

gsh/psh/gsh632

26 September 2005

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

No. of pages – 48

Dear Sir,

Re: Annual financial report

Enclosed for release to the market is the audited annual financial report for Goldsearch Limited for the year ended 30 June 2005.

The 2005 annual general meeting of the Company will be held in the Wentworth Room, Level 5, Sofitel Wentworth Sydney, 61-101 Phillip Street, Sydney on Thursday 24 November 2005 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 Friday 21 October 2005.

For and on behalf of the directors of
Goldsearch Limited



P S Hewson
Secretary

Goldsearch Limited

ABN 73 006 645 754

Annual financial report for the year ended 30 June 2005

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DIRECTORS' REPORT

Your directors have pleasure in submitting the statement of financial position of the Company at 30 June 2005 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
Mr J.M.E. Percival
Mr T.V. Willsteed (appointed 20 July 2004)

Company secretary

The name of the company secretary in office at the date of this report and throughout the year is:

Mr P.S. Hewson

Principal activities

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

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 \$622,567 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 \$651,569 on exploration and wrote off \$535,219 of capitalised exploration costs.
- On 20 July 2004 Mr T.V. Willsteed was appointed a director of the Company to fill a casual vacancy on the board.
- On 30 September 2004 the Company announced the conditional sale of its investment in Reefway Pty Limited to Avon Resources Limited.
- In the report for the quarter ended 30 September 2004 released on 26 October

2004 the Company advised that, during the quarter:

- Independence Group NL (IGO), the Company's joint venture partner in the Musgrave Block joint venture mobilised field crews to ELs 5701 & 5703 in the Northern Territory and completed a regional soil sampling program on a 4000 x 500 metre grid. Encouraging results were obtained from this program which included several trends of low level gold anomalism ranging from 6 ppb up to 15 ppb over up to 8 kilometres of strike.
- IGO in-filled the original geochemical sampling grid in anomalous areas of EL 2910 De Rose Hill in South Australia and identified four areas of significant copper/nickel/±platinoid anomalism. Three of these areas are associated with magnetic anomalies, possibly indicative of mafic/ultramafic host rocks. Transient electromagnetic (TEM) surveys over these anomalies identified possible bedrock conductors. Following infill TEM surveys a shallow bedrock sampling drill program was completed to provide information on the bedrock geology and geochemistry.
- The site of the Odells mine in EL 4812 Sandy Creek in Victoria was visited with a view of opening the portal. This was completed late in the quarter and a follow-up sampling and costeaning program is to commence during the December quarter.
- The Yorkey's Mining Lease ML 50098 Queensland was transferred to Goldsearch Limited and an initial 500 metre drilling program is planned to commence during the December quarter.
- In the report for the quarter ended 31 December 2004 released on 28 January 2005 the Company advised that, during the quarter:
 - Drill-hole Y009 at the Beer and Dawson Prospect (near Kilkivan) intersected multiple auriferous zones over 27 metres from 35 metres down-hole. The main zone was intersected between 61 and 63 metres with a grade of 8.6 g/t gold and 77 g/t silver and included 1 metre grading 15.8 g/t gold and 140 g/t silver.
 - In the same program, seven of eight holes drilled at the Yorkeys Prospect intersected

gold mineralisation. The best intersections were in Y002 and Y004. Y002 intersected multiple zones over 12 metres, each grading in excess of 2 g/t gold, and Y004 intersected 6 metres (down-hole from 7 to 13 metres) grading 3.2 g/t gold, including 1 metre at 15.4 g/t gold.

- At Duck Creek (EPM 13336 Queensland) drill-hole DC03 intersected 3 metres grading 1.6% copper at the 75 metre horizon. Drill-holes DC01, 02 and 04 also intersected anomalous copper near surface over a strike length of 400 metres.
- Encouraging results were received from widespread reconnaissance geochemical sampling in the Bloods Range of the Northern Territory.
- In the report for the quarter ended 31 March 2005 released on 28 April 2005 the Company advised that, during the quarter:
 - Thirteen combined radiometric and magnetic anomalies were identified in the Mary Kathleen uranium area and are being further investigated by Company personnel.
 - Arrangements were made for suitable follow-up drilling to commence at Yorkeys Queensland gold tenement.
 - Cultural clearances were underway on the Duck Creek tenement at Cloncurry.
 - A Columbad magnetic anomaly was identified at Duck Creek as a target for EM surveying and drill testing.
 - A phase 1 soil geochemical sampling program was completed on the Sandy Creek project in Victoria.
 - Further check sampling confirmed two gold anomalies in EL 5701 Bloods Range in the Northern Territory. Follow-up sampling by IGO is scheduled for the last week in April.
- In the report for the quarter ended 30 June 2005 released on 25 July 2005 the Company advised that, during the quarter:
 - encouraging assays for uranium, copper and gold were obtained from four targets at Mary Kathleen in Queensland.
 - Positive results were obtained from follow-up drilling at the Beer and Dawson gold and silver prospect at Yorkeys in Queensland. Assay results were pending.
 - A phase 1 soil geochemical sampling at the Sandy Creek project in Victoria was completed with encouraging gold results.
 - Further sampling has confirmed gold anomalies in the Northern Territory Bloods Range tenement EL5701. Follow-up sampling is to commence in July.

