

**GOLDSEARCH LIMITED**

**ABN 73 006 645 754**

HALF-YEAR FINANCIAL REPORT  
FOR THE SIX MONTHS ENDED  
31 DECEMBER 2007

# **GOLDSEARCH LIMITED**

**ABN 73 006 645 754**

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# GOLDSEARCH LIMITED

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## DIRECTORS' REPORT

Your directors have pleasure in submitting the half-year financial report of Goldsearch Limited for the six months ended 31 December 2007 and report as follows:

### Directors

The names of the directors in office throughout the half-year ended 31 December 2007 and to the date of this report are:

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

### Principal activities

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

There were no significant changes in the nature of activities of the Company that occurred during the half-year.

### Review of operations

The following occurred during the half-year under review:

- On 19 July 2007 the directors announced that exploration deeds have been executed with the Anangu Pitjantjatjara Yankunytjatjara ("APY") for exploration licence applications ELA198/96 and ELA343/96 and they expect the tenements to be granted shortly. Once the tenements are granted, exploration activities can commence in a timely manner as much of the initial work program clearance requirement was completed during the negotiation process.
- On 22 August 2007 the directors announced that they have accepted an offer from Rex Minerals (Victoria) Limited ('REX') a wholly owned subsidiary of Rex Minerals Limited ('RML') to acquire the Company's remaining interest in the St Arnaud tenement EL 4669, Victoria. The consideration is the issue to Goldsearch Limited of 500,000 fully paid RML shares together with 500,000 options, each having the right to purchase a share in RML on or before 30 June 2011, by the payment of 30 cents per option.
- On 30 August 2007 the directors announced that they had arranged the underwriting of the exercise of all of the Company's quoted 5 cent options which expire on 31 October 2007. The agreed fee for the underwriting is \$87,071 being 2% of the \$4,353,138 application monies to be raised from the exercise of the outstanding options at the time the underwriting was offered. This will provide assured funding for the Company's planned exploration programs on the Mary Kathleen uranium, copper, gold prospects in Queensland; the Mount Wellington gold, copper prospect and the Sandy Creek gold prospect in Victoria; and continuing work on the Musgrave Block nickel and base metal joint venture prospects in South Australia which are managed by Independence Group NL.
- During the half year a total of 84,901,743 quoted options were exercised and the underwriters subscribed to the 2,161,031 options which were not exercised by the expiry date of 31 October.
- In the activity report for the quarter ended 30 September 2007 which was released on 18 October 2007 the Company reported that:
  - Management is working towards having low impact only exploration conditions removed from key tenements at Mary Kathleen;
  - A number of regional targets are emerging as potential drill targets following the completion of soil geochemical sampling at Mary Kathleen;
  - IP geophysical surveys are currently underway at Mary Kathleen;
  - Recent re-evaluation of the Mount Wellington 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;

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- The first tenements for the East Musgrave Joint Venture are expected to be granted in the coming weeks; and
- During the quarter 23,194,226 of the Company's quoted options were exercised, raising \$1.16 million of additional working capital.
- On 29 October 2007 the directors advised that Primary Industry and Resources, South Australia has granted the first two exploration licences ELs 3954 and 3955 from a total of 13 tenement applications forming the East Musgrave joint venture. In anticipation of the granting of the tenements, the joint venture partners have agreed to initial exploration programs and exploration budgets. Currently BHP Billiton has approved, subject to relevant work program approvals, an initial budget of AUD\$630,000. Work programs will comprise reconnaissance exploration, first pass regional geochemistry and gravity surveys along with detailed geochemistry and EM geophysical surveys over priority targets. These programs will be conducted by Independence Group as the managing partner.
- On 14 November 2007 the Company announced having entered into an agreement to acquire ELA 5046 in Victoria, which covers an area of 224 square kilometres immediately south of Goldsearch's 100% owned Mount Wellington Gold Project (EL4843 and ELA4835). The purchase consideration is \$35,000 cash on execution and the issue of 500,000 Goldsearch shares and 400,000 options over Goldsearch shares upon registration of the assignment of the tenement. ELA5046 covers the Mikes Bluff prospect, which contains a large shear zone, up to 200m wide and approximately 6km long, and a major zone of siderite-pyrophyllite-dickite alteration which has had limited RC drilling.
- In the activity report for the quarter ended 31 December 2007 which was released on 31 January the Company reported that:
  - A number of tenement matters which have delayed drilling activities at Mary Kathleen are close to being finalised;
  - Ground geophysical and geochemical programs at Mary Kathleen have continued to define targets for drilling which is scheduled for the March 2008 quarter;
  - Goldsearch has expanded its ground position at Mount Wellington to 396 square kilometres. A drilling contract has been finalised to test significant geophysical targets at the Rhyolite Hill and Mike's Bluff prospects during the March 2008 quarter; and
  - Final clearance surveys are expected to be completed for proposed initial exploration programs at the East Musgrave Joint Venture during the current quarter and exploration programs are expected to commence shortly after.
- The Company raised \$4,266,067 net from the issue of new shares; earned \$87,331 in interest and dividends; and expended \$556,148 on exploration and \$445,712 on administration.

