

gsh/psh/gsh664

28 September 2006

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

No. of pages – 54

Dear Sir

**Re: Annual financial report**

Enclosed for release to the market is the annual financial report for Goldsearch Limited for the year ended 30 June 2006

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 2006

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## DIRECTORS' REPORT

Your directors have pleasure in submitting the balance sheet of the Company at 30 June 2006 together with related income statement, cash flow statement of cash flows and statement of changes in equity 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. Willsted

### 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 \$1,198,259 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

The following occurred during the year under review:

- The Company expended and capitalised \$816,987 on exploration and wrote off \$1,247,627 of capitalised exploration expenses.
- On 28 September 2005 the Company announced having entered into an agreement with Medusa Mining Limited whereby Goldsearch will joint venture a gold project over the former Pinut-an Gold Mine and surrounding areas located on Panaon Island in the southern Philippines by undertaking work on the Project to a value of US\$1 million to earn a 50% interest in the project. The heads of agreement were

conditional upon legal due diligence and finance being obtained. Goldsearch to fund the initial stage of the joint venture from the Company's investment portfolio.

- In the report for the quarter ended 30 September 2005 released on 31 October 2005 the Company advised that:
  - the Panaon Island project target will be an operation initially treating 50 tonnes of high-grade ore per day. The ultimate target is for an annual production in the order of 35,000 ounces of gold from ore with an average grade of approximately 20 grams per tonne gold with cash costs at less than US\$200.00 per ounce of gold over a minimum five year life.
  - follow-up sampling during the quarter in the Northern Territory Bloods Range tenement EL 5701 produced strong results of up to 29.7 grams per tonne gold in rock chip samples from a reef structure that continues under sand cover for approximately 700 metres.
- On 27 January 2006 the directors announced that they had resolved to proceed with a fully underwritten capital raising to provide additional working capital for the Company, primarily to fund the exploration and development of the Pinut-an gold project in the Philippines. It was proposed to offer shareholders a non-renounceable entitlement to subscribe for one new share and one new option, at an issue price of three cents per share and option package, for each two ordinary shares held at the record date. The offer involves the issue of 91,604,674 new shares and options to raise \$2,748,000 before issue expenses.
- In the report for the quarter ended 31 December 2005 released on 31 January 2006 the Company advised that:
  - the joint venture partners for the Panaon Island project have approved an initial surface and underground diamond drilling program comprising 3,000 metres of core. The program which tests both targets at the main Pinut-an deposit and the nearby Caingin Point prospect is scheduled to commence during the March 2006 quarter; and
  - it is planned to undertake a program of auger geochemistry on EL 5701 Bloods Range in the Northern Territory to identify firm drill targets. A drilling program to test the potential of the gold-bearing reef structure is scheduled for the first half of

2006. Exploration geochemistry completed to date suggests the target structure has a potential strike length in excess of 700 metres and potentially extends to the north-west under significant transported sand cover.

- On 9 February 2006 the Company lodged a prospectus with ASIC for the proposed rights entitlement issue. The prospectus and entitlement forms were mailed to shareholders on 24 February 2006.
- Acceptances were received for 50,933,552 shares and options and these were allotted and issued on 21 March 2006. Under-subscriptions of 40,671,122 shares and options were subscribed to by the underwriters and these were allotted and issued on 31 March 2006.
- On 20 April 2006 the directors announced the commencement of a surface and underground diamond drilling program at the Panaon Island project.
- In the report for the quarter ended 31 March 2006 released on 28 April 2006 the Company advised that, during the quarter:
  - significant progress has been made on rehabilitating the existing underground development at the Panaon Island project;
  - a program for re-visiting the site for auger geochemistry on the reef structure on EL 5701 Bloods Range Northern Territory is scheduled for the current quarter;
  - results of a four hole drilling program from EL 6094 Windeyer NSW is due early next quarter; and
  - visits have been made to the Mary Kathleen regional area to define exploration targets for uranium.
- In the report for the quarter ended 30 June 2006 released on 28 July 2006 the Company advised that, during the quarter:
  - encouraging mineralisation was intercepted by diamond drillhole UDH2 at the Panaon Island project and assay results are expected soon;
  - Sedimentary Holdings Limited has agreed to spend \$500,000 over three years to earn up to 75% of ELA 4669 St. Arnaud Victoria;
  - reconnaissance work on the Mary Kathleen uranium project in Queensland has to date identified three main target areas. Future programs are now dedicated to defining drill targets; and
  - Meetings have been held with the local Aboriginal community to enable

preliminary anthropological surveys over four key tenements in the Company's Musgrave Block holdings in South Australia.

### **Significant changes**

There were no significant changes to the state of affairs of the Company which occurred during the financial year ended 30 June 2006 except for the issue in March 2006 of a total of 91,604,674 new ordinary shares in the Company together with 91,604,674 attached options which raised \$2,748,000 before issue costs of \$243,000.

### **Financial position**

At 30 June 2006 the Company held cash and receivables totalling \$1,858,000. This compares with an equivalent figure of \$324,000 at 30 June 2005. In addition the Company held listed securities with a market value at 30 June 2006 of \$812,000 (2005: \$210,000). As stated above \$2,505,000 of net 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 next two years.

### **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 2006 other than:

- On 13 July 2006 the directors announced a joint venture with Sedimentary Holdings over EL 4669 St Arnaud.
- On 18 July 2006 the directors announced that Mr Heath Hellewell has been appointed as exploration manager of Goldsearch and that 2,000,000 incentive options had been issued as part of his remuneration package.
- On 28 September 2006 the board received advice that the latest assay results from the drilling program at Panaon Island have downgraded the project from a mining opportunity to an exploration project. The Company has certain rights under the joint venture agreement that are being reviewed. The above may result in an impairment to the \$394,061 of capitalised exploration on the project which is carried in the accounts at 30 June 2006. Any such impairment will be recognised and expensed when it is capable of being quantified.

### 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 4,277,904 fully paid ordinary shares and 1,447,968 quoted options over unissued ordinary shares in the capital of the Company and has an indirect interest in a further 2,432,347 ordinary shares and 810,782 quoted options over unissued 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:  
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 165,000 fully paid ordinary shares and 55,000 quoted options over unissued 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 (director since 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 is chief operating officer of Tenix Limited, Australia's largest defence contractor.
- Has been involved as a director of several public and private development companies including Abigroup, Transfield and Merlin International Properties.
- Indirectly holds 10,329,465 fully paid ordinary shares and 1,667,000 quoted options over unissued 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.

