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25 September 2008

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

No. of pages – 50

Dear Sir

**Re: Annual financial report**

Enclosed for release to the market is the audited annual financial report for Goldsearch Limited for the year ended 30 June 2008

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 2008

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## DIRECTORS' REPORT

Your directors have pleasure in submitting the balance sheet of the Company at 30 June 2008 together with related income statement, statement of cash flows, 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. Willstead

### 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 \$1,353,479 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 \$1,823,370 on exploration and wrote off \$747,480 of capitalised exploration expenses.
- On 19 July 2007 the Company announced that Exploration Deeds had been executed with the Anangu Pitjantjatjara Yankunytjatjara for exploration licence applications ELA198/96 and ELA343/96.
- On 22 August 2007 the Company announced having accepted an offer from Rex Minerals to acquire the Company's remaining interest in the St Arnaud tenement EL 4669, Victoria. The agreed consideration was the issue to Goldsearch Limited of 500,000 fully paid shares and 500,000 options over unissued shares in Rex Minerals Limited.
- On 30 August 2007 the directors announced having arranged the underwriting of the exercise of all of the Company's quoted 5 cent options which expire on 31 October 2007 for a fee of \$87,071.
- In the report for the quarter ended 30 September 2007 released to ASX on 18 October 2007 the Company advised that:
  - At Mary Kathleen the Company is working towards having low impact only exploration conditions removed from key tenements; a number of regional targets are emerging as potential drill targets following the completion of soil geochemical sampling; and IP geophysical surveys are underway.
  - At Mount Wellington recent re-evaluation of the project area suggests the potential for large magmatic-related ore body styles. A number of geophysical targets have been identified on the basis of this potential.
  - The first tenements for the East Musgrave joint venture are expected to be granted in the coming weeks.
  - During the quarter the Company issued a total of 23,194,226 ordinary shares at 5 cents each pursuant to the exercise of quoted options expiring 31 October 2007. This raised some \$1.16 million of additional working capital.
- On 29 October 2007 the Company announced that two of the East Musgrave joint venture tenement applications have been approved as ELs 3954 and 3955 and that, subject to relevant work program approvals, BHP Billiton has approved initial exploration programs on the tenement areas with a budgeted cost of \$630,000.
- On 14 November 2007 the Company announced the expansion of the Mount Wellington project through the acquisition of ELA 5046 for an initial cash consideration of \$35,000 followed by the issue of 500,000 shares and 400,000 options over unissued shares in Goldsearch.
- During the quarter ended 31 December 2007 the Company issued a total of 63,868,548 ordinary shares at 5 cents each pursuant to the exercise of quoted options expiring 31 October 2007 including 2,161,031 shares subscribed by the underwriter. These allotments raised a further \$3.1 million of working capital after underwriting costs.

- In the report for the quarter ended 31 December 2007 released to ASX on 31 January 2008 the Company advised that:
  - At Mary Kathleen a number of tenement matters which have delayed drilling activities are close to being finalised; and ground geophysical and geochemical programs have continued to define targets for drilling which is scheduled for the March 2008 quarter.
  - At Mount Wellington the Company has expanded its ground position to 396 square kilometres; and a drilling contract has been finalised to test significant geophysical targets at the Rhyolite Hill and Mike's Bluff prospects.
  - Final clearance surveys are expected to be completed for proposed initial exploration programs at the East Musgrave Joint Venture during the March 2008 quarter and exploration programs are expected to commence shortly after.
- On 29 February 2008 the Company announced the commencement of a diamond drill program to test two high priority geophysical targets at the Company's Mount Wellington project in Victoria.
- In the report for the quarter ended 31 March 2008 released to ASX on 21 April 2008 the Company advised that, during the quarter:
  - At Mount Wellington, diamond core drilling commenced at the Rhyolite Hill aeromagnetic target.
  - At Mary Kathleen, variations removing "low impact" conditions over EPM14019 and EPM14022 were granted; and ground magnetic surveys were completed at the Hardway and Prince of Wales targets. Drilling is scheduled to commence in late April, subject to final work program approval.
  - At the East Musgrave joint venture, final approvals have been given over two areas and field programs are scheduled to commence in late April. Clearance surveys for remaining areas are ongoing.
- On 24 April 2008 the directors announced the commencement of a 3,000 metre reverse circulation drilling program to test four high priority targets (Pindora, Elaine Dorothy, Prince of Wales and Hardway) at the Company's Mary Kathleen project.
- On 30 April 2008 the directors announced the commencement of a geological sampling field program on EL 3955 at the East Musgrave joint venture to be fully funded by BHP Billiton.
- On 16 May 2008 the directors announced having entered into a joint venture with TSX listed Tumi Resources Limited whereby Goldsearch may earn a 70% interest in four mineral tenements in Sweden.
- On 22 May 2008 the directors announced a project update on the drilling program at Mount Wellington where encouraging results were received from the first hole at Rhyolite Hill.
- On 2 June 2008 the directors announced the lodgement with ASIC of a prospectus for a loyalty bonus option issue to be made pro-rata to existing shareholders on the basis of one new option for each four shares held at the record date of 17 June 2008. The bonus options to be exercisable at 10cents each at any time from the date of their issue until their expiry on 31 October 2009.
- On 24 June 2008 the directors announced having issued a total of 90,463,630 loyalty bonus options pursuant to the prospectus dated 2 June 2008. ASX has approved quotation of the options with the ASX code of GSEO.
- In the report for the quarter ended 30 June 2008 released on 31 July 2008 the Company advised that, during the quarter:
  - At Mount Wellington, diamond core drilling has been completed. At Rhyolite Creek hole RCD001 intercepted 5.6 metres @ 2.19 grams per tonne (g/t) gold, 34 g/t silver and 4.71% zinc from 220 metres. This interval also returned individual sample intervals of up to 8.95 g/t gold, 127 g/t silver, 17.9% zinc, 1.5% lead and 0.8% copper.
  - At Mary Kathleen, the 3,000 metre reverse circulation drilling program has been completed; with final results expected by the end of August 2008.
  - At the East Musgrave Joint Venture, field programs are progressing.
  - At the Sweden joint venture, which is prospective for silver, lead and zinc, initial results from an airborne electromagnetic (EM) survey are encouraging with several prospective EM conductors identified.

### **Significant changes**

There were no significant changes to the state of affairs of the Company which occurred during the financial year ended 30 June 2008 except for:

- the issue of a total of 87,062,774 shares at an issue price of 5 cents each pursuant to the exercise of quoted options; and
- the issue of 90,463,630 bonus options exercisable at 10 cents each which expire on 31 October 2009.

### **Financial position**

At 30 June 2008 the Company held cash and receivables totaling \$2,900,567. This compares with an equivalent figure of \$961,640 at 30 June

2007. In addition the Company held listed securities with a market value at 30 June 2008 of \$1,935,000 (2007: \$2,432,500). \$4.224 million of additional capital was raised from the exercise of quoted options after issue costs.

These liquid assets, together with the existing joint venture arrangements, are sufficient to cover the Company's commitments 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 2008 other than:

- The issue of a total of 30,821 ordinary fully paid shares at an issue price of 10 cents per share pursuant to the exercise of 30,821 of the Company's quoted options which expire on 31 October 2009. These allotments raised \$3,082 additional working capital; and
- The market value of the Company's investments in listed securities has declined by \$728,500 since 30 June 2008.

#### **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 5,725,872 fully paid ordinary shares and 1,431,468 quoted options over 1,431,468 unissued ordinary shares in the capital of the Company and has an indirect interest in a further 4,243,129 ordinary shares, 1,060,782 quoted options over unissued ordinary shares in the capital of the Company and 3,000,000 unquoted options over 3,750,000 unissued ordinary shares in the Company.
- During the past three years has not acted as director of any other Australian listed public company.

##### **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 220,000 fully paid ordinary shares, 55,000 quoted options over 55,000 unissued ordinary shares in the capital of the Company and 2,000,000 unquoted options over 2,500,000 unissued ordinary shares in the Company.
- Over the past three years has acted as a non-executive director of other Australian listed public companies as follows:
  - 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 infrastructure development projects exceeding \$25 billion.
- Formerly Deputy Director General of the Olympic Co-ordination Authority and chief executive of the Olympic Roads and Transport Authority.
- Has been involved as a director of several public and private development companies.
- Has also been chief operating officer of Tenix Pty Limited, Australia's largest defence and applied technology contractor.
- Indirectly holds 11,996,465 fully paid ordinary shares, 2,999,115 quoted options over 2,999,115 unissued ordinary shares in the capital of the Company and 2,000,000 unquoted options over 2,500,000 unissued ordinary shares in the Company.
- During the past three years has not acted as director of any other Australian listed public company.

##### **John M.E. PERCIVAL**

*(executive director – 'Director-Operations' and attends audit committee meetings)*

- Appointed a director on 11 October 1995.
- Has been involved in investment and merchant banking for over 25 years including 15 years as investment manager of Barclays Bank New Zealand Limited.

