 131 sq kms to 60 sq kms	95%	95%
	EL 9741	Surrendered 19 April 04	51%	0%
6.2 Interests in mining tenements acquired or increased	EL 4812	ELA 4812 granted on 7 June 04 over 38 sq kms at Sandy Creek	0%	100%

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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 (cents) (see note 3)	Amount paid up per security (cents) (see note 3)
7.1 Preference +securities <i>(description)</i>	Nil	N/A	N/A	N/A
7.2 Changes during quarter				
(a) Increases through issues	N/A	N/A	N/A	N/A
(b) Decreases through returns of capital, buy-backs, redemptions	N/A	N/A	N/A	N/A
7.3 +Ordinary securities	182,459,348	182,459,348	N/A	N/A
7.4 Changes during quarter				
(a) Increases through issues	Nil	Nil	N/A	N/A
(b) Decreases through returns of capital, buy-backs	Nil	N/A	N/A	N/A
7.5 +Convertible debt securities <i>(description)</i>	Nil	N/A	N/A	N/A
7.6 Changes during quarter				
(a) Increases through issues	Nil	N/A	N/A	N/A
(b) Decreases through securities matured, converted	Nil	N/A	N/A	N/A
7.7 Options <i>(description and conversion factor)</i>	13,500,000 36,491,869	Nil 36,491,869	<i>Exercise price</i> 15 cents 8 cents	<i>Expiry date</i> 15/07/04 30/09/05
7.8 Issued during quarter	Nil	N/A	N/A	N/A
7.9 Exercised during quarter	Nil	N/A	N/A	N/A
7.10 Expired during quarter	Nil	N/A	N/A	N/A
7.11 Debentures <i>(totals only)</i>	Nil	N/A		
7.12 Unsecured notes <i>(totals only)</i>	Nil	N/A		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:


(Company secretary)

Date: 28 July 2004

Print name: P S Hewson

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** ASX 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.

+ See chapter 19 for defined terms.