#### 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.
- Beneficially holds 3,000 fully paid ordinary shares and 1,000 quoted options over unissued ordinary shares in the capital of the Company and has an indirect interest in a further 4,939,122 ordinary shares and 2,039,122 quoted options over unissued 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 2,154,000 fully paid ordinary shares and 1,154,000 quoted options over unissued 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)
  - International Ferro Metals Ltd (current since September 2005)

#### **Information on company secretary**

Paul S HEWSON, BEc CPA FFin

- Appointed secretary of the Company on 11 October 1995 on an outsourced basis.
- An economics graduate from Sydney University, a qualified accountant and a fellow of the Financial Services 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 2006. 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 2006 was as follows:

<b>Director</b>	<b>Meetings held</b>	<b>Meetings attended</b>
J. Landerer, CBE AM	9	9
A.G. Harris	9	7
R.B. Leece, AM RFD	9	5
J.M.E. Percival	9	8
T.V. Willsteed	9	9

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

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

## Options

On 30 September 2005 a total of 36,491,869 quoted options on issue by the Company expired in accordance with the terms of their issue.

In March 2006 the Company issued 91,604,674 quoted options over unissued fully paid ordinary shares in the Company exercisable at 5 cents per option and expiring on 31 October 2007. These options were attached to shares issued pursuant to an entitlement issue to shareholders under the terms of a prospectus dated 9 February 2006.

In July 2006 the directors issued a total of 2,000,000 unquoted options with exercise prices ranging from 5.5 cents to 10 cents each and with expiry dates ranging from 30 June 2007 to 30 June 2009. These options were issued as incentive options as part of the remuneration package of the Company's exploration manager.

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

At the date of this report there are 91,604,674 quoted options and 2,000,000 unquoted options on issue by the Company. Holders of these options have no right to participate in issues to shareholders other than by the prior exercise of their options.

Further particulars on options are set out in Note 16 to the attached financial statements.

## 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 previous year. It is therefore proposed to seek shareholder approval at the forthcoming annual general meeting to establish incentive option plans for directors and executives. Independent advice is being sought in this regard.

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	33,000	-	-	-	-	33,000
R.B. Leece, AM RFD	22,018	1,982	-	-	-	24,000
J.M.E. Percival	108,685	9,782	-	-	-	118,467
T.V. Willstead	24,000	-	-	-	-	24,000
<i>Specified executives:</i>						
T.J. Leahey	1,485	-	-	-	-	1,485
H Hellewell	29,211	-	-	-	-	29,211

Further particulars are set out in Note 19 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. However, as stated above 2,000,000 options have been granted since 30 June 2006.

### **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 \$45,736 (2005: \$21,449) and were charged at normal commercial rates.
- The Company employs Ms J Gregan, spouse of Mr J Percival. Ms Gregan's employment agreement is in accordance with normal market terms and conditions

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

J. Landerer, CBE AM  
Director

J.M.E. Percival  
Director

Sydney  
28 September 2006

**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 2006 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



Simon Hourigan  
Lead Audit Partner

Dated this 28<sup>th</sup> day of September 2006  
Melbourne, Australia.

**GOLDSEARCH LIMITED**  
**ABN 73 006 645 754**

**INCOME STATEMENT**  
**for the financial year ended 30 June 2006**

	Note	2006 \$	2005 \$
Revenue	2	568,779	339,219
Capitalised exploration expenses written off		1,247,627	535,219
Salary costs (including directors' fees)		152,167	135,884
Professional and legal fees		140,995	119,473
Operating lease expenses (office premises)		46,254	39,733
ASX and share registry expenses		50,592	23,157
Insurance		19,463	15,668
Depreciation and amortisation		6,479	3,805
Other costs		103,461	88,847
Total expenses		1,767,038	961,786
<b>Loss before income tax expense</b>	3	<b>(1,198,259)</b>	<b>(622,567)</b>
Income tax expense	4	-	-
<b>Loss after income tax expense</b>		<b>(1,198,259)</b>	<b>(622,567)</b>
<b>Net loss</b>		<b>(1,198,259)</b>	<b>(622,567)</b>
<b>Net loss attributable to members of Goldsearch Limited</b>		<b>(1,198,259)</b>	<b>(622,567)</b>
Basic earnings/(loss) per share - cents per share	25	(0.58)	(0.34)

The accompanying notes form part of these financial statements.

**GOLDSEARCH LIMITED**  
**ABN 73 006 645 754**

**BALANCE SHEET**  
**as at 30 June 2006**

	Note	2006 \$	2005 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	24(a)	1,794,696	262,154
Receivables	6	33,252	28,146
Other current assets	7	30,055	34,500
<b>TOTAL CURRENT ASSETS</b>		<b>1,858,003</b>	<b>324,800</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	9	812,085	210,196
Property, plant & equipment	8	13,918	16,429
Exploration and investment expenditure	10	1,423,095	1,853,735
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,249,098</b>	<b>2,080,360</b>
<b>TOTAL ASSETS</b>		<b>4,107,101</b>	<b>2,405,160</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	84,492	56,597
Provisions	15	40,831	28,291
<b>TOTAL CURRENT LIABILITIES</b>		<b>125,323</b>	<b>84,888</b>
<b>TOTAL LIABILITIES</b>		<b>125,323</b>	<b>84,888</b>
<b>NET ASSETS</b>		<b>3,981,778</b>	<b>2,320,272</b>
<b>EQUITY</b>			
Issued capital	16	25,229,539	22,724,856
Reserves	17	355,082	-
Accumulated losses	5	(21,602,843)	(20,404,584)
<b>TOTAL EQUITY</b>		<b>3,981,778</b>	<b>2,320,272</b>

The accompanying notes form part of these financial statements.

**GOLDSEARCH LIMITED**  
**ABN 73 006 645 754**

**STATEMENT OF CHANGES IN EQUITY**  
**for the financial year ended 30 June 2006**

	Issued capital	Reserves	Accumulated loss	Total
	Ordinary shares			
Note	\$	\$	\$	\$
Balance at 1 July 2004	22,696,356	-	(19,782,017)	2,914,339
Shares issued during the period	28,500	-	-	28,500
Loss attributable to the members of the Company	-	-	(622,567)	(622,567)
Sub-total	22,724,856	-	(20,404,584)	2,320,272
Dividend paid or provided for	-	-	-	-
Balance at 30 June 2005	22,724,856	-	(20,404,584)	2,320,272
Balance at 1 July 2005	22,724,856	-	(20,404,584)	2,320,272
Revaluation of available for sale investments upon adoption of AASB 132 and AASB 139	-	527,689	-	527,689
Transfer of realised gain on sale on investments	-	(378,023)	-	(378,023)
Unrealised gain/(loss) on available for sale investments	-	205,416	-	205,416
Shares issued during the period	2,748,138	-	-	2,748,138
Share issue costs	(243,455)	-	-	(243,455)
Loss attributable to the members of the Company	-	-	(1,198,259)	(1,198,259)
Sub-total	25,229,539	355,082	(21,602,843)	3,981,778
Dividend paid or provided for	-	-	-	-
Balance at 30 June 2006	25,229,539	355,082	(21,602,843)	3,981,778

The accompanying notes form part of these financial statements.

