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gsh/psh/asx dec 03 qtr

29 January 2004

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

Via ASX Online

No. of pages - 11

Dear Sir,

**Re: Report for the quarter ended 31 December 2003**

Enclosed please find the quarterly report and duly completed Appendix 5B for Goldsearch Limited for the quarter ended 31 December 2003.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'P S Hewson'.

P S Hewson  
Secretary

## Report for the quarter ended 31 December 2003

### HIGHLIGHTS

#### **Musgrave Block project – Independence Group joint venture**

##### **Summary**

During the quarter, work on the joint venture project in the Musgrave by Independence Group NL (formerly Independence Gold NL) consisted of additional follow-up soil geochemical sampling and ground geophysical surveys on DeRose Hill (EL 2910) in South Australia and confirmation reconnaissance soil geochemical sampling on EL 9443 and EL 9407 in the Northern Territory.

##### **South Australia**

Geochemical sampling at DeRose Hill (EL 2910) highlighted two new areas for follow-up work based on elevated nickel, copper, cobalt +/- platinum group metals (PGMs) soil geochemistry. A ground electro-magnetic (EM) geophysical survey is scheduled for one of these targets in March 2004. Ground checking of other geochemical target areas will undertaken at the same time and additional ground EM may be completed. Drilling of EM conductors is scheduled for April 2004.

##### **Northern Territory**

Follow-up geochemical sampling was completed over five target areas. The aim of the sampling was to confirm anomalous areas as defined by the wide-spaced, first-pass regional sampling on EL 9407 and EL 9443. Two target areas based on elevated copper values up to 167ppm (background <25ppm) were generated from this sampling and it is proposed to cover these areas with soil geochemical programs on a moderately close-spaced sample grid during the March 2004 quarter.

Following the successful completion of aboriginal heritage requirements and the approval of work programs, it is anticipated that high priority tenements EL 5701 and EL 5703 will be granted early in the March 2004 quarter. Geological reconnaissance work will be completed over these two ELs upon granting, and follow-up soil sampling on a 200 metre by 200 metre spaced grid is planned for two target areas which have been defined on EL 9407 from the surface geochemistry completed to date. Soil sampling will be completed following the reconnaissance work.

#### **Gawler Craton - Hawks Nest project– South Australia**

During the quarter, drilling was started at Hawks Nest to test two geophysical targets by personnel from the Red Metal Limited/Phelps Dodge Australasia Inc. alliance, the Company's joint venture partner. The first pre-collared diamond drill hole, testing a combined gravity/conductivity anomaly located within a fold closure, intersected dense rocks comprising banded hematite-magnetic gneiss typical of a highly metamorphosed banded iron formation. The hole was terminated at 361.1 metres. A second hole targeting a combined gravity/magnetic/conductivity anomaly was initiated in mid January and is expected to be completed by month end. Assay results for both holes are expected mid February.

#### **Windeyer project- New South Wales**

Results from the drilling program at Windeyer (EL 6094) were inconclusive as the small RAB rig which was used was unable to drill below the water table (high pressure and flow rate estimated at 20,000 gallons per hour). Accordingly there are no results below the 60 metre level when the 90 to 120 metre level was targeted as the area of most interest.

Our consultant geologist is now appraising the area with a more informed view with the expectation that we will revisit the area at some future date with a more powerful diamond drilling rig to access deeper targets. At present, other prospects are showing more immediate attraction.

