

gsh/psh/gsh643

30 January 2006

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

Via ASX Online

No. of pages – 11

Dear Sir,

Re: Quarterly report to 31 December 2005

Enclosed for release to the market is the Company's activity report for the quarter ended 31 December 2005 together with a duly completed Appendix 5B report.

For and on behalf of the directors of
Goldsearch Limited



P S Hewson
Secretary

ACTIVITY REPORT

for the quarter ended 31 December 2005

HIGHLIGHTS

PANAON ISLAND GOLD PROJECT – Philippines

Following due diligence Goldsearch entered into a heads of agreement with Medusa Mining Limited in September 2005, whereby Goldsearch will joint venture a gold project over the former Pinut-an Gold Mine in the southern Philippines by undertaking to fund work on the project to a value of US\$1 million to earn a 50% interest in the project. The heads of agreement is conditional upon finance being obtained and, since the end of the quarter, the directors have announced an underwritten entitlement issue to provide the necessary funds.

The project target will be an operation initially treating 50 tonnes of high-grade ore per day. The conceptual target is for an annual production in the order of 35,000 ounces of gold from ore with an average grade of approximately 20 grams per tonne gold with cash costs at less than US\$200.00 per ounce of gold over a minimum five year life.

The joint venture partners have recently approved an initial surface and underground diamond drilling program comprising 3,000 metres of core. The program which tests both targets at the main Pinut-an deposit and the nearby Caingin Point prospect is scheduled to commence during the March 2006 quarter.

EL5701 BLOODS RANGE – Northern Territory

Review of previous exploration work completed by Independence Group NL which returned up to 30 grams per tonne gold in rock chip samples has encouraged Goldsearch to further evaluate the area. It is planned to undertake a program of auger geochemistry in order to identify firm drill targets. A drilling program to test the potential of the gold-bearing reef structure is currently scheduled for the first half of 2006. Exploration geochemistry completed to date suggests the target structure has a potential strike length in excess of 700 metres and potentially extends to the north-west under significant transported sand cover.

PHILIPPINES

PANAON ISLAND GOLD PROJECT (Goldsearch earning 50%) (gold)

In June 2005 Goldsearch commenced a due diligence study of the Panaon Island gold project in the Philippines. Based on the positive outcome of this study Goldsearch entered into a heads of agreement with Medusa Mining Limited in late September 2005 whereby Goldsearch will joint venture a gold project over the former Pinut-an Gold Mine and surrounding areas. Under the terms of the agreement Goldsearch can earn a 50% interest in the project by funding the first US\$1,000,000 of project exploration and development expenditure. The heads of agreement is conditional upon finance being obtained and, since the end of the quarter, the directors have announced an entitlement issue to provide the necessary funds. Medusa Mining, which is a highly experienced operator in the Philippines, will be the project manager.

The Panaon Island gold project is covered by Exploration Permit number EP-2005- 000004-V111 of 1,646 hectares, which is held by Vulcan Industrial and Mining Corporation, a public company in the Philippines, and contains the previously abandoned Pinut-an Gold Mine. The Panaon Island gold project comprises the epithermal Pinut-an gold deposit, two nearby exploration prospects (Bituon and Caingin Point) and the surrounding highly prospective regional exploration permits. Pinut-an is located on the south-east coast of Panaon Island, a 35 kilometre long by three to five kilometre wide island in the Southern Leyte Province of the Philippines. Panaon Island is immediately north of Surigao City in northern Mindanao, which is reached by domestic flights from Manilla. Access from Surigao City is by passenger boat and inter-island vehicular ferry.

Gold was reportedly first mined at Pinut-an by the Spanish and again by a number of American groups prior to World War II. More recently a number of companies are reported to have undertaken work in the area including Benguet Exploration, Lepanto Consolidated, BHP and Marcopper. The work by Benguet Exploration included the development of a number of new or pre-existing underground tunnels and openings as part of a small, under-funded mining project.

Gold mineralisation at Pinut-an, Bituon and Caingin Point is in typical high sulphidation epithermal quartz veins, developed as a system of quartz veins and minor stockworks, and is hosted by a sequence of Miocene andesitic volcanic rocks. At the surface, the Pinut-an system of gold bearing veins is currently defined over an east-west strike of approximately one kilometre and they occur within an extensive propylitic and argillic alteration zone. Individual veins have strike lengths up to approximately 400 metres and are quite narrow, usually around 0.5 metres to one metre wide, although previous underground mapping has delineated zones up to four metres wide.