**GOLDSEARCH LIMITED**  
**ABN 73 006 645 754**

**CASH FLOW STATEMENT**  
**for the financial year ended 30 June 2006**

	Note	2006	2005
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Payments to suppliers and employees		(378,234)	(354,767)
Payments to related parties		(111,016)	(100,074)
Dividends received		25,500	56,000
Interest received		20,736	33,780
Net cash used in operating activities	24(b)	(443,014)	(365,061)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Payments for exploration activities		(661,784)	(558,593)
Payments to related parties for exploration activities		(130,996)	(46,246)
Payments for property, plant & equipment		(3,988)	(14,108)
Repayment of borrowing		-	12,500
Proceeds from sale of investment in listed entities		666,425	660,180
Payments for investment in listed entities		(398,784)	(100,000)
Net cash used in investing activities		(529,127)	(46,267)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issue of shares		2,748,138	-
Payments of share issue costs		(243,455)	-
Net cash provided by financing activities		2,504,683	-
Net increase/(decrease) in cash held		1,532,542	(411,328)
Cash and cash equivalents at beginning of year		262,154	673,482
Cash and cash equivalents at end of year	24(a)	1,794,696	262,154

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 2006**

**1. STATEMENT OF ACCOUNTING POLICIES**

**(a) General**

The financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report was prepared under Australian equivalents to IFRS (A-IFRS). The accounting policies applied are inconsistent with those applied in the 30 June 2005 annual report as that report was presented under previous Australian GAAP (A-GAAP). Accordingly, a summary of the significant accounting policies under A-IFRS has been included below. The Company has taken the exemption available under AASB 1 to only apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005. The financial report complies with IFRS and interpretations adopted by the International Accounting Standards Board.

A reconciliation of equity and profit and loss between previous A-GAAP and A-IFRS has been prepared per Note 31. The accounting policies have been consistently applied, unless otherwise stated.

The financial report of Goldsearch Limited was authorised for issue by the Directors on 28 September 2006, Goldsearch Limited is a public listed Company whose shares are publicly traded on the Australian Stock Exchange.

**Historical cost convention**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value.

**Early adoption of standard**

The Company has elected to early adopt all Australian Accounting Standards and UIG Interpretations with an application date later than 30 June 2006, with the exception of AASB 7 Financial Instruments: Disclosures.

**Critical accounting estimates and judgments**

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make estimates, judgments and assumptions based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Company. Actual results may differ from the estimates.

**GOLDSEARCH LIMITED**  
**ABN 73 006 645 754**

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2006**

**1. STATEMENT OF ACCOUNTING POLICIES (continued)**

**(b) Consolidation**

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

**(c) Comparative information**

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

**(d) Income tax**

The charge for current income tax expense is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is charged to the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**(e) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2006**

**1. STATEMENT OF ACCOUNTING POLICIES (continued)**

**(f) Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

**Plant and equipment**

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by 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 that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

**Depreciation**

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 depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20 – 40% DV

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2006**

**1. STATEMENT OF ACCOUNTING POLICIES (continued)**

**(g) Exploration expenditure and mineral leases**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward if the rights to the area of interest are current and to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

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.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs will be determined using estimates of future costs, current legal requirements and technology on a discounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

**(h) 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.

**(i) Receivables**

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

**GOLDSEARCH LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2006**

**1. STATEMENT OF ACCOUNTING POLICIES (continued)**

**(j) 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 that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

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.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**(k) 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 balance sheet under the appropriate heading. Details of the interests in the joint venture assets and liabilities are set out in Notes 11 and 12.

**(l) 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2006**

**1. STATEMENT OF ACCOUNTING POLICIES (continued)**

**(m) 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.

**(n) Employee benefits**

**I. Wages and salaries, annual leave and sick leave**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in provision in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the leave is taken and measured at the rates paid or payable.

**II. Long service leave**

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using projected unit credit method. Consideration is given to the expected future wage and salary level, experience of employee departures and periods of service. Expected future payments are discounted using market yields that match, as closely as possible, the estimated future cash outflows.

**III. Retirement benefit obligations**

Contributions to defined contribution funds are recognised as an expense as they become payable.

**(o) Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2006**

**1. STATEMENT OF ACCOUNTING POLICIES (continued)**

**(p) Shares based payments**

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 income statement for the value of options granted to directors and executive officers.

**(q) Revenue**

Realised gains and losses on sale are recognised as income or expense respectively in the income statement 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).

**(r) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2006**

**1. STATEMENT OF ACCOUNTING POLICIES (continued)**

**(s) Financial instruments**

**From 1 July 2004 to 30 June 2005**

The Company has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Company has applied previous A-GAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139. For further information on previous A-GAAP refer to the Company's annual report for the year ended 30 June 2005.

**Adjustments on transition date: 1 July 2005**

The nature of the main adjustments made to comply with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost (refer below), fair value is the measurement basis. Fair value is inclusive of transaction costs. Changes in fair value are either taken to the income statement or an equity reserve. At the date of transition (1 July 2005) changes to carrying amounts are taken to retained earnings or reserves.

**From 1 July 2005**

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

**Financial assets at fair value through profit or loss**

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2006**

**1. STATEMENT OF ACCOUNTING POLICIES (continued)**

**(s) Financial instruments (continued)**

**Loans and receivables**

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

**Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company management has the positive intention and ability to hold to maturity.

**Available-for-sale financial assets**

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2006**

**1. STATEMENT OF ACCOUNTING POLICIES (continued)**

**(s) Financial instruments (continued)**

**Available-for-sale financial assets (continued)**

sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 30 June 2006**

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>2 REVENUE</b>		
Write back of loan provision	-	12,500
Net profit on sale of investment	514,448	238,868
Interest received	28,831	31,696
Dividend income	25,500	56,000
Sundry income	-	155
	<u>568,779</u>	<u>339,219</u>

**3 EXPENSES**

*a ) Loss before income tax has been determined after:*

Depreciation of plant and equipment		
Plant and equipment	<u>6,479</u>	<u>3,805</u>
Rental expense on operating leases	41,965	37,482
Movements in provisions - employee entitlements	(2,463)	(3,792)
Capitalised exploration expenditure written off	<u>1,247,627</u>	<u>535,219</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 30 June 2006**

**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 2006, the Company has estimated carry-forward tax losses after adjusting for temporary differences of approximately \$14,524,133 (2005: \$13,677,495) which amounts to an income tax benefit of \$4,357,240 (2005: \$4,103,249). The Company has no estimated carry-forward capital losses (2005: \$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.