# EXPLORATION ACTIVITIES

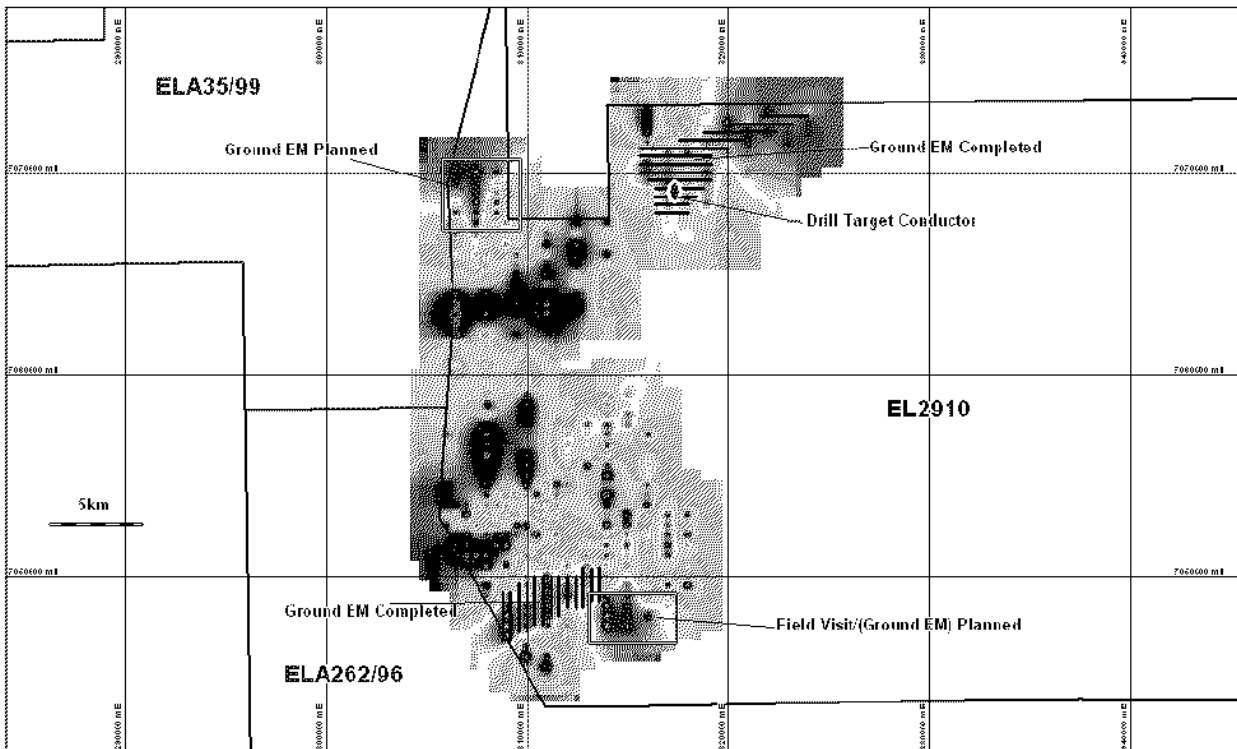
## Musgrave Block project South Australia

### Nickel sulphide targets De Rose Hill - EL 2910

During the quarter, ground electro-magnetic (EM) geophysical surveys were successfully completed over two previously defined geochemical targets. At one of the targets, a weak bedrock conductor was defined by the ground EM geophysics in an area where sand cover entirely obscures the bedrock geology. This area of bedrock electrical conductivity is coincident with an area of anomalously low magnetic intensity. This type of magnetic signature is consistent with signatures seen for the prospective Giles Complex mafic/ultramafic intrusives and associated rocks elsewhere in the Musgrave where rocks the age of the Giles Complex have a remnant reversed magnetic polarity.

The conductivity in the bedrock seen over an area of approximately 800 metres by 400 metres suggests the potential for an accumulation of sulphide rich minerals disseminated through the subsurface rock. If hosted by the targeted geology as interpreted from magnetics, such sulphide accumulations may, in such a rock-type, contain economic concentrations of nickel, copper, cobalt and platinum group metals (PGMs). The size and intensity of the geophysical signatures is consistent with such a target, as is the suite of elements which gave an anomalous response in surface geochemical sampling. Alternatively, sulphide minerals containing no economic metals, graphite, carbonaceous shales and similar rocks of no economic significance may give similar conductive geophysical signatures.

Drilling of the geophysical target is scheduled following completion of the remaining geophysical programs.



De Rose Hill - image of nickel in soil geochemistry and work summary

### Geochemistry

Infill and extension geochemical sampling was undertaken during October 2003. A total of 55 minus 75 micron soil samples and 55 maglag samples were collected from two areas, an extension of the southernmost maglag nickel anomaly to the east and infill and extension of the north-west maglag nickel anomaly.