Mineralisation occurs in a fairly rugged range of hills which run down the eastern side of the island close to the coastline. At Pinut-an the elevation can reach up to 400 metres above sea level within a kilometre of the coastline. The mineralisation at Pinut-an is believed to extend along strike to the east below sea level (zero metre). Similarly the mineralisation is also believed to extend down dip below zero metre (sea level) elevation. All historical mining activity has exploited mineralisation above zero metre elevation and, whilst significant remnant and new mineralisation is expected to be developed above this level, the most attractive exploration targets are down dip below the zero metre elevation. These targets are greater than 100 metres west of the present coastline and it is expected that water inflows in this area will likely be modest and easily manageable. Site investigation of a number of the historical openings suggests only very minor water inflows and good ground conditions above the zero metre level.

This style of epithermal mineralisation is often characterised by bonanza gold grades. Whilst the gold distribution at Pinut-an is known to be somewhat variable, gold grades well in excess of 100 grams per tonne gold are reported for a number of areas. Based on the similarities in mineralogy to other deposits the gold recoveries are anticipated to be on average up around 95%. The joint venture is targeting a small tonnage (50 to 100 tonnes per day) underground operation with a very high average head grade of 20 grams per tonne gold in order to produce up to 35,000 ounces of gold a year at an average cost of production of less than US\$200 per ounce over a minimum five year project life.

Following rehabilitation of the existing underground development the joint venture partners have formulated a staged exploration and trial mining program in order to define with sufficient confidence a mineable reserve at the project. Goldsearch believes that, if successful, this program could lead to the establishment of a highly profitable mining operation at Pinut-an.

The Panaon Island gold project is similar geologically and probably metallurgically to the Co-o Mine operated by Medusa Mining on Mindanao. This mine was developed under old workings and is operating very efficiently. The resource base continues to expand as the mine is developed and further exploration is carried out along strike and with depth. As such the company has the exploration and mining skills to assess and develop the Panaon Island gold project rapidly and efficiently and the object is to develop a project similar to the Co-o Mine.

There is a well established village at Pinut-an accessible by road and supplied by mains power. Rehabilitation of the old workings is already under way and Medusa has the staff and equipment to quickly establish a full exploration team onsite.

Medusa Mining as project operators recently provided details of an initial diamond drilling program to test targets both at the Pinut-an deposit and the Caingin Point prospect located 900 metres to the south. This program has now been approved by both partners and is scheduled to commence during the March 2006 quarter.

The underground drilling program at Pinut-an will test multiple targets associated with previously identified mineralisation at depths generally less than 50 metres below the current mine workings but up to 100 metres below this level. Previous exploration results from these areas include multiple assays in excess of 20 grams per tonne and up to 230 grams per tonne gold from veins ranging from 0.1 metres to 3 metres in width. Several holes will be extended to test for sub parallel zones at depth based on indications suggesting the potential for mineralisation in this position identified in the existing underground workings.

The surface drilling program at Caingin Point will test an area where limited previous exploration has identified two gold-bearing veins over strike lengths of at least 200 metres and indications suggesting the potential for other veins. Previous surface sampling of the narrow grey quartz veins has returned assays up to 79 grams per tonne gold.

NORTHERN TERRITORY

BLOODS RANGE (EL 5701 – Goldsearch earning 75%) (gold, copper)

Independence Group NL withdrew from the project during the December 2005 quarter primarily due to the low equity earn-in of only 35%.

Following the withdrawal of Independence Group, Goldsearch undertook a review of the previous exploration data and based on the outcome of this review and the potential for Goldsearch to now have a significant equity position of 75% in the project, a decision was made to further evaluate the mineralisation identified to date.

Based on geochemistry completed by Independence Group, the targeted gold-bearing structure which returned rock chip assays up to 30 grams per tonne gold, is thought to have the potential to extend for at least 700 metres in strike length. Geochemical sampling has not been completed along strike to the north-west where significant transported aeolian sand cover dominates the regolith. A program of auger geochemical sampling is proposed to further evaluate the target including the potential for it to extend to the north-west with the aim of identifying drill targets. Following a successful auger program prioritised drilling of geochemical targets is currently scheduled for completion in the first half of 2006.

QUEENSLAND

YORKEYS PROJECT (ML 50098, ML 50153 and ML 3759 – 100% Goldsearch) (gold, silver)

No activity took place on the tenements during the quarter. Results of the previous drilling program are still being assessed.

