

GOLDSEARCH LIMITED

ACN 006 645 754

CORPORATE GOVERNANCE PRACTICES AND PROCEDURES

The following statement outlines the principal corporate governance practices and procedures currently adopted by the Company and the extent to which they depart from the revised Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council in December 2007.

Principle 1 – Lay solid foundations for management and oversight

The Company complies with the ASX recommendation of recognising and publishing the respective roles and responsibilities of board and management.

Roles of the board and management

The board is responsible for establishing the strategy and 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 and secretary of the Company, and monitoring the corporate conduct of its officers.

A copy of the Company's board's charter, which details the functions reserved to the board, is available on the Company web site under the corporate governance section.

The board has delegated responsibility for the day-to-day operations of the Company to the director-operations, Mr J.M.E. Percival and the exploration manager, Mr H. Hellewell. The board has determined that both Mr Percival and Mr Hellewell are appropriately experienced to discharge these responsibilities.

Whilst there is a clear distinction between the respective roles of the board and management, the board is responsible for ensuring that the objectives and activities of management are consistent with the strategies and policies set by the board.

The board meets approximately every six weeks and directors receive comprehensive board papers which include an activity report from management and monthly management accounts. All contractual commitments and payments are approved by the board.

At meetings of the board, the directors deal with various policy and corporate governance matters, including:-

- reviewing the monthly activity report and management accounts;
- formulating and reviewing Company strategies and board policies;
- monitoring implementation of Company strategies by management, and ensuring appropriate resources are available to undertake those strategies;
- ensuring appropriate management control and accountability systems are in place;
- reviewing executive performance and remuneration;
- reviewing the composition of the board;
- ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act;
- reviewing published reports and ASX 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, its directors and executives.

Attendance of individual directors at meetings during the year are set out in the directors report in the 2009 annual financial report.

Principle 2 – Structure the board to add value

ASX recommends that companies have a board of directors of an effective composition, size and commitment to adequately discharge its responsibilities and duties. The Company complies with the ASX recommendations under this principle except that, as detailed below, it does not have a separate Remuneration and Nomination Committee.

Composition of the board

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

- A majority of the board should be independent directors;
- The chairman should be an independent director; and
- The roles of chairman and chief executive should not be exercised by the same individual;
- The board should comprise a majority of non-executive independent directors.

The directors of the Company in office at the date of this statement are:

Mr J. Landerer, CBE AM (non-executive chairman)

Mr J.M.E. Percival (executive director-operations)

Mr A.G. Harris (non-executive director)

Mr R.B. Leece, AM RFD (non-executive director)

Mr T.V. Willsted (non-executive director)

The skills and experience of each director is set out in the in the directors' report in the 2009 annual financial report.

As noted above, four of the five directors are non-executive, including the chairman, and the roles of chairman and chief executive are not exercised by the same individual.

Independence of directors

The board has considered the independence of each of the directors and has determined that all four non-executive directors, including the chairman, are independent. In doing so they considered the level of fees paid to the Company's solicitors Landerer & Company, of which the chairman is a principal, and formed the view that the level of fees paid are not material for the purposes of influencing the independence of the chairman.

Remuneration and nomination 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 a separate committee to deal with remuneration and nomination of 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.

Independent professional advice

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.

Terms of appointment of directors

Non-executive directors are appointed for an indefinite term subject to the constitution of the Company which provides for regular retirement by rotation and provides that no director (except a managing director) shall hold office for more than 3 years, or until the third annual general meeting following the director's appointment without submitting himself for re-election. The dates on which each director was appointed and last re-elected are as follows:

<u>Director</u>	<u>Appointed</u>	<u>Last re-elected</u>
Mr J. Landerer, CBE AM	11 October 1995	22 November 2007 #
Mr J.M.E. Percival	11 October 1995	30 November 2006 #
Mr A.G. Harris	11 October 1995	20 November 2008
Mr R.B. Leece, AM RFD	7 August 2002	20 November 2008
Mr T.V. Willsted	20 July 2004	22 November 2007 #

Messrs Landerer and Willsted are standing for re-election at the 2009 annual general meeting. The 'retirement by rotation' provisions do not apply to Mr Percival whilst he is a managing director.

Performance evaluation of directors and executives

An evaluation of the effectiveness of the board took place during the year ended 30 June 2009. This review took the form of a detailed questionnaire completed by each director rating the performance of the board in each of its principal functions and responsibilities.

The board and the 'director-operations' undertake a review of the performance of senior executives and employees on an annual basis.

Principle 3 – Promote ethical and responsible decision making

Code of conduct

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. In this regard the directors have adopted a comprehensive code of conduct for directors, senior executives and employees. The code of conduct covers ethical operations, compliance with laws, dealings with customers and public officials, conflicts of interest, confidential and proprietary information and insider trading. A copy of the code is available on the Company web site under the corporate governance section.

Conflicts of interest

In the event that a potential conflict of interest may arise, involved directors withdraw from deliberations concerning the matter.

Share trading policy

The Company's code of conduct provides that no director, senior executive or employee shall purchase or sell Company securities, or securities of a company in a "special relationship" with the Company, while in possession of material information concerning the Company or such a company that has not previously been generally disclosed to the investing public for at least two business days. Nor shall an employee inform any individual or entity of any such material information, except in the necessary course of business.

Employees are encouraged to invest in the Company's securities, but must avoid trading when in possession of confidential material information which, if generally available, would reasonably be expected to either have an effect on the market price or value of those securities or affect an investor's decision as to whether to buy, sell or hold securities in the Company.