Significant changes

There were no significant changes to the state of affairs of the Company which occurred during the financial year ended 30 June 2005 except that:

- a total of 13,500,000 unquoted options over unissued shares in the Company held by directors and consultants expired on 15 July 2004.
- the Company allotted 750,000 shares on 25 August 2004 as part consideration for the purchase of ML 50098 and MLA 50513 Yorkeys, Queensland.

Financial position

At 30 June 2005 the Company held cash, receivables and short term investments totalling approximately \$1,060,000. This compares with an equivalent figure of \$1,738,000 at 30 June 2004. No additional capital was raised during the year.

These liquid assets, together with the existing joint venture arrangements, are sufficient to cover the Company's commitments and projected outgoings for the current year. However additional monies will need to be raised to finance the Company's operations for the following year. The directors are continually reviewing the options for the raising of further finance.

Events subsequent to balance date

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 2005.

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, 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 and chairman of the audit committee)

- 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.

- A director of a number of 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 and 621,565 quoted options over unissued ordinary shares in the Company.
- Over the past three years has acted as a non-executive director of other Australian listed public companies as follows:
National Hire Limited (resigned 2 March 2004)

Albert G. HARRIS

(non-executive director, member of the audit committee and overseer of risk management)

- 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 over 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.
- Beneficially holds 110,000 fully paid ordinary shares in the capital of the Company.
- Over the past three years has acted as a non-executive director of other Australian listed public companies as follows:
-Takoradi Limited (director since 1992)
-Pepinnini Minerals Limited (appointed 31 January 2005)

Robert B. LEECE, AM RFD

(non-executive director and member of the audit committee)

- 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.

- During the past three years has not acted as director of any other Australian listed public company.

John M.E. PERCIVAL

(executive director – ‘Director-Operations’ and attends audit committee meetings)

- 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 2,600,000 fully paid ordinary shares in the capital of the Company.
- During the past three years has not acted as director of any other Australian listed public company.

Terence V. WILLSTEED

(non-executive director and member of the audit committee)

- Appointed a director on 20 July 2004.
- A qualified mining engineer - BE (Mining) Queensland University and a Fellow of the Australian Institute of Mining and Metallurgy with over 45 years experience in mining operations, mineral processing, corporate management and consulting practice.
- Substantial activities have been involved in gold, uranium, base metal, PGM, oil shale and coal resource projects.
- Gained operational and management experience with Zinc Corporation Limited, Mount Isa Mines Limited and Consolidated Goldfields Australia Limited.
- Principal of Terence Willsteed & Associates, Consulting Mining Engineers since 1973.
- As a member of the Mineral Industry Consultants Association Board of Management has participated in the formation of the Joint Ore Reserves Committee and the formulation of the Australian Code for the Reporting of Resources and Ore Reserves.
- Indirectly holds 1,000,000 fully paid ordinary shares in the capital of the Company.
- Over the past three years has acted as a non-executive director of other Australian listed public companies as follows:
- Climax Mining Limited (current since 1996)
- Diamond Rose NL (current since 9 March 2005)
- Kimberley Oil NL (current since 26 November 2002)

Information on company secretary

Paul S HEWSON, BEc CPA ASIA

- Appointed secretary of the Company on 11 October 1995 on an outsourced basis.
- An economics graduate from Sydney University, a qualified accountant and a foundation graduate member of the Securities Institute of Australia.
- Is currently a principal of a corporate services business which provides company secretarial and corporate governance services to a number of listed public companies.
- Has over 25 years experience in administration of listed public companies and has variously held the positions of executive director, non-executive director and company secretary of a number of Australian listed public companies both in the mining and industrial sectors.

Non-audit services

There were no non-audit services provided to the Company during the year by the independent auditors.

Audit independence declaration

The Company's independent auditor has provided an independence declaration to the Company for the year ended 30 June 2005. A copy of the declaration is attached to and forms part of this directors' report.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

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 2005 was as follows:

Director	Meetings held	Meetings attended
J. Landerer, CBE AM	8	8
A.G. Harris	8	8
R.B. Leece, AM RFD	8	4
J.M.E. Percival	8	8
T.V. Willsted	8	8

In addition there were 2 meetings of the audit sub-committee which were attended by directors as follows:

Director	Meetings held	Meetings attended
J. Landerer, CBE AM	2	2
A.G. Harris	2	2
R.B. Leece, AM RFD	2	1
J.M.E. Percival	2	2
T.V. Willsted	1	1

Options

At the date of this report there are 36,491,869 quoted options over unissued fully paid ordinary shares in the Company exercisable at 8 cents per option and expiring on 30 September 2005. Holders of these options have no right to participate in issues to shareholders other than by the prior exercise of their options. Further particulars are set out in Note 16 to the attached financial statements.

No options were issued or exercised during the financial year or to the date of this report.

A total of 13,500,000 unquoted options (exercisable at 15 cents each) held by directors, consultants and their associated entities expired during the year on 15 July 2004. The abovementioned 36,491,869 quoted options will expire on 30 September 2005.

Remuneration report

Directors' and officers' remuneration

The remuneration of the non-executive directors is established by the shareholders. This remuneration is by way of a fixed annual fee which has, in the past, been supplemented by the issue of incentive options, although all such options expired during the year.

