

gsh/psh/gsh856

19 October 2012

The Manager – ASX Market Announcements  
Australian Securities Exchange  
Level 4  
20 Bridge Street  
SYDNEY NSW 2000

Via ASX Online

Number of pages – 83

Dear Sir,

Re: Annual report

Enclosed for release to the market is the 2012 annual report of Goldsearch Limited.

The 2012 annual report can be viewed on, or downloaded from, the Company's web site at [www.goldsearch.com.au](http://www.goldsearch.com.au). A hard copy of the annual report will be mailed today to those shareholders who have notified the Company's share registry that they wish to receive a printed copy.

For and on behalf of the directors of  
Goldsearch Limited



P S Hewson  
Secretary



## CU / 29

**Copper** is the chemical element with the symbol Cu (from Latin: cuprum) and atomic number 29. It is a ductile metal with very high thermal and electrical conductivity. Pure copper is soft and malleable; an exposed surface has a reddish-orange tarnish. It is used as a conductor of heat and electricity, a building material, and a constituent of various metal alloys.



## CO / 27

**Cobalt** is the chemical element with symbol Co and atomic number 27. It is found naturally only in chemically combined form. The free element, produced by reductive smelting, is a hard, lustrous, silver-gray metal. Cobalt is used in the preparation of magnetic, wear-resistant and high-strength alloys and as a blue colouring additive in glass, paints and varnishes.



## AU / 79

**Gold** is the chemical element with the symbol Au (from Latin: aurum "gold") and atomic number 79. Gold has an array of uses but is mostly used in the manufacturing of jewellery and has historically been used as currency. Physical properties including high malleability, ductility, conductivity and resistance to corrosion allow it to be utilised in dentistry, electronics and electric wiring.



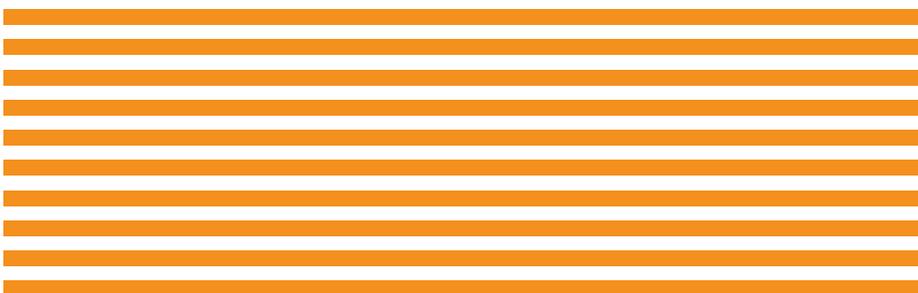
## Ni / 28

**Nickel** is the chemical element with the chemical symbol Ni and atomic number 28. Nickel is used as alloy in the production of stainless steel and superalloys. Stainless steels containing nickel are used in the chemical industry, consumer products motor vehicles and construction. Superalloys have been developed for high temperature strength in aircraft gas turbines and jet engines.



## U / 92

**Uranium** is a chemical element with symbol U and atomic number 92. Uranium is weakly radioactive because all its isotopes are unstable. Uranium is used as a colorant in uranium glass, producing orange-red to lemon yellow hues. It was also used for tinting and shading in early photography. The main use of uranium in the civilian sector is to fuel nuclear power plants.



# GoldSEARCH LIMITED

ABN 73 006 645 754

## ANNUAL REPORT / 2012

### LOCATIONS:

AUSTRALIA    Mount Wellington / East Musgrave  
Mary Kathleen / Duck Creek

SWEDEN      Hallefors / Sala4 / Jugansbo

### ELEMENTS:

Copper / Cobalt / Gold  
Nickel / Uranium / Zinc  
Silver / Lead / Rare Earths

### CALENDAR:

YEAR END	30 June
ANNUAL ACCOUNTS	Mid-September
ANNUAL REPORT	Mid-October
AGM	Mid-November
QUARTERLY REPORTS	31 January, 30 April 31 July, 31 October
HALF YEAR REPORT	Early March



## Corporate Directory

The Company's shares are quoted on the official list of the Australian Securities Exchange Limited (ASX). Home exchange is Melbourne. ASX code is 'GSE'

### DIRECTORS

John Landerer, CBE AM  
(non-executive chairman)

John Morgan Edwin Percival  
(executive director - operations)

Robert Burgess Leece, AM RFD  
(non-executive director)

Terence Vincent Willstead  
(non-executive director)

### SECRETARY

Paul Stewart Hewson

### REGISTERED OFFICE

c/- Boroughs  
Level 6, 77 Castlereagh Street, Sydney NSW 2000  
TEL +61 2 9930 7700 FAX +61 2 9930 7777

### PRINCIPAL OFFICE

Level 4, 20 Loftus Street, Sydney NSW 2000  
TEL +61 2 9241 5999 FAX +61 2 9241 5599  
gold@goldsearch.com.au / www.goldsearch.com.au

### SHARE REGISTER MANAGED BY

Boardroom Pty Limited  
GPO Box 3993, Sydney NSW 2001  
TEL 1300 737 760 FAX 1300 653 459  
www.boardroomlimited.com.au

### AUDITORS

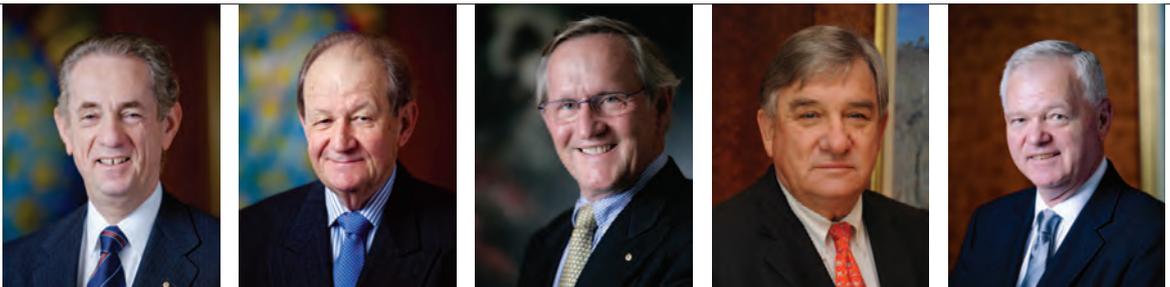
Grant Thornton Audit Pty Ltd, Chartered Accountants  
Level 2, 215 Spring Street, Melbourne, Vic. 3000

### SOLICITORS

Landerer & Company, Solicitors and Attorneys  
Level 31, 133 Castlereagh Street, Sydney, NSW 2000

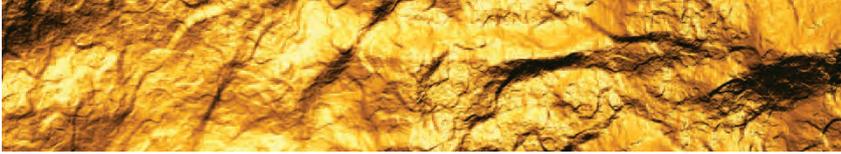
### BANKERS

Commonwealth Bank of Australia Limited



### FROM LEFT TO RIGHT:

John Landerer non-executive chairman / Terence V Willstead non-executive director / Robert B Leece non-executive director  
John M E Percival executive director - operations / Paul S Hewson secretary



## The Company

Goldsearch Limited is an Australian public company listed on the ASX. It has adopted the following strategic objectives and policies:

- To undertake grass-roots exploration with the aim of discovering commercial deposits of minerals and precious metals.
- To attract joint venture partners able to contribute experience and skills and share exploration costs so as to maximise value for shareholders.
- To pursue strategic investments in companies with attractive mineral exploration and development projects focussed on target commodities.
- To adopt best practices in environment and community responsibilities.
- To adopt best practices in exploration methods.
- To identify and develop mineral assets and mining operations at an advanced stage of project development that provide rewards commensurate with the high risks inherent in exploration and mining activities.

## Annual General Meeting

The 2012 annual general meeting of the members of Goldsearch Limited will be held in the Prince Albert Room at the Sir Stamford at Circular Quay, 93 Macquarie Street, Sydney NSW 2000 on Tuesday 13 November 2012 at 11.00 am. A formal notice of meeting and proxy form will be mailed separately to all shareholders. Light refreshments will be served at the conclusion of the meeting.

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## Chairman's Statement



During the 2011/2012 financial year there has been a solid advance in the Company's activities with an Inferred JORC (Joint Ore Reserves Committee) resource calculated on the Company's Mary Kathleen joint venture tenements in Queensland.

Pleasing results and progress in this region have been achieved, which has meant that the Company has had to trim expenditure in other areas to concentrate funds on these tenements which could hold a significant discovery.

Highlights for the year include:

- A new Inferred JORC resource figure on the Elaine 1 deposit has been calculated following significant copper, gold and cobalt results from the drilling and sampling at the Mary Kathleen uranium and rare earth tenements held in a joint venture with Chinalco Yunnan Copper Resources Limited.
- The joint venture with Queensland Mining Corporation continues to produce interesting copper results at Duck Creek, Queensland.
- Drilling of the Musgrave Block (South Australian) continued in base metal tenements now held by Musgrave Minerals Limited. The Company tenements cover more than 50,000 square kilometres of the South Australian portion of the Musgrave Block including the interesting mineralised zones of the Giles Complex which contains the Nebo and Babel copper and nickel deposits in Western Australia held by Western Mining / BHP.

Goldsearch holds a direct 7.17% interest in Musgrave Minerals Limited.

- In Victoria, the Company is reassessing its program and offered the total area including Hill 800 with a known gold resource out to tender as it has been decided at this stage to concentrate on the more advanced projects in Queensland for further expenditure.

- The Company earlier this year raised \$1,200,000, and recently \$650,000, through private placements, to fund on-going exploration.

The Company has no debt and is in a favourable position to participate in the growing demand for exploration activities from the developing Asian economic growth.

Your directors are aware of the demands on expenditure and have made the necessary decisions to enable the continuation of the major exploration program in Queensland. The substantial exploration effort being made in the East Musgrave Block is being carried out through the Company's investment holding of 8,673,000 shares and 1,837,500 five year options in Musgrave Minerals Limited.

Goldsearch is a relatively small exploration company, and your directors are aware of the significant costs of 'go it alone' exploration and they welcome the funding and experience which other companies offer to enhance the Company's overall exploration effort. Therefore, we are continually exploring new joint venture opportunities. Full details of the Company's exploration activities are described in the following Review of Operations.

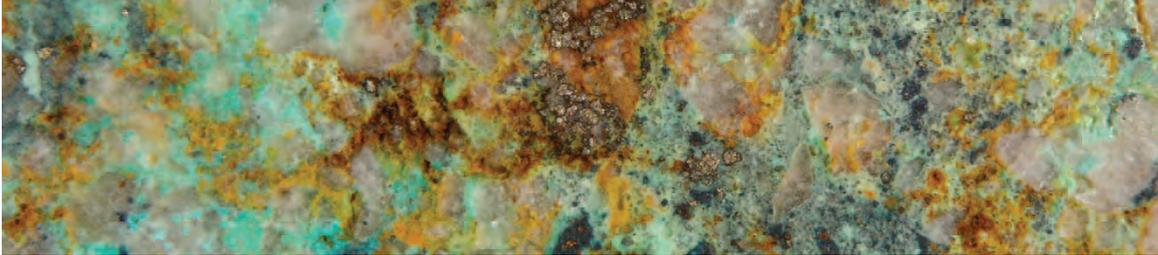
Goldsearch looks forward to meeting the challenges of the coming year with confidence. When additional funds are needed it is foreseen that they will be available, based on the Company's prospects.

The directors thank you for your continuing support and it is to be hoped that your patience and financial support will ultimately be rewarded. We look forward to meeting with you at our annual general meeting on 13 November 2012.

John Landerer, CBE AM  
Chairman

19 October 2012

## Review of Operations



### MARY KATHLEEN JOINT VENTURE, QUEENSLAND (GSE 30% - CYU 70%)

Goldsearch Limited (GSE) and Chinalco Yunnan Copper Resources Limited (CYU) are targeting high quality, copper, gold and uranium projects in the Mary Kathleen Joint Venture (GSE 30% CYU 70%) comprising EPM 14019 and EPM 14022, each committing to expenditure as per holding. GSE may also earn in to the Mount Frosty Joint Venture (Xstrata 100%, CYU earning in up to 75%) comprising EPM 14226.

These tenements cover the approximately 10 kilometre Mary Kathleen Shear Zone, considered a major conduit for copper-gold-uranium-thorium-light rare earth element (LREE) mineralised fluids in the Mount Isa Inlier, north-west Queensland (Figure 2).

GSE and CYU have continued to advance their north-west Queensland project highlighted with the release of an initial resource of 26.1 million tonnes with a contained metal content of approximately 146,000 tonnes of copper and 74,000 ounces of gold at its Elaine copper-cobalt-gold prospect at Elaine 1 (Figure 1).

Drilling has continued at the Elaine copper-gold-cobalt-LREE mineralised zone, returning intersections along strike, near surface and at depth from the resource evaluation area, demonstrating the growth potential of the resource.

Additional regional field programs targeting the approximately 10 kilometre regional Mary Kathleen shear zone south of the Elaine copper-gold resource, and to the north within the Mount Frosty Joint Venture project and the Prince of Wales prospect within the Mary Kathleen Joint Venture are underway.

Currently GSE and CYU have three active prospects in the project area of Elaine, Mount Dorothy and Prince of Wales and two inactive prospects of Hardway and Pindora. The joint venture is aggressively targeting iron oxide copper gold (IOCG) and skarn targets in the Mary Kathleen Project achieving measures of success at the Elaine (EPM 14022, formerly Elaine Dorothy) and Mount Dorothy (EPM 14019) prospects.



**Figure 1:** Elaine 1 surface expression – Surface expression insignificant for Elaine 1 – and with potential strike length of 8 kilometres not tested for copper, CYU and GSE joint venture exploration target is a minimum of 75 million tonnes – Minimum target another two 26 million tonne systems in a new copper host structure in the heart of the Mount Isa Block.

Review of Operations (continued)

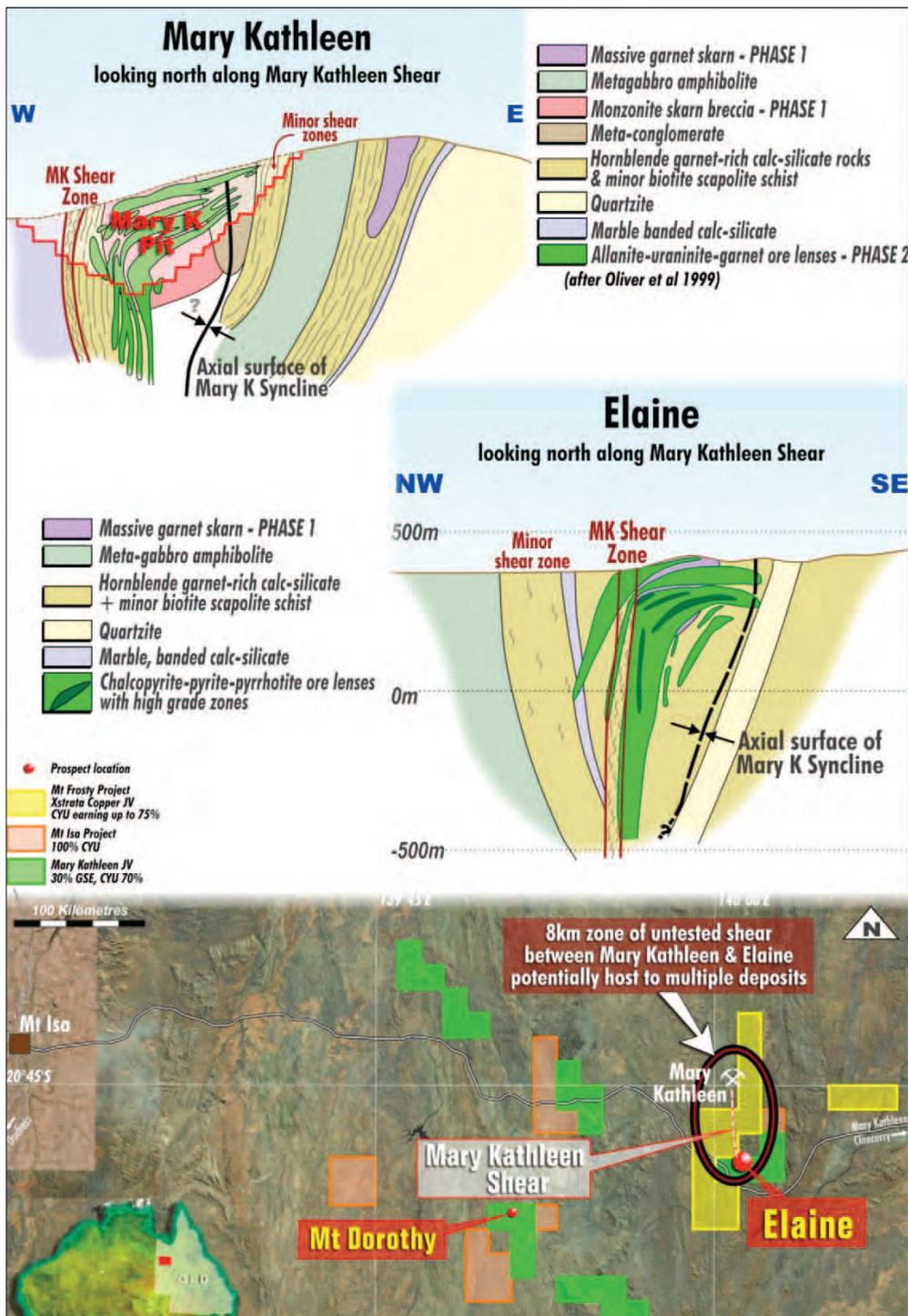


Figure 2: Mary Kathleen and Elaine comparative exploration model. Both deposits are located along a regional shear zone known as the Mary Kathleen shear.