<b>2006</b>	<b>2005</b>
\$	\$

**5 ACCUMULATED LOSSES**

Accumulated losses at beginning of year	(20,404,584)	(19,782,017)
Net loss attributable to members of Goldsearch Limited	(1,198,259)	(622,567)
Accumulated losses at end of year	(21,602,843)	(20,404,584)

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 30 June 2006**

	<b>2006</b>	<b>2005</b>
	\$	\$
<b>6 CURRENT ASSETS - RECEIVABLES</b>		
Other debtors	8,443	347
GST receivable	24,809	27,799
	33,252	28,146
	33,252	28,146

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, usually within 30 days.

**7 CURRENT ASSETS - OTHER**

Short term bond - held to maturity	18,300	18,300
Prepayments	11,755	16,200
	30,055	34,500
	30,055	34,500

**8 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT**

Equipment at cost	63,760	59,771
Accumulated depreciation	(49,842)	(43,342)
	13,918	16,429
Motor vehicle at cost	61,300	61,300
Accumulated depreciation	(61,300)	(61,300)
	-	-
Total property, plant and equipment	13,918	16,429

**Reconciliation of property, plant & equipment**

**Equipment**

Carrying amount at beginning of year	16,429	6,150
Additions	3,988	14,108
Depreciation	(6,499)	(3,829)
Carrying amount at end of year	13,918	16,429

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 30 June 2006**

	<b>2006</b>	<b>2005</b>
	\$	\$
<b>9 NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS</b>		
Shares in controlled entities at cost (a) (Note 28)	885	885
Shares in listed companies (i)		
- at cost	-	209,311
- at fair value	811,200	-
Shares in unlisted companies at cost	1	1
Provision for diminution in value of investment	(1)	(1)
	812,085	210,196

(a) Share in controlled entities are valued at cost as fair value is unable to be determined

**Reconciliation of other financial assets**

Carrying amount at beginning of year	210,196	531,507
Additions (i)	398,784	100,000
Revaluation to fair value on adoption of AASB 132 and AASB 139	355,082	-
Sales - other parties - (i) (ii)	(151,977)	(421,311)
Carrying amount at end of year	812,085	210,196

(i) Listed investments are recorded at fair value which consist of the following material investments:

Minority interest in Independence Group NL (IGO) shares.  
During the financial year ended 30 June 2005 the Company exercised options to acquire 500,000 additional shares in IGO at a cost of \$100,000.  
During the financial year ended 30 June 2006 the Company sold 400,000 (2005: 150,000) IGO shares for a consideration of \$672,954 (2005: \$204,100).  
The sales realised a profit of \$514,448 (2005: \$155,748).

Minority interest in Medusa Mining Limited (MML) shares.  
During the financial year ended 30 June 2006 the Company acquired 640,000 shares.

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 30 June 2006**

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

**Reconciliation of other financial assets (continued)**

- (ii) During the financial year ended 30 June 2005 the Company sold its investment in Reefway Pty Limited 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

The Company subsequently sold the CopperCo Limited shares for \$94,750

**10 NON-CURRENT ASSETS - EXPLORATION AND INVESTMENT EXPENDITURE**

	<b>2006</b>	<b>2005</b>
	\$	\$
<i>Mining expenditure (pre-production)</i>		
Exploration and evaluation expenditure carried forward in respect of mining areas of interest.		
Balance at beginning of year	1,853,735	1,737,385
Exploration expenditure, at cost	816,987	651,569
	2,670,722	2,388,954
Capitalised exploration expenditure written off	(1,247,627)	(535,219)
Balance at end of year	1,423,095	1,853,735
Depreciation included in exploration expenditure	20	24

Mineral exploration is to be amortised when production commences, or written off to the income statement. 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 2006**

**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 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.

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 \$2,199,512. IGO must spend a minimum of \$2,000,000 before earning an equity in any licence area. IGO has advised that it had expended \$1,230,292 under the agreement up to 30 June 2006. Accordingly, at that date, it had not earned an equity interest in any of the tenements.

*c) Panaon Island Gold joint venture*

The Company has entered an agreement with Medusa Mining Limited, an ASX listed company, whereby Goldsearch will joint venture a gold project over the former Pinut-an Gold Mine and surrounding areas located on Panaon Island in the southern Philippines by undertaking work on the Project to a value of US\$1 million to earn a 50% interest in the Project.

Goldsearch and Medusa have signed a heads of agreement whereby Goldsearch will receive 50% of the production from the Project and obtain an equity in any plant and equipment to be acquired for the Project. The Panaon Project is covered by granted Exploration Permit number EP-2005-000004-V111, granted on 5 March 2005 of 1,646 hectares, which is held by Vulcan Industrial and Mining Corporation, a public company in the Philippines, and contains the previously abandoned Pinut-an Gold mine. The Project is located on Panaon Island in Southern Leyte, immediately north of Surigao City which is reached by domestic flights from Manila. Access from Surigao City is by passenger boat and inter-island vehicular ferry.

Vulcan entered an operating agreement with an associate company of Medusa which acquired the right to mine and will pay a 3% net refinery return royalty to Vulcan. Vulcan has retained a right to re-acquire 20% of the Project for a 100% premium on expenditure at the time of the exercise.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2006**

**11 BUSINESS UNDERTAKINGS – JOINT VENTURES (continued)**

*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 2006 Goldsearch has expended \$112,432 which is sufficient to have earned 50% equity in these tenements.

*e) Sedimentary Holding joint venture*

Since balance date the Company has entered into a joint venture with Sedimentary Holdings Limited (Sedimentary) over the St Arnaud EL 4669 application in Victoria owned by Goldsearch (refer to Note 18(a)).

