METALSEARCH LIMITED

ABN 29 137 984 297

ANNUAL REPORT 2020

Corporate Information
ABN 29 137 984 297

Directors

Sylvia Tulloch, Non-Executive Chair
Peter Zardo, Managing Director
John Goody, Non-Executive Director
Robert Downey, Non-Executive Director

Company Secretary

Neville Bassett

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Share Registry

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Stock Exchange Listing

Metalsearch Limited shares are listed on the Australian Securities Exchange (ASX Code: MSE)

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Annual Report for the year ending 30 June 2020

CHAIRMAN'S LETTER

Dear Shareholders

This has been a transitional year for Metalsearch and its valued shareholders and one which has seen me recently join the Company, excited by its compelling cleantech prospects.

In retrospect, I note this this time last year the Company announced its acquisition of the Abercorn Project in central Queensland, creating a working relationship with the University of Queensland. This connection fostered a bond with the Chemical Engineering team at the University, which evolved into an exciting partnership with UniQuest to exploit a potentially disruptive novel and proprietary mineral processing technology that consumes kaolin or suitable mine tailings waste as feed in the production of a commercially versatile material – synthetic zeolite.

Contributing to this partnership with the University of Queensland to commercialise an exciting zeolite technology, that has the potential to fast-track monetisation of the Company's large scale kaolin resource, the Abercorn Project and create better environmental outcomes by reducing mine waste, was too compelling to pass up.

I reflect, on my years at the University of NSW whilst undertaking a Masters in Materials Science, when zeolites were already an intriguing topic, because of their unique controllable pore structure, which enables them to absorb or separate other molecules. Their superior adsorption and desorption powers (engineered by design) offer a vast range of commercial applications including replacing phosphates in laundry powders, as desiccants in energy efficient windows and refrigeration and as pollutant absorbers on a large scale. Although, it seems that cost of production has presented a headwind to wider adoption, when compared with less effective, cheaper mineral alternatives. That said, synthetic zeolites still present a global market exceeding $5.5 billion USD and growing.

We realise that most investors have not heard of zeolites, but our zeolite technology has the potential to reset the dial, by making its diverse applications more accessible, simply by lowering cost. In addition, the potential to offer progressive miners (domestically and internationally) a remediation solution for suitable mine tailings waste or residues – presents a commercially-sound cleantech proposition.

On the kaolin front, the scale of our Abercorn Project, Maiden JORC announced on 6th July 2020, yielded 39 million tonnes from less than 10% of a circa 200 km^2 tenement holding, affords aspirations of a material industrial mineral export operation.

From a fiscal perspective, it was pleasing to see Metalsearch recently complete a capital raise of approximately $1.7m at a premium to the market, thanks to our Managing Director Peter Zardo and a core shareholder group that believe in the strategy, whilst simultaneously respecting the wider register by not having to underpin placement success by discount at this early stage of the Company's development. The balance sheet has been recharged and the Company is well placed to accelerate the commercialisation of its assets.

While much work is still to be done, it is important to acknowledge the efforts of my fellow board members, and, foremost our dedicated Managing Director, Mr Zardo, who remains focused and determined in his disciplined approach to leverage synergistic opportunities, in order to deliver on the promise of our assets – the clear objective being to increase shareholder wealth.

The dedication of our board and executive team, combined with our entrenched technical capability extended by our experienced partners UniQuest and the highly skilled team at the University of Queensland's School of Chemical Engineering, offers all stakeholders comfort and confidence that the journey ahead will be a prosperous one.

Finally, on behalf of the Company, I would also like to acknowledge our appreciation for the support of our loyal shareholders who have embraced Metalsearch, and have taken the time to understand the exciting potential our zeolite mineral processing technology presents and encourage others to take the time to appraise the Company.