## ELAINE PROSPECT (INC. ELAINE 1, ELAINE 2 AND ELAINE 3)

CYU and GSE have completed, and are continuing, extensive regional and prospect focussed geology, geochemistry and geophysical programs at their Elaine tenement. Geological mapping of regional traverses and geochemical analysis of soil sampling and scintillometer programs completed during the year successfully identified the Mary Kathleen Shear Zone on surface trending from the Blue Caesar prospect in the north through to Elaine 3 and remaining open in the north-west (Figures 3 & 4). The programs have allowed new targets to be identified for exploration in due course.

A soil sampling program is currently underway targeting the surface expression of a newly identified potential east-west trending gold gossan outcrop approximately 60 metres x 15 metres located to the north of Elaine 2. Previous soil sampling did not cover this area with sampling finishing 60 metres to the south. A co-incident 5 parts per billion (ppb) gold and 10 ppb gold in soil anomaly are both open where the sampling finished near the outcrop.

EH4 geophysical survey on an 800 metre long line run approximately 120 metres to the south-west of the main body of the defined Elaine resource returned a strong resistivity low anomaly coinciding with the modelled Elaine inferred resource, extending past and remaining open at the equipment reading extent of 1.2 kilometre depth (Figures 5 & 6). The interpreted trend of the Mary Kathleen Shear also corresponds with the resistivity low supporting the concept of the shear being a significant plumbing for mineralised fluid in the region. An 800 metre vertical diamond projected on to the EH4 section line will test this anomaly and the core returned will be utilised in metallurgical test work.

Following on from the previous year Phase III drilling results and geophysical surveys CYU and GSE completed extensive drilling programs (Phase IV & V) to drill out the newly discovered copper-cobalt mineralised body.

The drilling from both programs returned numerous significant widths of strong sulphide mineralisation (chalcopyrite, pyrite and pyrrhotite) along strike and up dip from the geophysical anomalies. Broad copper intersections were highlighted by: 35 metres grading 0.45% copper and 2.58 grams per tonne (g/t) gold from 526 metres in MKED009, 25 metres grading 1.18%

copper and 0.22 g/t gold from 147 metres and 185 metres grading 0.59% copper and 0.05 g/t gold from 201 metres in MKED011.

In addition, elevated zones of rare earth-uranium mineralisation were also intersected in all holes. Significant intersections are highlighted by 26 metres grading 2,946 parts per million (ppm) total rare earth elements (TREO) in MKED016, 50 metres grading 2,156 ppm TREO and 65 metres grading 2,188 ppm TREO including 1 metre grading 1.03% TREO in MKED019 and 1 metre grading 1.62% TREO in MKED007 (extension drilling).

Highly anomalous uranium mineralisation was intersected in MKED009 with one sample assaying greater than 5%  $U_3O_8$  contained in a 30 metre grading 2.94 kilograms per tonne (kg/t)  $U_3O_8$ , from 508 metres (note the average grade at the Mary Kathleen Uranium Mine was 1.9 kg/t  $U_3O_8$ ). This uranium mineralisation was overlapped by a high grade gold zone grading 23 metres at 5.02 g/t gold from 491 metres with one sample assaying greater than 70 g/t gold.

The rare earth and associated uranium-thorium mineralisation is interpreted as a separate mineralising event that overlaps with the copper-cobalt-gold mineralisation in places. For Elaine 1 TREOs consists

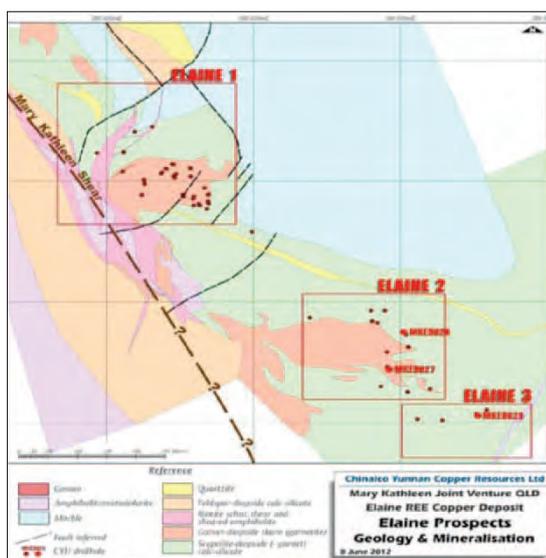
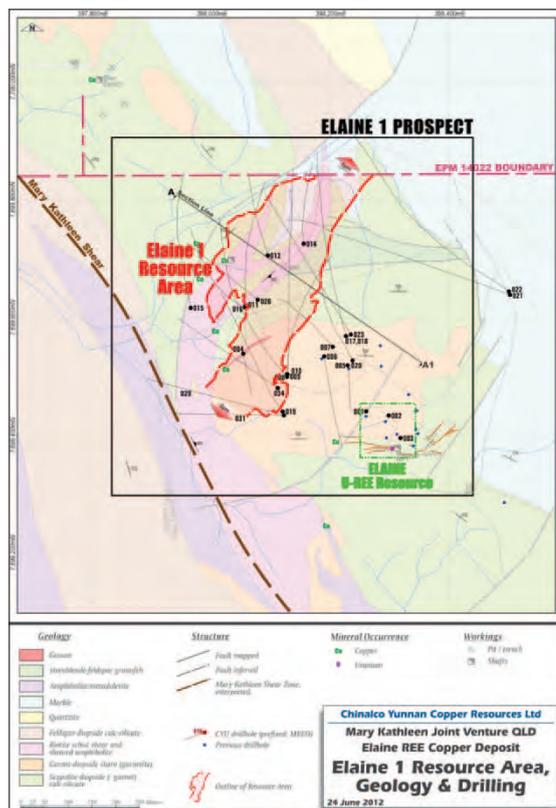


Figure 3: Mary Kathleen Joint Venture Project – Elaine 1, 2 and 3 prospect geology map with drill hole locations and resource areas defined.

## Review of Operations (continued)



**Figure 4:** Mary Kathleen Joint Venture Project – Elaine 1 prospect geology map with drill hole location and resource areas defined.

of greater than 95% the three light rare earth elements of cerium, lanthanum and neodymium as opposed to the Elaine 2 and Elaine 3 prospects where TREO consist of 65%-95% light rare earth elements (Ce, La, Nd) and 5%-35% heavy rare earth elements (Dy, Gd, Er, Tb).

Independent resource consultants Mine Development Associates (MDA) of Reno, Nevada, USA completed the initial resource estimate of 26.1 million tonnes grading 0.56% copper and 0.09 g/t gold (0.62% copper equivalent (CuEq)) at a 0.25% CuEq cut-off, with contained metal content of 146,000 tonnes of copper and 74,000 ounces of gold. This estimate was completed up to and including assay results for MKED023. The resource is currently under revision to incorporate all drilling up to MKED0034.

MDA prepared the resource estimate in compliance with the disclosure and reporting requirements set forth in

the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). This initial resource is reported as Inferred using JORC Code guidelines and incorporates both historic and recent drilling results.

The resource incorporated 65 drill holes totalling 16,238 metres with 9,500 – 10,000 assays. Of the 65 drill holes, 30 historic holes (11 holes (738 metres) drilled in 1955 and 19 holes (3,107 metres) drilled in 1980), 6 holes (924 metres) drilled 2005 to 2007 by Goldsearch and 29 holes (11,469 metres) drilled from November 2009 by CYU, including one RC water bore (35 metres). Final assay results were received up to and including MKED023. At the time of resource estimation assays were still pending for MKED024 – MKED028 and only geological data from these holes was utilised in the estimation.

The Elaine 1 deposit is a multi-element deposit and eight metals (copper, gold, cobalt, uranium, thorium, cerium, lanthanum and neodymium) were estimated for this study. Only copper and gold are reported in the resource as Elaine 1 is an early-stage project whose resource is just being defined and for which there is no metallurgical test work. Based primarily on geological data in the absence of metallurgical test work, copper is the most attractive metal from a metallurgical perspective, with the potential for conventional flotation recovering about 80% of the copper value. Gold values are expected to report with copper and may have a potential recovery of about 60%. Uranium, thorium, and the LREEs occur both together and separately from the copper, which may permit them to be extracted using standard rare earth oxide leach-extraction techniques, albeit at a high cost of treatment. Cobalt values are low and may not warrant extraction.

MDA classified the resource as Inferred mostly to reflect the stage of the exploration at Elaine 1. Due to sparse drilling, the certainty in location of the grades is lower than could be used for pre-feasibility work or indicated classification, and there is no supporting metallurgical test work. The resource and all the mineralisation defined to date are open-ended at depth and to the north-northeast and south-southeast.

Detailed geological interpretation was undertaken by CYU and MDA identified an exploration model comparable to the Mary Kathleen Uranium deposit with the occurrence of a sulphide body that has been developed in the vicinity of the Mary Kathleen shear

zone, characterised at Elaine by the north-east striking steeply dipping biotite schist (Figure 2).

Unlike the uranium-rare earth dominate mineralisation at the Mary Kathleen Uranium Mine the Elaine body is dominated by copper-cobalt+/-gold mineralisation.

The most recent phase (Phase VI) of drilling comprised five (5) scout diamond drill holes (MKED024 – MKED025, MKED027 – MKED028 and MKED030) (Figure 7), totalling 725.4 metres, approximately 1 kilometre south-east of Elaine 1, at the Elaine 2 and Elaine 3 prospect along strike of the Mary Kathleen Shear Zone. Drilling focussed on the evaluation of copper, rare earth and thorium potential targeting areas of historic drilling, ground scintillometer and soil geochemistry anomalies.

In addition diamond holes MKED026, MKED029 and MKED031-MKED034 were drilled at the Elaine 1 copper-

gold resource area targeting up dip and along strike extensions from the area under resource estimation. Significant visual sulphide mineralisation was observed in all drill holes from Elaine 1.

Elevated zones of rare earth-uranium-thorium mineralisation were intersected in all holes except MKED030 (Elaine 2) with MKED026, MKED027 (Elaine 2) and MKED029 returning significant intersections, highlighted by 3 metres grading 4,750 ppm TREO, 397 ppm U<sub>3</sub>O<sub>8</sub> and 30 ppm ThO<sub>2</sub> from 63 metres including 1 metre grading 10,044 ppm TREO, 873 ppm U<sub>3</sub>O<sub>8</sub> and 31 ppm ThO<sub>2</sub> from 64 metres in MKED026, 34 metres grading 2,094 ppm TREO, 28 ppm U<sub>3</sub>O<sub>8</sub> and 180 ppm ThO<sub>2</sub> from 8 metres in MKED027 and 16 metres grading 1,840 ppm TREO, 74 ppm U<sub>3</sub>O<sub>8</sub> and 198 ppm ThO<sub>2</sub> from 83 metres in MKED029.

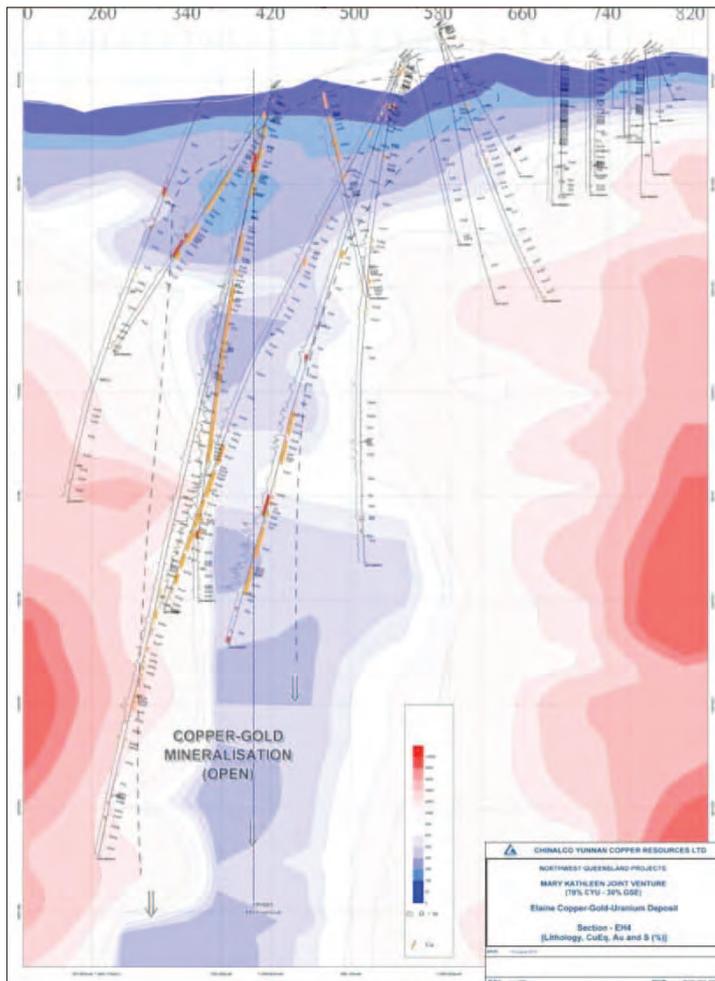
Cut-off CuEq (%)	Tonnage (tonnes)	CuEq (%)	Copper (%)	Copper (tonnes)	Copper (pounds) (x1000)	Gold (g/t)	Gold (ounces)
0.10	64,340,000	0.34	0.31	201,000	443,129	0.05	94,000
0.20	32,770,000	0.54	0.49	160,000	352,740	0.08	79,000
<b>0.25</b>	<b>26,100,000</b>	<b>0.62</b>	<b>0.56</b>	<b>146,000</b>	<b>321,875</b>	<b>0.09</b>	<b>74,000</b>
0.30	22,810,000	0.67	0.60	138,000	304,238	0.10	71,000
0.40	17,810,000	0.76	0.68	121,000	266,759	0.12	66,000
0.50	15,050,000	0.82	0.73	110,000	242,509	0.13	63,000
0.60	12,470,000	0.88	0.77	96,000	211,644	0.15	60,000
0.70	9,310,000	0.95	0.82	77,000	169,756	0.19	56,000
0.80	6,460,000	1.04	0.87	56,000	123,459	0.25	51,000

**Table 1:** Elaine Inferred copper+gold resource at increasing CuEq (%) cut-offs

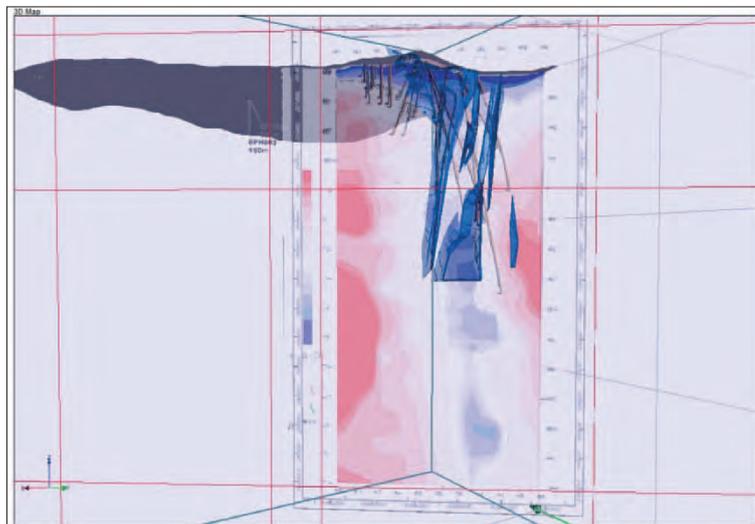
Notes to Accompany Mineral Resource Estimate:

1. Geological modelling and data acquisition was undertaken by CYU geological staff.
2. Metal domain and block model with grade estimate prepared by Mr Steven Ristorcelli C.PG who is a full-time employee of Mine Development Associates.
3. Gold assays by 30-gram fire assay with AAS finish, copper, cobalt, uranium, thorium and other elements assays by multi-acid digestion with ICP-MS or ICP-AES; all assays undertaken by ALS Chemex, Mount Isa, QLD.
4. In-situ bulk density values ranging from 3.19 t/m<sup>3</sup> to 3.52 t/m<sup>3</sup> were assigned based on lithology.
5. A geological block model with block sizes of 5 metres x 5 metres x 10 metres was constructed.
6. Copper and gold grades were estimated using inverse distance squared interpolation within parent blocks constrained within two metal domains, with a minimum of one sample, maximum of four samples per drill hole and a maximum of 16 samples per block estimate.
7. High-grade capping was applied to the sample data prior to compositing to 5 metre lengths: at 1% copper and 3% copper, for the low-grade and high-grade copper domains, respectively, 1.5 g/t gold and not capped for the low and high-grade domains of gold, respectively.
8. QA/QC checks on sampling and assaying quality are satisfactory.
9. The reported mineral resource estimate has been rounded to appropriate significant figures.
10. Copper Equivalent (CuEq %) = copper (%) + (gold (g/t) x 0.70216).

## Review of Operations (continued)



**Figure 5:** EH4 section line with EPH001 (120 metres off section). Blue represents resistivity low where drilling along the EH4 section has intersected significant mineralisation.



**Figure 6:** Screen capture of 3D model of the >0.25% copper domain from the Elaine 1 Inferred copper-gold resource overlain on the EH4 section. The copper coincides with a prominent resistivity low that extends more than 1.2 kilometres from surface. The EH4 is a deep penetrating EM geophysical method capable of reading to 1.2 kilometres. The Elaine 1 anomaly as with the resource remains open at depth.

MKED026 was drilled to test the up dip potential and postulated surface expression of the main mineralised body at Elaine 1 and returned a near surface copper intersection of 47 metres grading 0.43% copper, 0.06 g/t gold and 170 ppm cobalt from 86 metres, (approximately 50 metres from surface). In addition two copper+gold intersections of 22 metres grading 0.51% copper, 0.57 g/t gold and 349 ppm cobalt from 146 metres and a high grade gold zone of 11 metres grading 0.39% copper, 3.03 g/t gold, 350 ppm cobalt and 0.49% bismuth from 175 metres including 1 metre grading 0.28% copper, 11.5 g/t gold and 2.3% bismuth from 178 metres were returned (Photo 1).