The remuneration of executive directors and executive officers of the Company is

established by the board of directors. The directors have adopted a fixed fee or salary policy for remuneration of executive directors and executive officers. This remuneration is based on market factors. There is no relationship between executive remuneration and the performance of the Company.

Details of remuneration paid during the year to directors and the five most highly remunerated executive officers are set out in the table below:

	Salary, fees and commissions \$	Superannuation contribution \$	Cash bonus \$	Non-cash benefits \$	Options \$	Total \$
<i>Directors:</i>						
J. Landerer, CBE AM	22,018	1,982	-	-	-	24,000
A.G. Harris	24,000	-	-	-	-	24,000
R.B. Leece, AM RFD	22,018	1,982	-	-	-	24,000
J.M.E. Percival	102,018	9,182	-	-	-	111,200
T.V. Willstead	22,774	-	-	-	-	22,774
<i>Specified executives:</i>						
T.J. Leahey	83,121	-	-	-	-	83,121

Further particulars are set out in Note 18 to the accompanying financial statements.

No share options were granted to directors or executives of the Company during the financial year as part of their remuneration. A total of 13,500,000 unquoted options issued to directors, consultants and their associated entities in prior years expired during the year on 15 July 2004.

Employment contracts

There are no service contracts in place with directors, employees or consultants which would render the Company liable for termination payments in excess of normal statutory entitlements.

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 \$21,449 (2004: \$34,602) and were charged at normal commercial rates.

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

J. Landerer, CBE AM
Director

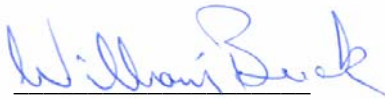
A.G. Harris
Director

Sydney
26 September 2005

Auditor's Independence Declaration to the directors of Goldsearch Limited

I declare that, to the best of my knowledge and belief, in relation to our audit of Goldsearch Limited for the year ended 30 June 2005 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001; and
- (ii) no contraventions of any applicable code of professional conduct.



William Buck
Chartered Accountants



Gerard Belleville
Lead Audit Partner

Dated this 26th day of September 2005.
Melbourne, Australia.

GOLDSEARCH LIMITED
ABN 73 006 645 754

STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2005

	Note	2005 \$	2004 \$
Revenue from ordinary activities	2	852,787	42,135
Capitalised exploration expenses written off		535,219	695,769
Salary costs (including directors fees)		135,884	113,780
Professional and legal fees		119,473	106,110
Operating lease expenses (office premises)		39,733	40,640
ASX and share registry expenses		23,157	27,217
Insurance		15,668	8,780
Carrying value of investment sold		513,568	-
Depreciation and amortisation		3,805	1,901
Other costs		88,847	63,268
Total expenses from ordinary activities		1,475,354	1,057,465
Loss from ordinary activities before income tax expense	3	(622,567)	(1,015,330)
Income tax expense relating to ordinary activities	4	-	-
Loss from ordinary activities after income tax expense		(622,567)	(1,015,330)
Net loss		(622,567)	(1,015,330)
Net loss attributable to members of Goldsearch Limited		(622,567)	(1,015,330)
Non-owner transaction changes in equity		-	-
Total changes in equity other than those resulting from transactions with owners as owners		(622,567)	(1,015,330)
Basic earnings/(loss) per share - cents per share	24	(0.34)	(0.56)

The accompanying notes form part of these financial statements.

GOLDSEARCH LIMITED
ABN 73 006 645 754

STATEMENT OF FINANCIAL POSITION
as at 30 June 2005

	Note	2005 \$	2004 \$
CURRENT ASSETS			
Cash assets	23(a)	262,154	673,482
Receivables	6	28,146	13,953
Other	7	34,500	20,402
TOTAL CURRENT ASSETS		324,800	707,837
NON-CURRENT ASSETS			
Other financial assets	9	210,196	531,507
Property, plant & equipment	8	16,429	6,150
Exploration and investment expenditure	10	1,853,735	1,737,385
TOTAL NON-CURRENT ASSETS		2,080,360	2,275,042
TOTAL ASSETS		2,405,160	2,982,879
CURRENT LIABILITIES			
Payables	14	56,597	36,457
Provisions	15	28,291	32,083
TOTAL CURRENT LIABILITIES		84,888	68,540
TOTAL LIABILITIES		84,888	68,540
NET ASSETS		2,320,272	2,914,339
EQUITY			
Contributed equity	16	22,724,856	22,696,356
Accumulated losses	5	(20,404,584)	(19,782,017)
TOTAL EQUITY		2,320,272	2,914,339

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 2005

	Note	2005	2004
			\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Payments to suppliers and employees		(354,767)	(305,324)
Payments to related parties		(100,074)	(65,552)
Dividend received		56,000	-
Interest received		33,780	44,134
		<hr/>	<hr/>
Net cash used in operating activities	23(b)	(365,061)	(326,742)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for exploration activities		(558,593)	(250,061)
Payment to related parties for exploration activities		(46,246)	(65,857)
Payment for property, plant & equipment		(14,108)	(2,210)
Repayment of borrowing		12,500	-
Proceeds from sale of investment in listed entities		660,180	-
Payment for investment in listed entities		(100,000)	(19,358)
		<hr/>	<hr/>
Net cash used in investing activities		(46,267)	(337,486)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		-	-
Payment of share issue costs		-	-
		<hr/>	<hr/>
Net cash provided by financing activities		-	-
Net increase/(decrease) in cash held		(411,328)	(664,228)
Cash at beginning of year		673,482	1,337,710
		<hr/>	<hr/>
Cash at end of year	23(a)	262,154	673,482
		<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 2005

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) International Financial Reporting Standards

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and Urgent Issues Group Abstracts corresponding to International Financial Reporting Interpretations adopted by the International Accounting Standards Board (IASB). These Australian equivalents will be known as Australian International Financial Reporting Standards (AIFRS). The adoption of the AIFRS will be first reflected in the Company's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings at 1 July 2004.