Yours Faithfully,

Sylvia Tulloch
Chairman – Metalsearch Limited

DIRECTORS' REVIEW OF ACTIVITIES

Abercorn Project, Australia

During the year, the Company completed the acquisition of the Abercorn Project ("**Abercorn Project**"), a large-scale kaolin prospect which has the potential to be developed into a range of industrial mineral based products and speciality compounds, high-purity alumina (HPA), aluminium sulfate (ALUM) and synthetic zeolite. (*refer ASX announcements dated 13 August 2019 – Metalsearch to Acquire High Purity Alumina Project and 16 October 2019 – Acquisition of Abercorn High Purity Alumina Project Complete*).

The acquisition comprised 3 contiguous Exploration Permits for Mineral ("**EPM**") for a total of 38 sub-blocks, an **area of 128km^2**, these are EPM 26837 comprising 33 sub-blocks, EPM 26903 comprising 4 sub-blocks and EPM 19081 comprising one sub-block. Subsequently, the Company applied for and was granted new EPM 27427 comprising 12 sub-blocks. EPM 27427 is contiguous with EPM 26837.

Project Highlights

- Large scale mineralised system from surface
- 86 RC holes drilled - kaolinite intersected in every hole
- Resource remains open in all directions
- Potential for significant resource upgrade - drilling represents less than 10% of tenement
- Low cost operation - straight forward open cut mining
- Little to no overburden
- Low impurities
- Mains power on site / major power transmission line within 5km of site
- Large water supply nearby and within EPM

The Abercorn Project is situated approximately 135km south of the deep-water port of Gladstone and 125km west of the deep-water port of Bundaberg in Central Queensland. Both major ports are connected to the Abercorn Project by sealed roads. The Burnett highway bisects the property.

Aircore Drilling Program

During the December quarter 2019, the Company completed a 62-hole Aircore drilling program on the Abercorn Project.

A total of 62 holes were drilled, with depths ranging from 23 metres to 51 metres, for an average depth of 38 metres and a total of 2,358 metres drilled. The total number of holes drilled into the project is now 86 for a total of 3,172m. Five holes, ABAC 25 to 29 were drilled at a Satellite Target some 2 kilometres southwest of the main Abercorn Project.

Results from the 62-hole program were release progressively during the period (*refer ASX announcements dated 23 April 2020, 31 March 2020, 19 February 2020 and 12 February 2020*).

Kaolinite along with zones of illite and smectite bearing clays were intersected in all drill holes. At the Abercorn Project ore grade zones of kaolinite-quartz were intersected in 51 of the 57 holes drilled. The highest-grade intersection was 23m @ 32.1% Al_2O_3 in hole ABAC 64. The thickest intersection was 37m @ 28.6% Al_2O_3 within hole ABAC 80.

Many of the +30% Al_2O_3 intersections are in a central section of the Abercorn Project. This section 550m by 400m in size is characterized by 12 holes with + 30% alumina, ABAC 44, 46-49, 63-69 and 81. These holes have a weighted average of 16m @30.8% Al_2O_3 with 39.76% -20µm and 7.68% very fine silty quartz.

The -20µm screened fractions commonly contain 5 to 20% fine quartz silt. If this silt fraction quartz can be commercially removed, the grade of the final product will be well in excess of 30% Al_2O_3. Similarly, the grade of the deeper clays will also be improved by removal of this silt fraction quartz. The results indicate that the better-quality surficial kaolinite zone is located in the central to western sections of the Abercorn Project and this resource is open to the west of the current drilling.

Satellite Target

Five holes, ABAC 25 to 29, were drilled at a satellite target approximately 2km southwest of the main Abercorn Project. Drill hole ABAC 25 was drilled in the vicinity of a 2007 exploratory hole CK03. These holes were drilled on 3 sections with a nominal spacing of 100 metres.

The weighted average of depth and grade of the -20µm fraction for these holes is 15m @ 30.51% Al_2O_3. This high-quality kaolinite zone is open in all directions. The excellent results from these holes have confirmed this area will make a significant contribution to the resource extension.