### MOUNT DOROTHY PROSPECT

Traditionally, the Mount Dorothy prospect has been referred to by the names of its two gossan lodges: 'Three Threes' and 'Wee Wyeems'.

A total of 18 drill holes, comprising nine diamond drill holes (DDH) and eight reverse circulation drill holes (RC) for 2,802.7 metres were drilled in four different phases at the Mount Dorothy prospect. One water bore and a diamond core extension (diamond tail) to MDR001 were also drilled (Figure 8).

Drill programs returned significant results in copper, cobalt, HREE and yttrium. Highlight results included:

- MDD006: 36 metres grading 1.14% copper and 198 ppm cobalt including 9 metres grading 5.48% copper and 205 ppm cobalt and MDD011: 16 metres grading 1.03% copper and 109 ppm cobalt.
- The best heavy rare earth oxides (HREO) result, reported as total rare earth oxide (TREO) predominately comprising the HREE of dysprosium (Dy), europium (Eu) and holmium (Ho), were returned from: MDD005: 16 metres grading 1,864 ppm TREO -  $Y_2O_3$  from 71 metres.
- In addition, significant precious metal values were returned from the bottom of MDD011 with individual assays of up to 157 g/t silver and 0.29 g/t gold.

Yttrium and REO mineralisation appear to be associated with the secondary copper-cobalt mineralisation and also, in part, with the mineralised iron-oxide-quartz breccia.

The interpretation based on the breccia textures, their mineralogy, petrology and geochemistry is that this ore zone is typical of Iron Oxide Copper Gold (IOCG) mineralisation.

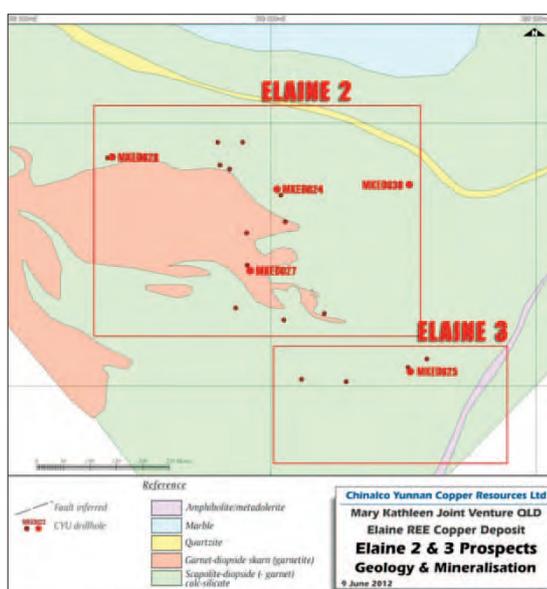


Figure 7: Mary Kathleen JV Project – Elaine 2 and 3 prospect geology map with drill hole location.

Modelling of this survey data defined an approximately 700 metre long conductivity anomaly (Figure 9). This anomaly continues north-east under cover from, and appears to coalesce with, the Wee Wyeems (northeast trending) mineralised zone at its southern end.

The 2011 drill program that partially tested the anomaly defined no economic mineralisation. While this drilling intersected the top of the targeted breccia zones, three of the four RC holes were abandoned before completely testing the targets. No significant copper intersections were returned but elevated zones of cobalt (to 926 ppm in MDR014 at Three Threes) and broad zones of REE mineralisation greater than 500 ppm TREO, containing isolated values to 2,400 ppm TREO.

Drilling is extremely difficult at Mount Dorothy with adverse drilling conditions experienced in all drill holes with core recovery less than 20% experienced regularly. A number of areas have been identified that warrant follow up field investigation with both MIM SIROTEM anomalies and CYU SAM anomalies still to be adequately tested.

## Review of Operations (continued)

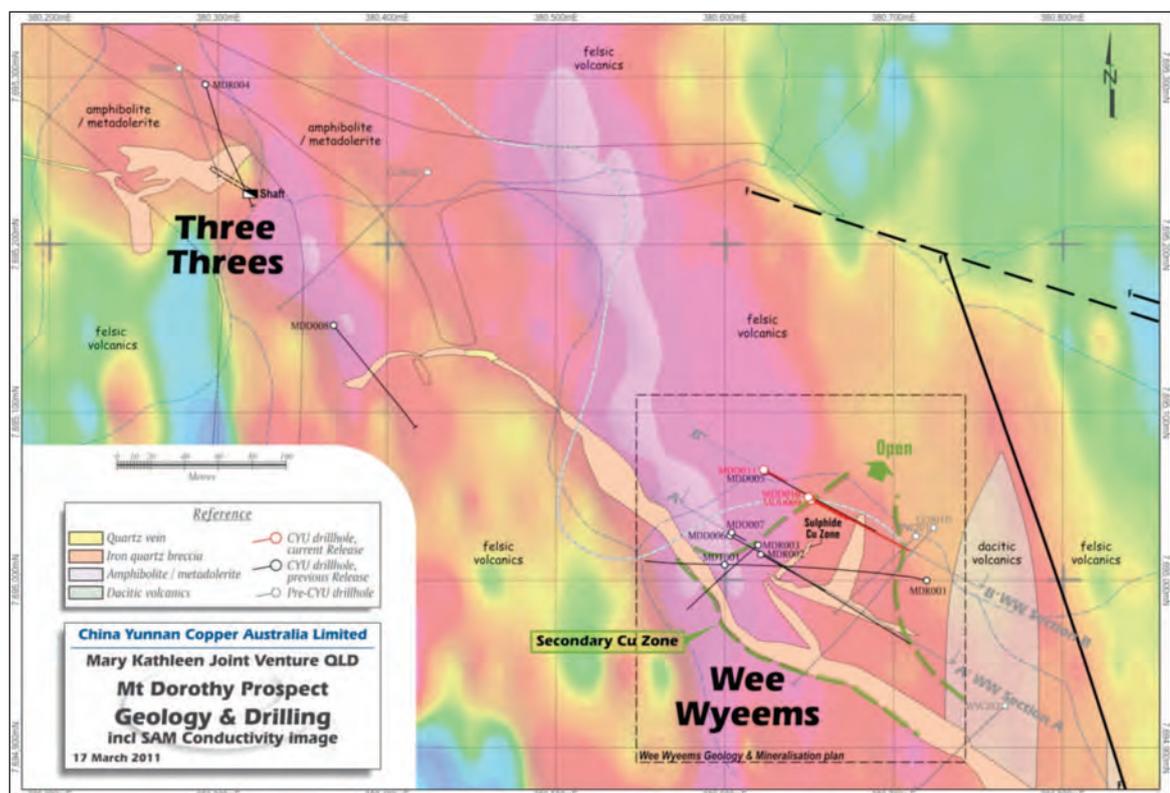


Figure 8: Mary Kathleen Joint Venture Project – Mount Dorothy SAM survey – conductivity plan zoomed in to the Wee Wyeems area.

### PRINCE OF WALES PROSPECT

The Prince of Wales prospect (EPM 14019) is a copper-gold mineralised occurrence located approximately 22 kilometres south of the Mary Kathleen uranium mine, and part of the Mary Kathleen Joint Venture with CYU.

The prospect has been mined in two phases, from turn of the century intermittently to the 1950's and for a short period in the late 1960's. Exploration activity has been undertaken on the prospect since the 1950's, initially as part of larger regional programs and on a prospect scale from the 1970's onwards.

GSE previously conducted a ground magnetics geophysical survey consisting of 50 metre line spacing in the northern half and 100 metre in the southern half of the surveyed area and broad space soil geochemical sampling on nominal 100 metre x 100 metre spacing. The magnetics survey showed a magnetic anomaly

striking north-east and is particularly strong in the southern portion of the grid and in the far north.

Six 300 metre EH4 lines were run north-west to south-east across the main magnetic anomaly associated with the Prince of Wales prospect and field surveys are planned to commence with an XRF soil extension program covering a strong magnetic anomaly to the north of the Prince of Wales workings. Detailed geophysical surveying is proposed for drill targeting.

### MOUNT FROSTY JOINT VENTURE PROJECT

The Mount Frosty Joint Venture Project (EPM 14467) covers the highly prospective copper-gold mineralised Mary Kathleen Shear Zone. The tenement is currently held 100% by Xstrata Copper with CYU earning in up to 75%, of which GSE may earn in up to 30% under the Mary Kathleen Joint Venture.



**Photo 1:** An example of the high grade gold bismuth mineralisation in the core of the Elaine copper cobalt REE Thorium deposit. Intercept is 11.5 g/t gold, 2.3% bismuth, 0.28% copper from 178 to 179 metres.

In January 2012 CYU assumed management and responsibility for field activities from Xstrata Copper, initiating regional and prospect scaled field programs are targeting two prospects in the project area of Blue Caesar and Jubilee along the Mary Kathleen Shear Zone (Figure 10). These areas are in close proximity to the current field base at Elaine.

### **DUCK CREEK PROJECT, QUEENSLAND (GSE 25%)**

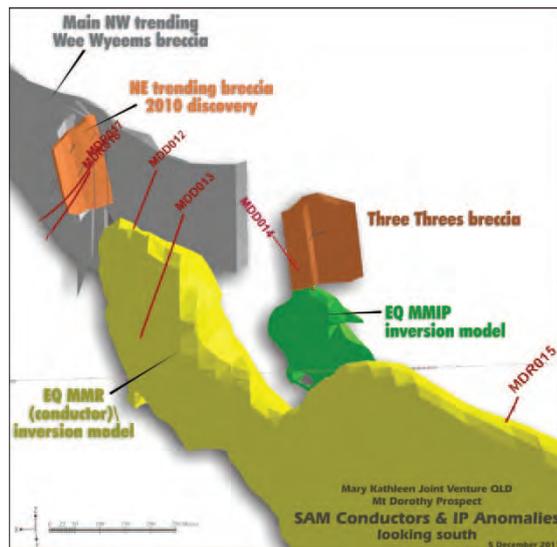
The Duck Creek project is a joint venture between Queensland Mining Corporation Limited (ASX: QMN) and Goldsearch comprising EPM 13336 Duck Creek and EPM 15718 Duck Creek South. The project is centred approximately 30 kilometres south-west of Cloncurry in north-west Queensland. QMN can earn up to 75% of the project by spending \$750,000.

Between July and September 2011, a total of 4,377 metres in 52 RC holes were drilled by QMN, of which 28 holes totalling 1,937 metres were collared on the EPM 13336 joint venture area with Goldsearch. (Figure 11).

QMN has proposed further work for the 2012 calendar year to enable a JORC compliant resource to be completed at Forget Me Not and Horseshoe.

### **BERGSLAGEN JOINT VENTURE, SWEDEN (GSE EARNING 70%)**

Following discussion with joint venture partners Tumi Resources, it was decided to withdraw from the joint venture. Tumi Resources is unlikely to continue exploration on these tenements.



**Figure 9:** Mary Kathleen Joint Venture Project – Mount Dorothy SAM survey – 3D Inversion SAM conductors/IP and drill hole locations.

### **MOUNT WELLINGTON PROJECT, VICTORIA (100% GSE)**

The Mount Wellington project is centred 20 kilometres south-east of Jamieson and 10 kilometres east of the Morning Star Gold NL Woods Point mining centre in eastern Victoria. Goldsearch is looking to farm-out the project to other parties.

## Review of Operations (continued)

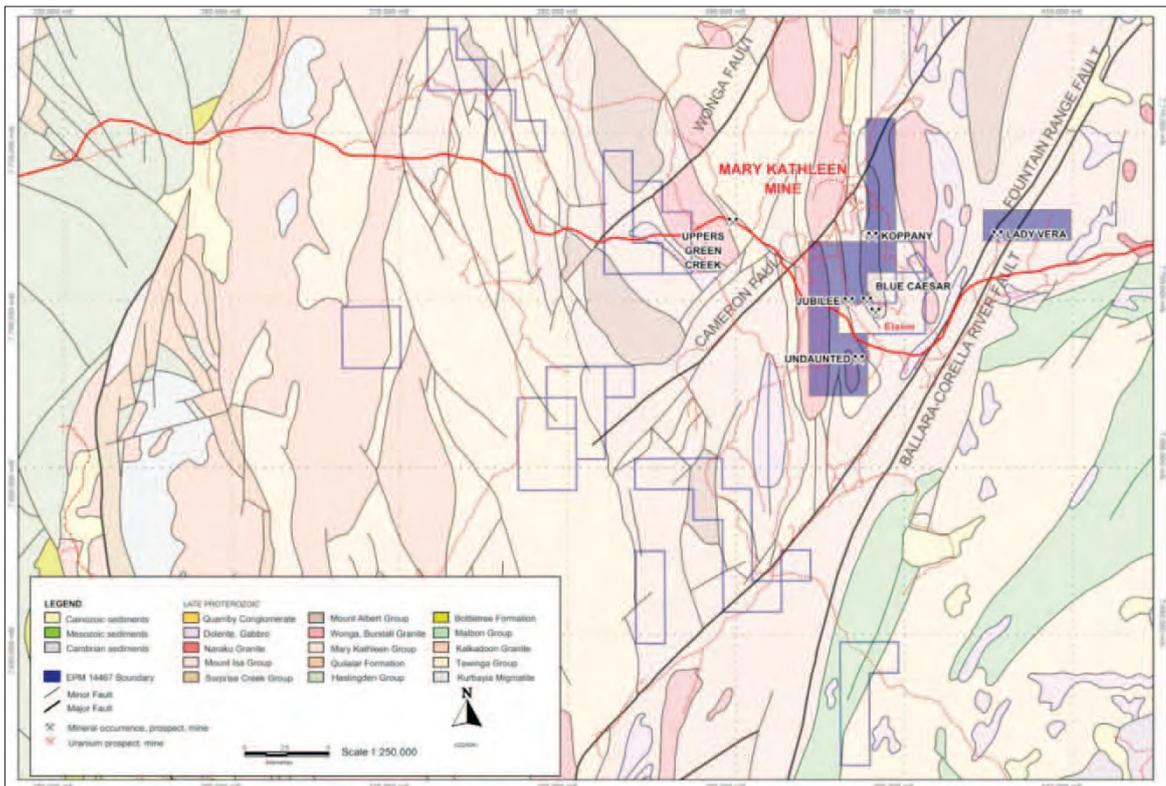


Figure 10: Mount Frosty Joint Venture Project – Prospect location plan.

### MUSGRAVE MINERALS LIMITED (ASX:MGV) (GSE 7.1% SHAREHOLDING)

As at 30 June 2012 Goldsearch held 8,673,000 shares in Musgrave Minerals Limited. Of these 6,909,000 are restricted securities under the ASX Listing Rules and accordingly are subject to certain escrow conditions. Goldsearch also holds 1,837,500 Musgrave Minerals Ltd 25 cent 5 year options.

During the year, Musgrave Minerals continued regional and project focussed exploration in the prospective Musgrave province in South Australia. The Musgrave tenements are prospective for nickel and copper sulphides within the mafic/ultramafic Giles Complex intrusives, base metal mineralisation within the Birksgate Complex, shear-hosted hydrothermal copper, silver and gold and pegmatite-hosted rare earth element mineralisation.

Geophysical and geochemical fieldwork identified a

number of exploration targets that were subsequently followed up with diamond and RC drill programs across the company's tenements which are ongoing.

Musgrave Minerals also secured four new exploration licences in far north-west South Australia, doubling granted tenure from 5,590 square kilometres to 12,800 square kilometres. With the newly granted licences, Musgrave Minerals has a total of 11 granted exploration licences and 32 exploration licence applications in the South Australian portion of the Musgrave Province.

At the end of the financial year, the company was well resourced to systematically explore within its Musgrave exploration land holdings and evaluate other opportunities with more than \$13.6 million in cash.

Further information on Musgrave Minerals Limited and its exploration activities can be found on its website:

[www.musgraveminerals.com.au](http://www.musgraveminerals.com.au)

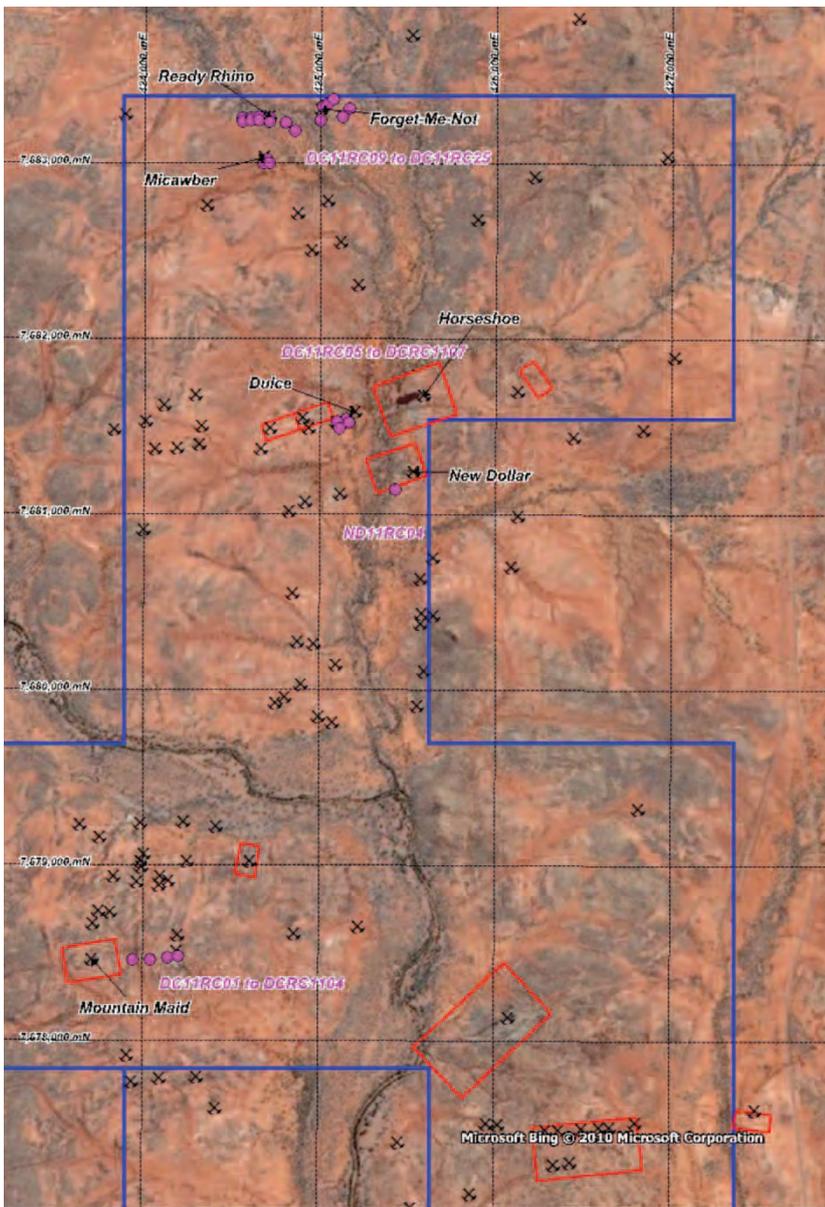


Figure 12: Duck Creek project - EPM 13336 RC drill hole locations (purple dots). The blue outlines are EPM boundaries and red polygons are MLs held 100% by QMN.