The board of directors has managed the transition to AIFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. They have analysed all of the AIFRS and have identified the accounting policy changes that will be required.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below.

GOLDSEARCH LIMITED
ABN 73 006 645 754

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(b) International Financial Reporting Standards (continued)

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the IASB. Therefore, until the company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

Exploration, evaluation and development costs

AASB 6 Exploration for and Evaluation of Mineral Resources requires entities that recognise exploration and evaluation assets to assess those assets for impairment and measure any impairment in accordance with AASB 136 Impairment of Assets.

Presently, the company recognises expenditure incurred on exploration, evaluation and development as an asset. These costs are carried forward to the extent that exploration and evaluation activities have not yet reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing. 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. This accounting policy is consistent with the policy required under AASB6 and accordingly, no adjustment to capitalised expenditure is required to be made upon the adoption of AIFRS.

Income tax

The Company currently recognises deferred taxes by accounting for the differences between accounting profits and taxable income, which gives rise to 'permanent' and 'timing' differences. Pursuant to AASB 112 Income Taxes, deferred taxes are measured by reference to the temporary differences determined as the difference between the carrying amount and the tax base of assets and liabilities recognised in the statement of financial position.

The Company has carried forward tax losses which have not been recognised as deferred tax assets as they do not satisfy the 'virtually certain' criteria of current Australian Generally Accepted Accounting Principles (GAAP). Pursuant to AASB 112, tax losses may be more readily recognised as deferred tax assets as the 'probable' recognition criteria is less stringent than the 'virtually certain' test of Australian GAAP

GOLDSEARCH LIMITED
ABN 73 006 645 754

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(b) International Financial Reporting Standards (continued)

Rehabilitation and restoration costs

The accounting treatment for the provision for rehabilitation commitments under AIFRS is prescribed under a combination of AASB 116 Property, Plant and Equipment and AASB 137 Provisions, Contingent Liabilities and Contingent Assets. On transition to AIFRS an estimate of the present rehabilitation liability will be recorded, on a discounted basis, where a legal and constructive obligation to rehabilitate property exists. To the extent the activity that gives rise to the rehabilitation liability represents the construction of an asset, the corresponding cost is included in the asset and amortised over the life of the mine. Otherwise the provision is expensed as a period cost.

The Company currently has a policy to accrue, where appropriate, an estimated amount for the future rehabilitation of an estimated amount for the future rehabilitation of exploration sites and write this amount off as part of the costs of production of the mine property. On transition to the AIFRS the recognition of this change in accounting policy is expected to have no material impact to accrued rehabilitation costs.

Impairment of Assets

AASB 136 Impairment of Assets, assets held by the company are required to be tested for impairment in the event that any indicators of impairment are present. Impairment of assets has been reviewed at 1 July 2004 and 30 June 2005 and there is considered to be no impact.

(c) 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.

GOLDSEARCH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(d) 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(e) 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.

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.

(f) 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.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(g) Business undertakings – joint ventures

The Company has certain exploration activities conducted through joint venture operations 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.

(h) 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.

(i) 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.

(j) Consolidation

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

(k) Comparative information

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

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(l) 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.

(m) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave, sick leave and long service leave which will be settled after one year, have been measured at their nominal rate based on remuneration rates expected to be paid when the liability is settled, plus related on-costs.

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

(n) 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.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(o) Investments

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

(p) Revenue

Realised gains and losses on sale are recognised as income or expense respectively in the Statement of Financial Performance and are calculated as the difference between consideration on sale and the original cost.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

All revenue is stated net of the amount of goods and services tax (GST).

(q) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

1. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
2. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to the taxation authority is classified as operating cash flows.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(r) Accounts Payable

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

(s) Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

	2005	2004
	\$	\$
2 REVENUE FROM ORDINARY ACTIVITIES		
Revenue from operating activities		
Write back of loan provision	12,500	-
Sale of investment	752,436	-
Interest received	31,696	42,135
Dividend income	56,000	-
Sundry Income	155	-
	<u>852,787</u>	<u>42,135</u>
3 LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		
<i>a) Individually significant expenses included in the loss from ordinary activities before income tax:</i>		
Carrying value of investment sold	513,568	-
Capitalised exploration expenditure written off	535,219	695,769
	<u>535,219</u>	<u>695,769</u>
<i>b) Loss from ordinary activities before income tax has been determined after:</i>		
Expenses		
Depreciation of plant and equipment		
Plant and equipment	3,805	1,901
	<u>3,805</u>	<u>1,901</u>
Rental expense on operating leases	37,482	38,996
Movements in provisions - employee entitlements	(3,792)	11,371
Capitalised exploration expenditure written off	535,219	695,769
	<u>535,219</u>	<u>695,769</u>

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

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 2005, the Company has estimated carry-forward tax losses after adjusting for permanent and timing differences of approximately \$13,677,495 (2004: \$12,852,729) which amounts to an income tax benefit of \$4,103,249 (2004: \$3,855,819). The Company has no estimated carry-forward capital losses (2004: \$Nil).