- Has had extensive experience in stockbroking, corporate finance and investment management.
- Beneficially holds 4,000 fully paid ordinary shares and 1,000 quoted options over 1,000 unissued ordinary shares in the capital of the Company and has an indirect interest in a further 5,481,709 ordinary shares, 1,370,427 quoted options over 1,370,427 unissued ordinary shares in the capital of the Company and 3,000,000 unquoted options over 3,750,000 unissued ordinary shares in the Company.
- During the past three years has acted as a non-executive director of the following Australian listed public company:
  - Silver Mines Limited  
(director from August 2006 to October 2007)

### **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 3,308,000 fully paid ordinary shares, 827,000 quoted options over 827,000 unissued ordinary shares in the capital of the Company and 2,000,000 unquoted options over 2,500,000 unissued ordinary shares in the Company.
- Over the past three years has acted as a non-executive director of other Australian listed public companies as follows:
  - Climax Mining Limited (resigned 2007)
  - Austral Gold NL (resigned 2007)
  - European Gas Limited  
(current since November 2002)
  - International Ferro Metals Limited  
(current since September 2005)
  - Citygold Limited (current since October 2006)

### **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 30 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.

### **Directors' meetings**

Attendance of individual directors at board meetings held during the year ended 30 June 2008 was as follows:

<b>Director</b>	<b>Meetings held</b>	<b>Meetings attended</b>
J. Landerer, CBE AM	8	8
A.G. Harris	8	7
R.B. Leece, AM RFD	8	6
J.M.E. Percival	8	8
T.V. Willsteed	8	8

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	2
T.V. Willsteed	2	2

### **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.

#### **Non-audit services**

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

#### **Auditor's independence declaration**

The Company's independent auditor has provided an independence declaration to the Company for the year ended 30 June 2008. A copy of the declaration is attached to and forms part of this directors' report.

#### **Options**

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.

At the annual general meeting held on 30 November 2006 shareholders approved the establishment of an Employee and Directors Share Option Plan and authorised the issue of 12,000,000 quoted options under the Plan to directors of the Company. In December 2006 a total of 16,000,000 unquoted options were issued under the Plan to directors and consultants with staged vesting dates and exercise prices ranging from 5.0 cents to 7.5 cents each. These 16,000,000 options all expire on 31 January 2010.

During the year ended 30 June 2008 a total of 87,062,774 (2007: 4,541,900) quoted options were exercised and converted into 87,062,774 (2007: 4,541,900) fully paid ordinary shares at an exercise price of 5 cent per option and Nil (2007: 800,000) unquoted options were exercised and converted into Nil (2007: 800,000) fully paid shares at an exercise price of 5.5 cents per option.

On 24 June 2008 the Company issued a total of 90,463,630 loyalty bonus options pro-rata to shareholders on the basis of one option for each four shares held at the record date of 17 June 2008. These options are quoted on ASX and each option entitles the holder to subscribe for one ordinary fully paid share in the unissued capital of the Company at any

time from the date of issue until expiry of the options on 31 October 2009 at an exercise price of 10 cents each.

Since balance date and to the date of this report 30,821 of the new quoted options have been exercised and converted into 30,821 fully paid ordinary shares at an exercise price of 10 cents per option.

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

At the date of this report the Company has the following outstanding options on issue

- 90,432,809 quoted options over 90,432,809 unissued ordinary shares in the Company; and
- 16,600,000 unquoted options over 20,600,000 unissued ordinary shares in 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 (Audited)**

This remuneration report is set out under the following main headings:

1. Principles used to determine the nature and amount of remuneration
2. Details of remuneration
3. Share-based compensation

The information provided under headings 1 to 3 includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited.

#### **1. Principles used to determine the nature and amount of remuneration**

The performance of the Company depends upon the quality of the directors and executives. The philosophy of the directors in determining remuneration levels is to set competitive remuneration packages to attract and retain high calibre employees.

The board has not established a separate Remuneration Committee due to the small size of the Company. The board itself sets the remuneration policies and undertakes regular reviews of the performance and remuneration of Company executives.

In accordance with ASX Corporate Governance best practice (Recommendation 8.2), the structure of non-executive director and executive remuneration is separate and distinct as follows.

**a. Non-executive directors' remuneration**

Fixed remuneration:

The board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of a high caliber, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the maximum aggregate remuneration of non-executive directors shall be determined from time to time by shareholders. The constitution of the Company further provides that the remuneration of non-executive directors will not be more than the aggregate fixed sum determined by a general meeting of shareholders.

The maximum aggregate remuneration sought to be approved by shareholders and the manner in which it is to be apportioned amongst the non-executive directors is reviewed from time to time. The board considers external independent advice from remuneration consultants, and takes into account the fees paid to non-executive directors of comparable companies, when undertaking such reviews.

Directors' fixed fee remuneration is inclusive of committee fees and superannuation.

At the annual general meeting held on 22 November 2007 shareholders approved an increase in the maximum annual aggregate remuneration for non-executive directors from \$100,000 per annum to \$250,000 per annum

The current aggregate amount which the directors have agreed to draw from this is \$148,000 per annum which is apportioned between themselves as follows:

<b>Fixed fees</b>	<b>Year ended 30 June 2008 \$</b>	<b>Year ended 30 June 2007 \$</b>
<b>Base fee</b>		
Chairman	40,000	24,000
Other non- executive directors	36,000 each	24,000 each

Variable remuneration:

The Company provides directors with incentives designed to align their remuneration with the interests of

shareholders. This is done through the issue of options to acquire ordinary shares in the Company. All such issues require the approval of shareholders in a general meeting of members. The number and the terms of the options for which shareholder approval is sought is determined by the directors based on advice from remuneration consultants and a review of variable remuneration paid to directors of comparable companies.

**b. Company executive and executive director remuneration**

Remuneration of Company executives and executive directors consists of fixed remuneration and variable remuneration by way of a share option scheme.

Fixed remuneration:

Fixed remuneration of senior executives is reviewed annually by the directors. The process consists of a review of relevant comparative remuneration in the employment market for the industry and within the Company and, where appropriate, external independent advice is obtained from remuneration consultants.

Senior executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms and are offered the opportunity to enter into "salary sacrifice" arrangements with the Company where appropriate. It is intended that the manner of payment chosen will be optimal for the recipient without creating additional cost for the Company.

There is no relationship between executive remuneration and the performance of the Company.

Variable remuneration:

Long-term incentives

The Company provides long-term incentives to executives in a manner that aligns this element of remuneration with the creation of shareholder wealth. This is done under the terms of the Company's Employee and Director Share Option Plan ("EDSOP") which was approved by shareholders at the 2006 annual general meeting of members.

The Company's EDSOP provides for executives and other employees to be issued with options to acquire shares in the Company. The number and the terms of the options issued is determined by the directors after consideration of the employee's

performance and his or her ability to contribute to the achievement of the Company's objectives.

As the options confer a right, but not an obligation on the recipient of the options, the directors do not consider it necessary to establish a policy in relation to the executive limiting his or her exposure to risk as a consequence of holding such options.

## 2. Details of remuneration

Details of the remuneration paid during the year to Key Management Personnel (as defined in AASB 124 *Related Party Disclosures*) are set out in Table 1 which follows.

The Key Management Personnel of Goldsearch Limited, including the directors and the following executives, have authority and responsibility for planning, directing and controlling the activities of the Company.

J.M.E. Percival - Director Operations  
H.. Hellewell - Exploration Manager

These executives comprise the Company executives who make or participate in making decisions that affect the whole, or a substantial part, of the business or who have the capacity to affect significantly the Company's financial standing.

## 3. Share-based compensation

### (i) Options to acquire shares

As stated above, options are issued to directors and executives under the Company's EDSOP as part of their remuneration. Such options are not issued based on performance criteria, but are issued to the majority of directors and executives to increase goal congruence between executives, directors and shareholders.

Participation in the EDSOP is at the sole discretion of the board. For each option issued, the board specifies the vesting period, exercise price and exercise period in accordance with the provisions of the EDSOP. The exercise price must not be less than the market price at the date of the issue of option. The exercise period cannot exceed five years.

Each option initially entitles the holder to subscribe for one fully paid ordinary share in the Company at the issue price specified, at any time from the issue date until the expiry of the options subject to any vesting requirements. The option holders are not entitled as a matter of course to participate in any share issues of the Company. Options granted under the EDSOP carry no dividend rights or voting rights and are issued for nil consideration.

Options issued to non-executive directors are issued under the terms of the EDSOP but also require separate specific approval by shareholders in a general meeting of members and the information set out in the notice of meeting must comply with relevant ASX Listing Rules.

No options have been issued to Key Management Personnel, including directors, as remuneration during or since the end of the financial year. Further information on the options is set out in Note 18 to the annual financial statements.

The number of options held by all Key Management Personnel including directors and the most highly remunerated Company executives, is detailed in Table 2.

### (ii) Shares issued on exercise of remuneration options

During the financial year ended 30 June 2007 the Company received an application to convert a total of 800,000 options into 800,000 fully paid ordinary shares by the payment of 5.5 cents per option, being the partial exercising of options that were issued to Key Management Personnel as part of their remuneration package. No shares were issued pursuant to exercise of remuneration options during the year ended 30 June 2008 or to the date of this report.