**COMPETENT PERSONS' STATEMENT**

Aspects of this review of operations that relate to mineralisation, mineral resources or ore reserves pertaining to the Mary Kathleen Joint Venture is based on information prepared by Chinalco Yunnan Copper Resources Limited (CYU) of whom Mr Richard Hatcher BSc(Hons) is the qualified competent person. Mr Hatcher is a Member of the Australian Institute of Geoscientists, and has sufficient relevant experience of the activity undertaken and of the mineralisation styles and type of deposits described. He qualifies as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves" (JORC Code). The above review of operations fairly reflects the information prepared by this Competent Person. Mr Hatcher consents to the inclusion of this information in the form and context in which it appears.

## Schedule of Mineral Tenements



Tenement	Tenement name	Date of grant	Date of expiry	Approximate area (km <sup>2</sup> )	Holder and % interest
<b>QUEENSLAND</b>					
EPM 14019	South Mary Kathleen	18.07.03	17.07.15	67	CYU 70%; GSE 30%
EPM 14022	North Mary Kathleen	31.07.03	30.07.16	90	CYU 70%; GSE 30%
EPM 13336	Duck Creek	16.05.01	Renewal lodged	32	GSE 95%; QMN 5% earning 75%
EPM 15718	Duck Creek South	27.03.08	Renewal lodged	6	QMN 75%; GSE 25%
<b>SUB TOTAL</b>				<b>195 square kilometres</b>	
<b>VICTORIA</b>					
EL 4843	Mount Wellington	03.05.06	02.05.16	110	GSE 100%
<b>SUB TOTAL</b>				<b>110 square kilometres</b>	
<b>NORTHERN TERRITORY</b>					
ELA 22687	Petermann Range	application		1,485	GSE 51%; Allender 16.33%; Hosking 16.33% and LeBrun 16.33%
ELA 22688	Petermann Range	application		1,430	GSE 51%; Allender 16.33%; Hosking 16.33% and LeBrun 16.33%
ELA 22689	Petermann Range	application		1,528	GSE 51%; Allender 16.33%; Hosking 16.33% and LeBrun 16.33%
ELA 22690	Petermann Range	application		630	GSE 51%; Allender 16.33%; Hosking 16.33% and LeBrun 16.33%
<b>SUB TOTAL</b>				<b>5,073 square kilometres</b>	
<b>TOTAL</b>				<b>5,378 square kilometres</b>	

### LEGEND

GSE – Goldsearch Limited  
 CYU – Chinalco Yunnan Copper Resources Limited  
 QMN – Queensland Mining Corporation Limited

# Goldsearch Limited

ABN 73 006 645 754

## Annual financial report

for the financial year ended 30 June 2012

## DIRECTORS' REPORT

Your directors have pleasure in submitting the statement of financial position of the Company at 30 June 2012 together with related statement of comprehensive income, 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 R.B. Leece, AM RFD  
 Mr J.M.E. Percival  
 Mr T.V. Willstead  
 Mr A.G. Harris (deceased 12 November 2011)

### 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 \$3,861,124 (2011: loss of \$647,174) after income tax expense of \$nil (2011: \$nil).

### Dividend

No dividends were paid or declared during the year by the Company and no recommendation for payment of dividend has been made.

### Review of operations

The following occurred during the year under review:

- The Company spent and capitalised \$1,833,874 on exploration expenditure,
- Wrote off \$1,424,255 of capitalised exploration expenditure and
- Wrote down to fair value the value of the Company listed investment by \$1,377,106.
- In August 2011 the Company raised an additional \$1,000,000 of working capital by

way of a private placement to sophisticated investors of 40,000,000 new shares at an issue price of 2.5 cents per share principally to finance the on-going contributions to exploration costs on the Mary Kathleen joint venture with Chinalco Yunnan Copper Resources Limited (CYU)

- On 8 September 2011 joint venture partner Queensland Mining Corporation Limited announced that the reverse circulation drill program at EPM13336 Duck Creek had been completed and assay results were expected in October 2011.
  - On 11 October 2011 joint venture partner CYU provided an update on drilling at the Elaine prospect in the Mary Kathleen joint venture and advised 'inter alia' that 26 metres grading 7.76 grams per tonne (g/t) gold was intersected within a mineralised system in the first hole of the current resource drilling program, from 508 metres in drill hole MKED009. Includes 5 metres grading 22.78 g/t gold from 508 metres depth and 8 metres grading 10.88 g/t gold from 526 metres depth.
  - Partial base metal results collated with 32 metres grading 1.04% copper, 688 parts per million (ppm) cobalt and 0.28 g/t gold, in drill hole MKED009 from 568 metres depth (Open up hole with further assays pending).
  - Due to high levels of radiation detected, base metal, rare earth and uranium assaying is incomplete for the interval 470-567 metres in MKED009.
  - A second diamond drill rig to commence in order to accelerate prospect extension drilling.
  - JORC compliant resource estimate of the copper+gold+REE+cobalt sulphide zone is anticipated by the end of March 2012.
- In the activity report to ASX for the quarter ended 30 September 2011 it was reported that
  - **Mary Kathleen joint venture**
    - Commencement of 6,000 metre drill-out of Elaine copper-cobalt-gold-light-rare earth elements (LREE) discovery.
    - Diamond drillhole MKED009 returned 109 metres grading 1.98 g/t gold,

## DIRECTORS' REPORT

0.50% copper and 482 ppm cobalt from 491 metres including 26 metres grading 7.78 g/t gold, 0.17% copper, 488 ppm cobalt, 834 ppm molybdenum and 2,861 ppm uranium from 508 metres.

### **Duck Creek project**

- Extensive reverse circulation (RC) drilling program completed at numerous prospects on Duck Creek EPM 13336. Encouraging copper-gold-cobalt intersections returned from several holes including 13 metres grading 1.49% copper, 0.12 g/t gold and 183 ppm cobalt in DCRC1106.
- On 14 November 2011 the directors regretfully advised of the passing of fellow director Mr A G Harris after a long period of ill health.
- At the annual general meeting held on 24 November 2011 shareholders approved the issue of options to directors and associates under the Company's Employee and Directors Option Plan. In accordance with this approval directors issued 22,250,000 options on 2 December such options being exercisable at 5 cents per option at any time prior to their expiry on 1 December 2014.
- In the activity report to ASX for the quarter ended 31 December 2011 it was reported that
  - Determination of a maiden JORC inferred resource for the Elaine sulphide discovery had commenced and was expected by the end of March 2012;
  - Completion of a reverse circulation (RC) drill program at Mount Dorothy; and
  - New targets defined on the Sweden properties.
- In February 2012 the Company raised an additional \$1,200,000 of working capital by way of a private placement to sophisticated investors of 60,512,000 new shares at an issue price of 2 cents per share principally to continue to finance the contributions to exploration costs on the Mary Kathleen joint venture with CYU.
- In the activity report to ASX for the quarter ended 31 March 2012 it was reported that

- Elaine hole MKED019 returned 59 metres grading 0.73% copper and 218 ppm cobalt including 47 metres averaging 0.89% copper and 255 ppm cobalt from 306 metres.

From Elaine to Mary Kathleen there are 6 kilometres of untested strike of probable skarn replacement mineralisation.

### **Significant changes**

There were no significant changes to the state of affairs of the Company which occurred during the financial year ended 30 June 2012.

### **Financial position**

At 30 June 2012 the Company held cash and receivables totalling \$296,332 (2011: \$266,926). The Company also held listed securities and other available for sale securities with a market value at 30 June 2012 of \$884,372 (2011: \$1,992,556).

Subsequent to year end the Company has raised \$650,000 additional working capital by way of a private share placement to a syndicate of sophisticated investors.

The directors will consider raising further working capital in the short term should the opportunity arise.

### **Events subsequent to reporting date**

Other than the matters described in Note 30 to the attached financial statements, 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 2012.

### **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. They also intend to continue to invest a proportion of the Company's surplus funds in investments in selected listed mining and exploration companies with compatible interests. Otherwise there are no known likely developments in the operations of the Company.

## DIRECTORS' REPORT

### Information on directors

#### **John LANDERER, CBE AM**

(non-executive chairman of directors and member 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 has an indirect interest in a further 5,643,129 fully paid ordinary shares and 4,250,000 unquoted options in the capital of the Company.
- During the past three years has not acted as director of any other Australian listed public company.

#### **Robert B. LEECE, AM RFD**

BE(Civil), M.Eng Sc., MBA

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

- Appointed a director on 7 August 2002.
- Robert has been involved with the development, construction and financing of over \$50bn of infrastructure in Australia. He has held many senior executive and director roles in both public and private organisations. His most notable appointments were as Chair of the NSW Nation Building and Jobs Plan Taskforce and the Infrastructure Co-ordinator General of NSW responsible for \$7.2bn Federal government stimulus for social housing and education building program following the GFC; Chief Operating Officer of Tenix, one of Australia's largest diverse defence and engineering services contracting contractors with over 4,000 employees and various Olympic Games executive director and CEO roles.
- He is currently, Chair of Health Infrastructure responsible for the development and construction of all hospital facilities in NSW, Fellow of the Senate of Sydney University and Chair of its Building and Estates Committee, and a Trustee of the Sydney Opera House and Chair of its Building Committee.

- Indirectly holds 11,996,465 fully paid ordinary shares and 3,250,000 unquoted options in the capital of the Company.
- During the past three years has not acted as director of any other Australian listed public company.

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

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

- Appointed a director on 11 October 1995.
- Has been involved in investment and merchant banking for over 25 years including 15 years as investment manager of Barclays Bank New Zealand Limited.
- Has had extensive experience in stockbroking, corporate finance and investment management.
- Beneficially holds 4,000 fully paid ordinary shares in the capital of the Company and has an indirect interest in a further 7,481,709 fully paid ordinary shares and 4,000,000 unquoted options in the capital of the Company.
- During the past three years has acted as a non-executive director of the following Australian listed public companies:
  - Musgrave Minerals Limited – (appointed May 2010)

#### **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 Willstead & Associates, Consulting Mining Engineers since 1973.
- As a member of the Mineral Industry Consultants Association Board of Management has participated in the

## DIRECTORS' REPORT

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 and fully paid ordinary shares and 3,250,000 unquoted options in the capital of the Company.
- Over the past three years has acted as a non-executive director of other Australian listed public companies as follows:
  - European Gas Limited (resigned September 2009)
  - International Ferro Metals Limited (current since September 2005)
  - Citygold Limited (resigned 9 August 2010)
  - Vantage Gold Limited (current since October 2010)
  - South American Ferro Metals Limited (current since 11 November 2010)
  - Timpetra Resources Limited (current since January 2011)
  - Niuminco Group Limited (current since May 2011)
  - Takoradi Gold Limited (current since July 2011)

### **Albert G. HARRIS (deceased)**

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

- Appointed a director on 11 October 1995, ceased 12 November 2011.
- Member of the Institute of Measurement and Control.
- Was involved in the international petroleum and mineral resources industries for over 50 years.
- 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 held 220,000 fully paid ordinary shares.
- Over the past three years acted as a non-executive director of other Australian listed public companies as follows:
  - Takoradi Limited (director since 1992)
  - Pepinnini Minerals Limited - (director from 31 January 2005 to 15 August 2011)

### **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.
- 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 2012 was as follows:

<b>Director</b>	<b>Meetings held</b>	<b>Meetings attended</b>
J. Landerer, CBE AM	11	11
A.G. Harris	3	0
R.B. Leece, AM RFD	11	11
J.M.E. Percival	11	11
T.V. Willstead	11	11

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>
T.V. Willstead	2	2
J. Landerer, CBE AM	2	2
A.G. Harris	1	0
R.B. Leece, AM RFD	2	2
J.M.E. Percival	2	2

### **Directors' and auditors' indemnification**

During or since the end of the financial year the Company has given an indemnity or entered into 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

## DIRECTORS' REPORT

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.

- During the year the Company paid a premium 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. Total liability covered under the policy is \$5 million for an annual premium of \$10,825.

### Non-audit services

The Company during the financial year ended 30 June 2012, engaged the services of Grant Thornton to provide their independent assessment of the exploration expense

incurred by Chinalco Yunnan Copper Resources Limited.

### Auditor's independence declaration

The Company's independent auditor has provided an independence declaration to the Company for the year ended 30 June 2012. A copy of the declaration is attached to and forms part of this directors' report.

### Options

On 2 December 2011 the Company issued a total of 22,250,000 unquoted options under the Company Employee and Director Option Plan.

The options are exercisable at 5 cents each at any time prior to their expiry on 1 December 2014 as approved at the annual general meeting of shareholders held on 24 November 2011.

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

**DIRECTORS' REPORT****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

**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 calibre, 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 by the board 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 2007 annual general meeting held on 22 November 2007 shareholders approved a maximum annual aggregate remuneration for non-executive directors of \$250,000 per annum.

The aggregate amount which the directors agreed to draw from this for the financial year ended 30 June 2012 was \$148,000 per annum which was apportioned between themselves as follows:

<b>Fixed fees</b>	<b>Year ended 30 June 2012 \$</b>	<b>Year ended 30 June 2011 \$</b>
Base fee:		
- Chairman	40,000	40,000
- Other non-executive directors	36,000 each	36,000 each

## DIRECTORS' REPORT

The directors have agreed that, subject to the Law, non-executive directors are to be entitled to a payment of one year's directors fees upon their retirement from office.

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 will be obtained from remuneration consultants, during the financial report or to the date of signing this report the Company has not engage the services of a remuneration consultant.

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 and ratified at the 2011 annual general meeting for the purposes of ASX Listing Rule 7.1.

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 are 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.

**c. 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

GOLDSEARCH LIMITED

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**DIRECTORS' REPORT**

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.

A total of 15,750,000 options have been issued to Key Management Personnel, including directors, as remuneration during the financial year as detailed in Table 2. 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 is detailed in Table 2.

ii) Shares issued on exercise of remuneration options

No shares were issued pursuant to exercise of remuneration options during the year ended 30 June 2012 (2011: Nil) or to the date of this report.

iii) The Company had the following share-based payment arrangements, granted as remuneration or were in existence during the during the financial year ended 30 June 2012:

Options series	Number	Grant date	Expiry date	Exercise price (cents)	Fair value at grant date (cents)
(1) Issued 2 December 2011	15,750,000	02/12/11	01/12/14	5.0	1.57

The Company had no share-based payment arrangements, granted as remuneration or were in existence during the financial year ended 30 June 2011.

The weighted average fair value of the share options granted during the financial year is 1.57 cents (2011: Nil 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)
Grant date share price	Cents	2.5
Exercise price	Cents	5.0
Expected volatility	%	122.40
Option life	Months	36
Dividend yield	%	Nil
Risk-free interest rate	%	4.75

## DIRECTORS' REPORT

### 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

E Conaghan – Senior Geologist resigned 6 March 2012.

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. Executive contractual arrangements

The terms and conditions of the appointment and retirement of both non-executive and executive directors are set out in a letter of appointment which covers remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice.

#### *Executive Directors and Key Management Personnel*

J.M.E. Percival – Chief Executive Officer and Chief Financial Officer.

Commenced 1 July 2008 for a term of 5 years and thereafter rolling at 12 months periods.

A base salary inclusive of superannuation as of 1 July 2012 is \$250,000 per annum (2011: \$250,000), reviewed annually. This agreement may be terminated without cause at any time by the Company giving no less than 6 months prior written notice of termination or employee giving notice not less than 4 weeks.

E. Conaghan – Senior Geologist

Commenced 28 February 2011 and resigned 6 March 2012.

A base salary inclusive of superannuation of \$141,700, reviewed annually.

### 4. Voting and comments made at the company's 2011 Annual General Meeting

The Company received more than 90% of "yes" votes on its remuneration report for the 2011 financial year. The company did not receive any specific feedback at the AGM on its remuneration report.