Competent Person Statement

Statements contained in this report relating to historical exploration results, and current exploration results are based on, and fairly represents, information and supporting documentation prepared by Mr Graham Rolfe BSc, MSc, FAIG, RPGeo, who is a member of the Australian Institute of Geoscientists (AIG), Member No 5850. Mr Rolfe is a part-time consultant to the Company and has sufficient relevant experience in relation to the mineralisation styles being reported on to qualify as a Competent Person as defined in the Australian Code for Reporting of Identified Mineral Resources and Ore Reserves (JORC) Code 2012. Mr Rolfe consents to the use of this information in this report in the form and context in which it appears.

Maiden Indicated and Inferred JORC Resource

Subsequent to the end of the financial year, the Company announced a Maiden Indicated and Inferred JORC 2012 Compliant Resource at the 100% owned Abercorn Project: (*refer ASX announcement dated 06 July 2020*)

- Total Maiden Resource for the Abercorn Project area is 39.06Mt yielding 36.8% -20µm grading 28.6% Al_2O_3 & 1.18% K_2O, using a cut-off grade of 26% Al_2O_3
- A high-grade section within the Project area called the Railcut Prospect contains 14Mt yielding 38% -20µm fraction grading 30.26% Al_2O_3 & 0.89% K_2O, using a cut-off grade of +29% Al_2O_3
- A second high-grade section within the Project area called the Area 3 Prospect contains 1.66 Mt yielding 30.9% -20µm fraction grading 30.7% Al_2O_3 & 0.83% K_2O

Highlights

- Circa 60% of the Mineral Resource is classified as Indicated
- The resource remains open in all directions with less than circa 10% of the Project area being drilled, leaving potential for the resource to be significantly upgraded
- The Abercorn Project has demonstrated it contains significant scale and a very consistent, high quality grade of mineralisation
- The resource runs from surface, contains little to no overburden and low impurities
- The Project is located close to existing infrastructure including, main sealed highway adjacent to the Project area, mains power on site, large water supply within the EPM and close to two deep water ports, both connected to the Abercorn Project by sealed roads

Summary

The Mineral Resources are reported in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 (JORC Code) and the ASX Listing Rules. The supporting information for the release of Mineral Resources is set out in the appendix of ASX announcement dated 06 July 2020.

The total Abercorn Project of + 26% Al_2O_3 cut-off grade:

Indicated Resource - 22.2 M Tonnes with 37.0% -20µm fraction grading 29.1% Al_2O_3 & 1.13% K_2O
Inferred Resource - 15.2 M Tonnes with 36.3% -20µm fraction grading 27.9% Al_2O_3 & 1.25% K_2O
Total Resource - 37.4 M Tonnes with 36.8% -20µm fraction grading 28.6% Al_2O_3 & 1.18% K_2O

The Railcut Prospect high grade block +29% Al_2O_3 cut-off grade:

Indicated Resource - 11.2 M Tonnes with 38.8% -20µm fraction grading 30.3% Al_2O_3 & 0.9% K_2O
Inferred Resource - 1.2 M Tonnes with 40.9% -20µm fraction grading 29.3% Al_2O_3 & 0.99% K_2O
Total Resource - 12.4 M Tonnes with 39% -20µm fraction grading 30.2% Al_2O_3 & 0.9% K_2O.