	Number of ordinary shares issued	Amount paid per share	Amount unpaid per share
H Hellewell	800,000	5.5 cents	Nil

**Table 1: Schedule of remuneration of key management personnel, including directors**

	Short-term benefits - Salary and fees \$	Post employment benefits - Super- annuation \$	Share based payments - Share options \$	Total \$	Percentage share-based payments - share options %
<b>Year ended 30 June 2008</b>					
<i>Non-executive directors:</i>					
J. Landerer, CBE AM	30,930	2,784	27,613	61,327	45.03
A.G. Harris	31,286	-	18,408	49,694	37.04
R.B. Leece, AM RFD	28,703	2,583	18,408	49,694	37.04
T.V. Willsted	31,286	-	18,408	49,694	37.04
<i>Non-executive directors:</i>					
J.M.E. Percival	188,702	16,983	27,613	233,298	11.84
<i>Other key management personnel:</i>					
H Hellewell	157,403	-	-	157,403	-
<b>Year ended 30 June 2007</b>					
<i>Non-executive directors:</i>					
J. Landerer, CBE AM	22,018	1,982	73,643	97,643	75.42
A.G. Harris	24,000	-	49,095	73,095	67.17
R.B. Leece, AM RFD	22,018	1,982	49,095	73,095	67.17
T.V. Willsted	24,000	-	49,095	73,095	67.17
<i>Non-executive directors:</i>					
J.M.E. Percival	182,018	16,381	73,643	272,042	27.07
<i>Other key management personnel:</i>					
H Hellewell	129,260	-	32,800	162,060	20.54

**Table 2: Movement in the number of unquoted options held by management personnel, including directors, which were granted as remuneration options:**

Name	Opening balance	Options granted as remuneration	Options expired / lapsed	Net other change	Closing balance
<b>Year ended 30 June 2008</b>					
<i>Non-executive directors</i>					
J. Landerer, CBE AM	3,000,000	-	-	-	# 3,000,000
A.G. Harris	2,000,000	-	-	-	# 2,000,000
R.B. Leece, AM RFD	2,000,000	-	-	-	# 2,000,000
T.V. Willsted	2,000,000	-	-	-	# 2,000,000
<i>Executive directors</i>					
J.M.E. Percival	3,000,000	-	-	-	# 3,000,000
<i>Key Management Personnel</i>					
H. Hellewell	1,200,000	-	(800,000)	-	400,000
	<u>13,200,000</u>	<u>-</u>	<u>(800,000)</u>	<u>-</u>	<u>12,400,000</u>

# Following an automatic adjustment arising from the Company's pro-rata bonus issue of quoted options in June 2008, and under the term and conditions of the EDSOP, each of these options now entitles the holder to be allotted 1.25 ordinary fully paid shares for each option exercised.

(iii) The following share-based payment arrangements, granted as remuneration, were in existence during the during the whole of the financial year:

Options series	Number	Grant date	Expiry date	Exercise price (cents)	Fair value at grant date (cents)
(1) Issued 18 July 2006	800,000	18/07/06	30/06/08	7.5	1.9
(2) Issued 18 July 2006	400,000	18/07/06	30/06/09	10.0	2.2
(3) Issued 7 December 2006	# 8,000,000	07/12/06	31/01/10	5.5	3.4
(4) Issued 7 December 2006	# 8,000,000	07/12/06	31/01/10	7.5	3.1

# each of these options is now an option to subscribe for 1.25 shares

The weighted average fair value of the share options granted during the financial year is Nil cents (2007: 3.07 cents). The options fair value was valued using a Black Scholes option pricing model. Expected volatility is based on the historical share price volatility of the Company.

Inputs into the model		Options series (1)	Options series (2)	Options series (3)	Options series (4)
Grant date share price	Cents	3.5	3.5	4.9	4.9
Exercise price	Cents	7.5	10	5.5	7.5
Expected volatility	%	132	131	114	114
Option life	Months	24	36	48	48
Dividend yield	%	Nil	Nil	Nil	Nil
Risk-free interest rate	%	5.6	5.6	5.85	5.85

### 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.

### 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' 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 \$23,273 (2007: \$26,006) and were charged at normal commercial rates.
- The Company employs Ms J Gregan, spouse of Mr J Percival on a part time basis. 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

A G Harris  
Director

Sydney, 25 September 2008

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25 September 2008

**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF GOLDSEARCH LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Goldsearch Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b No contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON  
Chartered Accountants



Simon Hourigan  
Partner

Dated 25<sup>th</sup> September 2008

Melbourne, Australia.

**GOLDSEARCH LIMITED****ABN 73 006 645 754****INCOME STATEMENT****FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

	Note	2008	2007
		\$	\$
Revenue	2	317,351	1,347,311
Capitalised exploration expenses written off		747,480	954,309
Share-based payment expense		115,457	304,001
Salary costs (including directors' fees)		219,228	163,381
Professional and legal fees		255,530	215,464
Share registry expenses		80,308	60,020
Operating lease expenses (office premises)		48,588	48,678
Depreciation and amortisation		8,423	11,394
Other expenses		195,815	170,575
Total expenses		1,670,829	1,927,822
<b>Loss before income tax expense</b>	3	<b>(1,353,479)</b>	<b>(580,511)</b>
Income tax expense	4	-	-
<b>Loss after income tax expense</b>		<b>(1,353,479)</b>	<b>(580,511)</b>
<b>Net loss</b>		<b>(1,353,479)</b>	<b>(580,511)</b>
<b>Loss attributable to members of the Company</b>		<b>(1,353,479)</b>	<b>(580,511)</b>
Basic loss per share - cents per share	24	(0.39)	(0.21)
Diluted loss per share - cents per share	24	(0.39)	(0.21)

The accompanying notes form part of these financial statements

**GOLDSEARCH LIMITED****ABN 73 006 645 754****BALANCE SHEET****AS AT 30 JUNE 2008**

	Note	2008	2007
		\$	\$
<b>CURRENT ASSETS</b>			
Cash assets	23(a)	2,761,998	917,633
Receivables	6	138,569	44,007
Other	7	35,185	38,279
<b>TOTAL CURRENT ASSETS</b>		<b>2,935,752</b>	<b>999,919</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	9	2,135,885	2,633,385
Property, plant and equipment	8	15,758	22,850
Exploration and investment expenditure	10	2,758,141	1,682,251
<b>TOTAL NON-CURRENT ASSETS</b>		<b>4,909,784</b>	<b>4,338,486</b>
<b>TOTAL ASSETS</b>		<b>7,845,536</b>	<b>5,338,405</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	262,300	157,663
Provisions	15	95,161	24,216
<b>TOTAL CURRENT LIABILITIES</b>		<b>357,461</b>	<b>181,879</b>
<b>TOTAL LIABILITIES</b>		<b>357,461</b>	<b>181,879</b>
<b>NET ASSETS</b>		<b>7,488,075</b>	<b>5,156,526</b>
<b>EQUITY</b>			
Issued capital	16	29,734,011	25,500,634
Reserves	17	1,290,897	1,839,246
Accumulated losses	5	(23,536,833)	(22,183,354)
<b>TOTAL EQUITY</b>		<b>7,488,075</b>	<b>5,156,526</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 2008**

		Issued capital	Reserves		Accumulated losses	Total
		Ordinary shares	Revaluation	Share-based payments		
	Note	\$	\$	\$	\$	\$
<b>Balance at 1 July 2006</b>		25,229,539	355,082	-	(21,602,843)	3,981,778
Unrealised gain	9	-	1,063,020	-	-	1,063,020
(loss) on available-for-sale instruments		-	(4,416)	-	-	(4,416)
Employee share options	18	-	-	425,560	-	425,560
Shares issued during the period	16(a)	271,095	-	-	-	271,095
Loss attributable to members of parent entity	5	-	-	-	(580,511)	(580,511)
<b>Sub-total</b>		<b>25,500,634</b>	<b>1,413,686</b>	<b>425,560</b>	<b>(22,183,354)</b>	<b>5,156,526</b>
Dividends paid or provided for		-	-	-	-	-
<b>Balance at 30 June 2007</b>		<b>25,500,634</b>	<b>1,413,686</b>	<b>425,560</b>	<b>(22,183,354)</b>	<b>5,156,526</b>
<b>Balance at 1 July 2007</b>		25,500,634	1,413,686	425,560	(22,183,354)	5,156,526
Exercise of employee share options	16(a)	8,800	-	(8,800)	-	-
Unrealised loss	9	-	(686,817)	-	-	(686,817)
Employee share options	18	-	-	147,268	-	147,268
Shares issued during the period	16(a)	4,353,138	-	-	-	4,353,139
Share issue costs	16(a)	(128,561)	-	-	-	(128,561)
Loss attributable to members of parent entity	5	-	-	-	(1,353,479)	(1,353,479)
<b>Sub-total</b>		<b>29,734,011</b>	<b>726,869</b>	<b>564,028</b>	<b>(23,536,833)</b>	<b>7,488,075</b>
Dividends paid or provided for		-	-	-	-	-
<b>Balance at 30 June 2008</b>		<b>29,734,011</b>	<b>726,869</b>	<b>564,028</b>	<b>(23,536,833)</b>	<b>7,488,075</b>