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.

2005	2004
\$	\$

5 ACCUMULATED LOSSES

Accumulated losses at beginning of year	(19,782,017)	(18,766,687)
Net loss attributable to members of Goldsearch Limited	(622,567)	(1,015,330)
Accumulated losses at end of year	(20,404,584)	(19,782,017)

GOLDSEARCH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

	2005	2004
	\$	\$
6 CURRENT ASSETS - RECEIVABLES		
Other debtors	347	2,277
Loans receivable	-	12,500
Less provision for non-recovery	-	(12,500)
GST receivable	27,799	11,676
	<u>28,146</u>	<u>13,953</u>
	<u>28,146</u>	<u>13,953</u>
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	16,200	2,102
	<u>34,500</u>	<u>20,402</u>
	<u>34,500</u>	<u>20,402</u>
8 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT		
Equipment at cost	59,771	45,664
Accumulated depreciation	(43,342)	(39,514)
	<u>16,429</u>	<u>6,150</u>
Motor vehicle at cost	61,300	61,300
Accumulated depreciation	(61,300)	(61,300)
	<u>-</u>	<u>-</u>
Plant and equipment at cost	-	6,950
Accumulated depreciation	-	(6,950)
	<u>-</u>	<u>-</u>
Total property, plant and equipment	<u>16,429</u>	<u>6,150</u>
	<u>16,429</u>	<u>6,150</u>

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

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

Reconciliation of property, plant & equipment

	Equipment	Total
2005		
Carrying amount at beginning of year	6,150	6,150
Additions	14,108	14,108
Depreciation	(3,829)	(3,829)
Carrying amount at end of year	<u>16,429</u>	<u>16,429</u>
2004		
Carrying amount at beginning of year	5,872	5,872
Additions	2,210	2,210
Depreciation	(1,932)	(1,932)
Carrying amount at end of year	<u>6,150</u>	<u>6,150</u>

GOLDSEARCH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

	2005	2004
	\$	\$
9 NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS		
Shares in controlled entities at cost (Note 27)	885	885
Shares in listed companies at cost (i)	209,311	155,622
Shares in unlisted companies at cost	1	1
Shares in unlisted companies at cost (ii)	-	733,491
Provision for diminution in value of investment	(1)	(1)
Provision for diminution in value of investment (ii)	-	(358,491)
	210,196	531,507

Reconciliation of other financial assets

Carrying amount at beginning of year	531,507	521,500
Additions (i)	100,000	10,007
Sales - other parties - (i) (ii)	(421,311)	-
Carrying amount at end of year	210,196	531,507

- (i) Listed investments at cost includes the following material investment:
 Minority interest in Independence Group NL (IGO) shares.
 During the year the Company exercised options to acquire 500,000 additional shares in IGO at a cost of \$100,000.
 During the year the Company sold 150,000 IGO shares for a consideration of \$204,100. The sales realised a profit of \$155,748.
 The market value of the remaining shares at 30 June 2005 was \$737,000.

There would be no material capital gains tax payable if these listed assets were sold at their market values at balance date.

- (ii) At 30 June 2004 the Company held a 9.68% interest in Reefway Pty Limited. This investment was sold during the year for a consideration comprising \$363,370 cash and 5,966,667 share in CopperCo Limited with a market value at completion date of \$89,500.

The sale realised a profit of \$77,870 after allowing for the existing \$358,491 provision for diminution.

The Company subsequently sold the CopperCo Limited shares for \$94,750 and realised an additional profit of \$5,250.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

	2005	2004
	\$	\$
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	1,737,385	2,100,778
Exploration expenditure, at cost	651,569	332,376
	2,388,954	2,433,154
Capitalised exploration expenditure written off	(535,219)	(695,769)
Balance at end of year	1,853,735	1,737,385
Depreciation included in exploration expenditure	24	31

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.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

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 EL 5701, and ELAs 6847, 9740, 23783, 23785 and 23786. 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 Group joint venture

The Company has entered into a joint venture agreement with Independence Group 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 EL 5701.

The current exploration licence applications covered by the agreement are South Australian ELAs 35, 198, 260, 262, 336-343 and 534.

The total expenditure commitments for the above exploration licences and applications at 30 June 2006 amount to \$2,399,521. IGO must spend a minimum of \$2,000,000 before earning an equity in any licence area. IGO has advised that it had expended \$1,196,929 under the agreement up to 30 June 2005. Accordingly, at that date, it had not earned an equity interest in any of the tenements.

c) Phelps Dodge joint venture

The Hawks Nest (EL 2899) Heads of Agreement between Phelps Dodge Australia Inc./Red Metal Limited was terminated in May 2005. Following assessment of the project in July 2005 the directors of Goldsearch decided to relinquish the licence, as there was insufficient evidence to justify further expenditure.