Minus 75 micron soil sampling highlighted a new subtle but coherent area of PGM anomalism in the south-east of the area of geochemical coverage. The anomaly peaks at 22ppb palladium and 15ppb platinum and is associated with patchy responses for copper and nickel. A field visit to this area is required to investigate the area of anomalism. Landsat ETM data suggests there is potentially reasonable bedrock exposure in the area and the anomaly is considered to be moderately low priority.

Maglag sampling extended nickel anomalism in iron-rich soil concentrates in both areas, in the north-west anomaly a peak value of 105ppm nickel and in the south a peak value of 142ppm nickel were returned. Both areas are variably supported by copper, cobalt and the north-west area is also supported by platinum in maglag samples.

In the south, the maglag nickel anomaly is offset from the interpreted trend based on previous sampling. This area requires a ground visit as does the north-west area.

A total of approximately 60 line kilometres of ground TEM geophysics was completed over two areas based on previous geochemical sampling and magnetic data. The surveys were targeted on areas of geochemical response which suggested the potential for buried mafic/ultramafic bodies and where magnetics suggested potential for reasonably large dyke-like and irregular shaped intrusive bodies.

Encouraging results were returned from the northern area where a fairly weak bedrock conductor was identified.

The conductor which is defined by lines 400 metres apart is at least 800 metres in strike length and is in an area of shallow transported cover where there is no exposure of the bedrock. The conductor is also coincident with significant IP effect signatures in late-time EM channels.

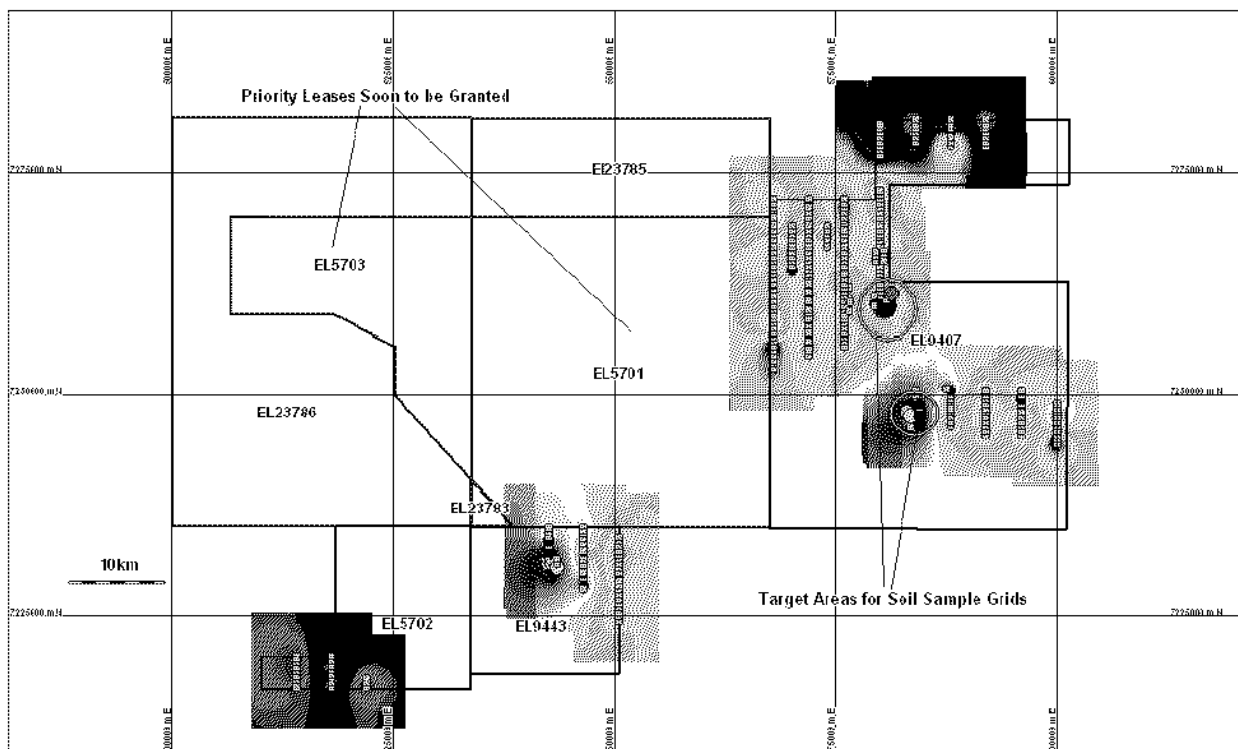
Re-processed aeromagnetic data for the area suggests the anomaly is coincident with a reversely magnetised peak potentially associated with mafic or ultramafic intrusive rocks with Giles Complex affinities. The irregular dyke-like morphology of the magnetic anomaly suggests it may potentially be associated with the targeted feeder zone-style intrusives.