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 2008**

	Note	2008	2007
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Payments to suppliers and employees		(729,953)	(515,725)
Payments to related parties		(151,870)	(178,116)
Dividends received		59,500	19,500
Interest received		146,274	70,804
Other income – joint venture contribution		-	25,000
		<hr/>	<hr/>
Net cash used in operating activities	23(b)	(676,049)	(578,537)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Payment for exploration activities		(1,515,254)	(813,468)
Payments to related parties for exploration activities		(204,345)	(212,382)
Payments for property, plant and equipment		(2,585)	(17,808)
Proceeds from sale of investment in listed entities		-	474,037
		<hr/>	<hr/>
Net cash used in investing activities		(1,722,184)	(569,621)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issue of shares		4,353,139	271,095
Payments to related parties for share issue activities		(21,460)	-
Payments for share issue costs		(89,081)	-
		<hr/>	<hr/>
Net cash provided by financing activities		4,242,598	271,095
Net increase/(decrease) in cash held		(1,844,365)	(877,063)
Cash at beginning of year		917,633	1,794,696
		<hr/>	<hr/>
Cash at end of year	23(a)	2,761,998	917,633

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 2008**

### **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, Australian Accounting Standards and Australian Accounting Interpretations of the Australian Accounting Standards Board.

The financial reports of Goldsearch Limited comply with all International Financial Reporting Standards (IFRS) in their entirety.

The financial report of Goldsearch Limited was authorised for issue by the Directors on 25 September 2008. Goldsearch Limited is a public listed Company whose shares and options are quoted on the Australian Securities Exchange and is incorporated and is domiciled in Australia.

The following is summary of the material accounting policies adopted by the Company in the preparation of its financial reports. The accounting policies have been consistently applied, unless otherwise stated.

#### **Reporting basis and conventions**

These financial statements have been prepared on an accruals basis 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 and other authoritative pronouncement of the Australian Accounting Standards Board with an application date later than 30 June 2008, with the exception of AASB 8: Operating Segments and AASB 101: Presentation of Financial Statements.

#### **Critical accounting estimates and judgements**

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make estimates, judgements 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.

#### **(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 comparable with the figures presented for the financial year.

#### **(d) 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.

**GOLDSEARCH LIMITED**  
**ABN 73 006 645 754**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

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

**(e) 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.

**(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 accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's 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 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:

<i>Class of fixed asset</i>	<i>Depreciation rate</i>
Plant and equipment	20 – 40% DV

**GOLDSEARCH LIMITED**  
**ABN 73 006 645 754**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

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

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

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.

**(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. These amounts are unsecured and are usually paid within 30 days of recognition.

**(i) Receivables**

Trade receivables and other receivables are recorded at amounts due less any allowance for impairment. (refer Note 1(o)).

**(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.

**GOLDSEARCH LIMITED**  
**ABN 73 006 645 754**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

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

**(j) Leased assets (continued)**

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) Earnings per share**

i) Basic earnings per share:

Basic earnings per share is determined by dividing the operating profit/(loss) after income tax excluding any cost of servicing equity other than ordinary shares 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.

**(l) Restoration, rehabilitation and environmental expenditure**

Restoration, rehabilitation and environmental expenditure to be incurred during the production phase of operations is accrued when the need for such expenditure is established, and then written off as part of the costs of production of the mine property concerned. Significant restoration, rehabilitation and environmental expenditure to be incurred subsequent to the cessation of production at each mine property is accrued, in proportion to production, when its extent can be reasonably estimated.

**(m) Employee benefits**

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 represent present obligations 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.

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.

**GOLDSEARCH LIMITED**  
**ABN 73 006 645 754**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

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

**(m) Employee benefits (continued)**

III. Retirement benefit obligations

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

**(n) 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.

**(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).

**(p) Share-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.

The fair value determined at the grant date of the equity settled share based payment is expensed on a straight line basis over the vesting period.

**(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.

Joint venture income is recognised at the fair value of the consideration received or receivable when the entity obtains control of the revenue.

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

**GOLDSEARCH LIMITED**  
**ABN 73 006 645 754**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

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

**(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.

**(s) Financial instruments**

The Company classifies its financial assets 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 financial assets 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 the possibility exists, 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. The Company held no such financial assets at balance date.

**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. The Company held no such financial assets at balance date.

**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.

**GOLDSEARCH LIMITED**  
**ABN 73 006 645 754**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

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

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

**Subsequent measurement**

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-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.

**Impairment**

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.

	<b>2008</b>	<b>2007</b>
	\$	\$
<b>2. REVENUE</b>		
<b>Revenue from operating activities</b>		
Operating activities		
- Net gain on sale of investments	102,965	75,253
- Interest received	154,886	66,078
- Dividend income	59,500	19,500
- Joint venture income	-	1,186,480
Total revenue	317,351	1,347,311

**GOLDSEARCH LIMITED**  
**ABN 73 006 645 754**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	\$	\$
<b>3. LOSS FOR THE YEAR</b>		
Loss before income tax has been determined after:		
Depreciation of plant and equipment:		
-Plant and equipment	8,423	11,394
Rental expense on operating leases	43,407	43,228
Capitalised exploration expenses written off	747,480	954,309
Movements in provisions – employee entitlements	(298)	(6,461)

**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 losses. At 30 June 2008 the Company has estimated carry-forward tax losses, after adjusting for temporary differences, of approximately \$16,433,729 (2007: \$14,138,190) which amounts to an income tax benefit of \$4,930,119 (2007: \$4,241,457). The Company has no estimated carry-forward capital loss (2007: \$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 net deferred tax asset 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.

**5. ACCUMULATED LOSSES**

Accumulated losses at the beginning of year	(22,183,354)	(21,602,843)
Net loss attributable to members of Goldsearch Limited	(1,353,479)	(580,511)
Accumulated losses at the end of year	(23,536,833)	(22,183,354)

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	<b>2008</b>	<b>2007</b>
	\$	\$
<b>6. CURRENT ASSETS – RECEIVABLES</b>		
Other debtors	12,329	3,716
GST receivable	126,240	40,291
	138,569	44,007

The above assets are not subject to any accrued interest and are not subject to any impairment on any past due amount. These amounts are receivable in the ordinary course of business. The full amounts are expected to be received within 30 days.

**7. CURRENT ASSETS – OTHER**

Short term bond - held to maturity	18,300	18,300
Prepayments	16,885	19,979
	35,185	38,279

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

Equipment at cost	61,646	64,386
Accumulated depreciation	(45,888)	(41,536)
	15,758	22,850
Motor vehicle at cost	61,300	61,300
Accumulated depreciation	(61,300)	(61,300)
	-	-
Total property, plant and equipment	15,758	22,850

**Reconciliation of property, plant and equipment**

**Equipment**

Carrying amount at beginning of year	22,850	13,918
Additions	2,585	20,452
Depreciation	(9,677)	(11,520)
	15,758	22,850

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	<b>2008</b>	<b>2007</b>
	\$	\$
<b>9. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS</b>		
Shares in controlled entities at cost (a) (Note 27)	885	885
Shares in listed companies (i)		
-at fair value	1,935,000	2,432,500
Shares in unlisted companies at cost (ii)	200,001	200,001
Provision for impairment (iii)	(1)	(1)
	2,135,885	2,633,385

(a) Shares 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	2,633,385	812,085
Additions(i) (ii)	189,317	1,161,480
Revaluation to fair value	(686,817)	1,063,020
Sales- other parties- (i)	-	(403,200)
Carrying amount at end of year	2,135,885	2,633,385

(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 2007 IGO issued 200,000 of its shares (2006: Nil) to the Company to complete the acquisition of a 51% equity in the joint venture tenements as detailed in Note 11(a).

During the financial year ended 30 June 2007 the Company sold 400,000 IGO shares for a net consideration of \$672,954. These sales realised a profit of \$514,448.

As at 30 June 2008 the Company held 350,000 IGO shares (2007: 350,000) with a market value at balance date of \$1,785,000 (2007: \$2,432,500). The movement in the fair value of this investment is recorded in the assets revaluation reserve (see also note 30).

*Minority interest in Medusa Mining Limited (MML) shares.*

During the financial year ended 30 June 2007 the Company sold its total investment in MML for a net consideration of \$473,558. This sale realised a profit of \$75,253.

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

*Minority interest in Rex Minerals Limited (RXM) shares.*

During the financial year ended 30 June 2008 the Company received 500,000 fully paid ordinary shares and 500,000 unlisted options in Rex Minerals Limited as part of the consideration for the sale of EL 4669 St Arnaud.