### **Subsequent events**

There have been no matters or circumstances that have arisen since 31 December 2007 that has significantly affected or may significantly affect:

- (i) the Company's operations in future years; or
- (ii) the results of those operations in future years; or
- (iii) the Company's state of affairs in future years.

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

An independence declaration has been provided by the Company's auditor, William Buck. A copy of this declaration is attached to, and forms part of, the half-year financial report for the six months ended 31 December 2007.

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

J M E Percival  
Director

Sydney  
26 February 2008

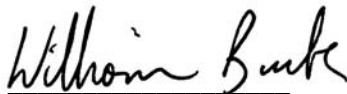
**Auditor's Independence Declaration**

**Under Section 307C of the Corporations Act 2001**

To the Directors of Goldsearch Limited:

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2007 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001; and
- no contraventions of any applicable code of professional conduct in relation to the review.



William Buck  
Chartered Accountants



Simon Hourigan  
Partner

Dated this 26<sup>th</sup> day of February 2008.

Melbourne, Australia.

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## INCOME STATEMENT for the half-year ended 31 December 2007

	Half-year	
	31.12.2007	31.12.2006
	\$	\$
Revenues	204,253	109,222
Capitalised exploration expenses written off	(364,583)	(51,860)
Salary costs (including directors' fees)	(88,129)	(88,381)
Share-based payments expense	(81,292)	(107,463)
Professional and legal fees	(130,802)	(122,340)
Operating lease expenses (office premises)	(23,107)	(23,734)
ASX and share registry expenses	(60,907)	(26,430)
Insurance	(5,831)	(7,907)
Depreciation and amortisation	(4,866)	(5,617)
Printing and postage	(52,044)	(42,558)
Interest expense	-	(175)
Other expenses	(69,459)	(35,756)
<b>Loss before income tax expense</b>	<b>(676,767)</b>	<b>(402,999)</b>
Income tax expense	-	-
Net loss for the period	(676,767)	(402,999)
<b>Loss attributable to members of the Company</b>	<b>(676,767)</b>	<b>(402,999)</b>
<b>Continuing operations:</b>		
Basic earnings/(loss) per share (cents per share)	(0.21)	(0.15)
Diluted earnings/(loss) per share (cents per share)	(0.21)	(0.15)

These financial statements should be read in conjunction with the accompanying notes.

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## BALANCE SHEET as at 31 December 2007

	Note	31.12.2007 \$	30.6.2007 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		4,268,820	917,633
Receivables		63,753	44,007
Other current assets		24,783	38,279
<b>TOTAL CURRENT ASSETS</b>		<b>4,357,356</b>	<b>999,919</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		17,756	22,850
Exploration and investment expenditure		1,790,686	1,682,251
Other financial assets		3,652,885	2,633,385
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5,461,327</b>	<b>4,338,486</b>
<b>TOTAL ASSETS</b>		<b>9,818,683</b>	<b>5,338,405</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		71,035	157,663
Provisions		63,249	24,216
<b>TOTAL CURRENT LIABILITIES</b>		<b>134,284</b>	<b>181,879</b>
<b>TOTAL LIABILITIES</b>		<b>134,284</b>	<b>181,879</b>
<b>NET ASSETS</b>		<b>9,684,399</b>	<b>5,156,526</b>
<b>EQUITY</b>			
Issued capital	6	29,766,701	25,500,634
Reserves		2,777,819	1,839,246
Accumulated losses		(22,860,121)	(22,183,354)
<b>TOTAL EQUITY</b>		<b>9,684,399</b>	<b>5,156,526</b>

These financial statements should be read in conjunction with the accompanying notes.