Directors are required to give prior notice to the chairman of any dealings in Company securities by themselves or their associates and to provide particulars of any transactions immediately following execution. The secretary is to make the requisite notifications to ASX within 2 days of each such transaction.

Principle 4 – Safeguard integrity in financial reporting

Audit committee

The board has established a separate, formally constituted, audit committee which 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 five directors together with external consultant and chartered accountant Mr J.D. Leece, OAM. Mr J. Landerer, CBE AM is chairman of the committee. The committee meets at least twice a year. Particulars of committee meetings held during the year ended 30 June 2009 and the attendance of each committee member is set out in the in the directors report in the 2009 annual financial report.

The committee has been in place for a number of years and its composition does not comply with the ASX Corporate Governance Principles and Recommendations in that it does not have an independent chairman, who is not chairman of the board, and its members include Mr J.M.E. Percival who is an executive director.

The committee has a formal charter, a copy of which is available on the Company web site under the corporate governance section.

CEO declaration

Mr J.M.E. Percival, director-operations, is required to confirm to the board that, for each financial reporting period, the Company's financial reports present a true and fair view, in all

material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

Principle 5 – Make timely and balanced disclosure

Continuous disclosure

All directors and senior executives have been made aware of the continuous disclosure requirements of the ASX Listing Rules and have been provided with a copy of the relevant rules and guidance notes. Continuous disclosure is included on the agenda for all formal meetings of the directors. Directors and senior executives are made aware of the constraints applicable to private briefings and broker and analyst presentations.

The directors have allocated responsibility to the 'director-operations' and the 'company secretary' to alert the board to any operational or regulatory matters respectively which they consider may require disclosure to the market under the continuous disclosure requirements of the ASX Listing Rules. The directors then consider and approve the form of any such announcement.

All Company announcements require the approval of the board with provision for available directors, including the chairman, to approve urgent announcements. The company secretary is responsible for communication with ASX. The chairman is responsible for all media contact and comment.

The annual report contains a review of operations.

Principle 6 - Respect the rights of shareholders

Shareholder communication

The Company communicates with its shareholders through ASX announcements, quarterly reports, the half-year report, the annual report and the annual general meeting. Copies of all such ASX announcements and reports are posted on the Company web site. Shareholders are encouraged to provide an email address to receive electronic copies of announcements and reports.

The independent auditor attends the annual general meeting to respond to questions from shareholders on the conduct of the audit and the preparation and content of the audit report.

The directors have established a shareholder communications policy, a copy of which is available on the Company web site under the corporate governance section.

Principle 7 – Recognise and manage risk

The board has accepted the role of identification, assessment, monitoring and managing the significant areas of risk applicable to the Company and its operations and aims to develop its risk management framework to comply with the ASX Corporate Governance Principles and Recommendations. The board has not established a separate committee to deal with these matters as the directors consider the size of the Company and its operations does not warrant a separate committee at this time. The directors have identified the significant areas of risk applicable to the Company and its operations and the board considers the matter of risk management on a six monthly basis at its regular meetings.

The board is aiming to develop an overall policy for the monitoring and management of the Company's material business risks. This will include a requirement for management to design and implement a risk management and internal control system to manage the Company's material business risks and to provide regular formal reports as to the effectiveness of the management of those risks. In the interim the only report received from management is an assurance from the CEO that the declaration under section 295A of the Corporations Act is founded on a sound system of risk management and internal control which is operating effectively in all material respects in relation to financial reporting risks.

Refer to note 28 to the 2009 annual financial statements for a summary of the Company's material financial risks and the management of those risks.

Principal 8 – Remunerate fairly and responsibly

Remuneration of directors and executives

Because of the relatively small size of the Company and its operations, the board does not consider it appropriate, at this time, to form a separate committee to deal with executive remuneration. The board as a whole establishes and reviews annually the remuneration of the executive directors, senior executives and employees.

In accordance with the constitution of the Company, shareholders determine the maximum aggregate annual remuneration of the directors, (the current maximum aggregate annual remuneration which was approved by shareholders at the 2007 annual general meeting is \$250,000). The directors determine the allocation of all or part of the approved maximum aggregate remuneration between the non-executive directors. The current determination is to pay annual directors fees of \$36,000 to non-executive directors and \$40,000 to the chairman. With the current board structure, this is an aggregate of \$148,000 per annum compared with the shareholder approved maximum of \$250,000. Given the current global financial downturn the directors have agreed that, for the time being, they will reduce their annual non-executive directors fees to \$24,000 each or \$96,000 in aggregate with effect from 1 July 2009. The executive director has also agreed, for the time being, to accept a reduction in his fixed salary.

The cash remuneration of the directors is from time to time supplemented by incentive options issued under the Company's Employee and Directors Share Option Plan. Specific shareholder approval is required before options are issued to directors under this Plan.

Remuneration policies and practices

A summary of the Company's remuneration policies and practices, together with particulars of remuneration of the directors and key management personnel during the year ended 30 June 2009, is set out in the remuneration report section of the directors report and in the notes to the financial statements. Particulars of current options issued to directors under the Employee and Directors Share Option Plan are set out in the remuneration report and in the notes to the financial statements.

There are no schemes or provisions for retirement benefits for non-executive directors other than statutory benefits and accumulated superannuation.

Hedging policy

No Company director or officer is permitted to enter into transactions with Company securities which limit the economic risk of any unvested entitlements issued under any of the Companies current or future equity-based remuneration schemes.

26 October 2009