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

- (ii) Unlisted investments are recorded at cost and consist of the following material investment:

*Minority interest in Queensland Mining Corporation Limited shares.*

During the financial year ended 30 June 2007 the Company received 1,000,000 unlisted fully paid shares and 2,000,000 unlisted options over shares in Queensland Mining Corporation Limited as part consideration under the joint venture agreement detailed in Note 11(d). The value of the options has still not been brought to account at 30 June 2008 (2007: Nil) as the fair value cannot be reliably determined.

- (iii) Provisions:

*Minority interest in Capix Pty Ltd shares.*

The Company made a provision for impairment on its investment in this company as of 30 June 2002 and the directors have continued to provide again this investment since that date.

	2008	2007
	\$	\$
<b>10. NON-CURRENT ASSETS –EXPLORATION AND INVESTMENT EXPENDITURE</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	1,682,251	1,423,095
Exploration expenditure, at cost capitalised during the year	1,823,370	1,213,465
	3,505,621	2,636,560
Capitalised exploration expenditure, at cost written off during the year	(747,480)	(954,309)
Balance at end of year	2,758,141	1,682,251
Depreciation included in exploration expenditure	1,254	126

**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2008****10. NON-CURRENT ASSETS – EXPLORATION AND INVESTMENT EXPENDITURE  
(continued)**

Mineral exploration is to be amortised when production commences, or written off to the income statement. The carrying values do not purport to be the amounts 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.

**11. BUSINESS UNDERTAKINGS – JOINT VENTURES***a) Independence Group/ BHP Billiton Minerals Ltd joint venture/East Musgrave Project joint venture*

In February 2007, BHP Billiton Minerals Ltd (BHPB) farmed into the East Musgrave Project joint venture. Current equity in the joint venture is Independence Group NL 51%, Goldsearch Limited 49%. Under the terms of the new joint venture agreement, BHPB can earn 65% interest in the East Musgrave Project by spending \$25 million or by delivering a bankable feasibility study within 10 years. Upon BHPB earning its interest, equity in the East Musgrave Project will be BHPB 65%, IGO 17.85% and Goldsearch 17.15%.

The current exploration licences covered by the joint venture agreement are EL3954 and EL3955. Current exploration licence applications covered by the joint venture agreement are South Australian ELAs 35, 260, 262, 336-342 and 534.

The total annual expenditure commitment for the above exploration licences is \$319,258 and the total expenditure commitments for the above exploration licence applications (should they be granted) amount to \$1,690,254, all of which are to be funded by BHPB.

Subsequent to balance date Independence Group NL (51%) and Goldsearch Limited (49%) have made arrangements to effect the relinquishment of EL3829 and EL3979.

EL3031 Ungalootana Hill was renewed as EL3979 on 7 November 2007.

*b) Central West joint venture*

The Company has 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, 14022 and 15257 (Mary Kathleen). At 30 June 2008 Goldsearch has expended \$1,060,947 under the joint venture agreement which is sufficient to have earned 75% equity in these tenements.

*c) Rex Minerals (Victoria) Ltd joint venture*

During the year Rex Minerals (Victoria) Limited (REX) a wholly owned subsidiary of Rex Minerals Limited (RML) acquired a 100% interest in the St Arnaud tenement EL 4669, Victoria from Goldsearch. Consideration for the acquisition is the issue to Goldsearch Limited of 500,000 fully paid RML shares together with 500,000 options, each option giving Goldsearch the right to purchase a share in RML on or before 30 June 2011, by the payment of 30 cents per option. These securities were issued during the year.

*d) Queensland Mining Corporation joint venture*

Goldsearch has entered into a joint venture agreement with North Queensland Mines Pty Ltd, now Queensland Mining Corporation (QMC) on exploration permits EPM 13336 and EPM 15718 whereby QMC can earn 70% and 75% respectively by spending \$750,000 over the first two years

## **GOLDSEARCH LIMITED**

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to 31 May 2008 and issuing Goldsearch with the following shares and options:-

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 30 JUNE 2008**

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

##### *d) Queensland Mining Corporation joint venture (continued)*

- One million fully paid QMC shares on signing of the agreement plus two million options over QMC shares exercisable at 50 cents each at any time until their expiry on 30 November 2009.
- In addition, if at any time prior to 30 June 2012 QMC establishes a proven JORC resource equal to two million tonnes of ore with an equivalent grade of 25% copper then, QMC will issue Goldsearch a further one million options exercisable at 50 cents each for two years following the date of their issue.
- Furthermore, if QMC establishes a proven JORC resource equal to five million tonnes of ore with an equivalent grade of 2% copper then, QMC will issue Goldsearch with a further two million options exercisable at 50 cents each for two years following the date of their issue.

Goldsearch at all times retains a 25% interest in the tenements.

QMC had advised that it has spent in excess of \$750,000 under the terms of the joint venture agreement prior to 31 May 2008 and has therefore earned its relevant interest.

##### *e) TM Resources AB joint venture*

Goldsearch has signed an option agreement with TM Resources AB, a Swedish company wholly owned by Tumi Resources Limited, a company based in Toronto, Canada. Under the terms of the option agreement Goldsearch may earn up to 70% interest in the Jugansbo nr1 (2006:173), Sala nr4 (2005:274), Kobergs nr1 (2006:73) and Hällefors nr1 (2005:292) mineral licences. The initial minimum commitment by Goldsearch is to fund a SkyTEM airborne electromagnetic and magnetic geophysical survey. That survey has been completed over the licence areas since balance date.

If Goldsearch elects to proceed based on the results of the SkyTEM it must fund cumulative expenses of:

- 100,000 Euros (including the EM Survey) within year 1;
- 300,000 Euros in year 2;
- and 1,000,000 Euros in year 3 to earn the 70% interest.

##### *f) Dr Alan Marlow purchase agreement*

Goldsearch Limited has entered into a purchase agreement to acquire a 100% interest in EL 5046 from Dr Alan Marlow. Consideration for the acquisition is an initial cash payment of \$35,000 (which has been paid). Upon registration of the assignment of a granted tenement, Goldsearch is to issue 500,000 ordinary shares and 400,000 options over unissued Goldsearch shares exercisable at 7.5 cents at any time before their expiry on 30 June 2009.

Registration of the assignment is in the process of being finalised and it is expected that the shares and options will be issued in the current half year

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**12. EXPLORATION TENEMENTS**

*Expenditure commitments*

Minimum expenditure requirements to retain current rights of tenure to granted tenements for the year ending 30 June 2009, and the parties responsible for funding that expenditure, are as follows:-

•	EL 3829	South Australia	\$ 180,000	to be funded 51% by IGO and 49% by Goldsearch
•	EL 3979	South Australia	\$ 130,000	to be funded 51% by IGO and 49% by Goldsearch
•	EL 3954	South Australia	\$ 99,258	to be funded 100% by BHP Billiton
•	EL 3855	South Australia	\$ 220,000	to be funded 100% by BHP Billiton
•	EPM 13336	Queensland	\$ 145,000	to be funded 75% by QMC and 25% by Goldsearch
•	EPM 15718	Queensland	\$ 5,000	to be funded 75% by QMC and 25% by Goldsearch
•	EPM 14019	Queensland	\$ 70,000	to be funded 75% Goldsearch and 25% by Central West Gold
•	EPM 14022	Queensland	\$ 70,000	to be funded 75% Goldsearch and 25% by Central West Gold
•	EPM 15257	Queensland	\$ 6,000	to be funded 75% Goldsearch and 25% by Central West Gold
•	EPM 15850	Queensland	\$ 26,666	to be funded by Goldsearch
•	EPM 17368	Queensland	\$ 20,000	to be funded by Goldsearch
•	EPM 17370	Queensland	\$ 15,300	to be funded by Goldsearch
•	EPM 17365	Queensland	\$ 20,000	to be funded by Goldsearch
•	EPM 17369	Queensland	\$ 20,000	to be funded by Goldsearch
•	EPM 17366	Queensland	\$ 18,250	to be funded by Goldsearch
•	EPM 17367	Queensland	\$ 18,250	to be funded by Goldsearch
•	EPM 17371	Queensland	\$ 18,250	to be funded by Goldsearch
•	EL 4812	Victoria	\$ 22,800	to be funded by Goldsearch
•	EL 4843	Victoria	\$ 16,000	to be funded by Goldsearch
•	EL 5046	Victoria	\$ 50,100	to be funded by Goldsearch
			<u>\$1,170,874</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 \$1,990,254 would arise. Of this additional minimum annual expenditure requirement \$1,690,254 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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	<b>2008</b>	<b>2007</b>
	\$	\$
<b>13. COMMITMENTS FOR EXPENDITURE</b>		
Operating lease commitments:		
Non-cancellable lease contracted for but not capitalised in the accounts:-		
Rental of premises -		
Not later than 1 year	24,227	43,406
Later than 1 year and not later than 5 years	-	22,024
	24,227	65,430

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	1,170,874	829,750
Later than 1 year and not later than 5 years	1,801,350	450,750
	2,972,224	1,280,500

As detailed in Notes 11 and 12 these exploration expenditure commitments are largely funded by existing joint venture arrangements.

**14. CURRENT LIABILITIES – PAYABLES**

Trade creditors	248,027	139,466
Sundry creditors and accruals	14,273	18,197
	262,300	157,663

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.