**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	\$105,000 to be funded by Independence Group NL
• EL3031	South Australia	\$85,000 to be funded by Independence Group NL
• EL5701	Northern Territory	\$50,000 to be funded by Goldsearch Limited
• EPM13336	Queensland	\$100,000 to be funded by Goldsearch Limited
• EPM14019	Queensland	\$100,000 to be funded by Goldsearch Limited
• EPM14022	Queensland	\$160,000 to be funded by Goldsearch Limited
• EL4812	Victoria	\$22,600 to be funded by Goldsearch Limited
• EL4843	Victoria	\$15,750 to be funded by Goldsearch Limited
• EL6094	New South Wales	<u>\$49,000</u> to be funded by Goldsearch Limited
		<u>\$687,350</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 \$2,517,562 would arise. Of this additional minimum annual expenditure requirement \$2,071,162 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 financial statements and are payable as and when they fall due.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 30 June 2006**

	<b>2006</b>	<b>2005</b>
	\$	\$
<b>13 COMMITMENTS FOR EXPENDITURE</b>		
Operating lease commitments :		
Non-cancellable operating leases contracted for but not capitalised in the accounts:-		
Rental of premises -		
Not later than 1 year	21,418	41,942
Later than 1 year and not later than 5 years	-	21,418
	21,418	63,360
	21,418	63,360

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 statements and are payable:

Not later than 1 year	687,350	760,700
Later than 1 year and not later than 5 years	320,750	821,600
	1,008,100	1,582,300
	1,008,100	1,582,300

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	65,520	48,177
Sundry creditors and accruals	18,972	8,420
	84,492	56,597
	84,492	56,597

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 benefits	40,831	28,291
<b>Number of employees</b>		
Number of employees at year end	2	2
	2	2

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**NOTES TO THE FINANCIAL STATEMENTS**  
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	<b>2006</b>	<b>2005</b>	
	<b>\$</b>	<b>\$</b>	
<b>16 ISSUED CAPITAL</b>			
<i>(a) Issued shares :</i>			
183,209,348 ordinary fully paid shares at beginning of year (2005: 182,459,348)	19,979,782	19,951,282	
Issued during the year:			
91,604,674 ordinary shares issued at a price of 3 cents each	2,748,138	-	
750,000 ordinary shares issued at a price of 3.8 cents each	-	28,500	
Share issue costs	(243,455)	-	
	22,484,465	19,979,782	
274,814,022 ordinary fully paid shares at end of year (2005: 183,209,348)			
	22,484,465	19,979,782	
<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	25,229,539	22,724,856	
<i>(c) Movement in issued shares during the year:</i>			
<b>Date</b>	<b>Details</b>	<b>Number of shares</b>	<b>Number of shares</b>
1 July	opening balance	183,209,348	182,459,348
25 August 2004	ordinary shares issued	-	750,000
22/31 March 2006	ordinary shares issued	91,604,674	-
30 June	closing balance	274,814,022	183,209,348

Holders of ordinary shares are entitled to participate in dividends when declared and are entitled to one vote per share, either in person or by proxy, at shareholder 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

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**16 CONTRIBUTED EQUITY (continued)**

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

Total options granted but not exercised as at 30 June 2006 are as follows:

<b>Date</b>	<b>Details</b>	<b>Exercise</b>	<b>Expiry date</b>	<b>Number</b>
<u>Quoted options - (f)(i)</u>				
1 July 2005	opening balance	8 cents	30 September 05	36,491,869
30 September 2005	options lapsed	8 cents	30 September 05	(36,491,869)
22/31 March 2006	options issued	5 cents	31 October 07	91,604,674
30 June 2006	closing balance	5 cents	31 October 07	91,604,674

(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 current quoted options were issued during the year ended 30 June 2006 and each such option entitles the holder to subscribe for one fully paid share in the Company at an issue price of 5 cents per share at any time from the date of issue in March 2006 until expiry of the options on 31 October 2007.

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	<b>2006</b>	<b>2005</b>
	\$	\$
<b>17 RESERVES</b>		
Available for sale investments revaluation reserve		
Balance at beginning of financial year	-	-
Adjustment on adoption of AASB 132 and AASB 139	<u>355,082</u>	-
Balance at beginning of financial year	<u><u>355,082</u></u>	-

Changes in the fair value of investments classified as available for sale financial assets are taken to the available for sale investments revaluation reserve. Amounts are recognised in profit and loss when the associated assets are sold or impaired.

**18 EVENTS SUBSEQUENT TO BALANCE DATE**

- (a) On 13 July 2006 the Company entered into a joint venture with Sedimentary Holdings Limited (Sedimentary) over the St Arnaud EL 4669 application in Victoria owned by Goldsearch. Sedimentary can earn an interest of up to 75% of ELA 4669 by paying Goldsearch \$25,000 and spending \$500,000 over three years. Sedimentary must spend a minimum of \$250,000 by the latter of either the first anniversary of the granting of the tenement or the approval of a work plan and a minimum of a further \$125,000 by the second anniversary of the tenement.

Upon Sedimentary earning 75% Goldsearch can elect to dilute to 10% and be free carried to completion of a feasibility study within eight years. If Sedimentary does not deliver a feasibility study within eight years, the ownership of the tenement reverts back to 75% Goldsearch, 25% Sedimentary.

- (b) On 18 July 2006 the directors announced that Mr Heath Hellewell has been appointed as exploration manager of Goldsearch and that 2,000,000 incentive options had been issued as part of his remuneration package and have been issued on the following terms:

Number	Exercise price	Expiry date
800,000	5.5 cents	30 June 2007
800,000	7.5 cents	30 June 2008
400,000	10.0 cents	30 June 2009
2,000,000		

These options will be valued and expensed in accordance with Note 1(p) on a pro rata basis over the vesting dates.

- (c) On 28 September 2006 the board received advice that the latest assay results from the drilling program at Panaon Island have downgraded the project from a mining opportunity to an exploration project. The Company has certain rights under the joint venture agreement that are being reviewed. This may result in an impairment to the \$394,061 of capitalised exploration on the project which is carried in the accounts at 30 June 2006. Any such impairment will be recognised and expensed when it is capable of being quantified.

No other material events or matters have occurred since 30 June 2006 to the date of this financial report.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 30 June 2006**

**19 KEY MANAGEMENT PERSONNEL DISCLOSURES**

*a) Names and positions held by key management personnel 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. Willsteed	Non-executive director
J.M.E. Percival	Executive director - Director Operations

Executives

T.A. Leahey	Exploration manager (resigned 12 June 2005)
H. Hellewell	Exploration manager (appointed 18 July 2006)

*b) Director remuneration*

2006	Short term	Post-employment	Other long	Termination	Share based	Total
	benefits	benefits				
	Salary & fees	Superannuation contributions	term benefits	benefits	payment	
J. Landerer, CBE AM	22,018	1,982	-	-	-	24,000
A.G. Harris	33,000	-	-	-	-	33,000
R.B. Leece, AM RFD	22,018	1,982	-	-	-	24,000
J.M.E. Percival	108,685	9,782	-	-	-	118,467
T.V. Willsteed	24,000	-	-	-	-	24,000
	<u>209,721</u>	<u>13,746</u>	-	-	-	<u>223,467</u>
<b>2005</b>						
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. Willsteed	22,774	-	-	-	-	22,774
	<u>192,828</u>	<u>13,146</u>	-	-	-	<u>205,974</u>

No options have been granted as remuneration during the period 1 July 2004 to 30 June 2006.