Accordingly capitalised expenditure to date of \$669,093 has been written off.

d) Central West joint venture

The Company entered into a Heads of Agreement with Central West Gold NL (CWG) in relation to a joint venture to explore the uranium, base metal and gold potential of EPMS 14019 and 14022 (Mary Kathleen). Under the terms of the agreement Goldsearch can earn 25% equity in the tenements by spending \$40,000 in the first year and can earn a further 25% equity, taking its total equity to 50% by matching the total expenditure previously committed by CWG, estimated at \$50,000. Goldsearch retains the right to extend its equity to 75% with the expenditure of a further \$50,000. At 30 June 2005 Goldsearch has expended sufficient amounts to earn 25% equity in these tenements.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

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 2006, and the parties responsible for funding that expenditure, are as follows:-

• EL2910	South Australia	\$190,000 to be funded by Independence Group NL
• EL3031	South Australia	\$150,000 to be funded by Independence Group NL
• EL5701	Northern Territory	\$50,000 to be funded by Independence Group NL
• EPM13336	Queensland	\$100,000 to be funded by Goldsearch Limited
• EPM14019	Queensland	\$90,000 to be funded by Goldsearch Limited
• EPM14022	Queensland	\$90,000 to be funded by Goldsearch Limited
• EL4812	Victoria	\$20,700 to be funded by Goldsearch Limited
• EL6027	New South Wales	\$20,000 to be funded by Goldsearch Limited
• EL6094	New South Wales	<u>\$50,000</u> to be funded by Goldsearch Limited
		<u>\$760,700</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 \$2,580,662 would arise. Of this additional minimum annual expenditure requirement \$2,009,512 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 2005

	NOTE	2005	2004
		\$	\$
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		41,942	46,588
Later than 1 year and not later than 5 years		21,418	78,535
		63,360	125,123
		63,360	125,123
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		760,700	750,200
Later than 1 year and not later than 5 years		821,600	872,300
		1,582,300	1,622,500
		1,582,300	1,622,500
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		48,177	21,444
Sundry creditors and accruals		8,420	15,013
		56,597	36,457
		56,597	36,457
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		28,291	32,083
		28,291	32,083
Number of employees			
Number of employees at year end		2	2
		2	2

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

	2005	2004
	\$	\$
16 CONTRIBUTED EQUITY		
<i>(a) Issued shares :</i>		
182,459,348 ordinary fully paid shares at beginning of year (2004: 182,459,348)	19,951,282	19,951,282
Issued during the year:		
750,000 ordinary shares issued at a price of 3.8 cents each	28,500	-
183,209,348 ordinary fully paid shares at end of year (2004: 182,459,348)	19,979,782	19,951,282
<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	22,724,856	22,696,356
<i>(c) Movement in issued shares during the year:</i>		
Date	Number of shares	Paid up capital \$
1 July 2004	182,459,348	19,951,282
25 August 2004	750,000	28,500
30 June 2005	183,209,348	19,979,782

Holders of ordinary shares are entitled participate in dividend when declared and are entitled to one vote per share, either in person or by proxy, at shareholders meetings. In the event of winding up the Company, ordinary shareholders are ranked after all other creditors and are entitled to any proceeds of liquidation in proportion to the number of and amounts paid on the shares held

GOLDSEARCH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

16 CONTRIBUTED EQUITY (continued)

(d) *Movement in issued share options during the year:*

Total options granted but not exercised as at 30 June 2005 are as follows:

Date	Details	Exercise	Expiry date	Number
<u>Quoted options - (f)(i)</u>				
1 July 2004	opening balance	8 cents	30 September 05	36,491,869
30 June 2005	closing balance	8 cents	30 September 05	<u><u>36,491,869</u></u>
<u>Unquoted options</u>				
1 July 2004	opening balance	15 cents	15 July 2004	13,500,000
15 July 2004	options lapsed	15 cents	15 July 2004	<u>(13,500,000)</u>
30 June 2005	closing balance			<u><u>-</u></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 ended 30 June 2003 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.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

17 EVENTS SUBSEQUENT TO BALANCE DATE

No material events or matters have occurred since 30 June 2005 to the date of this financial report

GOLDSEARCH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

18 Directors and executives remuneration

a) Names and positions held by directors and specified executives in office at any time during the financial year are:

Directors

J. Landerer, CBE AM	Non-executive chairman
A.G. Harris	Non-executive director
R.B. Leece, AM RFD	Non-executive director
T.V. Willsted	Non-executive director (appointed 20 July 2004)
J.M.E. Percival	Executive director - Director Operations

Specified executives

T.A. Leahey	Exploration manager
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b) Director remuneration

2005	Primary Salary, fees & commissions	Primary Superannuation contribution	Post employment Superannuation	Equity Options	Other	Total
J. Landerer, CBE AM	22,018	1,982	-	-	-	24,000
A.G. Harris	24,000	-	-	-	-	24,000
R.B. Leece, AM RFD	22,018	1,982	-	-	-	24,000
J.M.E. Percival	102,018	9,182	-	-	-	111,200
T.V. Willsted	22,774	-	-	-	-	22,774
	192,828	13,146	-	-	-	205,974
2004						
J. Landerer, CBE AM	22,206	1,999	-	-	-	24,205
A.G. Harris	24,000	-	-	-	-	24,000
R.B. Leece, AM RFD	22,206	1,999	-	-	-	24,205
J.M.E. Percival	89,206	8,029	-	-	-	97,235
T.V. Willsted	-	-	-	-	-	-
	157,618	12,067	-	-	-	169,645

No options have been granted as remuneration.