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	<b>2008</b>	<b>2007</b>
	\$	\$
<b>15. CURRENT LIABILITIES – PROVISIONS</b>		
Employee benefits	95,161	24,216
<b>16. ISSUED CAPITAL</b>		
<b>(a) Issued shares:</b>		
280,155,922 ordinary fully paid shares at beginning of year (2007: 274,814,022)	22,755,560	22,484,465
Issued during the year:		
4,541,900 ordinary shares issued on the exercise of quoted options at a price of 5 cents each	-	227,095
800,000 ordinary shares issued on the exercise of unquoted options at a price of 5.5 cents each	-	44,000
87,062,774 ordinary shares issued on the exercise of quoted options at a price of 5 cents each	4,353,138	-
Transfer from share-based payment reserves on the exercise of employee options	8,800	-
Share issue costs	(128,561)	-
367,218,696 ordinary fully paid shares at end of year (2007: 280,155,922)	26,988,937	22,755,560
<b>(b) Issued options:</b>		
Issue price of options issued in prior years and which have expired	2,745,074	2,745,074
At reporting date	29,734,011	25,500,634

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**16. ISSUED CAPITAL (continued)**

<i>(c) Movement in issued shares during the year</i>		<b>2008</b>	<b>2007</b>
<b>Date</b>	<b>Details</b>	<b>Number of shares</b>	<b>Number of shares</b>
1 July	opening balance	280,155,922	274,814,022
July to November 2007	ordinary shares issued on exercise of quoted options	87,062,774	-
January to June 2007	ordinary shares issued on exercise of quoted options	-	4,541,900
June 2007	ordinary shares issued on exercise of unquoted options	-	800,000
30 June	closing balance	<u>367,218,696</u>	<u>280,155,922</u>

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.

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

Total options granted but not exercised as at 30 June 2008 are as follows:

<b>Date</b>	<b>Details</b>	<b>Exercise price</b>	<b>Expiry date</b>	<b>Number</b>
<b><u>Quoted options (f)</u></b>				
1 July 2007	opening balance	5 cents	31 October 2007	87,062,774
17 July 2007	options exercised	5 cents	31 October 2007	(5,800,000)
25 July 2007	options exercised	5 cents	31 October 2007	(2,768,100)
31 July 2007	options exercised	5 cents	31 October 2007	(750,000)
7 August 2007	options exercised	5 cents	31 October 2007	(28,850)
31 August 2007	options exercised	5 cents	31 October 2007	(13,847,276)
3 October 2007	options exercised	5 cents	31 October 2007	(25,000)
16 October 2007	options exercised	5 cents	31 October 2007	(4,563,468)
23 October 2007	options exercised	5 cents	31 October 2007	(4,043,958)
30 October 2007	options exercised	5 cents	31 October 2007	(19,389,149)
8 November 2007	options exercised	5 cents	31 October 2007	(33,685,942)
27 November 2007 <sup>(1)</sup>	options exercised	5 cents	31 October 2007	(2,161,031)
24 June 2008 <sup>(2)</sup>	options issued	10 cents	31 October 2009	<u>90,463,630</u>
30 June 2008	closing balance	Weighted average exercise price 10 cents	31 October 2009	<u>90,463,630</u>

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**16. ISSUED CAPITAL (continued)**

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

**Quoted options (f) (continued)**

- (1) On 30 August 2007 the Company announced that it had arranged the underwriting of the exercise of all of its quoted 5 cents options expiring on 31 October 2007. The Company subsequently announced that a total of 2,161,031 quoted options had not been exercised prior the expiry date and that the entitlement under those options would be subscribed to by the underwriters. The subscription by the underwriters was completed on 27 November 2007.
- (2) On 24 June 2008 the Company allotted a total of 90,463,630 bonus options on a one for four entitlement basis to existing shareholders pursuant to the terms of the prospectus issued by the Company and dated 2 June 2008.

**Unquoted options (f)**

1 July 2007	opening balance	Weighted average exercise price 6.4 cents	Various	17,200,000
30 June 2008	adjustment to the number of underlying securities covered by existing unquoted options #	Weighted average exercise price 6.4 cents	Various	4,000,000 <sup>#</sup>
30 June 2008	options lapsed	5 cents	30 June 2008	<u>(800,000)</u>
30 June 2008	closing balance <sup>(3)</sup>	Weighted average exercise price 6.4 cents	Various <sup>(2)</sup>	<u>20,400,000</u>

(3) At 30 June 2008 the Company had the following unquoted options outstanding:

- options exercisable at 10 cents each and expiring 30 June 2009. 400,000
- options exercisable at 5 cents each and expiring 31 January 2010. # 8,000,000
- options exercisable at 7.5 cents each and expiring 31 January 2010. # 8,000,000

# Consequent to the bonus issue of quoted options which was completed in June 2008, and in accordance with the terms on which they were issued, 16,000,000 of the existing unquoted share options were automatically adjusted so that each option to subscribe for 1 share in the Company became an option to subscribe for 1.25 shares in the Company. Accordingly the aggregate number of shares which may be subscribed for by the holders of these options (the underlying securities) has increased from 16,000,000 shares to 20,000,000 shares. The previous exercise price per option has been clarified as being the exercise price per share.

*(e) Uncalled capital :*

No calls are outstanding at year end. All issued shares are fully paid.

**GOLDSEARCH LIMITED****ABN 73 006 645 754****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2008****16. ISSUED CAPITAL (continued)***(f) Terms and conditions of quoted and unquoted options:*Quoted options:

All the current quoted options entitle the holders to subscribe for one fully paid share in the Company, the conditions attached at the time of the issue of each of the options specify the exercise price and the expiry date.

Unquoted options:

16,000,000 of the 16,400,000 unquoted options entitle the holder to subscribe for 1.25 fully paid shares in the Company for each option exercised. The other 400,000 unquoted options entitle the holder to subscribe for one fully paid shares in the Company for each option exercised. The conditions attached at the time of the issue of each of the options specify the exercise price (which has been clarified as a price per share subscribed), the vesting period and the expiry date.

**17. RESERVES**

Available-for-sale investments revaluation reserve.

	<b>2008</b>	<b>2007</b>
	\$	\$
Balance at beginning of financial year	1,413,686	355,082
Unrealised gain/(loss) to fair value	(686,817)	1,063,020
Adjustment on sale of investment	-	(4,416)
Balance at end of financial year	<u>726,869</u>	<u>1,413,686</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.

Share-based payment reserve.

Balance at beginning of financial year	425,560	-
Transfer to issued capital on exercise of employee options	(8,800)	-
Expensing of options issued	<u>147,268</u>	<u>425,560</u>
Balance at end of financial year	<u>564,028</u>	<u>425,560</u>

The fair value of equity settled share-based payments to consultants and directors or their associates are recognised in the income statement on a straight line method over their vesting periods (refer to Note 18).

Total reserves	<u>1,290,897</u>	<u>1,839,246</u>
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**GOLDSEARCH LIMITED****ABN 73 006 645 754****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2008****18. SHARE-BASED PAYMENTS**

The following share-based payment arrangements existed at 30 June 2008:

On 18 July 2006, 2,000,000 share options were granted to the Exploration Manager on his appointment as an officer of the Company: 800,000 options exercisable at 5.5 cents per share at any time prior to their expiry on 30 June 2007; 800,000 options exercisable at 7.5 cents per share at any time prior to their expiry on 30 June 2008; and 400,000 options exercisable at 10 cents per share at any time prior to their expiry on 30 June 2009. The options hold no voting or dividends rights and are not transferable. During the financial year ended 30 June 2007 the first 800,000 options were exercised and \$44,000 was received, the second 800,000 options were not exercised and lapsed on 30 June 2008.

On 7 December 2006, 16,000,000 share options were granted to directors and consultants or their associates as approved by shareholders at the annual general meeting held on 30 November 2006. The first 8,000,000 of these options vested on 1 February 2007 and are now exercisable at 5.5 cents per share at any time until their expiry on 31 January 2010. The other 8,000,000 options vested on 1 February 2008 and are now exercisable at 7.5 cents per share at any time until their expiry on 31 January 2010. The options hold no voting or dividend rights and are not transferable. At reporting date, none of the vested options had been exercised. The aggregate number of shares which may be subscribed for by the holders of these options (the underlying securities) has automatically increased from 16,000,000 shares to 20,000,000 shares as a result of the recent bonus option issue. See Note 16(d)

The following share-based payment arrangements were in existence during the period:

<b>Options series</b>	<b>Number</b>	<b>Grant date</b>	<b>Expiry date</b>	<b>Exercise price \$</b>	<b>Fair value at grant date (cents)</b>
(1) Issued 18 July 2006	800,000	18/07/06	30/06/08	0.075	1.9
(2) Issued 18 July 2006	400,000	18/07/06	30/06/09	0.100	2.2
(3) Issued 7 December 2006	# 8,000,000	07/12/06	31/01/10	0.055	3.4
(4) Issued 7 December 2006	# 8,000,000	07/12/06	31/01/10	0.075	3.1

*# each of these options is now an option to subscribe for 1.25 shares – see Note 16(d)*

The weighted average fair value of the share options granted during the financial year is Nil cents (2007: 3.07 cents). Options were priced using a Black Scholes option pricing model. Expected volatility is based on the historical share price volatility.