## GOLDSEARCH LIMITED

ABN 73 006 645 754

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

	Short-term benefits - Salary and fees \$	Post employment benefits- Superannuation \$	Share based payments - Share options \$	Total \$	Percentage share-based payments - Share options %
<b>Year ended 30 June 2012</b>					
<i>Non-executive directors:</i>					
J. Landerer, CBE AM	36,697	3,303	66,725	106,725	62.52%
A.G. Harris	9,000	41,500	-	50,500	-
R.B. Leece, AM RFD	33,028	2,972	51,025	87,025	58.63%
T.V. Willstead	36,000	-	51,025	87,025	58.63%
<i>Executive directors:</i>					
J.M.E. Percival	213,762	19,238	62,800	295,800	21.23%
<i>Other key management personnel:</i>					
E. Conaghan <sup>1</sup>	98,453	8,861	15,700	123,014	12.76%
<b>Total</b>	<b>426,940</b>	<b>75,874</b>	<b>247,275</b>	<b>750,089</b>	
<b>Year ended 30 June 2011</b>					
<i>Non-executive directors:</i>					
J. Landerer, CBE AM	36,697	3,303	-	40,000	-
A.G. Harris	36,000	-	-	36,000	-
R.B. Leece, AM RFD	33,028	2,972	-	36,000	-
T.V. Willstead	36,000	-	-	36,000	-
<i>Executive directors:</i>					
J.M.E. Percival	229,358	20,642	-	250,000	-
<i>Other key management personnel:</i>					
E. Conaghan <sup>1</sup>	43,333	3,900	-	47,233	-
H. Hellewell <sup>2</sup>	11,955	-	-	11,955	-
<b>Total</b>	<b>426,371</b>	<b>30,817</b>	<b>-</b>	<b>457,188</b>	

Notes: 1). Erik Conaghan was appointed on 28 February 2011 and resigned on 6 March 2012.

2). Heath Hellewell resigned on 31 December 2010.

GOLDSEARCH LIMITED

ABN 73 006 645 754

**DIRECTORS' REPORT**

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

The following tables show the movement in the options granted as remuneration to key management personnel during the financial year ended 30 June 2012:

	Opening balance	Options granted as remuneration	Options expired/ lapsed	Net other change	Closing balance
<b>Year ended 30 June 2012</b>					
<i>Non-executive directors</i>					
J. Landerer, CBE AM	-	4,250,000	-	-	4,250,000
A.G. Harris	-	-	-	-	-
R.B. Leece, AM RFD	-	3,250,000	-	-	3,250,000
T.V. Willstead	-	3,250,000	-	-	3,250,000
<i>Executive directors</i>					
J.M.E. Percival	-	4,000,000	-	-	4,000,000
<i>Key management personnel</i>					
E. Conaghan	-	1,000,000	(1,000,000)	-	-
<b>Total</b>	-	<b>15,750,000</b>	<b>(1,000,000)</b>	-	<b>14,750,000</b>

The Company had no option issued or movement of option issued to key management personnel for the financial year ended 30 June 2011.

## DIRECTORS' REPORT

### 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 \$24,716 (2011: \$12,368) and were charged at normal commercial rates.
- The Company employs Ms J Gregan, spouse of Mr J Percival on a casual 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

Sydney, 13 September 2012

# AUDITOR'S INDEPENDENCE DECLARATION



Grant Thornton Audit Pty Ltd  
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## **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 2012, 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.

A handwritten signature in black ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature in black ink that reads "S. C. Trivett".

S. C. Trivett  
Partner - Audit & Assurance Services

Melbourne, 13 September 2012

**GOLDSEARCH LIMITED**  
**ABN 73 006 645 754**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

	Note	2012 \$	2011 \$
Continuing operations			
Other revenue	2	109,057	1,172,153
Capitalised exploration expenses written off		(1,424,255)	(1,093,228)
Impairment		(1,377,106)	-
Share based payment expenses		(349,325)	-
Salary costs (including directors' fees)		(289,013)	(273,238)
Professional and legal fees		(252,559)	(191,452)
Share registry expenses		(62,043)	(41,673)
Operating lease expenses (leases)		(66,558)	(67,578)
Depreciation and amortisation		(9,444)	(6,379)
Other expenses		(139,878)	(145,779)
<b>Loss before income tax expense</b>	3	<b>(3,861,124)</b>	<b>(647,174)</b>
Income tax expense	4	-	-
<b>Loss from continuing operations</b>		<b>(3,861,124)</b>	<b>(647,174)</b>
<b>Other comprehensive income</b>			
	9,		
Net loss on revaluation of investments	17	-	(797,777)
<b>Loss attributable to members</b>		<b>(3,861,124)</b>	<b>(1,444,951)</b>
<b>Total comprehensive loss attributable to members</b>		<b>(3,861,124)</b>	<b>(1,444,951)</b>
<b>Loss per share attributable to the ordinary equity holders of the company</b>			
Basic loss per share - cents	24	(0.90)	(0.18)
Diluted loss per share - cents	24	(0.90)	(0.18)

The accompanying notes form part of these financial statements

**GOLDSEARCH LIMITED**  
**ABN 73 006 645 754**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2012**

	Note	2012 \$	2011 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	23(a)	235,229	266,926
Trade and other receivables	6	61,103	-
Other assets	7	47,015	51,303
<b>TOTAL CURRENT ASSETS</b>		<u>343,347</u>	<u>318,229</u>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	9	885,257	1,993,441
Property, plant and equipment	8	32,704	55,358
Exploration and investment expenditure	10	4,306,810	3,897,191
<b>TOTAL NON-CURRENT ASSETS</b>		<u>5,224,771</u>	<u>5,945,990</u>
<b>TOTAL ASSETS</b>		<u>5,568,118</u>	<u>6,264,219</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	422,179	95,269
Provisions	15	95,830	69,829
<b>TOTAL CURRENT LIABILITIES</b>		<u>518,009</u>	<u>165,098</u>
<b>TOTAL LIABILITIES</b>		<u>518,009</u>	<u>165,098</u>
<b>NET ASSETS</b>		<u>5,050,109</u>	<u>6,099,121</u>
<b>EQUITY</b>			
Issued capital	16	31,839,816	29,749,593
Reserves	17	349,325	(372,564)
Accumulated losses	5	(27,139,032)	(23,277,908)
<b>TOTAL EQUITY</b>		<u>5,050,109</u>	<u>6,099,121</u>

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 2012**

	Note	Issued capital	Reserves		Accumulated losses	Total
		Ordinary shares	Revaluation of available- for-sale assets	Share- based payments		
		\$	\$	\$	\$	\$
<b>Balance at 1 July 2011</b>		29,749,593	(372,564)	-	(23,277,908)	6,099,121
Shares issued during the period	16(a)	2,210,240	-	-	-	2,210,240
Share issue cost		(120,017)	-	-	-	(120,017)
Total comprehensive profit/(loss) for the period	5, 9		-		(3,861,124)	(3,861,124)
Share based payment	17, 18	-	-	349,325	-	349,325
Loss on available-for- sale instruments	17		372,564			372,564
Sub-total		31,839,816	-	349,325	(27,139,032)	5,050,109
Dividends paid or provided for		-	-	-	-	-
<b>Balance at 30 June 2012</b>		<b>31,839,816</b>	<b>-</b>	<b>349,325</b>	<b>(27,139,032)</b>	<b>5,050,109</b>
<b>Balance at 1 July 2010</b>		29,749,593	913,816	-	(22,630,734)	8,032,675
Total comprehensive loss for the period	5, 9	-	(797,777)	-	(647,174)	(1,444,951)
Gain on available-for- sale instruments	17	-	(488,603)	-	-	(488,603)
Sub-total		29,749,593	(372,564)	-	(23,277,908)	6,099,121
Dividends paid or provided for		-	-	-	-	-
<b>Balance at 30 June 2011</b>		<b>29,749,593</b>	<b>(372,564)</b>	<b>-</b>	<b>(23,277,908)</b>	<b>6,099,121</b>

The accompanying notes form part of these financial statements

**GOLDSEARCH LIMITED**  
**ABN 73 006 645 754**  
**STATEMENT OF CASH FLOWS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

	Note	2012 \$	2011 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Payments to suppliers and employees		(611,828)	(508,839)
Payments to related parties		(204,232)	(163,012)
Interest paid		(325)	-
Dividends received		83	1,567
Interest received		10,579	2,538
Other income		-	48,182
Net cash used in operating activities	23(b)	<u>(805,723)</u>	<u>(619,564)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Payments for exploration activities		(1,293,811)	(494,864)
Payments to related parties for exploration activities		(233,000)	(248,887)
Purchase of available-for-sale investment		(248,033)	(393,286)
Proceeds from sale of available-for-sale investment		450,069	1,737,848
Sale of property, plant and equipment		10,000	63,000
Payments for property, plant and equipment		(1,422)	(32,750)
Net cash provided/(used) by investing activities		<u>(1,316,197)</u>	<u>631,061</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issue of shares		2,210,240	-
Share issue cost		(118,128)	-
Payment to related parties for share issue cost		(1,889)	-
Net cash provided by financing activities		<u>2,090,223</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents held		(31,697)	11,497
Cash and cash equivalents at beginning of year		<u>266,926</u>	<u>255,429</u>
Cash and cash equivalents at end of year	23(a)	<u><u>235,229</u></u>	<u><u>266,926</u></u>

The accompanying notes form part of these financial statements

# **GOLDSEARCH LIMITED**

**ABN 73 006 645 754**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

### **1. STATEMENT OF ACCOUNTING POLICIES**

#### **(a) General**

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

The financial report covers Goldsearch Limited as an individual (the "Company" or "Goldsearch") for the year ended 30 June 2012, Consolidated account have not been prepared based on the grounds of immateriality as set out in note 27. Goldsearch is a listed public company, incorporated and domiciled in Australia. Goldsearch is a for-profit entity for the purpose of preparing the financial statement. The financial report was authorised for issue by the directors on 13 September 2012.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and 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.

#### **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.

##### **i) Share based payments**

The Company valued share options by reference to the fair value of the equity instruments at the grant date. The fair value is determined using the Black Scholes method which requires significant estimates and judgements over the inputs in respect to the volatility being 122.40% (market volatility of the underlying security) and the risk free rate of 4.75% (RBA government bond rate). Refer to note 18.

##### **ii) Exploration and evaluation expenditure**

The Company capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at \$4,306,810.

##### **iii) Fair value of financial assets**

The Company records the fair value of financial assets using the market value of the investments at reporting date. While this represents the best estimate of the fair value as at the reporting date, the current market uncertainty means that, if the financial assets are sold in the future, the price achieved may be higher or lower than the most recent valuation, and higher or lower than the fair value recorded in the financial statements.

# GOLDSEARCH LIMITED

ABN 73 006 645 754

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

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

#### Critical accounting estimates and judgements (continued)

##### iv) Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and, where required, uses an interest rate to discount them.

Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. In 2012, the Company recognised an impairment loss on available for sale investment.

##### v) Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain plant and equipment.

##### vi) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The Company net current liability position at 30 June 2012 was \$174,662.

The ability of the Company to continue to pay its debts as and when they fall due is dependent upon successfully raising additional funds and ultimately developing or selling its mineral properties.

The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- the Directors have an appropriate plan to raise additional funds as and when they are required. In light of the Company current exploration and development projects, the Directors believe that the additional capital required can be raised in the market, and since balance date have raised \$650,000. (see Note 30); and
- the Directors can adapt an appropriate plan to contain operating and exploration expenditure if appropriate funding is unavailable.

Should the Company not achieve the matters set out above, there is uncertainty whether it would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classifications of liabilities that might be necessary should the Company not be able to continue as a going concern.

#### (b) Consolidation

The accounts are not consolidated as the directors have decided that such application is of no material consequence as the subsidiary companies have no activities other than as holders of exploration rights on certain tenements.

Separate consolidated accounts of the consolidated entity formed by the Company and these wholly owned subsidiaries (refer to Note 27) have not been prepared on the grounds of immateriality.

# GOLDSEARCH LIMITED

ABN 73 006 645 754

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

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

#### (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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### (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 reporting date.

Deferred tax is accounted for using the liability 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 statement of comprehensive income 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.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

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 consolidated 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 - Plant and equipment

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

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 statement of comprehensive income during the financial period in which they are incurred.

# GOLDSEARCH LIMITED

ABN 73 006 645 754

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

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

#### (f) Property, plant and equipment - Plant and equipment (continued)

##### **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	7.5 – 40% Diminishing value

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 statement of comprehensive income.

#### (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 the result 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. Due to their short-term nature they are measured at amortised cost and not discounted. These amounts are unsecured and are usually paid within 30 days of recognition.

# **GOLDSEARCH LIMITED**

**ABN 73 006 645 754**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

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

#### **(i) Receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

#### **(j) Leases**

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 and annual leave:**

Liabilities for wages and salaries, including non-monetary benefits and annual 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 government bond rates that match, as closely as possible, the estimated future cash outflows.

##### **ii) Retirement benefit obligations**

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

## **GOLDSEARCH LIMITED**

**ABN 73 006 645 754**

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

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

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

##### **(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 statement of financial position under the appropriate heading. Details of the interests in the joint venture assets and liabilities are set out in Notes 11 and 12.

##### **(o) Impairment of non-financial 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/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the statement of comprehensive income 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 statement of comprehensive income 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.

State grant income is recognised where there is reasonable assurance that the grant will be received and all grant conditions will be met.

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

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

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

# GOLDSEARCH LIMITED

ABN 73 006 645 754

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

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

#### (r) Goods and services tax (GST) (continued)

Cash flows are presented in the statement of cash flows 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 reporting date. The Company held no such financial assets at reporting 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 reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

##### *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 reporting 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 reporting 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 FINANCIAL YEAR ENDED 30 JUNE 2012

### 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.

##### *Subsequent measurement (continued)*

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 statement of comprehensive income 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 statement of comprehensive income 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 of financial assets*

The Company assesses at each reporting 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 statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

#### (t) Provisions, contingent liabilities and contingent assets

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

**GOLDSEARCH LIMITED****ABN 73 006 645 754****NOTES TO THE FINANCIAL STATEMENTS****FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012****1. STATEMENT OF ACCOUNTING POLICIES (continued)****(t) Provisions, contingent liabilities and contingent assets (continued)**

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

**(u) Segment reporting**

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings.

<b>2. REVENUE AND OTHER INCOME</b>	<b>2012</b>	<b>2011</b>
<b>Other revenue from operating activities</b>	<b>\$</b>	<b>\$</b>
Operating activities		
- Interest received	10,580	2,538
- Dividend income	83	1,567
- Sales of tenement interest	-	441,764
- Drilling grant	-	48,182
Total revenue from operating activities	<u>10,663</u>	<u>494,051</u>
Other income		
- Net gain on sale of property, plant & equipment	-	21,454
- Net gain on sale of investments	98,394	656,648
Total other income	<u>98,394</u>	<u>678,102</u>
Total income from continuing activities.	<u>109,057</u>	<u>1,172,153</u>

**GOLDSEARCH LIMITED****ABN 73 006 645 754****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

	2012	2011
	\$	\$
<b>3. LOSS FOR THE YEAR</b>		
Loss before income tax has been determined after:		
Depreciation of plant and equipment (refer to Note 8)	11,746	22,134
Less: depreciation capitalised (refer to Note 10)	<u>(2,302)</u>	<u>(15,755)</u>
Depreciation expense	<u>9,444</u>	<u>6,379</u>
Rental expense on operating leases	47,822	45,987
Capitalised exploration expenses written off	1,424,255	1,093,228
Superannuation – defined contribution	38,932	37,296
Movements in provisions – employee benefits	<u>(5,739)</u>	<u>4,023</u>

**4. INCOME TAX**

The prima facie tax payable on profit/(loss) is reconciled to the income tax expense as follows:

Prime facie tax payable on loss before income tax at 30% (2011: 30%)	(1,158,337)	(192,152)
Add: tax effect of:		
- Non-allowable items	949,901	329,512
- Net of current year tax losses not recognised and deductible items (exploration expenditure and others)	(550,912)	(237,705)
- Net of deferred tax losses not recognised and brought to accounts	<u>759,348</u>	<u>102,345</u>
Income tax expense/(benefit)	<u>-</u>	<u>-</u>

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 2012 the Company has estimated carry-forward tax losses, after adjusting for temporary differences, of approximately \$21,235,234 (2011: \$18,707,331) which amounts to an income tax benefit which has not been recognised in the statement of financial position of \$6,370,570 (2011: \$5,612,199). The Company has no estimated carry-forward capital loss (2011: \$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.

Consequently, no deferred tax asset has been recognised

**GOLDSEARCH LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>5. ACCUMULATED LOSSES</b>		
Accumulated losses at beginning of year	(23,277,908)	(22,630,734)
Net loss attributable to members of Goldsearch Limited	<u>(3,861,124)</u>	<u>(647,174)</u>
Accumulated losses at end of year	<u>(27,139,032)</u>	<u>(23,277,908)</u>
 <b>6. TRADE AND OTHER RECEIVABLES</b>		
GST receivable	<u>61,103</u>	<u>-</u>
<p>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, and not past due.</p>		
 <b>7. OTHER ASSETS</b>		
Rental bond - held to maturity	18,300	18,300
Prepayments	<u>28,715</u>	<u>33,003</u>
	<u>47,015</u>	<u>51,303</u>
 <b>8. PROPERTY, PLANT AND EQUIPMENT</b>		
Equipment at cost	72,104	88,336
Accumulated depreciation	<u>(39,400)</u>	<u>(32,978)</u>
	<u>32,704</u>	<u>55,358</u>
Motor vehicle at cost	61,300	61,300
Accumulated depreciation	<u>(61,300)</u>	<u>(61,300)</u>
	<u>-</u>	<u>-</u>
Total property, plant and equipment	<u>32,704</u>	<u>55,358</u>
<b>Reconciliation of property, plant and equipment</b>		
<b>Equipment</b>		
Carrying amount at beginning of year	55,358	10,059
Additions	840	26,496
Transfer from exploration building & equipment	-	28,504
Disposal	(11,748)	-
Depreciation	<u>(11,746)</u>	<u>(9,701)</u>
Carrying amount at end of year	<u>32,704</u>	<u>55,358</u>

**GOLDSEARCH LIMITED****ABN 73 006 645 754****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012****8. PROPERTY, PLANT AND EQUIPMENT (continued)**

	2012	2011
	\$	\$
<b>Exploration building and equipment</b>		
Carrying amount at beginning of year	-	77,654
Additions	-	5,256
Transfer to field equipment	-	(28,504)
Disposal	-	(41,546)
Depreciation	-	(12,860)
Carrying amount at end of year	-	-

**9. OTHER FINANCIAL ASSETS**

Shares in controlled entities at cost (a) (Note 27)	885	885
Shares in listed companies - at fair value (i)	884,372	1,992,556
Shares in unlisted companies at cost (ii)	1	1
Provision for impairment (ii)	(1)	(1)
	<u>885,257</u>	<u>1,993,441</u>

(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	1,993,441	2,696,185
Additions at cost (i)	248,033	1,664,836
Value of investment sold	(351,675)	(1,081,200)
Impairment charge	(1,377,106)	-
Loss/(gain) on sale of investments	3,473	(488,603)
Revaluation gain/(loss) to fair value	369,091	(797,777)
Carrying amount at end of year	<u>885,257</u>	<u>1,993,441</u>

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

*Minority interest in Independence Group NL (IGO) shares*

As at 30 June 2012 the Company had sold off its total investment in IGO (2011: balance of 1,667 shares) with a market value at reporting date of \$Nil (2011: \$9,385). In prior years the movement in the fair value of this investment is recorded in the 'available-for-sale investments revaluation reserve'.