The Area 3 Prospect

The +29% Al_2O_3 cut-off grade block has the Resource:
Inferred Resource – 1.66 M Tonnes with 30.9% -20µm fraction grading 30.7% Al_2O_3 & 0.83% K_2O

The total for the Railcut and Area 3 Prospects, with a 29% Al_2O_3 cut-off grade is 14 million tonnes with 38% -20µm fraction grading 30.26% Al_2O_3 and 0.89% K_2O

Competent Person Statement

Statements contained in the ASX announcement dated 6th July 2020 that relates to the Mineral Resource estimate for the Railcut and Number 3 Prospects, Abercorn Prospect is based on information prepared by Mr Graham Rolfe BSc, MSc, FAIG, RPGeo, who is a member of the Australian Institute of Geoscientists (AIG), Member No 5850. Mr. Rolfe is a part-time consultant to the Company and has sufficient relevant experience in relation to the mineralisation styles being reported on to qualify as a Competent Person as defined in the Australian Code for Reporting of Identified Mineral Resources and Ore Reserves (JORC) Code 2012. Mr. Rolfe consents to the use of this information in this announcement in the form and context in which it appears.

The Resource Estimation of the Railcut and Number 3 Prospects, Abercorn Project was prepared by Angelina Phipson BSc, MSc, who is a member of the Australian Institute of Mining and Metallurgy (AusIMM), Member No 205479. Ms. Phipson is a part-time consultant to the Company and has sufficient experience in resource estimation using geostatistical methods and has performed resource estimation in bauxite minerals which are relevant to the style of mineralization and type of deposit under consideration and to the activity undertaken to qualify as Competent Person as defined in the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC) Code 2012'. Ms. Phipson consents to the inclusion in this announcement in the form and context in which it appears.

The Company is not aware of any new information or data that materially affects the information included in the referenced ASX announcement and confirms that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

Synthetic Zeolite Mineral Processing Technology

On the 7th April 2020, the Company announce it had secured an exclusive worldwide licence from UniQuest Pty Ltd, the technology transfer company of The University of Queensland (UQ), for the manufacturing (synthesising) of zeolites (Technology).

UQ's School of Chemical Engineering Associate Professor James Vaughan and Dr Hong (Marco) Peng developed the novel approach to the synthesis of adsorption materials (zeolites) from kaolin and clay minerals (suitable for mine tails/residues) which forms the core Technology. The UQ synthetic zeolite mineral processing technology has the potential to significantly reduce the cost of manufacturing synthetic zeolites. UQ has demonstrated the following under lab scale conditions for the formation of certain synthetic zeolites:

- Up to 70% reduction in energy in the thermal activation stage;
- Up to 80% reduction in production time in subsequent zeolite precipitation steps.

On the 7th May 2020, the Company announced it had executed the research agreement ("Research Agreement") with UQ for the continued research and development of the patent-pending mineral processing Technology.

The initial phase of the Research Agreement will focus on studies to expand the understanding of processes which will fast-track design and planning of the pilot plant. The program will work in unison with pilot plant development, construction and commissioning. The final stage will revolve around product sample generation and enhancing technical marketability of zeolite samples, in conjunction with experimental research on applications for different zeolites.

The IP has been exclusively licensed by the Company from UniQuest, which is the technology transfer company of UQ. UniQuest filed a provisional patent application for the Technology in June 2019. On the 21st May 2020, the Company announced that UniQuest has filed under the Patent Cooperation Treaty to protect and commercialise the intellectual property associated with mineral processing technology for the manufacturing (synthesising) of zeolites.

The Patent Cooperation Treaty ("PCT") enables UniQuest to seek patent protection internationally for the novel mineral processing technology that has been licensed to the Company. By filing PCT, an applicant can subsequently seek patent protection in over 150 countries. Further to this, in June 2020 a patent application was lodged in Taiwan.

During the period the Company engaged The China Australia Trade and Investment Council ("CATIC") to undertake a mainland China synthetic zeolite manufacturer and end user research program to secure global industry participant collaboration and set an early marketing foundation to support commercialisation of its novel and proprietary mineral processing technology for the manufacturing (synthesising) of zeolites.

CATIC enlisted a team of expert consultants to reach out across mainland China and represent the Company's zeolite mineral processing Technology. The objective of the Program was to identify and introduce potential cooperation partners in China to Metalsearch for future commercial engagement.