<b>Inputs into the model</b>		<b>Options Series (1)</b>	<b>Options Series (2)</b>	<b>Options Series (3)</b>	<b>Options Series (4)</b>
Grant date share price	Cents	3.5	3.5	4.9	4.9
Exercise price	Cents	7.5	10	5.5	7.5
Expected volatility	%	132	131	114	114
Option life	Months	24	36	48	48
Dividend yield	%	0	0	0	0
Risk-free interest rate	%	5.6	5.6	5.85	5.85

**GOLDSEARCH LIMITED****ABN 73 006 645 754****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2008****18. SHARE-BASED PAYMENTS (continued)**

The following reconciles the outstanding share options on issue at the beginning and end of the financial year:

	2008		2007	
	Number of options (underlying securities)	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of financial year	17,200,000	0.064	-	-
Granted during the financial year	-		18,000,000	0.066
Adjustment to underlying securities	4,000,000	0.064		
Lapsed during the financial year	(800,000)	(0.075)	-	-
Exercised during the financial year (i)	-	-	(800,000)	(0.055)
Balance at end of the financial year	20,400,000	0.063	17,200,000	0.064
Exercisable at end of the financial year	20,400,000	0.063	9,200,000	0.063

**(i) Exercised**

The following share options granted as remuneration were exercised during the financial year:

Options series	Number exercised		Exercise date		Share price at exercise date \$	
	2008	2007	2008	2007	2008	2007
	Issued 18 July 2006	-	800,000	-	30 June 2007	-

**Recognition of share based payments expense**

The total value of options included in remuneration for the year is calculated in accordance with Accounting Standard AASB 2 'Share-based Payment'. The Standard requires the value of the options to be determined at grant date and to be recognised as an expense in the income statement over the vesting period.

Consequently a share option expense of \$127,240 (2007: 425,560) was recognised and expensed for the year, \$95,430 (2007: 304,001) directly in the income statement while the balance \$31,810 (2007: 121,559) was capitalised to the balance sheet as part of the remuneration of the remuneration of the Exploration Manager and the Director-Operations.

2008	2007
\$	\$

**19. REMUNERATION OF AUDITORS**

Amounts received or due and receivable by the auditors for:

- auditing the accounts	41,000	31,500
- other services	-	-
	<u>41,000</u>	<u>31,500</u>

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**ABN 73 006 645 754**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2008**

**20. ECONOMIC DEPENDENCY**

The Company's principal activities are mineral exploration and investment. Other than interest derived from funds on deposit the Company does not derive income from any trading activity and is dependent upon the support of shareholders and the market to finance its on-going exploration program.

**21. CONTINGENT LIABILITIES**

The Company operations are subject to significant environmental regulation under the Laws of the Commonwealth and State. Presently, rehabilitation bonds for a value of \$62,500 (2007: 40,000) have been lodged over certain leases held by the Company in favour of 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.

Other than the rehabilitation bond lodged with the Commonwealth Bank no other financial assets of the Company have been pledged as collateral or security for any of the Company's liabilities.

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.

**22. RELATED PARTY TRANSACTIONS**

The names of persons who were directors of the Company at any time during the year and to the date of these financial 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. Details of the remuneration of directors and key management personnel is set out in the Remuneration Report which forms part of the accompanying Directors' Report.

**(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 \$23,273 (2007: \$26,006).

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

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

**GOLDSEARCH LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2008**

**22. RELATED PARTY TRANSACTIONS (continued)**

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

Directors	Ordinary shares		Quoted share options		Unquoted share options #	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
J. Landerer, CBE AM	5,725,872	4,243,129	1,431,468	1,060,782	-	3,000,000
A.G. Harris	220,000	-	55,000	-	2,000,000	-
R.B. Leece, AM RFD	-	11,996,465	-	2,999,115	-	2,000,000
J.M.E. Percival	4,000	5,481,709	1,000	1,370,427	-	3,000,000
T.V. Willstead	-	3,308,000	-	827,000	-	2,000,000

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

*(i) Acquisitions/issued*

	Ordinary shares		Quoted share options		Unquoted share options #	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
J. Landerer, CBE AM	1,447,968	810,782	1,431,468	1,060,782	-	-
A.G. Harris	55,000	-	55,000	-	-	-
R.B. Leece, AM RFD	-	1,667,000	-	2,999,115	-	-
J.M.E. Percival	1,000	1,788,587	1,000	1,370,427	-	-
T.V. Willstead	-	1,154,000	-	827,000	-	-

*(ii) Sales/Exercised*

	Ordinary shares		Quoted share options		Unquoted share options #	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
J. Landerer, CBE AM	-	-	1,447,968	810,782	-	-
A.G. Harris	-	-	55,000	-	-	-
R.B. Leece, AM RFD	-	-	-	1,667,000	-	-
J.M.E. Percival	-	-	1,000	1,788,587	-	-
T.V. Willstead	-	-	-	1,154,000	-	-

*# each of these options is an option to subscribe for 1.25 shares – see Note 16(d)*

**23. STATEMENT OF CASH FLOWS**

*(a) Reconciliation of cash:*

For the purposes of the statement of cash flows, cash includes:

- (i) cash on hand and at bank, cash on deposit, net of outstanding bank overdrafts; and
- (ii) investments in money market instruments with 30 days or less 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:

**GOLDSEARCH LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	\$	\$
<b>23. STATEMENT OF CASH FLOWS (continued)</b>		
Cash at 30 June is shown in the balance sheet as:		
Cash on hand	760	600
Cash at bank	701,816	859,427
Deposit at call	2,059,422	57,606
	2,761,998	917,633
	2,761,998	917,633

**(b) Reconciliation statement:**

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

Loss after income tax	(1,353,479)	(580,511)
<u>Add/(less)</u>		
Depreciation	8,243	11,394
Write-off of plant and equipment assets	380	-
Write-off of capitalised exploration expenditure	747,480	945,309
Net gain on disposal of investments/tenement	(102,965)	(75,253)
Joint venture income as shares Note 24(c)	-	(1,161,480)
Share-based payment	115,458	304,001
Changes in assets and liabilities :		
(Increase)/decrease in receivables	(94,562)	(10,755)
(Increase)/decrease in prepayments	(3,187)	(461)
Increase/(decrease) in provisions	(298)	(6,461)
Increase/(decrease) in trade creditors and accruals net of exploration expenditure	6,881	(4,320)
	(676,049)	(578,537)
Net cash (used in)/provided by operating activities	(676,049)	(578,537)

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

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**23. STATEMENT OF CASH FLOWS (continued)**

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

- (i) During the financial year ended 30 June 2008 the Company received 500,000 Rex Minerals Limited (RXM) fully paid ordinary shares and 500,000 unlisted Rex Minerals Limited (RXM) options exercisable at 30 cents per option before 30 June 2011 as agreed consideration for the sale of tenement number EL 4669 St Arnaud located in Victoria (refer note 11(a))
- (ii) During the financial year ended 30 June 2007 the Company received 200,000 Independence Group NL (IGO) fully paid ordinary shares from IGO as agreed consideration for IGO to complete the earning of a 51% interest in certain designated exploration tenements held by the Company (refer note 11(a)).
- (iii) During the financial year ended 30 June 2007 the Company received 1,000,000 fully paid ordinary shares in an unlisted public company Queensland Mining Corporation Limited, which is currently seeking admission to the official list of ASX Limited, as part consideration for entering into a joint venture agreement over one of the Company's exploration tenements (refer Note 11(d)).

**24. EARNINGS PER SHARE**

	<b>2008</b>	<b>2007</b>
	\$	\$

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

Basic earnings/(loss) cents per share	(0.39)	(0.21)
Diluted earnings/(loss) cents per share	(0.39)	(0.21)

Weighted average number of ordinary shares outstanding during the year used to calculated basic and diluted EPS	342,318,549	276,861,574
---	-------------	-------------

Loss from continuing operations used to calculated basic EPS and diluted EPS	(1,353,479)	(580,511)
--	-------------	-----------

**Options:**

As at 30 June 2007 the Company had on issue 90,463,630 (2007: 87,062,774) quoted options and 16,400,000 (2007: 17,200,000) unquoted options over 20,400,000 (2007: 17,200,000) unissued shares. Refer to Note 16 for further details.