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**9. OTHER FINANCIAL ASSETS (continued)**

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

*Minority interest in Morning Star Gold NL (MCO) shares.*

As at 30 June 2012 the Company held 1,732,108 MCO shares (2011: 2,555,417) with a fair value of \$190,532 (2011: \$638,854). As of 30 June 2012 the Company expensed \$353,979 as an impairment expense in the Statement of Comprehensive Income for the movement in the fair value of this investment. In the prior year the gain in fair value was recorded in the 'available-for-sale investments revaluation reserve' (see also Note 30).

*Minority interest in Musgrave Minerals Ltd (MGV) shares.*

As at 30 June 2012 the Company held 8,673,000 MGV shares (2011:8,673,000) with a fair value of \$693,840 (2011: \$1,344,315) and 1,837,000 unquoted 25 cent options (2011: 1,837,000) the option has a Nil fair valuation (2011: Nil)

As of 30 June 2012 the Company expensed \$665,910 as an impairment expense in the Statement of Comprehensive Income for the movement in the fair value of this investment. In the prior year the loss in fair value was recorded in the 'available-for-sale investments revaluation reserve' (see also Note 30).

During the financial year ended 30 June 2011, the Company received its share of the sale consideration under the tenement sale agreement, the Company was issued 3,675,000 shares and 1,837,500 unlisted options to acquire new shares at an exercise price of 25 cent per option from 5 years of grant date. The total consideration based on the share and option valuation received on the sale of the Company tenement sold to MGV was \$1,271,550 and has been capitalised as part of the acquisition cost of those shares.

- (ii) Unlisted investments and 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 against this investment since that date.

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

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	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>10. 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	3,897,191	5,027,855
Exploration expenditure, at cost capitalised during the year	1,833,874	792,349
	5,731,065	5,820,204
Capitalised exploration expenditure, sold under the tenement sale agreement (refer note 9 (i))	-	(829,785)
Capitalised exploration expenditure, at cost written off during the year	(1,424,255)	(1,093,228)
Balance at end of year	4,306,810	3,897,191
Depreciation included in exploration expenditure	2,302	16,175

Mineral exploration is to be amortised when production commences, or written off to the statement of comprehensive income. 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) Musgrave Minerals Limited (7.17% shareholding)*

In April 2010 Goldsearch and Independence Group signed a Heads of Agreement to vend their interests in the Musgrave tenements into Musgrave Minerals Limited. Musgrave Minerals Limited was formed with an initial public offering (IPO) and listing on the Australian Securities Exchange (ASX) 29 April 2011.

Musgrave Minerals has established a strong exploration team and commenced drilling at two prospects – Moorilyanna, which is part of the Mimili Project and Deering Hills. The Company has also identified priority targets and commenced ground follow-up of targets generated from a large regional VTEM survey completed last July.

The Musgrave geological province is considered very prospective for magmatic nickel-copper sulphide deposits with the region host to the large Nebo-Babel nickel-copper sulphide deposit in the West Musgrave currently held by BHP Billiton.

Musgrave Minerals commenced an RC drilling program at its Moorilyanna Prospect in early April 2012. The program aimed to test six basement targets at shallow-moderate depths. All six targets were co-incident with existing near-surface copper mineralisation and IP geophysical anomalies.

Drilling data is currently being compiled and the remaining targets assessed. The IP anomalies are interpreted to reflect the response from a combination of sulphide mineralisation and magnetite.

Musgrave's regional vacuum drilling program at Deering Hills will re-continue in August.

## GOLDSEARCH LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

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

a) *Musgrave Minerals Limited (7.17% shareholding) (continued)*

Goldsearch holds 8,673,000 Musgrave Minerals Limited shares and 1,837,500 - 25 cent 5 year options.

b) *Chinalco Yunnan Copper – Mary Kathleen joint venture*

In August 2009 Goldsearch entered into a farm-in and joint venture agreement with China Yunnan Copper Australia Limited (CYU), now Chinalco Yunnan Copper Resources Limited whereby CYU can earn a minimum interest of 49% in all tenements by spending \$750,000 and up to a 70% interest by spending \$1.5 million over three years and issuing Goldsearch 3,000,000 options to purchase ordinary shares in CYU at .40 cents per share. (2,000,000 of these options expired on 20 August 2011)

During June 2011, CYU advised Goldsearch Limited it had spent the required \$1,500,000 to earn its 70% interest and the tenement ownership transfers are now with the Queensland Mining Department for registration and transfer. Goldsearch is now meeting 30% of the ongoing costs of drilling. Significant copper and cobalt results have been obtained from drilling at Elaine Dorothy and Mt Dorothy. A recent June 2012 inferred JORC resource report has been prepared for the area at 26.5 million tons of mineralisation.

c) *Queensland Mining Corporation joint venture*

Goldsearch entered into a joint venture agreement with North Queensland Mines Pty Ltd – now Queensland Mining Corporation (QMN) on exploration permits EPM 13336 and EPM 15718 whereby QMN can earn 70% and 75% respectively by spending \$750,000 by 31 May 2008.

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

QMC has advised that it has spent in excess of \$750,000 under the terms of the farm-in agreement and Goldsearch is currently auditing the expenditure to establish that the relevant interest has been earned.

d) *TM Resources AB joint venture*

In May 2008 Goldsearch signed an option agreement with TM Resources AB, a Swedish company wholly owned by Tumi Resources Limited (Tumi), 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.

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.

In February 2009 Goldsearch handed back the Kobergs nr 1 licence to Tumi, the remaining licences of Jagansbo nr 1 and Sala nr 4 were allowed to lapse in June 2012 without further work. Hallefors nr 1 was the only remaining licence.

## GOLDSEARCH LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

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

*d) TM Resources AB joint venture (continued)*

Tumi Resources agreed to waive the minimum second year expenditure commitment, delaying this expenditure commitment by one year, subject to proposed geophysical surveys being completed prior to the end of 2010. This was achieved.

A new budget of \$85,000 had been approved for Hallefors to follow up ground work and prepare for possible drilling. Tumi increased the period to complete the program to April 2012, which expired without any drilling on Hallefors taking place, therefore Goldsearch's interest in the joint venture has lapsed.

#### 12. EXPLORATION TENEMENTS

*Expenditure commitments*

Minimum expenditure requirements to retain current rights of tenure to granted tenements for the year ended 30 June 2012, and the parties responsible for funding that expenditure, are as follows:-

• EPM 13336 Queensland	\$160,000 to be funded 70% by Queensland Mining Corporation, 30% Goldsearch
• EPM 15718 Queensland	\$ 77,243 to be funded 70% by Queensland Mining Corporation, 30 % Goldsearch
• EPM 14019 Queensland	\$150,000 to be funded 70% by China Yunnan Copper, 30% Goldsearch
• EPM 14022 Queensland	\$143,000 to be funded 70% by China Yunnan Copper, 30% Goldsearch
• EL 4843 Victoria	\$ 70,000 to be funded 100% by Goldsearch
	<u>\$600,243</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 \$215,000 would arise.

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>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</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	24,868	47,822
- later than 1 year and not later than 5 years	-	24,868
	24,868	72,690

The property lease is a non-cancellable lease with a two-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that minimum lease payments shall be increased by 4% per annum.

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	600,243	699,000
- later than 1 year and not later than 5 years	4,754,656	1,010,000
	5,354,899	1,709,000

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

**14. TRADE AND OTHER PAYABLES**

Trade creditors	238,464	94,095
Sundry creditors and accruals	183,715	1,174
	422,179	95,269

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>2012</b>	<b>2011</b>	
	<b>\$</b>	<b>\$</b>	
<b>15. PROVISIONS</b>			
Employee benefits	95,830	69,829	
	<hr/>	<hr/>	
<b>16. ISSUED CAPITAL</b>			
<b>(a) Issued shares:</b>			
367,764,517 ordinary fully paid shares at beginning of year (2011: 367,764,517)	27,004,519	27,004,519	
Issued during the year:			
100,512,000 ordinary shares issued	2,210,240	-	
Share issue cost	(120,017)	-	
	<hr/>	<hr/>	
468,276,517 ordinary fully paid shares at end of year (2011: 367,764,517)	29,094,742	27,004,519	
<b>(b) Issued options:</b>			
Issue price of options issued in prior years and which have expired	2,745,074	2,745,074	
	<hr/>	<hr/>	
At reporting date	31,839,816	29,749,593	
	<hr/>	<hr/>	
<b>(c) Movement in issued shares during the year</b>			
<b>Date</b>	<b>Details</b>	<b>Number of shares</b>	<b>Number of shares</b>
1 July	opening balance	367,764,517	367,764,517
8 August 2011	Ordinary shares issued	40,000,000	-
9 February 2012	Ordinary shares issued	60,512,000	-
		<hr/>	<hr/>
30 June	closing balance	468,276,517	367,764,517
		<hr/>	<hr/>

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.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

**GOLDSEARCH LIMITED****ABN 73 006 645 754****NOTES TO THE FINANCIAL STATEMENTS****FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012****16. ISSUED CAPITAL (continued)****(d) Movement in issued share options during the year:**

The Company had no quoted options granted, the following table show the movement of unquoted options granted during the financial year ended 30 June 2012:

<b>Date</b>	<b>Details</b>	<b>Exercise price</b>	<b>Expiry date</b>	<b>Number</b>
<b><u>Unquoted options (f)</u></b>				
1 July 2011	opening balance	n/a	n/a	-
2 December 2011	options issued	5.0 cents	1 December 2014	22,250,000
6 May 2012	options lapsed	5.0 cents	1 December 2012	<u>(1,000,000)</u>
		Weighted average exercise price		
30 June 2012	closing balance	5.0 cents	1 December 2014	<u>21,250,000</u>

The Company had no quoted or unquoted options granted during the financial year ended 30 June 2011.

**(e) Uncalled capital :**

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

**(f) Terms and conditions of quoted and unquoted options:****Unquoted options:**

The 22,250,000 unquoted options entitle the holder to subscribe for 1 fully paid share 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.

**(g) Capital management:**

Management controls the capital of the Company in order to maintain a reasonable debt to equity ratio, provide the shareholders with adequate returns and ensure that the Company can fund its operations and continue as a going concern.

The Company currently has no debt funding available or external capital requirement. The Company's capital includes ordinary share capital share options and reserves. The financial liabilities are supported by financial assets.

Management effectively manages the Company capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of share issues. The Company strategy remains unchanged from prior year.

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	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>17. RESERVES</b>		
<b>Available-for-sale investments revaluation reserve.</b>		
Balance at beginning of year	(372,564)	913,816
Unrealised gain/(loss) to fair value	369,091	(797,777)
Adjustment on sale of investment	3,473	(488,603)
Balance at end of year	-	(372,564)
<p>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.</p>		
<b>Share-based payment reserve.</b>		
Balance at beginning of year	-	-
Share based expenses	349,325	-
Balance at end of year	349,325	-
<p>The fair value of equity settled share-based payments to consultants and directors or their associates are recognised in the statement of comprehensive income on a straight line method over their vesting periods (refer to Note 18).</p>		
Total reserves	349,325	(372,564)

**18. SHARE-BASED PAYMENTS**

The following share-based payment arrangements existed during the financial year ended 30 June 2012:

On 2 December 2011, 22,250,000 share options were granted to directors and consultants or their associates as approved by shareholders at the annual general meeting held on 24 November 2011.

The options held no voting or dividend rights and were not transferable.

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 (cents)</b>	<b>Fair value at grant date (cents)</b>
(1) 2 December 2011	22,250,000	02/12/11	01/12/14	5.0	1.57

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**18. SHARE-BASED PAYMENTS (continued)**

The weighted average fair value of the share options granted during the financial year is 1.57 (2011: Nil cents). Options were priced using the 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>	
Grant date share price	cents	2.5
Exercise price	cents	5.0
Expected volatility	%	122.4
Option life	months	36
Dividend yield	%	Nil
Risk-free interest rate	%	4.75

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

	<b>2012</b>		<b>2011</b>	
	<b>Number of options (underlying securities)</b>	<b>Weighted average exercise price \$</b>	<b>Number of options</b>	<b>Weighted average exercise price \$</b>
Balance at beginning of year	-	-	-	-
Granted during the year	22,250,000	0.05	-	-
Lapsed during the year	(1,000,000)	0.05	-	-
Balance at end of year	<u>21,250,000</u>	<u>0.05</u>	-	N/A
Exercisable at end of year	<u>21,250,000</u>	<u>0.05</u>	-	N/A

**(i) Exercised**

No share options granted as remuneration were exercised during the year (2011: Nil).

**(ii) 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 statement of comprehensive income over the vesting period.

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	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>

**19. REMUNERATION OF AUDITORS**

Amounts received or due and receivable by the auditors for:

- auditing the accounts	<u>51,000</u>	<u>45,012</u>
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**20. ECONOMIC DEPENDENCY**

The Company's principal activities are mineral exploration and investment. Other than interest derived from funds on deposit and dividends and capital growth from its investments, 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 States in Australia. Presently, rehabilitation bonds for a value of \$20,000 (2011: \$40,000) have been lodged over certain leases held by the Company in favour of the Victorian Department of Industry and Resources. 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 above rehabilitation bonds 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

R.B. Leece, AM RFD

T.V. Willstead

A.G. Harris deceased 12 November 2011

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

**GOLDSEARCH LIMITED****ABN 73 006 645 754****NOTES TO THE FINANCIAL STATEMENTS****FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012****22. RELATED PARTY TRANSACTIONS (continued)**

The totals of remuneration paid to key management personnel of the Company during the year are as follows:

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	426,940	426,371
Post-employment benefits	75,874	30,817
	<u>502,814</u>	<u>457,188</u>

Details of shares and options held by key management personnel are included in the Remuneration Report set out in 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 \$24,716 (2011: \$12,368).

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:

<b>Directors</b>	<b>Ordinary shares</b>		<b>Quoted share options</b>		<b>Unquoted share options</b>	
	<b>Direct</b>	<b>Indirect</b>	<b>Direct</b>	<b>Indirect</b>	<b>Direct</b>	<b>Indirect</b>
J. Landerer, CBE AM	5,725,872	4,243,129	-	-	-	4,250,000
A.G. Harris	220,000	-	-	-	-	-
R.B. Leece, AM RFD	-	11,996,465	-	-	-	3,250,000
J.M.E. Percival	4,000	7,481,709	-	-	-	4,000,000
T.V. Willstead	-	3,308,000	-	-	-	3,250,000

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

**(i) The following shares and options were acquired during the period**

J. Landerer, CBE AM	-	400,000	-	-	-	4,250,000
A.G. Harris	-	-	-	-	-	-
R.B. Leece, AM RFD	-	-	-	-	-	3,250,000
J.M.E. Percival	-	-	-	-	-	4,000,000
T.V. Willstead	-	-	-	-	-	3,250,000

**(ii) No shares or options were sold, or options exercised, during the period**

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**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 year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Cash at 30 June is shown in the statement of financial position as:		
Cash on hand	700	700
Cash at bank	207,553	219,603
Deposits at call	26,976	46,623
	235,229	266,926

**(b) Reconciliation statement:**

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

Loss after income tax	(3,861,124)	(647,174)
<u>Add/(less)</u>		
Depreciation	9,444	6,379
Write-off of capitalised exploration expenditure	1,424,255	1,093,228
Share based payment expenses	349,325	-
Investment impairment charge	1,377,106	-
Net gain on disposal of investments	(98,394)	(1,098,413)
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(47,661)	14,000
(Increase)/decrease in prepayments <sup>#</sup>	3,356	(5,694)
Increase/(decrease) in provisions <sup>#</sup>	(5,739)	4,023
Increase/(decrease) in trade creditors and accruals <sup>#</sup>	43,709	14,087
Net cash used in by operating activities	(805,723)	(619,564)

<sup>#</sup> Amounts reported are net of exploration expenditure.

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

**GOLDSEARCH LIMITED****ABN 73 006 645 754****NOTES TO THE FINANCIAL STATEMENTS****FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012****23. STATEMENT OF CASH FLOWS (continued)****(c) Non-cash financing and investing activities**

During the year ended 30 June 2011, the Company received 3,675,000 fully paid ordinary shares and 1,837,000 unquoted options to acquire fully paid shares as consideration under the Musgrave tenement sale agreement referred to in Note 11(a). The fair value of this consideration was \$1,271,550 and is recorded as part of the acquisition cost of these investments.

**24. EARNINGS PER SHARE****2012****2011****\$****\$**

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

Basic loss cents per share	(0.90)	(0.18)
Diluted loss cents per share	(0.90)	(0.18)
Weighted average number of ordinary shares outstanding during the year used to calculated basic EPS	426,979,555	367,764,517
Weighted average number of ordinary shares outstanding during the year used to calculated diluted EPS	426,979,555	367,764,517
Loss from continuing operations used to calculated basic EPS and diluted EPS	<u>(3,861,124)</u>	<u>(647,174)</u>

There is no impact from 22,250,000 options outstanding at 30 June 2012 (2011: Nil options) on the earnings per share calculation because they are anti-dilutive. These options could potentially dilute basic EPS in the future. There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

## GOLDSEARCH LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

#### 25. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of components of the consolidated entity that are regularly reviewed by the chief operating decision makers in order to allocate resources to the segment and to assess its performance.