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

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**19 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)**

*c) Executives' remuneration*

	Short term	Post-employment	Other long	Termination	Share based	Total
	benefits	benefits				
<b>2006</b>	Salary & fees	Superannuation contributions	term benefits	benefits	payment	
T.A. Leahey	1,485	-	-	-	-	1,485
H. Hellewell	29,211	-	-	-	-	29,211
	<u>30,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,696</u>
<b>2005</b>						
T.A. Leahey	83,121	-	-	-	-	83,121
	<u>83,121</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,121</u>

No options have been granted as remuneration during the period 1 July 2004 to 30 June 2006, however 2,000,000 remuneration options have been issued after balance date (refer Note 18(b))

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**19 KEY MANAGEMENT PERSONAL DISCLOSURES (continued)**

*d) Options and rights holdings*

Number of quoted options held by key management personnel

**Directors**

	Balance at 1/7/05	Granted as remuneration	Options exercised	Net change other	Balance at 30/6/06	Vested at 30/6/06	Exercisable at 30/6/06
J. Landerer, CBE AM	621,565	-	-	1,637,185	2,258,750	2,258,750	2,258,750
A.G. Harris	-	-	-	55,000	55,000	55,000	55,000
R.B. Leece, AM RFD	621,565	-	-	1,045,435	1,667,000	1,667,000	1,667,000
J.M.E. Percival	-	-	-	2,040,122	2,040,122	2,040,122	2,040,122
T.V. Willstead	-	-	-	1,154,000	1,154,000	1,154,000	1,154,000
	<u>1,243,130</u>	<u>-</u>	<u>-</u>	<u>5,931,742</u>	<u>7,174,872</u>	<u>7,174,872</u>	<u>7,174,872</u>

**Executives**

	Balance at 1/7/05	Granted as remuneration	Options exercised	Net change other	Balance at 30/6/06	Vested at 30/6/06	Exercisable at 30/6/06
T.A. Leahey	-	-	-	-	-	-	-
H. Hellewell	-	-	-	934,000	934,000	934,000	934,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>934,000</u>	<u>934,000</u>	<u>934,000</u>	<u>934,000</u>

*e) Shareholdings*

Number of shares held by key management personnel

**Directors**

	Balance at 1/7/05	Received as remuneration	Options exercised	Net change other	Balance at 30/6/06
J. Landerer, CBE AM	4,451,501	-	-	2,258,750	6,710,251
A.G. Harris	110,000	-	-	55,000	165,000
R.B. Leece, AM RFD	8,662,465	-	-	1,667,000	10,329,465
J.M.E. Percival	2,600,000	-	-	2,342,122	4,942,122
T.V. Willstead	1,000,000	-	-	1,154,000	2,154,000
	<u>16,823,966</u>	<u>-</u>	<u>-</u>	<u>7,476,872</u>	<u>24,300,838</u>

**Executives**

	Balance at 1/7/05	Received as remuneration	Options exercised	Net change other	Balance at 30/6/06
T.A. Leahey	-	-	-	-	-
H. Hellewell	-	-	-	958,250	958,250
	<u>-</u>	<u>-</u>	<u>-</u>	<u>958,250</u>	<u>958,250</u>

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**19 KEY MANAGEMENT PERSONAL DISCLOSURES (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 performance of the Company. 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 for their services as 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.

The constitution also provides for the directors to approve the payment of additional remuneration to non-executive directors for extra services performed beyond their ordinary duties as directors.

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	<b>2006</b>	<b>2005</b>
	\$	\$

**20 REMUNERATION OF AUDITORS**

Amounts received or due and receivable by William Buck for:

Auditing the accounts	33,985	20,683
Other services	-	-
	<u>33,985</u>	<u>20,683</u>

**21 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.

**22 CONTINGENT LIABILITIES**

The Company operations are subject to significant environmental regulation under the Laws of the Commonwealth and State. Presently rehabilitation bonds for a value of \$30,000 have been lodged over certain leases held by the Company in favour for the Department of Industry and Resources over certain tenements. It is anticipated that these bonds will not be called on as the Company maintains a strict policy of appropriate rehabilitation over its exploration sites. The Company's activities involve low level disturbance associated with its exploration drilling programs, as it is not presently involved in any mining activities.

Otherwise 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**  
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**23 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 statements are:

J. Landerer, CBE AM  
J.M.E. Percival  
A.G. Harris  
R.B. Leece, AM RFD  
T.V. Willsted

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

***(a) Key management personnel related entity transactions***

Mr J. Landerer, CBE AM is the senior partner of Landerer & Company. Landerer & Company act as solicitors to the Company. Charges for services provided during the year amounted to \$45,736 (2005: \$21,449).

The Company employs Ms J Gregan, spouse of Mr J Percival. Ms Gregan's employment agreement is in accordance with normal market terms and conditions.

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

Key management personnel and their related entities hold directly, or indirectly, or beneficially as at the reporting date the following interests in the Company:

<b>Directors</b>	<b>Ordinary shares</b>		<b>Quoted share options</b>		<b>Unquoted share options</b>	
	<b>Direct</b>	<b>Indirect</b>	<b>Direct</b>	<b>Indirect</b>	<b>Direct</b>	<b>Indirect</b>
J. Landerer, CBE AM	4,277,904	2,432,347	1,447,968	810,782	-	-
A.G. Harris	165,000	-	55,000	-	-	-
R.B. Leece, AM RFD	-	10,329,465	-	1,667,000	-	-
J.M.E. Percival	3,000	4,939,122	1,000	2,039,122	-	-
T.V. Willsted	-	2,154,000	-	1,154,000	-	-

*Movements in these holding during the year were as follows:*

*(i) Acquisitions*

	<b>Ordinary shares</b>		<b>Quoted share options</b>		<b>Unquoted share options</b>	
	<b>Direct</b>	<b>Indirect</b>	<b>Direct</b>	<b>Indirect</b>	<b>Direct</b>	<b>Indirect</b>
J. Landerer, CBE AM	1,447,968	810,782	1,447,968	810,782	-	-
A.G. Harris	55,000	-	55,000	-	-	-
R.B. Leece, AM RFD	-	1,667,000	-	1,667,000	-	-
J.M.E. Percival	3,000	2,339,122	1,000	2,039,122	-	-
T.V. Willsted	-	1,154,000	-	1,154,000	-	-