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## STATEMENT OF CHANGES IN EQUITY for the half-year ended 31 December 2007

Note	Issued capital		Reserves		Total
	Ordinary shares	Revaluation	Share-based payments	Accumulated losses	
	\$	\$	\$	\$	
<b>Balance at 1 July 2006</b>	25,229,539	355,082	-	(21,602,843)	3,981,778
Employee share options	-	-	163,509	-	163,509
Available-for-sale financial assets	-	229,964	-	-	229,964
Loss attributable to members of the parent entity	-	-	-	(402,999)	(402,999)
<b>Balance at 31 December 2006</b>	<b>25,229,539</b>	<b>585,046</b>	<b>163,509</b>	<b>(22,005,842)</b>	<b>3,972,252</b>
<b>Balance at 1 July 2007</b>	25,500,634	1,413,686	425,560	(22,183,354)	5,156,526
Shares issued during the period	4,353,138	-	-	-	4,353,138
Share issue costs	(87,071)	-	-	-	(87,071)
Employee share options	-	-	108,390	-	108,390
Available-for-sale financial assets	-	830,183	-	-	830,183
Loss attributable to members of the parent entity	-	-	-	(676,767)	(676,767)
<b>Balance at 31 December 2007</b>	<b>29,766,701</b>	<b>2,243,869</b>	<b>533,950</b>	<b>(22,860,121)</b>	<b>9,684,399</b>

These financial statements should be read in conjunction with the accompanying notes.

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## CASH FLOW STATEMENT for the half-year ended 31 December 2007

	31.12.2007	31.12.2006
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Payments to suppliers and employees	(445,712)	(365,409)
Interest received	45,331	38,400
Dividends received	42,000	10,500
Other income – joint venture contribution	-	25,000
	<hr/>	<hr/>
Net cash used in operating activities	(358,381)	(291,509)
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for plant and equipment	(351)	(10,422)
Proceeds from sale of investments	-	312,444
Payments for exploration interests	(556,148)	(479,178)
	<hr/>	<hr/>
Net cash used in investing activities	(556,499)	(177,156)
	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issue of shares	4,353,138	-
Payment of share issue costs	(87,071)	-
	<hr/>	<hr/>
Net cash provided by financing activities	4,266,067	-
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents held	3,351,187	(468,665)
Cash and cash equivalents at beginning of the reporting period	917,633	1,794,696
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>4,268,820</b>	<b>1,326,031</b>

These financial statements should be read in conjunction with the accompanying notes.

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## NOTES TO THE FINANCIAL STATEMENTS for the half-year ended 31 December 2007

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the half-year reporting period ended 31 December 2007 has been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standard AASB 134 'Interim Financial Reporting', Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Goldsearch Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The financial report was authorised for issue by the directors on 26 February 2008.

The accounting policies adopted in the preparation of the half-year financial report are consistent with those in the 30 June 2007 financial reports and corresponding half-year reporting periods.

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. All amounts are presented in Australian dollars, unless otherwise noted.

### NOTE 2: MATTERS SUBSEQUENT TO BALANCE DATE

There have been no matters or circumstances that have arisen since 31 December 2007 that have significantly affected or may significantly affect:

- (i) the Company's operations in future years; or
- (ii) the results of those operations in future years; or
- (iii) the Company's state of affairs in future years.

### NOTE 3: DIVIDENDS

No dividends were declared or paid in the half-year period.

### NOTE 4: SEGMENT INFORMATION

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

	Mineral exploration Australia	Mineral exploration Philippines	Other - Investment	Unallocated	Total
<b>2007</b>					
Revenue	102,965	-	42,000	59,288	204,253
Results	(261,618)	-	42,000	(457,149)	(676,767)
Assets	1,790,686	-	3,652,885	4,375,112	9,818,683
Liabilities	29,056	-	-	105,228	134,284
Acquisition of non-current assets	559,370	-	830,183	-	1,389,553
Depreciation	572	-	-	4,866	5,438
Other non-cash expense	364,583	-	-	81,292	445,875

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## NOTES TO THE FINANCIAL STATEMENTS for the half-year ended 31 December 2007

### NOTE 4: SEGMENT INFORMATION (CONTINUED)

	Mineral exploration Australia	Mineral exploration Philippines	Other - Investment	Unallocated	Total
<b>2006</b>					
Revenue	25,000	-	48,781	35,441	109,222
Results	(26,860)	-	48,781	(381,078)	(402,999)
Assets	1,394,045	663,159	767,885	1,413,394	4,238,483
Liabilities	157,783	-	-	108,448	266,231
Acquisition of non-current assets	422,674	263,294	229,965	10,421	926,354
Depreciation	8	-	-	5,617	5,625
Other non-cash expense	51,860	-	-	107,463	159,323

During the half-year the Company continued its activities in mineral exploration and investments in Australia, however the exploration activities in the Philippines were discontinued prior to the half-year.

