

gsh/psh/gsh644

9 February 2006

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

Via ASX Online

No. of pages – 4

Dear Sir,

Re: Letter from ASIC re financial report for the year ended 30 June 2005

Enclosed for release to the market is a copy of a letter received from ASIC in relation to the financial report of the Company for the year ended 30 June 2005. It is understood that a similar letter has been received by a number of other mineral exploration companies.

The directors will carefully consider the matters raised therein when completing the financial report for the half-year ended 31 December 2005.

For and on behalf of the directors of
Goldsearch Limited



P S Hewson
Secretary



Ref: PMR 2006/3353



ASIC

Australian Securities & Investments Commission

7 February 2006

Mr Paul Stewart Hewson
Company Secretary
Goldsearch Limited
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Sydney NSW 2000

Level 13, CGU Tower
485 La Trobe Street
Melbourne VIC 3000
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Dear Mr Hewson,

Financial Report for the Year Ended 30 June 2005

It has come to the attention of the Australian Securities and Investments Commission (ASIC) that Goldsearch Limited A.C.N. 006 645 754 ("the Company") received the following emphasis of matter in relation to its financial report for the year ended 30 June 2005 ("Financial Report"):

"Inherent Uncertainty Regarding Exploration Expenditure & 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 \$1,853,735 (30 June 2004: \$1,737,385) 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 are of interest."

We are aware the Company's first financial report prepared under the Australian equivalents of International Financial Reporting Standards ("AIFRS") is for the half-year ended 31 December 2005 and is due to be lodged with ASIC shortly. In relation to the matters subject to the emphasis of matter the directors should carefully consider the requirements of accounting standard AASB 136 "Impairment of Assets" ("AASB 136"), particularly:

- Paragraph 9, which requires an entity to assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.
- Recoverable amount is considered to be the higher of an asset's value in use and fair value less costs to sell. When calculating value in use, estimated future cash flows must be discounted to reflect the time value of money and the risks specific to the asset. The option of using undiscounted cash flows in determining recoverable amount that was available under the pre-AIFRS standards is not available under AASB 136.
- Paragraph 12, which lists indicators that an entity must consider as a minimum when assessing whether an asset may be impaired, including that the carrying value of the net assets of the entity is more than its market capitalisation or there is evidence the performance of the asset is, or will be, worse than expected.
- Paragraph 59, which requires that if the recoverable amount of an asset is less than its carrying amount, the carrying amount must be reduced to its recoverable amount.
- Where the recoverable amount cannot be estimated for an individual asset, the recoverable amount is to be determined at the cash generating unit level. As cash generating units are the smallest identifiable group of assets that generate cash flows that are largely independent of cash flows from other assets or groups of assets, it is likely that greater impairment losses will be recognised than in the past. Under pre-AIFRS standards surplus cash flows from other assets and groups of assets may have been taken into account.

ASIC notes that, having regard to paragraph 83 of the AASB "Framework for the Presentation of Financial Statements" ("Framework") an item will only be capable of recognition on the balance sheet if:

'(a) it is probable that any future economic benefit associated with the item will flow to ... the entity; and

(b) the item has a cost or value that can be measured with reliability (emphasis added).'

These requirements of the Framework have the same force of law as an accounting standard by virtue of paragraph 13 of the accounting standard AASB 101 "Presentation of Financial Statements".

ASIC considers that in some instances, where an auditor and an entity cannot agree on an appropriate recoverable amount for an asset in accordance with the requirements of AASB 136, there may be doubt that the asset can be measured with sufficient reliability and therefore be eligible for recognition as an asset on the balance sheet of the entity.

While noting the disclosures made in the Company's Financial Report concerning the impact of adopting AIFRS in regard to the recoverable amount of assets, ASIC considers this to be an area that warrants particular focus in relation to the company's first AIFRS financial report.

ASIC intends to conduct a review of compliance with the requirements of AASB 136 and the Framework for selected entities that continue to have audit reports modified on the basis of doubts about the recoverable amount of non-current assets compared to their carrying amount.

We ask that you bring this letter to the attention of the Board. If you have any queries regarding this matter, please telephone me on (03) 9280 3566.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'K Foreman', followed by a horizontal line extending to the right.

Katrina Foreman
Compliance – Capital Market