No shares have been issued on the exercise of remuneration options.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

18 Directors and executives remuneration (continued)

Number of directors whose total income was within the following bands:-

	2005	2004
\$ 0 - \$ 19,999	-	-
\$ 20,000 - \$ 29,999	4	3
\$ 90,000 - \$ 99,999	-	1
\$110,000 - \$119,999	1	-

c) Specified executives' remuneration

		Primary				
2005	Salary, fees & commissions	Superannuation contribution	Post employment Superannuation	Equity Options	Other	Total
T.A. Leahey	83,121	-	-	-	-	83,121
	83,121	-	-	-	-	83,121
2004						
T.A. Leahey	-	-	-	-	-	-
	-	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

18 Directors and executives remuneration (continued)

d) Options and rights holdings

Number of options held by directors and specified executives

Directors

	Balance at 1/7/04	Granted as remuneration	Options exercised	Net change other	Balance at 30/6/05	Vested at 30/6/05	Exercisable at 30/6/05
J. Landerer, CBE AM	3,621,565	-	-	(3,000,000)	621,565	621,565	621,565
A.G. Harris	3,000,000	-	-	(3,000,000)	-	-	-
R.B. Leece, AM RFD	621,565	-	-	-	621,565	621,565	621,565
J.M.E. Percival	3,000,000	-	-	(3,000,000)	-	-	-
T.V. Willstead	-	-	-	-	-	-	-
	<u>10,243,130</u>	<u>-</u>	<u>-</u>	<u>- 9,000,000</u>	<u>1,243,130</u>	<u>1,243,130</u>	<u>1,243,130</u>

Specified executives

	Balance at 1/7/04	Granted as remuneration	Options exercised	Net change other	Balance at 30/6/05	Vested at 30/6/05	Exercisable at 30/6/05
T.A. Leahey	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

e) Shareholdings

Number of options held by directors and specified executives

Directors

	Balance at 1/7/04	Received as remuneration	Options exercised	Net change other	Balance at 30/6/05
J. Landerer, CBE AM	4,451,501	-	-	-	4,451,501
A.G. Harris	110,000	-	-	-	110,000
R.B. Leece, AM RFD	8,662,465	-	-	-	8,662,465
J.M.E. Percival	1,300,000	-	-	1,300,000	2,600,000
T.V. Willstead	-	-	-	1,000,000	1,000,000
	<u>14,523,966</u>	<u>-</u>	<u>-</u>	<u>2,300,000</u>	<u>16,823,966</u>

Specified executives

	Balance at 1/7/04	Received as remuneration	Options exercised	Net change other	Balance at 30/6/05
T.A. Leahey	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

18 Directors and executives remuneration (continued)

f) Remuneration practices

The Company's policy for determining the nature and amounts of emoluments of directors and senior executives of the Company is as follows;

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including the length of service, particular experience of the individual concerned, and overall market factors. The contracts for service between the Company and specified directors and executives are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement.

There is no relationship between executive remuneration and the performance of the Company, there is no separate profit-share plan.

The constitution provides that the remuneration of non-executive directors will not be more than the aggregate fixed sum determined by a general meeting of shareholders. The aggregate remuneration has been set at an amount of \$100,000 per annum.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

	2005	2004
	\$	\$
19 REMUNERATION OF AUDITORS		
Amounts received or due and receivable by the auditors for:		
Auditing the accounts	20,683	20,892
Other services	-	550
	20,683	21,442
	20,683	21,442

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 program.

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.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

22 RELATED PARTY TRANSACTIONS

The names of persons who were directors of the Company at any time during the year and to the date of these financial statement are:

J. Landerer, CBE AM
J.M.E. Percival
A.G. Harris
R.B. Leece, AM RFD
T.V. Willsted (appointed 20 July 2004)

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

(a) 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 \$21,449
(2004: \$34,602).

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

22 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	-	-
A.G. Harris	110,000	-	-	-	-	-
R.B. Leece, AM RFD	-	8,662,465	-	621,565	-	-
J.M.E. Percival	-	2,600,000	-	-	-	-
T.V. Willstead	-	1,000,000	-	-	-	-

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	-	-	-	-	-	-
A.G. Harris	-	-	-	-	-	-
R.B. Leece, AM RFD	-	-	-	-	-	-
J.M.E. Percival	-	1,300,000	-	-	-	-
T.V. Willstead	-	1,000,000	-	-	-	-

(ii) Sales/expired

	Ordinary shares		Quoted share options		Unquoted share options	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
J. Landerer, CBE AM	-	-	-	-	-	3,000,000
A.G. Harris	-	-	-	-	3,000,000	-
R.B. Leece, AM RFD	-	-	-	-	-	-
J.M.E. Percival	-	-	-	-	-	3,000,000
T.V. Willstead	-	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

23 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:

	2005	2004
	\$	\$
Cash at 30 June 2005 is shown in the statement of financial position as:		
Cash on hand	600	600
Cash at bank	220,717	637,635
Deposits at call	40,837	35,247
	262,154	673,482