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**25. SEGMENT INFORMATION**

As of 30 June 2008 the Company operates its mineral exploration division predominantly in two geographical segments, Australia and in Sweden while the Company held a interest in a Philippines Joint Venture in the financial year ended 30 June 2007 which was terminated in that year, while the Company investments division is predominantly in Australia. Industries segment information is as follows:

	<b>Mineral exploration Australia</b>	<b>Mineral exploration Overseas</b>	<b>Other Investment</b>	<b>Unallocated</b>	<b>Total</b>
<b>2008</b>					
Revenue	102,964	-	59,500	154,887	317,351
Results	(644,516)	-	59,500	(768,463)	(1,353,479)
Assets	2,758,141	28,613	2,135,885	2,922,897	7,845,536
Liabilities	277,883	-	-	79,578	357,461
Acquisition of non – current assets	1,794,758	28,613	189,317	2,585	2,015,273
Depreciation	1,254	-	-	10,931	9,677
Other non-cash expense	747,480	-	-	115,458	842,612
<b>2007</b>					
Revenue	1,186,480	-	94,753	66,078	1,347,311
Results	967,604	(735,433)	94,753	(907,435)	(580,511)
Assets	1,682,251	-	2,633,385	1,022,769	5,338,405
Liabilities	96,768	-	-	85,111	181,879
Acquisition of non – current assets	1,083,666	129,799	945,940	20,452	2,179,857
Depreciation	126	-	-	11,394	11,520
Other non-cash expense	218,876	735,433	-	304,001	1,258,310

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	<b>2008</b>	<b>2007</b>
	\$	\$
<b>26. FRANKING CREDITS</b>		
Adjusted franking account balance (tax paid basis)	68,786	43,286

<b>27. Controlled entities</b>	<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.		

**28. FINANCIAL RISK MANAGEMENT**

**Financial risk management policies**

The Company's financial instruments consist mainly of current accounts with banks, accounts receivable and payable and investments in listed and unlisted companies.

*i. Treasury risk management*

Management considers on a regular basis the financial risk exposures and evaluates treasury management strategies in the context of the most recent economic conditions and forecasts.

The overall risk management strategy seeks to meet the Company's financial targets, whilst minimising potential adverse effects on financial performance.

Management operates under policies approved by the board of directors which approves and reviews risk management policies on a regular basis. These include future cash flow requirements.

*ii. Financial risk exposures and management*

The main risks the Company is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

**GOLDSEARCH LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2008**

**28. FINANCIAL RISK MANAGEMENT (continued)**

**(a) Market risk**

The Company is subject to the normal economic factors including volatility of stock market prices and interest rates, both of which impact upon the availability of equity, debt capital respectively and the ability to realise listed investments if and when required.

**(b) Foreign currency risk exposure**

The Company at balance date was not exposed to any currency exchange risk through primary financial assets or liabilities. However under the heads of agreement for the Tumi joint venture in Sweden as detailed in Note 11 the Company will be exposed to foreign exchange movements between the Euro and Australian dollar should the directors decide to continue to earn a 70% interest in the project by committing to a minimum expenditure of 1 million Euro. The Company will adapt appropriate monitoring tools and evaluate this risk when it elects to undertake to contribute to this joint venture.

**(c) Interest rate risk exposure**

The Company is exposed to interest rate risk through primary financial assets and financial liabilities. The Company continually monitors interest rates and financial markets for the Company's cash at deposit and regularly reviews future cash flow requirements. 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	Fixed interest maturing				Total
		Floating interest rate	in 1 year or less	over 1 to 5 years	Non- interest bearing	
2008		\$	\$	\$	\$	\$
<b>Financial assets</b>						
Cash	23	702,576	2,059,422	-	-	2,761,998
Receivables	6	-	-	-	138,569	138,569
Investments-non-listed securities	9	-	-	-	200,885	200,885
Investment-listed securities	9	-	-	-	1,935,000	1,935,000
Total financial assets		702,576	2,059,422	-	2,274,454	5,036,452
Weighted average interest rate		5.04%	6.34%	-	-	-
<b>Financial liabilities</b>						
Trade and sundry creditors	14	-	-	-	262,300	262,300
Total financial liabilities		-	-	-	262,300	262,300
Weighted average interest rate		-	-	-	-	-
Net financial assets		702,576	2,059,422	-	2,012,154	4,774,152

**GOLDSEARCH LIMITED****ABN 73 006 645 754****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2008****28. FINANCIAL RISK MANAGEMENT (continued)****2007****Financial assets**

Cash	23	860,027	57,606	-	-	917,633
Receivables	6	-	-	-	44,007	44,007
Investments-non-listed securities	9	-	-	-	200,885	200,885
Investment-listed securities	9	-	-	-	2,432,500	2,432,500
Total financial assets		<u>860,027</u>	<u>57,606</u>	-	<u>2,677,392</u>	<u>3,595,025</u>
Weighted average interest rate		4.89%	5.07%	-	-	-

**Financial liabilities**

Trade and sundry creditors	14	-	-	-	157,663	157,663
Total financial liabilities		<u>-</u>	<u>-</u>	-	<u>157,663</u>	<u>157,663</u>
Weighted average interest rate		-	-	-	-	-
Net financial assets		<u>860,027</u>	<u>57,606</u>	-	<u>2,519,729</u>	<u>3,437,362</u>

**(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 impaired receivables, 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.

**(e) Liquidity risk**

The Company manages liquidity risk by monitoring forecast cash flows to ensure that adequate funding is maintained. The Company's financial liabilities consist of trade and other payables in the normal course of business and as such are normally due for payment within 30 days of receipt of a valid tax invoice. The Company does not have any liquidity risk associated with any borrowing.

**(f) Price risk**

The Company is not presently exposed to commodity price risk other than the commercial feasibility of various exploration and evaluation activities is sensitive to the expected pricing of the relevant resource, and the continuing volatility of stock markets which affect the unrealised fair value of the listed investments which are held as 'available-for-sale financial assets'. The Company currently holds these as long term investment.

The Company continually monitors the financial markets in relation to its holding of listed investments. The Company will only dispose of its investment when it believes that it is in the best interests for shareholders of the Company or when the liquidity of the Company requires it to realise the fair value of one or more of the Company's listed investments.

# GOLDSEARCH LIMITED

ABN 73 006 645 754

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

### 28. FINANCIAL RISK MANAGEMENT (continued)

#### iii. 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) Listed investments have been valued at the quoted market bid price at balance date. 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)

#### iv. Sensitivity analysis

The Company has performed a sensitivity analysis relating to its exposure to price risk at balance date, as detailed in the following table. The director's are of the opinion that a sensitivity analysis on all other above-mentioned risks will not show any material impacts on the Company's financial instruments. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

Share market price sensitivity analysis

At 30 June 2008, the effect on profit and equity as a result of changes in the market price of listed investments, with all other variables remaining constant would be as follows:

	2008	2007
	\$	\$
Change in profit		
– Increase in share price by 5%	-	-
– Decrease in share price by 5%	-	-
Change in equity		
– Increase in share price by 5%	106,750	121,625
– Decrease in share price by 5%	(203,500)	(243,250)

### 29. REHABILITATION COSTS

No known commitments for rehabilitation costs exist as at the date of preparation of these financial statements. (Refer to Note 21)

### 30. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to the end of the financial year:

On 14 July 2008 the Company allotted 23,796 new shares at 10 cents per share pursuant to the exercise of 23,796 quoted options.

On 6 August 2008 the Company allotted 7,025 new shares at 10 cents per share pursuant to the exercise of 7,025 quoted options.

The market value of the Company's listed investments has fallen in line with recent general stock market volatility. The market value of the Company's listed investments has fallen from \$1,935,000 at balance date to \$1,206,500 on 24 September 2008 a decline of \$728,500.

Otherwise no other matters or circumstances have arisen since 30 June 2008 that have significantly affected or may significantly affect:

- The Company's operations in future years;
- The results of those operations in future years; or
- The Company's state of affairs in future years.

## **DIRECTORS' DECLARATION**

The directors of Goldsearch Limited declare that:

1. The financial statements and associated notes for the financial year ended 30 June 2008:
  - (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 2008 and the performance of the Company for the financial year then ended.
2. The chief executive officer/chief financial officer has declared that:
  - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. In the opinion of the directors there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

J. Landerer CBE AM  
Director

A G Harris  
Director

Sydney,  
25 September 2008

Grant Thornton  
ABN 13 871 256 387

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## INDEPENDENT AUDITOR'S REPORT

To the members of Goldsearch Limited - ABN 73 006 645 754.

### Report on the Financial Report

We have audited the accompanying financial report of Goldsearch Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit

engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Independence

In conducting our audit, we complied with applicable independence requirements of the Corporations Act 2001.

#### Electronic presentation of audited financial report

This auditor's report relates to the financial report of Goldsearch Limited for the year ended 30 June 2008 included on Goldsearch Limited web site. The Company's directors are responsible for the integrity of the Goldsearch Limited web site. We have not been engaged to report on the integrity of the Goldsearch Limited web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

#### Auditor's Opinion

In our opinion:

- a the financial report of Goldsearch Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

- b the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

#### Inherent Uncertainty Regarding Exploration Expenditure

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 \$2,758,141 (30 June 2006: \$1,682,251) 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 exploration, or sale, of the areas of interest.

#### Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

#### Auditor's Opinion

In our opinion the Remuneration Report of Goldsearch Limited for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON  
Chartered Accountants



Simon Hourigan  
Partner

Dated 25<sup>th</sup> September 2008

Melbourne, Australia.