*(ii) Sales/expired*

	<b>Ordinary shares</b>		<b>Quoted share options</b>		<b>Unquoted share options</b>	
	<b>Direct</b>	<b>Indirect</b>	<b>Direct</b>	<b>Indirect</b>	<b>Direct</b>	<b>Indirect</b>
J. Landerer, CBE AM	-	-	-	621,565	-	-
A.G. Harris	-	-	-	-	-	-
R.B. Leece, AM RFD	-	-	-	621,565	-	-
J.M.E. Percival	-	-	-	-	-	-
T.V. Willsted	-	-	-	-	-	-

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**24 STATEMENT OF CASH FLOWS**

**(a) Reconciliation of cash :**

For the purposes of the cash flow statement, cash and cash equivalents 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 cash flow statement flows is reconciled to the related items in the balance sheet as follows:

	<b>2006</b>	<b>2005</b>
	\$	\$
Cash and cash equivalents at 30 June is shown in the balance sheet as:		
Cash on hand	600	600
Cash at bank	1,747,728	220,717
Deposits at call	46,368	40,837
	1,794,696	262,154

**(b) Reconciliation statement :**

A reconciliation of "net cash used in operating activities" to "loss after income tax" is as follows:

Loss after income tax	(1,198,259)	(622,567)
<u>Add/(less)</u>		
Depreciation	6,479	3,805
Write-off of capitalised exploration expenditure	1,247,627	535,219
Write back of loan provision	-	(12,500)
Net gain on disposal of investments	(514,448)	(238,869)
Changes in assets and liabilities :		
(Increase)/decrease in receivables	(5,105)	(14,193)
Increase/(decrease) in provisions	12,540	(3,792)
(Increase)/decrease in prepayments	4,445	(14,098)
Increase/(decrease) in trade creditors and accruals net of exploration expenditure	3,707	1,934
Net cash (used in)/provided by operating activities	(443,014)	(365,061)

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**24 STATEMENT OF CASH FLOWS (continued)**

*(c) Non-cash financing and investing activities*

- (i) During the financial year ended 30 June 2005 750,000 ordinary shares were issued at 2.8 cents each as part of the consideration for the purchase of tenement ML 50098 (Yorkeys Extended).
- (ii) During the financial year ended 30 June 2005 the Company received 5,966,667 ordinary shares 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**  
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**25 EARNINGS PER SHARE****2006****2005**

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

Basic earnings/(loss) per share	(0.58c)	(0.34c)
Weighted average number of ordinary shares outstanding during the year	206,737,266	182,594,022
Net loss	<u>\$ (1,198,259)</u>	<u>\$ (622,567)</u>

Options:

As at 30 June 2006 the Company had on issue 91,604,674 (2005: 36,491,869) 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.

**26 SEGMENT INFORMATION**

The Company operates its mineral exploration division predominantly in two geographical segments, Australia and Philippines while the Company investments division is predominantly in Australia. Industries segment information is as follows:

	<b>Mineral exploration Australia</b>	<b>Mineral exploration Philippines</b>	<b>Other Investment</b>	<b>Unallocated</b>	<b>Total</b>
	<b>2006</b>	<b>2006</b>	<b>2006</b>	<b>2006</b>	<b>2006</b>
Revenue	-	-	539,948	28,831	568,779
Results	(1,247,627)	-	514,448	(465,080)	(1,198,259)
Assets	1,023,230	399,865	812,085	1,871,921	4,107,101
Liabilities	-	-	-	125,323	125,323
Acquisitions of non-current assets	421,546	395,441	398,784	3,988	1,219,759
Depreciation	20	-	-	6,479	6,499
Other non-cash expense	1,247,627	-	-	-	1,247,627
	<b>2005</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>
Revenue	-	-	294,868	44,351	339,219
Results	(535,219)	-	294,868	(382,216)	(622,567)
Assets	1,849,311	4,424	210,196	341,229	2,405,160
Liabilities	-	-	-	84,888	84,888
Acquisitions of non-current assets	647,145	4,424	100,000	14,108	765,677
Depreciation	24	-	-	3,829	3,853
Other non-cash expense	535,219	-	-	-	535,219

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	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>27 FRANKING CREDITS</b>		
Adjusted franking account balance (tax paid basis)	34,929	24,000

**28 CONTROLLED ENTITIES**

	<b>Country of incorporation</b>	<b>Percentage owned</b>
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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**29 FINANCIAL INSTRUMENTS**

*(a) Interest rate risk exposure*

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

	Note	2006				Total \$
		Floating interest rate \$	Fixed interest maturing in		Non- interest bearing \$	
			1 year or less \$	over 1 to 5 years \$		
<b>Financial assets</b>						
Cash and cash equivalents	24	1,672,536	46,368	-	75,792	1,794,696
Receivables	6	-	-	-	33,252	33,252
Investments - non-listed securities	9	-	-	-	885	885
Investments - listed securities	9	-	-	-	811,200	811,200
Total financial assets		<u>1,672,536</u>	<u>46,368</u>	<u>-</u>	<u>921,129</u>	<u>2,640,033</u>
Weighted average interest rate		4.44%	1.69%	0.00%	-	
<b>Financial liabilities</b>						
Trade and sundry creditors	14	-	-	-	84,492	84,492
Total financial liabilities		<u>-</u>	<u>-</u>	<u>-</u>	<u>84,492</u>	<u>84,492</u>
Weighted average interest rate		0.00%	0.00%	0.00%	-	
Net financial assets		<u>1,672,536</u>	<u>46,368</u>	<u>-</u>	<u>836,637</u>	<u>2,555,541</u>
					<b>2006</b>	<b>2005</b>
					\$	\$
Reconciliation of net financial assets to net assets:						
Net financial assets above					2,555,541	443,899
Non-financial assets and liabilities:						
Other assets					30,055	34,500
Property, plant and equipment					13,918	16,429
Capitalised exploration expenditure					1,423,095	1,853,735
Provision for employee entitlements					(40,831)	(28,291)
Net assets per balance sheet					<u>3,981,778</u>	<u>2,320,272</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 30 June 2006**

**29 FINANCIAL INSTRUMENTS (continued)**

		2005				
		Floating interest rate \$	Fixed interest maturing in		Non- interest bearing \$	Total \$
Note	1 year or less \$		over 1 to 5 years \$			
<b>Financial assets</b>						
Cash	24	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%	-	
<b>Financial liabilities</b>						
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

**(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 balance sheet and the notes to the financial statements.
- (ii) For the financial year ended 30 June 2006 listed investments have been valued at the quoted market bid price at balance date. For the financial year ended 30 June 2005 listed investment have been valued at lower of cost or market value. For unlisted investments where there is no organised financial market, the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.(refer to Note 9)

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 30 June 2006**

**29 FINANCIAL INSTRUMENTS (continued)**

*(c) Foreign exchange risk exposure*

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

*(d) Credit risk exposure*

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

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

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

**30 REHABILITATION COSTS**

No known commitments for rehabilitation costs exist as at the date of preparation of these financial statements. (refer to Note 22)

**GOLDSEARCH LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2006**

**31. IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Company changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards ('A-IFRS'). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition.