##### Description of segments

Management has determined the operating segments based on reports presented to the board for making strategic decisions.

- Mineral exploration overseas

This Segment covers all exploration investment and expenditure conducted overseas, which includes:

Sweden; the Company was earning a 70% interest in three exploration licences which cover two separate targets which cover an area of approximately 200 square kilometres. Refer to Note 11(d).

Cambodia; during the financial year ended 30 June 2012, the Company was evaluating tenement holding within Cambodia.

- Minerals exploration Australia – Queensland

This segment covers all exploration investment and expenditure incurred in Queensland, which includes:

Mary Kathleen JV; The Company currently holds a 30% interest in the Mary Kathleen JV. Refer to Note 11 (b).

Duck Creek; The Company currently holds 100% diluting to 30% on the Duck Creek tenement. Refer to Note 11 (c).

- Minerals exploration Australia – Other

All other minerals exploration projects and joint venture projects have been grouped within this segment.

- Investments

During the year the Company held equity investments in Morning Star Gold NL (MCO), Independence Group NL (IGO) and Musgrave Minerals Ltd (MGV). Refer to Note 9.

- Administration

This segment covers all other unallocated expenditure and income for operating the Company.

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**25. SEGMENT INFORMATION (continued)**

	Mineral exploration overseas	Mineral exploration Australia		Investments	Administration	Total
		Queensland	Other			
<b>2012</b>						
Revenue	-	-	-	98,478	10,579	109,057
Results	(618,673)	(3,302)	(802,280)	(1,278,628)	(1,158,241)	(3,861,124)
Assets	-	3,237,531	1,069,279	885,257	376,051	5,568,118
Liabilities	-	334,828	2,430	-	180,751	518,009
Acquisition of non-current assets	274,996	1,395,161	163,716	248,034	840	2,082,747
Depreciation	-	-	2,302	-	9,444	11,746
Other non-cash expenses	-	-	-	-	-	-

	Mineral exploration overseas	Mineral exploration Australia		Investments	Administration	Total
		Queensland	Other			
<b>2011</b>						
Revenue	-	-	511,401	658,214	2,538	1,172,153
Results	-	(67,965)	(513,862)	658,214	(723,561)	(647,174)
Assets	343,677	1,845,673	1,707,841	1,993,441	373,587	6,264,219
Liabilities	39,898	-	7,582	-	117,618	165,098
Acquisition of non-current assets	109,543	89,809	598,253	1,664,836	25,560	2,488,001
Depreciation	-	-	16,319	-	6,379	22,698
Other non-cash expenses	-	-	665	-	4,023	4,688

**2012**                      **2011**  
**\$**                                      **\$**

**26. FRANKING CREDITS**

The amount of the franking credits available for subsequent reporting periods are:

Balance at the end of the reporting period	84,279	84,243
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<b>27. CONTROLLED ENTITIES</b>	<b>Country of incorporation</b>	<b>Percentage owned 2012</b>	<b>Percentage owned 2011</b>
Parent entity:			
Goldsearch Limited	Australia	-	-
Controlled entities:			
Caytale Pty Limited (i)	Australia	100%	100%
Chiljill Pty Limited (i)	Australia	100%	100%
Miltonpak Pty Limited (i)	Australia	100%	100%

- (i) The above subsidiary companies have no activities other than as holders of exploration rights on certain tenements.

The financial statement cover Goldsearch Limited as an individual entity, separate consolidated accounts of the consolidated entity formed by the Company and these wholly owned subsidiaries listed above 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.

***(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 and debt capital respectively and the ability to realise listed investments if and when required.

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

*ii. Financial risk exposures and management (continued)*

**(b) Foreign currency risk exposure**

At reporting date, the Company 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 adopt appropriate monitoring tools and evaluate this risk if and 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 on 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	Floating interest rate	Fixed interest maturing in		Non - interest bearing		Total
			1 year or less	over 1 to 5 years	1 year or less	over 1 to 5 years	
		\$	\$	\$	\$	\$	\$
<b>2012</b>							
<b>Financial assets</b>							
Cash	23	208,253	26,976	-	-	-	235,229
Receivables	6	-	-	-	-	-	-
Investments-non-listed securities	9	-	-	-	-	885	885
Investments-listed securities	9	-	-	-	-	884,372	884,372
Total financial assets		208,253	26,976	-	-	885,257	1,120,486
Weighted average interest rate		2.25%	6.25%	-	-	-	-
<b>Financial liabilities</b>							
Trade and sundry creditors	14	-	-	-	422,179	-	422,179
Total financial liabilities		-	-	-	422,179	-	422,179
Weighted average interest rate		-	-	-	-	-	-
Net financial assets		208,253	26,976	-	(422,179)	885,257	698,307

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

*ii. Financial risk exposures and management (continued)*

	Note	Floating interest rate	Fixed interest maturing in		Non - interest bearing		Total
			1 year or less	over 1 to 5 years	1 year or less	over 1 to 5 years	
2011		\$	\$	\$	\$	\$	\$
<b>Financial assets</b>							
Cash	23	219,603	46,623	-	-	-	266,226
Receivables	6	-	-	-	-	-	-
Investments-non-listed securities	9	-	-	-	-	885	885
Investments-listed securities	9	-	-	-	-	1,992,556	1,992,556
Total financial assets		219,603	46,623	-	-	1,993,441	2,259,667
Weighted average interest rate		0.00%	5.58%	-	-	-	-
<b>Financial liabilities</b>							
Trade and sundry creditors	14	-	-	-	95,259	-	95,259
Total financial liabilities		-	-	-	95,259	-	95,259
Weighted average interest rate		-	-	-	-	-	-
Net financial assets		219,603	46,623	-	(95,259)	1,993,441	2,164,408

**(d) Credit risk exposure**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets is the carrying amount, net of any provision for impaired receivables, as disclosed in the statement of financial position and notes to the financial statements.

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

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

**(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 investments.

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

**ii. Financial risk exposures and management (continued)**

**(f) Price risk (continued)**

The Company continually monitors the financial markets in relation to its holding of listed investments. The Company will only dispose of its investments 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.

**(g) Interest rate risk**

It is Company policy to assess cash flow requirements and prevailing interest rates at the time of deciding the mixture of debt funding and either prevailing fixed and floating interest rate.

Interest rate risk on cash and short term deposits is not considered to be a material risk due to the short term nature of these financial instruments.

As at the reporting date a variance of +/- 100 basis points would have affected the group's after-tax loss and equity by +/- \$2,978 (2011: +/- \$2,538).

**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 statement of financial position and the notes to the financial statements.
- (ii) Listed investments have been valued at the quoted market bid price at the date of the statement of financial position (level 1). 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 (level 2). (Refer to Note 9).

<b>2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
<b>Financial assets:</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Available-for-sale financial assets:			
- Listed investment	331,652	-	331,652
- Listed investment (restricted to April 2013)	552,720	-	552,720
- Unlisted investments	-	885	885
<b>Total</b>	<b>884,372</b>	<b>885</b>	<b>885,257</b>

<b>2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
<b>Financial assets:</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Available-for-sale financial assets:			
- Listed investment	921,660	-	921,660
- Listed investment (restricted to April 2013)	1,070,896	-	1,070,896
- Unlisted investments	-	885	885
<b>Total</b>	<b>1,992,556</b>	<b>885</b>	<b>1,993,441</b>

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

*iv. Sensitivity analysis*

The Company has performed a sensitivity analysis relating to its exposure to price risk at reporting date, as detailed in the following table. The directors 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

The following tables show 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:

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Change in profit		
– Increase in share price by 5%	-	-
– Decrease in share price by 5%	-	-
Change in equity		
– Increase in share price by 5%	44,219	99,628
– Decrease in share price by 5%	(44,219)	(99,628)

**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 REPORTING DATE**

Since reporting date and to the date of this report:

- the Company announced on 20 July 2012 that it had arranged a private placement of 65,000,000 ordinary fully paid shares at 1 cent per share to a syndicate of sophisticated investors. The placement was made subject to shareholder approval which was obtained at a general meeting held on 30 August 2012. The placement was completed on 7 September and provided \$650,000 additional working capital to finance the on-going contributions to exploration costs on the Mary Kathleen joint venture with Chinalco Yunnan Copper Resources Limited.

Otherwise no other matters or circumstances have arisen since 30 June 2012 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.

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**31. Changes in accounting policies**

**Adoption of AASBs and improvements to AASBs 2011 – AASB 1054 and AASB 2011-1**

The AASB has issued AASB 1054 *Australian Additional Disclosures* and 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project*, and made several minor amendments to a number of AASBs. These standards eliminate a large portion of the differences between the Australian and New Zealand accounting standards and IFRS and retain only additional disclosures considered necessary. These changes also simplify some current disclosures for Australian entities and remove others.

**Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company financial statements is provided below

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company financial statements.

**AASB 9 Financial Instruments (effective from 1 January 2013)**

The AASB aims to replace AASB 139 *Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Company. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

**Consolidation Standards**

A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Company management have yet to assess the impact of these new and revised standards on the Company financial statements.

**AASB 10 Consolidated Financial Statements (AASB 10)**

AASB 10 supersedes the consolidation requirements in AASB 127 *Consolidated and Separate Financial Statements* (AASB 127) and Interpretation 112 *Consolidation – Special Purpose Entities*. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

**GOLDSEARCH LIMITED**  
**ABN 73 006 645 754**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

**31. Changes in accounting policies (continued)**

**AASB 11 Joint Arrangements (AASB 11)**

AASB 11 supersedes AASB 131 Interests in Joint Ventures (AASB 131). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. It introduces two accounting categories (joint operations and joint ventures) whose applicability is determined based on the substance of the joint arrangement. In addition, AASB 131's option of using proportionate consolidation for joint ventures has been eliminated. AASB 11 now requires the use of the equity accounting method for joint ventures, which is currently used for investments in associates.

**AASB 12 Disclosure of Interests in Other Entities (AASB 12)**

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

**Consequential amendments to AASB 127 Separate Financial Statements (AASB 127) and AASB 128 Investments in Associates and Joint Ventures (AASB 128)**

AASB 127 Consolidated and Separate Financial Statements was amended to AASB 127 Separate Financial Statements which now deals only with separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

**AASB 13 Fair Value Measurement (AASB 13)**

AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Company management have yet to assess the impact of this new standard.

**AASB 2011-9 Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income s (AASB 101 Amendments)**

The AASB 101 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Company management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

**Amendments to AASB 119 Employee Benefits (AASB 119 Amendments)**

The AASB 119 Amendments include a number of targeted improvements throughout the Standard. The main changes relate to defined benefit plans. They:

- eliminate the 'corridor method', requiring entities to recognise all gains and losses arising in the reporting period in other comprehensive income
- streamline the presentation of changes in plan assets and liabilities
- enhance the disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

The amended version of AASB 119 is effective for financial years beginning on or after 1 January 2013. The Company management have yet to assess the impact of this revised standard on the financial statements.

**GOLDSEARCH LIMITED**  
**ABN 73 006 645 754**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**31. Changes in accounting policies (continued)**

**AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124 Amendments)**

AASB 2011-4 makes amendments to AASB 124 Related Party Disclosures to remove individual key management personnel disclosure requirements, to achieve consistency with the international equivalent (which includes requirements to disclose aggregate (rather than individual) amounts of KMP compensation), and remove duplication with the Corporations Act 2011. The amendments are applicable for annual periods beginning on or after 1 July 2013. The Company management have yet to assess the impact of these amendments.

**Amendments to IAS 32 Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures**

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities. Qualitative and quantitative disclosures have been added to IFRS 7 relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The amendments are applicable for annual periods beginning on or after 1 January 2014. The Company management have yet to assess the impact of these amendments.

**AASB Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine**

Clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 112 Inventories if the benefits from stripping activity is realised in the form of inventory produced.

Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, stripping activity asset if certain recognition criteria are met (as an addition to, or enhancement of, an existing asset). The interpretation is applicable for annual periods beginning on or after 1 January 2013. The interpretation will have no impact on the Company as it has no mining activities.

**32. COMPANY DETAILS**

The registered office of the Company is c/- Boroughs, Level 6, 77 Castlereagh Street, Sydney NSW 2000.

The principal place of business of the Company is Level 4, 20 Loftus Street, Sydney NSW 2000.

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

**DIRECTORS' DECLARATION**

The directors of Goldsearch Limited declare that:

1. The financial statements and associated notes for the financial year ended 30 June 2012:
  - (a) are in accordance with the Corporations Act 2001;
  - (b) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (c) the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in note 1; and
  - (d) give a true and fair view of the financial position of the Company as at 30 June 2012 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

Sydney,  
13 September 2012.

# INDEPENDENT AUDITOR'S REPORT



Grant Thornton Audit Pty Ltd  
ACN 130 913 594

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## **Independent Auditor's Report To the Members of Goldsearch Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Goldsearch Limited (the "Company"), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of the Company.

### **Directors responsibility for the financial report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with the Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, 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 which require us to 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 controls relevant to the Company'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 Company's internal controls. 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 opinion.

#### **Electronic presentation of audited financial report**

This auditor's report relates to the financial report of Goldsearch Limited for the year ended 30 June 2012 included on Goldsearch Limited's web site. The Directors are responsible for the integrity of Goldsearch Limited's web site. We have not been engaged to report on the integrity of Goldsearch Limited's 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.

#### **Independence**

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

#### **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 2012 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and complying with and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

**Report on the remuneration report**

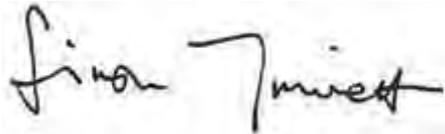
We have audited the remuneration report included in pages 6 to 11 of the Directors' Report for the year ended 30 June 2012. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Goldsearch Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



S. C. Trivett  
Partner – Audit and Assurance

Melbourne, 13 September 2012

## **CORPORATE GOVERNANCE STATEMENT**

The following statement outlines the principal corporate governance practices and procedures that were in place throughout the financial year and the extent to which they depart from the revised Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council in December 2007 and amended in June 2010.

### **Roles of the board and management**

The board is responsible for establishing the strategy and policies of the Company, overseeing its financial position, approving major capital expenditures and exploration programs and expenditures. The board is also responsible for the appointment and supervision of the chief executive and secretary of the Company, and monitoring the corporate conduct of its officers.

The board has delegated responsibility for the day-to-day operations of the Company to the Director-Operations, Mr J.M.E. Percival. The board has determined that Mr Percival is appropriately experienced to discharge these responsibilities.

Whilst there is a clear distinction between the respective roles of the board and management, the board is responsible for ensuring that the objectives and activities of management are consistent with the strategies and policies set by the board.

The board meets approximately every six weeks and directors receive comprehensive board papers which include an activity report from management and monthly management accounts. All contractual commitments and payments are approved by the board.

At meetings of the board, the directors deal with various policy and corporate governance matters, including:-

- formulating and reviewing Company strategies and board policies;
- monitoring implementation of Company strategies by management, and ensuring appropriate resources are available to undertake those strategies;
- ensuring appropriate management control and accountability systems are in place;
- reviewing executive performance and remuneration;
- reviewing the composition of the board;
- ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act;
- reviewing published reports and stock exchange announcements to ensure their accuracy and compliance with statutory requirements;
- identification of areas of significant business risk and the management of those risks; and
- the establishment and maintenance of appropriate ethical standards for the Company, its directors and executives.

### **Structure of the board of directors**

The directors of the Company in office at the date of this statement are:

Mr J. Landerer, CBE AM (non-executive chairman)

Mr J.M.E. Percival (executive director-operations)

Mr R.B. Leece, AM RFD (non-executive director)

Mr T.V. Willsteed (non-executive director)

The skills and experience of each director is set out in the accompanying directors' report.

As noted above, three of the four directors are non-executive, including the chairman, and the roles of chairman and chief executive are not exercised by the same individual.

The board has considered the independence of each of the directors and has determined that all four non-executive directors, including the chairman, are independent. In doing so they considered the level of fees paid to the Company's solicitors Landerer & Company, of which the chairman is a principal, and formed the view that the level of fees paid are not material for the purposes of influencing the independence of the chairman.

The composition of the board is determined by all directors using the following principles which accord with the ASX Corporate Governance Principles and Recommendations:

- A majority of the board should be independent directors;
- The chairman should be an independent director; and
- The roles of chairman and chief executive should not be exercised by the same individual;
- The board should comprise a majority of non-executive independent directors.

Because of the relatively small size of the Company and its operations, the board does not consider it appropriate, at this time, to form a separate committee to deal with nomination of directors.

When a vacancy exists on the board or where it is considered that a director with particular skills or experience is required, the board selects a panel of candidates with the appropriate expertise and experience from which the most suitable candidate is appointed on merit.

Individual directors are able to seek independent professional advice, at the Company's expense, on matters relevant to their role as a director. This is subject to the prior approval of the chairman, which may not be unreasonably withheld, and the other directors being given a copy of such advice.

Non-executive directors are appointed for an indefinite term subject to the constitution of the Company which provides for regular retirement by rotation and provides that no director (except a managing director) shall hold office for more than 3 years, or until the third annual general meeting following the director's appointment without submitting himself for re-election. The dates on which each director was appointed and last re-elected are as follows:

<u>Director</u>	<u>Appointed</u>	<u>Last re-elected</u>
Mr J. Landerer, CBE AM	11 October 1995	24 November 2011
Mr J.M.E. Percival	11 October 1995	30 November 2006 #
Mr R.B. Leece, AM RFD	7 August 2002	25 November 2010 *
Mr T.V. Willsteed	20 July 2004	24 November 2011

\* Mr R B Leece is standing for re-election at the 2012 annual general meeting.