(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	(622,567)	(1,015,330)
<u>Add/(less)</u>		
Depreciation	3,805	1,901
Write-off of capitalised exploration expenditure	535,219	695,769
Write back of loan provision	(12,500)	-
Net gain on disposal of investments	(238,869)	-
Changes in assets and liabilities :		
(Increase)/decrease in receivables	(14,193)	4,500
Increase/(decrease) in provisions	(3,792)	11,371
(Increase)/decrease in prepayments	(14,098)	1,898
Increase/(decrease) in trade creditors and accruals net of exploration expenditure	1,934	(26,851)
Net cash (used in)/provided by operating activities	(365,061)	(326,742)

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

(c) Non-cash financing and investing activities

- (i) 750,000 ordinary shares were issued at 2.8 cents as part of the consideration for the purchase of tenement ML 50098 (Yorkeys Extended).
- (ii) The Company received 5,966,667 ordinary share in CopperCo Limited (formally Avon Resources Limited) as part consideration for the sale of its investment in Reefway Pty Limited.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

24 EARNINGS PER SHARE	2005	2004
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Basic earnings/(loss) per share	(0.34c)	(0.56c)
Weighted average number of ordinary shares outstanding during the year	182,594,022	182,459,348
Net loss	<u>(622,567)</u>	<u>(1,015,330)</u>

Options:

As at 30 June 2005 the Company had on issue 36,491,869 (2004: 49,991,869) 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.

25 SEGMENT INFORMATION

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

	Revenue 2005	Results 2005	Assets 2005	Liabilities 2005
Mineral exploration	-	(535,219)	1,853,735	-
Other investments	808,436	294,868	210,196	-
Unallocated	44,351	(382,216)	341,229	84,888
	<u>852,787</u>	<u>(622,567)</u>	<u>2,405,160</u>	<u>84,888</u>
	Revenue 2004	Results 2004	Assets 2004	Liabilities 2004
Mineral exploration	-	(695,769)	1,737,385	-
Other investments	-	-	531,507	-
Unallocated	42,135	(319,561)	713,987	68,540
	<u>42,135</u>	<u>(1,015,330)</u>	<u>2,982,879</u>	<u>68,540</u>

26 FRANKING CREDITS	2005	2004
Adjusted franking account balance (tax paid basis)	24,000	-

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

27 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 2005

28 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.

		2005				
		Floating interest rate \$	Fixed interest maturing in		Non- interest bearing \$	Total \$
			1 year or less \$	over 1 to 5 years \$		
Financial assets						
Cash	23	172,891	40,836	-	48,427	262,154
Receivables	6	-	-	-	28,146	28,146
Investments - non-listed securities	9	-	-	-	885	885
Investments - listed securities	9	-	-	-	209,311	209,311
Total financial assets		172,891	40,836	-	286,769	500,496
Weighted average interest rate		4.54%	1.33%	0.00%	-	
Financial liabilities						
Trade and sundry creditors	14	-	-	-	56,597	56,597
Total financial liabilities		-	-	-	56,597	56,597
Weighted average interest rate		0.00%	0.00%	0.00%	-	
Net financial assets		172,891	40,836	-	230,172	443,899
					2005	2004
					\$	\$
Reconciliation of net financial assets to net assets:						
Net financial assets above					443,899	1,182,485
Non-financial assets and liabilities:						
Other assets					34,500	20,402
Property, plant and equipment					16,429	6,150
Capitalised exploration expenditure					1,853,735	1,737,385
Provision for employee entitlements					(28,291)	(32,083)
Net assets per statement of financial position					2,320,272	2,914,339

GOLDSEARCH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

28 FINANCIAL INSTRUMENTS (continued)

		2004				
		Floating interest rate \$	Fixed interest maturing in		Non- interest bearing \$	Total \$
Note	1 year or less \$		over 1 to 5 years \$			
Financial assets						
Cash	23	593,496	35,247	-	44,739	673,482
Receivables	6	-	-	-	13,953	13,953
Investments - non-listed securities	9	-	-	-	375,885	375,885
Investments - listed securities	9	-	-	-	155,622	155,622
Total financial assets		593,496	35,247	-	590,199	1,218,942
Weighted average interest rate		4.54%	1.51%	0.00%	-	
Financial liabilities						
Trade and sundry creditors	14	-	-	-	36,457	36,457
Total financial liabilities		-	-	-	36,457	36,457
Weighted average interest rate		0.00%	0.00%	0.00%	-	
Net financial assets		593,496	35,247	-	553,742	1,182,485

(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 of equity investments are brought into account at lower of cost or market value, as disclosed in the statement of financial position and the notes to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

28 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.

29 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:

1. The financial statements and associated notes for the financial year ended 30 June 2005:
 - (a) are in accordance with the Corporations Act 2001;
 - (b) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (c) give a true and fair view of the financial position of the Company as at 30 June 2005 and the performance of the Company for the financial year then ended.
2. The chief executive officer/chief financial officer has declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. In the opinion of the directors there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

On behalf of the directors

J. Landerer CBE AM
Director

A.G. Harris
Director

Sydney,
26 September 2005

**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 2005.

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 2005, 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 & 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 area of interest.



William Buck
Chartered Accountants



Gerard Belleville
Lead Audit Partner

Dated this 26th day of September 2005.

Melbourne, Australia.