MARY KATHLEEN PROJECT (EPM 14019, EPM 14022 and EPMA 15257 – Goldsearch earning 75%) (uranium, copper, gold)

A further soil sampling program has been conducted over radiometric anomalies in the Mary Kathleen project area following encouraging results from the 138 samples taken in the previous program. These anomalies indicate elevated uranium concentrations at surface and are co-incident with prospective geological targets. Results from this latest program are expected shortly.

CLONCURRY PROJECT (Duck Creek EPM 13336 – 95% Goldsearch) (gold, copper)

The Company is preparing documentation to enter a joint venture to explore the gold and copper potential of the Duck Creek tenement. Following the successful completion of the joint venture negotiations and native title cultural clearance programs, the proposed joint venture partnership will be in a position to commence a drill program.

VICTORIA

SANDY CREEK PROJECT (EL 4812 – 100% Goldsearch) (gold)

The Company's project geologist was unable to visit the site during this quarter for infill sampling to further define drill targets within the mineralised trends. This visit is now planned for the months of March/April 2006. When this program is completed a small drilling program is proposed to identify the high-grade structures which are thought to be present.

SOUTH AUSTRALIA

MUSGRAVE BLOCK SOUTH AUSTRALIA – 100% Goldsearch – Independence Group earning 51%) (nickel, copper, gold)

The Company has been in contact with representatives of the Department of Primary Industry and Resources South Australia. The first four applications have been approved for application to the Executive Board of the Anangu Pitjantjatjara Yankunytjatjara. This is a very positive move and is a major step forward for Goldsearch, which has had these applications in since 1996.

STATEMENT

Technical information contained in this report was prepared by Mr Greg Duncan and Mr Heath Hellewell, Consulting Geologists, who are Members of the Australasian Institute of Mining and Metallurgy and/or Geological Society of Australia, and accurately reflects the information compiled by them. Mr Duncan has in excess of 20 years relevant experience in mineral exploration and mine development, Mr Hellewell has 15 years of relevant experience, and they qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

Mr Duncan and Mr Hellewell consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001

Name of entity

Goldsearch Limited

ABN

73 006 645 754

Quarter ended ("current quarter")

31 December 2005

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration and evaluation	(123)	(324)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(157)	(259)
1.3	Dividends received	23	23
1.4	Interest and other items of a similar nature received	1	3
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net operating cash flows		(256)	(557)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(2)	(3)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	303	448
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		301	445
1.13	Total operating and investing cash flows (carried forward)	45	(112)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	45	(112)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	45	(112)
1.20	Cash at beginning of quarter/year to date	123	280
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	168	168

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	73
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	- Directors' fees & expenses	48,514
	- Directors' superannuation	3,286
	- Legal fees paid to Landerer & Company (J Landerer)	21,241

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	N/A
3.2 Credit standby arrangements (Market value at 31/12/05 of listed securities held for re-sale)	421	N/A

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	-
Total	200

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	127	82
5.2 Deposits at call	41	41
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	168	123

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	EPMA 15257 South Mary Kathleen 2, QLD	EPM application covering an area of 2 square kilometres lodged in November 2005	0%	Can earn 50% by JV with Central West Gold
6.2 Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (cents) (see note 3)	Amount paid up per security (cents) (see note 3)
7.1 Preference +securities <i>(description)</i>	Nil	N/A	N/A	N/A
7.2 Changes during quarter				
(a) Increases through issues	N/A	N/A	N/A	N/A
(b) Decreases through returns of capital, buy-backs, redemptions	N/A	N/A	N/A	N/A
7.3 +Ordinary securities	183,209,348	183,209,348	N/A	N/A
7.4 Changes during quarter				
(a) Increases through issues	Nil	Nil	N/A	N/A
(b) Decreases through returns of capital, buy-backs	Nil	N/A	N/A	N/A
7.5 +Convertible debt securities <i>(description)</i>	Nil	N/A	N/A	N/A
7.6 Changes during quarter				
(a) Increases through issues	Nil	N/A	N/A	N/A
(b) Decreases through securities matured, converted	Nil	N/A	N/A	N/A
7.7 Options <i>(description and conversion factor)</i>	Nil	Nil	N/A	N/A
7.8 Issued during quarter	Nil	N/A	N/A	N/A
7.9 Exercised during quarter	Nil	N/A	N/A	N/A
7.10 Expired during quarter	N/A	N/A	Exercise price N/A	Expiry date N/A
7.11 Debentures <i>(totals only)</i>	Nil	N/A		
7.12 Unsecured notes <i>(totals only)</i>	Nil	N/A		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:


(Company secretary)

Date: 30 January 2006

Print name: P S Hewson

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.