# The 'retirement by rotation' provisions do not apply to Mr Percival whilst he is a managing director.

In the event that a potential conflict of interest may arise, involved directors withdraw from deliberations concerning the matter.

### **Gender diversity**

The directors have not yet adopted a diversity policy as per recommendation 3.2 but propose to do so in the coming year. The current board of directors is comprised of four males and the Company's employees currently comprise one male and two females.

### **Code of conduct**

Board members, executive management and Company officers are made aware of the requirements to follow corporate policies and procedures, to obey the law and to maintain appropriate standards of honesty and integrity at all times. In this regard the directors have adopted a code of conduct for directors, senior executives and employees. The code of conduct covers ethical operations, compliance with laws, dealings with customers and public officials, conflicts of interest, confidential and proprietary information and insider trading. A copy of the code is available on the Company web site under the corporate governance section.

### **Trading policy**

The directors have adopted a formal trading policy to apply to the Company's directors and key management personnel in relation to trading in securities of the Company.

Whilst directors and key management personnel are encouraged to invest in the Company's securities they are generally prohibited from trading in Company securities:

- while in possession of material information concerning the Company that has not been generally disclosed to the investing public for at least two business days; or
- during any of the closed periods specified in the policy,

unless it is an excluded transaction or prior written clearance has been obtained in accordance with this policy.

Company directors and key management personnel are required to give prior notice to the chairman of any dealings in Company securities by themselves or their associates and to provide particulars of any such transactions to the company secretary immediately following execution. The secretary is to make the

requisite Appendix 3Y notifications to ASX within 2 days of being notified. If either the chairman or chief executive proposes to trade Company securities they are to advise the board as a whole.

The trading policy is in addition to the general insider trading provisions in the Corporations Act which apply at all times.

A copy of the trading policy is available on the Company web site under the corporate governance section.

### **Financial reporting and audit committee**

Mr J.M.E. Percival, director-operations, is required to confirm to the board that, for each financial reporting period, the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

The board has established a separate, formally constituted, audit committee which reviews the published accounts of the Company as well as the external auditing arrangements and the adequacy, quality and effectiveness thereof. The committee consists of all three non-executive directors together with external consultant and chartered accountant Mr J.D. Leece, OAM. Executive director Mr J M E Percival attends committee meetings by invitation. Mr T V Willsted is chairman of the committee. The committee meets at least twice a year. Particulars of committee meetings held during the year ended 30 June 2012 and the attendance of each committee member is set out in the accompanying directors' report.

The committee has a formal charter, a copy of which is available on the Company web site under the corporate governance section.

### **Continuous disclosure**

All directors and senior executives have been made aware of the continuous disclosure requirements of the ASX Listing Rules and have been provided with a copy of the relevant rules and guidance notes.

Continuous disclosure is included on the agenda for all formal meetings of the directors. Directors and senior executives are made aware of the constraints applicable to private briefings and broker and analyst presentations.

The directors have allocated responsibility to the 'director-operations' and the 'company secretary' to alert the board to any operational or regulatory matters respectively which they consider may require disclosure to the market under the continuous disclosure requirements of the ASX Listing Rules. The directors then consider and approve the form of any such announcement.

All Company announcements require the approval of the board with provision for available directors, including the chairman, to approve urgent announcements. The company secretary is responsible for communication with ASX. The chairman is responsible for all media contact and comment.

The annual report contains a review of operations.

### **Shareholder communication**

The Company communicates with its shareholders through ASX announcements, quarterly reports, the half-year report, the annual report and the annual general meeting. Copies of all such ASX announcements and reports are posted on the Company web site. Shareholders are encouraged to provide an email address to receive electronic copies of all announcements and reports.

The independent auditor attends the annual general meeting to respond to questions from shareholders on the conduct of the audit and the preparation and content of the audit report.

### **Risk management**

The board has established a system of risk oversight and management and internal controls. The purpose of the system is to:

- Identify, assess, monitor and manage risk;
- Inform investors of material changes to the Company's risk profile; and
- Enhance the environment for capitalising on value creation opportunities.

Responsibility for the implementation and ongoing review of business risks rests with the CEO of the Company.

The Company has a separation of responsibility for the ongoing review of business risks and the review and monitoring of that risk management process. Ongoing review of the overall risk management program is to be conducted six monthly by the board of directors. The board examines, evaluates, reports, and recommends improvements on the adequacy and effectiveness of management's risk processes. Internal assessments are made independent of the external audit process.

The Company has adopted a formal risk management policy, a copy of which is available on the Company web site under the corporate governance section.

#### **Performance evaluation of directors and executives**

A performance evaluation of the board last took place in 2009. No review took place during the year ended 30 June 2012.

The board and the 'director-operations' undertake a review of the performance of senior executives and employees on an annual basis.

#### **Remuneration of directors and executives**

Because of the relatively small size of the Company and its operations, the board does not consider it appropriate, at this time, to form a separate committee to deal with executive remuneration. The board as a whole establishes and reviews annually the remuneration of the executive directors, senior executives and employees.

In accordance with the constitution of the Company, shareholders determine the maximum aggregate annual remuneration of the directors, (the current maximum aggregate annual remuneration which was approved by shareholders at the 2007 annual general meeting is \$250,000). The directors determine the allocation of all or part of the approved maximum aggregate remuneration between the non-executive directors. The current determination is to pay annual directors fees of \$36,000 to non-executive directors and \$40,000 to the chairman. With the current board structure, this is an aggregate of \$112,000 per annum compared with the shareholder approved maximum of \$250,000.

The cash remuneration of the directors is from time to time supplemented by incentive options issued under the Company's Employee and Directors Share Option Plan. Specific shareholder approval is required before options are issued to directors under this Plan.

A summary of the Company's remuneration policies and practices, together with particulars of remuneration of the directors and key management personnel during the year ended 30 June 2012, is set out in the remuneration report section of the directors report and in the notes to the financial statements. Particulars of options issued to directors under the Employee and Directors Share Option Plan are set out in the remuneration report and in the notes to the financial statements. There was a total of 21,250,000 options on issue to directors and consultants at 30 June 2012.

There are no schemes or provisions for retirement benefits for non-executive directors other than statutory benefits and accumulated superannuation. However the directors have agreed that, subject to the Law, non-executive directors are to be entitled to a payment of one year's directors' fees upon their retirement from office.

#### **Recognition of legitimate interests of stakeholders**

As detailed above, the Company has adopted a code of conduct which 'inter alia' deals with compliance with legal and other obligations to legitimate stakeholders. The full code of conduct is available on the Company web site under the corporate governance section.

## ASX INFORMATION

### Statement of quoted securities as at 13 September 2012

- there are 2,621 shareholders holding a total of 533,276,517 ordinary fully paid shares.
- the 20 largest shareholders between them hold 51.585% of the total shares on issue.
- voting rights are that on a show of hands each member present in person or by proxy or attorney or representative shall have one vote and upon a poll every member so present shall have one vote for every fully paid share held and for each partly paid share held shall have a fraction of a vote pro-rata to the amount paid up on each partly paid share relative to its issue price.
- there are 21,250,000 unquoted options currently on issue exercisable at 5 cents per share and expiring 1 December 2014.

### Distribution of quoted shares as at 13 September 2012

<u>Range</u>	<u>Shares</u>
	<u>Number of holders</u>
1 - 1,000	62
1,001 - 5,000	426
5,001 - 10,000	465
10,001 - 100,000	1,213
100,001 - and over	<u>455</u>
Total holders	<u>2,621</u>

There were 1,741 shareholders whose total holding had a market value of less than \$500 at 13 September 2012.

### Substantial shareholdings as at 13 September 2012

The following shareholders have notified the Company that pursuant to the provisions of section 671B of the Corporations Act 2001 they are substantial shareholders.

<u>Substantial shareholder</u>	<u>Total relevant interest notified</u>	<u>% of total voting rights</u>
Wingett Nominees Pty Limited	50,000,000 ordinary shares	9.376
D R Watson	27,867,990 ordinary shares	5.225

### Directors' shareholdings

As at 13 September 2012 directors of the Company held a relevant interest in the following securities on issue by the Company.

<u>Director</u>	<u>Ordinary shares</u>
J. Landerer, CBE AM	9,969,001
R.B. Leece, AM RFD	11,996,465
J.M.E. Percival	7,485,709
T.V. Willstead	3,308,000

### On-market buy-backs

There is no on-market buy back currently in place.

### Restricted securities

There are no restricted securities on issue by the Company.

## Top 20 holders of ordinary shares at 13 September 2012

<u>Shareholder name</u>	<u>Number of shares held</u>	<u>% of total</u>
Wingett Nominees Pty Limited	50,000,000	9.376
Forsyth Barr Custodians Limited	47,313,634	8.872
National Nominees Limited	46,873,104	8.790
Jayare Nominees Pty Limited	20,697,635	3.881
Belmark Investments Pty Limited	16,000,000	3.000
Doppelganger Pty Limited	11,996,465	2.250
Mr Stephen Koppe	11,100,000	2.082
E G Enterprises Pty Limited	10,000,000	1.875
C H Administration Pty Limited	9,272,990	1.739
Karari Australia Pty Limited	8,000,000	1.500
Karma Sikkim Pty Limited	7,200,000	1.350
Mr John Landerer	5,725,872	1.074
Mr John Percival and Ms Josephine Gregan	4,976,709	0.933
J P Morgan Nominees Australia Ltd	4,551,549	0.854
Ganeshaya Pty Limited	4,218,192	0.791
Lemuel Investments Pty Limited	4,000,000	0.750
Gerendasi Holdings Pty Limited	3,746,254	0.702
Patermat Pty Limited	3,308,000	0.620
Ms Barbara Kinney & Mr Gregory Kellerman	3,500,000	0.656
Clear Star Holdings Pty Limited	<u>2,611,173</u>	<u>0.490</u>
Total held by top 20 shareholders	<u>275,091,577</u>	<u>51.585</u>



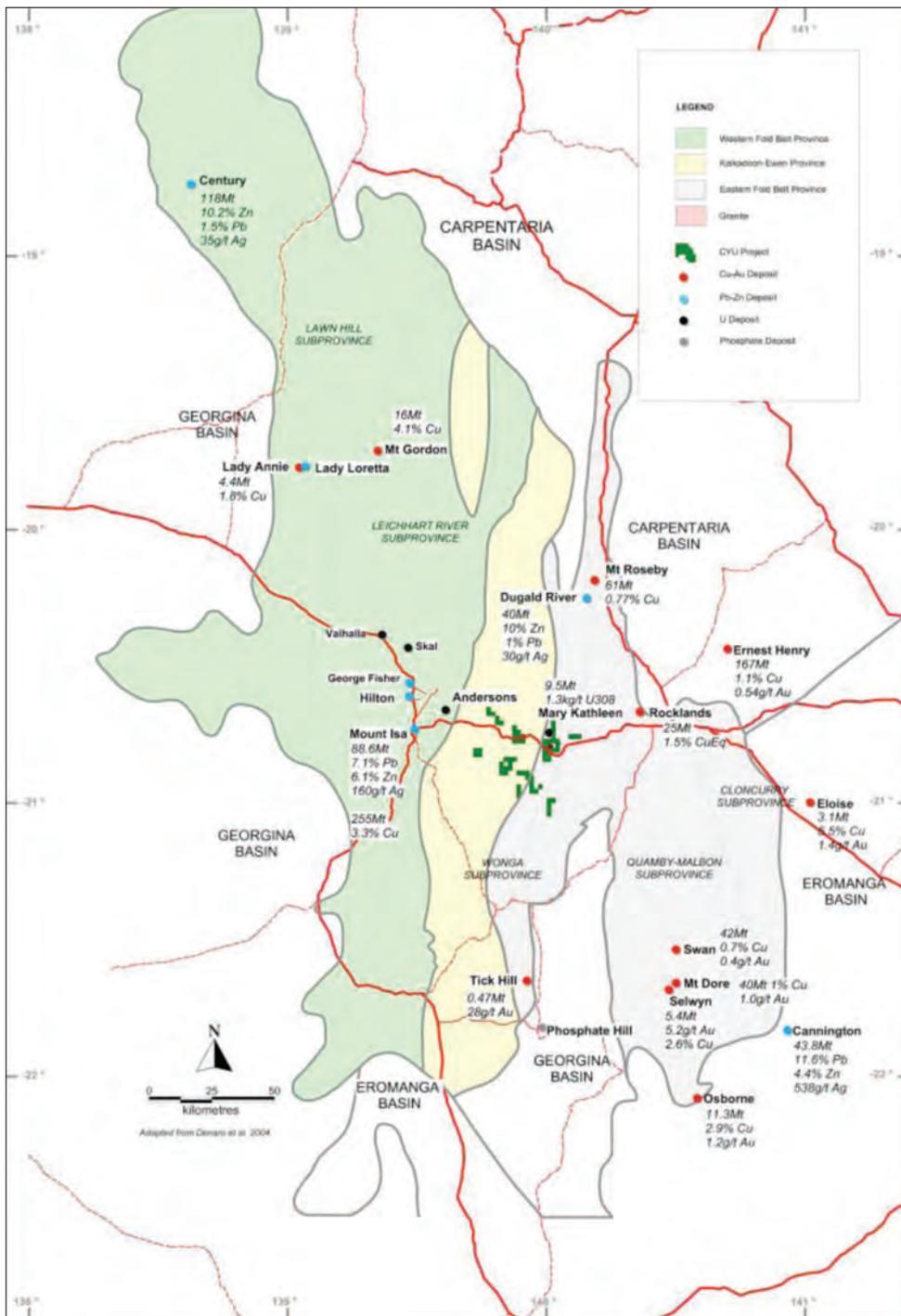


Figure 12: Northwest Queensland, Mount Isa Inlier. A Mineral rich province hosting a number of world class deposits.

## CU / 28

**GENERAL PROPERTIES:**

ELEMENT CATEGORY	Transition Metal
GROUP, PERIOD, BLOCK	10, 4, d
STANDARD ATOMIC WEIGHT	63.546(3)
ELECTRON CONFIGURATION	[Ar] 3d <sup>10</sup> 4s <sup>1</sup>
ELECTRONS PER SHELL	2, 8, 18, 1

**PHYSICAL PROPERTIES:**

DENSITY (NEAR R.T.)	8.94 g·cm <sup>-3</sup>
MELTING POINT	1357 K / 1084°C / 1984°F
BOILING POINT	2835 K / 2562°C / 4643°F
HEAT OF FUSION	13.26 kJ·mol <sup>-1</sup>
HEAT OF VAPORIZATION	300.4 kJ·mol <sup>-1</sup>

## CO / 27

**GENERAL PROPERTIES:**

ELEMENT CATEGORY	Transition Metal
GROUP, PERIOD, BLOCK	9, 4, d
STANDARD ATOMIC WEIGHT	58.933195(5)
ELECTRON CONFIGURATION	[Ar] 4s <sup>2</sup> 3d <sup>7</sup>
ELECTRONS PER SHELL	2, 8, 15, 2

**PHYSICAL PROPERTIES:**

DENSITY (NEAR R.T.)	8.90 g·cm <sup>-3</sup>
MELTING POINT	1768 K / 1495°C / 2723°F
BOILING POINT	3200 K / 2927°C / 5301°F
HEAT OF FUSION	16.06 kJ·mol <sup>-1</sup>
HEAT OF VAPORIZATION	377 kJ·mol <sup>-1</sup>

## AU / 79

**GENERAL PROPERTIES:**

ELEMENT CATEGORY	Transition Metal
GROUP, PERIOD, BLOCK	11, 6, d
STANDARD ATOMIC WEIGHT	196.966569(4)
ELECTRON CONFIGURATION	[Xe] 4f <sup>14</sup> 5d <sup>10</sup> 6s <sup>1</sup>
ELECTRONS PER SHELL	2, 8, 18, 32, 18, 1

**PHYSICAL PROPERTIES:**

DENSITY (NEAR R.T.)	19.30 g·cm <sup>-3</sup>
MELTING POINT	1337 K / 1064°C / 1947°F
BOILING POINT	3129 K / 2856°C / 5173°F
HEAT OF FUSION	12.55 kJ·mol <sup>-1</sup>
HEAT OF VAPORIZATION	324 kJ·mol <sup>-1</sup>

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**GENERAL PROPERTIES:**

ELEMENT CATEGORY	Transition Metal
GROUP, PERIOD, BLOCK	10, 4, d
STANDARD ATOMIC WEIGHT	58.6934(4)(2)
ELECTRON CONFIGURATION	[Ar] 4s <sup>2</sup> 3d <sup>8</sup> or [Ar] 4s <sup>1</sup> 3d <sup>9</sup>
ELECTRONS PER SHELL	2, 8, 16, 2 or 2, 8, 17, 1

**PHYSICAL PROPERTIES:**

DENSITY (NEAR R.T.)	8.908 g·cm <sup>-3</sup>
MELTING POINT	1728 K / 1455°C / 2651°F
BOILING POINT	3186 K / 2913°C / 5275°F
HEAT OF FUSION	17.48 kJ·mol <sup>-1</sup>
HEAT OF VAPORIZATION	377.5 kJ·mol <sup>-1</sup>

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**GENERAL PROPERTIES:**

ELEMENT CATEGORY	Actinide
GROUP, PERIOD, BLOCK	n/a, 7, f
STANDARD ATOMIC WEIGHT	238.02891(3)
ELECTRON CONFIGURATION	[Rn] 5f <sup>3</sup> 6d <sup>1</sup> 7s <sup>2</sup>
ELECTRONS PER SHELL	2, 8, 18, 32, 21, 9, 2

**PHYSICAL PROPERTIES:**

DENSITY (NEAR R.T.)	19.1 g·cm <sup>-3</sup>
MELTING POINT	1405 K / 1132°C / 2070°F
BOILING POINT	4404 K / 4131°C / 7468°F
HEAT OF FUSION	9.14 kJ·mol <sup>-1</sup>
HEAT OF VAPORIZATION	417.1 kJ·mol <sup>-1</sup>

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