An explanation of how the transition from superseded policies to A-IFRS has affected the Company's Balance sheet, income statement and cash flow statement is set out in the following tables and the notes that accompany the tables.

**Effect of A-IFRS on the balance sheet as at 1 July 2004 and 30 June 2005**

There are no differences between the balance sheet as at 1 July 2004 and 30 June 2005 presented under A-IFRS and the balance sheet presented under the superseded policies.

**Effect of A-IFRS on the balance sheet as at 1 July 2005**

	Note	A-GAAP Actual* \$	A-IFRS impact \$	A-IFRS \$
<b>CURRENT ASSETS</b>				
Cash and cash equivalents		262,154	-	262,154
Receivables		28,146	-	28,146
Other current assets		34,500	-	34,500
<b>TOTAL CURRENT ASSETS</b>		<b>324,800</b>	<b>-</b>	<b>324,800</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment		16,429	-	16,429
Exploration and investment expenditure		1,853,735	-	1,853,735
Other financial assets	31(c)	210,196	527,689	737,885
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,080,360</b>	<b>527,689</b>	<b>2,608,049</b>
<b>TOTAL ASSETS</b>		<b>2,405,160</b>	<b>527,689</b>	<b>2,932,849</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables		56,597	-	56,597
Provision		28,291	-	28,291
<b>TOTAL CURRENT LIABILITIES</b>		<b>84,888</b>	<b>-</b>	<b>84,888</b>
<b>TOTAL LIABILITIES</b>		<b>84,888</b>	<b>-</b>	<b>84,888</b>
<b>NET ASSETS</b>		<b>2,320,272</b>	<b>527,689</b>	<b>2,847,961</b>
Issued capital		22,724,856	-	22,724,856
Reserves	31(c)	-	527,689	527,689
Accumulated losses		(20,404,584)	-	(20,404,584)
<b>TOTAL EQUITY</b>		<b>2,320,272</b>	<b>527,689</b>	<b>2,847,961</b>

\* Reported financial position for the financial year ended 30 June 2005 under previous A-GAAP

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2006**

**31. IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)**

**Effect of A-IFRS on the income statement for the financial year ended 30 June 2005**

	Note	A-GAAP Actual* \$	A-IFRS impact \$	A-IFRS \$
Revenues	31(c)	852,787	(513,568)	339,219
Capitalised exploration expenses written off		(535,219)	-	(535,219)
Salary costs (including directors fees)		(135,884)	-	(135,884)
Professional and legal fees		(119,473)	-	(119,473)
Operating lease expenses (office premises)		(39,733)	-	(39,733)
ASX and share registry expenses		(23,157)	-	(23,157)
Insurance		(15,668)	-	(15,668)
Carrying value of investment sold	31(c)	(513,568)	513,568	-
Depreciation and amortisation expense		(3,805)	-	(3,805)
Other expenses		(88,847)	-	(88,847)
<b>Loss before income tax</b>		<b>(622,567)</b>	<b>-</b>	<b>(622,567)</b>
<b>Income tax expense</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Loss for the period</b>		<b>(622,567)</b>	<b>-</b>	<b>(622,567)</b>
<b>Loss attributable to members of Goldsearch Limited</b>		<b>(622,567)</b>	<b>-</b>	<b>(622,567)</b>

\* Reported financial performance for the financial year ended 30 June 2005 under previous A-GAAP

**Effect of A-IFRS on the cash flow statement for the financial year ended 30 June 2005.**

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under superseded A-GAAP.

**Notes to the reconciliations of income and equity**

(a) Impairment of assets

Under 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.

(b) Income tax

The Company previously recognised 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 balance sheet.

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 (A-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 A-GAAP. However, these have not been brought to account as recovery is not considered to meet the probable test at this time.

**GOLDSEARCH LIMITED**  
**ABN 73 006 645 754**

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2006**

**31. IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)**

(c) Financial instruments

In the transition to A-IFRS, financial assets have been classified as 'Available-for-sale financial assets' as detailed above in Note 1(s). Unrealised gains and losses arising from the changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investment revaluation reserve.

Under A-GAAP, the proceeds from the sale of financial assets were disclosed as revenue and the carrying amount of the asset disposed was recorded as a cost of sale. Under A-IFRS the net gain or loss from fair value accounting is recognised in profit and loss and is disclosed as other revenue or as an expense.

## **DIRECTORS' DECLARATION**

The directors of Goldsearch Limited declare that:

1. The financial statements and associated notes for the financial year ended 30 June 2006:
  - (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 2006 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

J. M. E. Percival  
Director

Sydney,  
28 September 2006

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

**Scope**

*The financial report and directors' responsibility*

The financial report comprises balance sheet, income statement, cash flow statement and the statement of changes in equity, accompanying notes to the financial statements and the directors' declaration for Goldsearch Limited (the company), for the year ended 30 June 2006.

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.

(1 of 2)

### Independence

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

### Audit Opinion

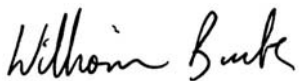
In our opinion, the financial report of Goldsearch Limited is in accordance with:

- the Corporations Act 2001, including:
  - giving a true and fair view of Goldsearch Limited's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
  - complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- other mandatory financial reporting requirements in Australia.

### Inherent Uncertainty Regarding Exploration Expenditure

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 areas of interest. In accordance with the Company's accounting policy outlined in Note 1(g), exploration expenditure of \$1,423,095 (30 June 2005: \$1,853,735) has been carried as a non current asset (refer Note 10). The recovery of these exploration costs is uncertain as it is dependent upon the successful development and exploitation, or sale, of the areas of interest.



William Buck  
Chartered Accountants



Simon Hourigan  
Partner

Dated this 28<sup>th</sup> day of September 2006

Melbourne, Australia.

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