

gsh/psh/gsh634

28 September 2005

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

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Dear Sir

**Panaon Gold Project in the Philippines**

Goldsearch advises that it has entered an agreement with Medusa Mining Limited, an ASX listed company, whereby Goldsearch will joint venture a gold project over the former Pinut-an Gold Mine and surrounding areas located on Panaon Island in the southern Philippines by undertaking work on the Project to a value of US\$1 million to earn a 50% interest in the Project.

Goldsearch and Medusa have signed a heads of agreement whereby Goldsearch will receive 50% of the production from the Project and obtain an equity in any plant and equipment to be acquired for the Project. The Panaon Project is covered by granted Exploration Permit number EP-2005-000004-V111, granted on 5 March 2005 of 1,646 hectares, which is held by Vulcan Industrial and Mining Corporation, a public company in the Philippines, and contains the previously abandoned Pinut-an Gold mine. The Project is located on Panaon Island in Southern Leyte, immediately north of Surigao City which is reached by domestic flights from Manila. Access from Surigao City is by passenger boat and inter-island vehicular ferry.

Vulcan entered an operating agreement with an associate company of Medusa which acquired the right to mine and will pay a 3% net refinery return royalty to Vulcan. Vulcan has retained a right to re-acquire 20% of the Project for a 100% premium on expenditure at the time of the exercise.

Medusa has previously reported that the Panaon Project has a long history of narrow vein mining commencing in Spanish times. The veins are up to 1.50m wide and contain high grade shoots where records indicate values of 70 gm/t Au are not uncommon. Recent grab samples returned up to 115gm/t Au. The Medusa group's expertise in narrow vein mining allows it to readily investigate the potential of the Project for production. Skilled personnel are available on site.

An attempt to modernise the mining on the Pinut-an Mine in the 1980s has left on the site plant foundations and several cyanide leach tanks in good and usable condition.

The main veins discovered are located at Pinut-an, Bituon and Habay. The Pinut-an veins are the main veins mined to date.

Goldsearch and Medusa will form a joint venture company, which will operate the Project. Goldsearch will acquire its share of concentrate production from the joint venture company and thereafter arrange for the concentrate to be processed by the Medusa processing plant at Rosario Municipality located on Mindanao.

Goldsearch has an obligation to spend a minimum of US\$500,000 to acquire a minimum interest of 25% of the joint venture and will fund the initial stage of the joint venture from the Company's investment portfolio.

The heads of agreement are conditional upon finance being obtained and Goldsearch being satisfied as to the title to the permit and the position of Vulcan and the legal position of all the companies in the Philippines.

For and on behalf of the directors of  
Goldsearch Limited

A handwritten signature in black ink, appearing to read 'P S Hewson', written in a cursive style.

P S Hewson  
Secretary