### NOTE 5: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

### NOTE 6: ISSUANCES, REPURCHASES AND REPAYMENTS OF SECURITIES

	2007 \$	2006 \$	
<b>Movement in issued capital during the half-year:</b>			
<b>(A) Issued capital – ordinary shares:</b>			
280,155,922 ordinary fully paid shares on issue at beginning of the half-year (2006: 274,814,002)	22,755,560	22,484,465	
Issued during the half-year:			
87,062,774 ordinary fully paid shares issued on the exercise of quoted options at a price of 5 cents each	4,353,138	-	
Share issue costs	(87,071)	-	
367,218,696 ordinary fully paid shares on issue at end of the half-year (2006: 274,814,002)	27,021,627	22,484,465	
<b>(B) Issued capital - options:</b>			
Issue price of options issued in prior years and which have expired	2,745,074	2,745,074	
Total issued capital at reporting date	29,766,701	25,229,539	
<b>(C) Movement in number of issued shares during the half-year:</b>			
<b>Date</b>	<b>Details</b>	<b>Number</b>	<b>Number</b>
1 July	opening balance	280,155,922	274,814,002
July to December 2007	ordinary shares issued on exercise of quoted options	87,062,774	-
31 December	closing balance	367,218,696	274,814,022

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## NOTES TO THE FINANCIAL STATEMENTS for the half-year ended 31 December 2007

### NOTE 6: ISSUANCES, REPURCHASES AND REPAYMENTS OF SECURITIES (CONTINUED)

#### Movement in issued capital during the half-year: (continued)

#### (D) Movement in number of issued options during the half-year:

Date	Details	Weighted average exercise price	Expiry date	Number
<u>Quoted options</u>				
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)
31 December 2007	closing balance			<u>Nil</u>
<u>Unquoted options</u>				
1 July 2007	opening balance	6.4 cents	various <sup>(2)</sup>	17,200,000
July to December 2007	options exercised			<u>Nil</u>
31 December 2007 <sup>(2)</sup>	closing balance <sup>(2)</sup>	6.4 cents	various <sup>(2)</sup>	<u>17,200,000</u>

(1) The Company announced on 30 August 2007 that it had arranged the underwriting of the exercise of all the Company quoted 5 cents options which expired on the 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) At 31 December 2007 the Company had the following unquoted options outstanding:

800,000 options exercisable at 7.5 cents each and expiring 30 June 2008.

400,000 options exercisable at 10 cents each and expiring 30 June 2009.

8,000,000 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.

## **GOLDSEARCH LIMITED**

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### **DIRECTORS' DECLARATION**

The directors of Goldsearch Limited declare that, in their opinion:

- a) the financial statements and notes for the half-year ended 31 December 2007 are in accordance with the Corporations Act 2001 (including Sections 304 and 305 thereof); Accounting Standards and Corporations Regulations 2001.
- b) the financial statements and notes for the half-year ended 31 December 2007 give a true and fair view of the financial position and the performance of the Company for the half-year then ended; and
- c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Made in accordance with a resolution of the directors.

On behalf of the directors

J M E Percival  
Director

Sydney  
26 February 2008

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Goldsearch Limited

### *Report on the Half-Year Financial Report*

We have reviewed the accompanying half-year financial report of Goldsearch Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement or description of accounting policies, other selected explanatory notes and the directors' declaration.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 control relevant to the preparation and fair presentation of the half-year 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.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements *ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Goldsearch Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

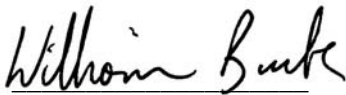
*Matters Relating to the Electronic Presentation of the Audited Financial Report*

This review report relates to the financial report of Goldsearch Limited for the half year ended 31 December 2007 included on Goldsearch Limited's website. The company's Directors are responsible for the integrity of Goldsearch Limited's website. We have not been engaged to report on the integrity of Goldsearch Limited's website. The review 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 reviewed financial report to confirm the information included in the reviewed financial report presented on this website.

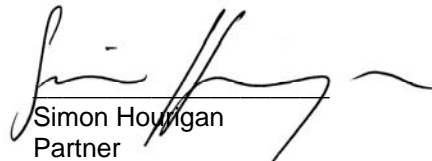
*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Goldsearch Limited is not in accordance with the *Corporations Act 2001* including:

- a) Giving a true and fair view of the company's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



William Buck  
Chartered Accountants



Simon Hourigan  
Partner

Dated this 26<sup>th</sup> day of February 2008.

Melbourne, Australia