The correlation with Giles Complex intrusives is made based on an observed remnant reversed magnetic polarity in other known Giles Complex age bodies.

### Northern Territory

Follow-up geochemical sampling was completed over five target areas. The aim of the sampling was to confirm anomalous areas as defined by the wide-spaced, first-pass regional sampling on EL 9407 and EL 9443. Two target areas based on elevated copper values up to 167ppm (background <25ppm) were generated from this sampling and it is proposed to cover these areas with soil geochemical programs on a moderately close-spaced sample grid during the March 2004 quarter.

Following the successful completion of aboriginal heritage requirements and the approval of work programs, it is anticipated that high priority tenements EL 5701 and EL 5703 will be granted early in the March 2004 quarter. Geological reconnaissance and rock chip sampling will be undertaken upon granting of these tenements.



Bloods Range - image of copper in soil geochemistry and work summary

## **Gawler Craton - Hawks Nest project – South Australia**

During the quarter, drilling was started at Hawks Nest to test two geophysical targets by personnel from the Red Metal Limited/Phelps Dodge Australasia Inc. alliance, the Company's joint venture partner. The first pre-collared diamond drill hole, testing a combined gravity/conductivity anomaly located within a fold closure, intersected dense rocks comprising banded hematite-magnetic gneiss typical of a highly metamorphosed banded iron formation. The hole was terminated at 361.1 metres. A second hole targeting a combined gravity/magnetic/conductivity anomaly was initiated in mid January and is expected to be completed by month end. Assay results for both holes are expected mid February.

## **Windeyer project - New South Wales**

An eleven hole scout percussion drilling program totalling 675 metres to test the remnant gold resources of the Golden Group of mines intersected gold above the ALS-Chemex 0.01 ppm gold limit of detection (via Aqua-rega digestion and ICP ) in ten holes.

A 500 metre structurally controlled gold zone from Coronation North prospect area to the Jack Kerns Mine in the south has an approximate 10-23 width with highly variable gold values.

The intersected grades from 0.01 to 0.69 ppm gold are sub-economic at 40-60 metre depth in the north to 1-20 metre in the south.

Mineralised widths of this north-west plunging zone are significant with quartz veins and chlorite-talc-carbonate alteration of the shale host rock common. The gold zone is a cross-cutting high temperature quartz vein set that contains arsenopyrite, with lesser pyrite. The more widespread secondary pyrite mineral, marcasite, of supergene origin, only contains geochemical values of 0.01 ppm gold, scavenged from adjacent higher grades.

High groundwater content along faults was a feature of this highly fractured and veined geology. Our consultant geologist is now assessing the results with the view to bringing in a more powerful rig to drill to the lower region (90-110 metres) of six of the most prospective holes. Other prospects at this stage seem to offer more prospectivity, it is therefore expected this site will not be re-visited until later in the year.

## **Duck Creek project – Queensland**

During the quarter, reconnaissance mapping and sampling was conducted within EPM 13336 to locate, sample and rate for follow-up the known mineral occurrences. A total of 233 samples were collected from approximately 80 prospects. Five prospects were identified as being worthy of further evaluation, based on apparent strike length and average gold and copper grades. This sampling program has indicated a much wider distribution of gold/copper mineralisation than had been previously thought. As cultural clearances of individual prospect areas are required prior to detailed exploration, it is unlikely that follow-up work will start before the June 2004 quarter.

## **Joint venture opportunities**

The Company has been actively evaluating joint venture opportunities on a number of prospective exploration targets. The most immediate being two new areas, one in Victoria and one in Queensland, with known historical high grades.

## **OTHER ACTIVITIES**

### **Investments**

#### *Independence Group NL*

The Company presently holds 200,000 ordinary fully paid shares and 500,000 options in Independence Group NL at a cost of \$155,600.

#### *Capix*

Goldsearch retains a 14.8% minority interest in Melbourne based IT software company Capix. The company has reported increased sales during the quarter with a promising outlook for the current quarter. There is increasing interest from overseas in its products. Interested shareholders may wish to visit the Capix website at [www.capix.com.au](http://www.capix.com.au).

## **STATEMENT**

Technical information relating to Goldsearch Limited exploration projects in this report was prepared by Mr David Hawley, Grad Dip Env Sc, B.Geo Sc (Hons), MAusIMM, AIG and accurately reflects the information compiled by him. Mr Hawley has over five years ore reserve estimation experience and complies with the JORC code for ASX reporting of company reserves and resource estimates.

Information relating to Independence Group Limited joint venture activities in this report was prepared by Heath Hellewell, chief exploration geologist of Independence Group NL and accurately reflects the information compiled by him.

Information relating to the Red Metal alliance joint venture activities in this report was prepared by Rob Rutherford Managing Director / Exploration Manager of Red Metal Limited and accurately reflects the information compiled by him.

# Appendix 5B

## Mining exploration entity quarterly report

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

Name of entity

**Goldsearch Limited**

ABN or ARBN

**73 006 645 754**

Quarter ended ("current quarter")

**31 December 2003**

### Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration and evaluation	(107)	(142)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(120)	(225)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	12	25
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
<b>Net operating cash flows</b>		<b>(215)</b>	<b>(342)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	(10)
	(c) other fixed assets	-	-
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
<b>Net investing cash flows</b>		<b>-</b>	<b>(10)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(215)</b>	<b>(352)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(215)	(352)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(215)	(352)
1.20	Cash at beginning of quarter/year to date	1,208	1,345
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	993	993

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	39
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

- Directors' fees & expenses	36,655
- Directors' superannuation	2,759

**Non-cash financing and investing activities**

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

N/A

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

N/A

+ See chapter 19 for defined terms.

## Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	N/A
3.2 Credit standby arrangements	Nil	N/A

## Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	-
<b>Total</b>	<b>100</b>

## Reconciliation of cash

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

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	958	1,173
5.2 Deposits at call	35	35
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>993</b>	<b>1,208</b>

## Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	EL 22710	Exploration licence - Petermann Ranges Northern Territory: surrendered during quarter	51%	0%
	ELA 9636	Exploration licence application - Mt Patricia Northern Territory: withdrawn during quarter	50%	0%
6.2 Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

### Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (cents) (see note 3)	Amount paid up per security (cents) (see note 3)
7.1 <b>Preference + securities</b> <i>(description)</i>	Nil	N/A	N/A	N/A
7.2 Changes during quarter				
(a) Increases through issues	N/A	N/A	N/A	N/A
(b) Decreases through returns of capital, buy-backs, redemptions	N/A	N/A	N/A	N/A
7.3 <b>+Ordinary securities</b>	182,459,348	182,459,348	N/A	N/A
7.4 Changes during quarter				
(a) Increases through issues	Nil	Nil	N/A	N/A
(b) Decreases through returns of capital, buy-backs	Nil	N/A	N/A	N/A
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	Nil	N/A	N/A	N/A
7.6 Changes during quarter				
(a) Increases through issues	Nil	N/A	N/A	N/A
(b) Decreases through securities matured, converted	Nil	N/A	N/A	N/A
7.7 <b>Options</b> <i>(description and conversion factor)</i>	13,500,000 36,491,869	Nil 36,491,869	<i>Exercise price</i> 15 cents 8 cents	<i>Expiry date</i> 15/07/04 30/09/05
7.8 Issued during quarter	Nil	N/A	N/A	N/A
7.9 Exercised during quarter	Nil	N/A	N/A	N/A
7.10 Expired during quarter	Nil	N/A	N/A	N/A
7.11 <b>Debentures</b> <i>(totals only)</i>	Nil	N/A		
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	Nil	N/A		

+ See chapter 19 for defined terms.

## Compliance statement

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

Sign here:

  
(Company secretary)

Date: 29 January 2004

Print name: P S Hewson

## Notes

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

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+ See chapter 19 for defined terms.