On the 9th June the Company announced that the first stage of its mainland China manufacturer and end user research program ("the Program") had resulted in the Company receiving the first sample and "Sample Statement" letter from China's largest synthetic zeolite manufacturer, one of the world's largest manufacturers of Type 4A synthetic zeolite[1], Chalco Shandong Co., Ltd.

The Company has sought to engage global synthetic zeolite industry participants early in the commercialisation cycle and this initial result reflects our intention to leverage UQ's work into building a foundation to enhance future commercial discussions.

Synthetic Zeolites

Synthetic zeolites are manufactured aluminosilicate minerals with a sponge-like structure, made up of tiny pores (frameworks) that make them useful as catalysts or ultrafine filters. They are commonly known as molecular sieves and can be designed to selectively adsorb molecules or ions dependant on their unique construction and have the ability to be regenerated over and over again for re-use (recycled).

Zeolites act much like a magnet that can hold cations, like heavy metal, ammonia, low level radioactive elements, toxins, petrochemicals, many different types of gases and a multitude of various solutions.

The selectivity properties of different synthetic zeolites enable them to be effective in wastewater treatment applications, water filters and as ion exchangers in many everyday dishwashing and laundry detergents.

Zeolites play an important role in a cleaner and safer environment.

- zeolites are an effective substitute for harmful phosphates in powder detergent, now banned in many parts of the world because of blue green algae toxicity in waterways
- as catalysts zeolites increase process efficiencies = decrease in energy consumption
- zeolites can act as solid acids and reduced the need for more corrosive liquid acids
- zeolites adsorbent capabilities see them widely used in water treatment i.e. heavy metal removal including those produced by nuclear fission
- as redox catalysts sorbents zeolites can help remove exhaust gases and CFC's

[1] http://www.chalcochem.com/about-us

Primary applications:

- Detergent builder
- PVC heat stabiliser
- Moisture removal / drying across a range of substances
- Separation and purification ie Water treatments and air purification
- Cracking processes ie Oil and Gas industry

The 2019 global synthetic zeolite market was estimated at USD $5.58 billion[2].

Patent Application for HPA Production Process

During the period, the Company announced that as a result of a research and development agreement between Abercorn Kaolin Pty Ltd and the University of Queensland ("UQ"), a provisional patent application has been lodged relating to a production process in the manufacture of High Purity Alumina ("HPA") (*refer ASX announcement dated 3 December 2019 – MSE lodges Patent Application for HPA Production Process).* Metalsearch owns 100% of the Intellectual Property associated with the provisional patent application.

The outcome of UQ's HPA processing method is to enhance production efficiency, which Metalsearch is confident has the potential to materially reduce capital and operating costs in the manufacture of HPA. This collaboration with UQ underpins Metalsearch's strategy to become an industrial mineral and compound producer.

Metalsearch is working in collaboration with UQ to develop opportunities to commercialise technology and IP relating to the processing of kaolin and other associated industrial minerals.

Kraaipan Project, Botswana

Kraaipan Gold-Nickel-Copper-PGM Project

Metalsearch's 100% owned Kraaipan Gold-Nickel-Copper-PGM Project comprises Prospecting Licence, PL232/2016 and covers approximately 50 kilometre strike extent of the Kraaipan Greenstone Belt in southern Botswana. The Kraaipan Project is part of the larger NNW trending Amalia-Kraaipan-Greenstone-Terrane ('AKGT') of the Kaapvaal Craton. The AKGT in Botswana is directly along strike from significant gold deposits, as well as adjacent to significant PGM deposits, across the border in South Africa.

During the period, the Company reported results of samples submitted for multi-element analysis from a six-hole Reverse Circulation (RC) drilling program completed in the September 2019 quarter (*refer ASX Announcement dated 11 October 2019 – Results of Drilling Program on Kraaipan Gold Project*).

Kraaipan West Gold-Nickel-Copper-PGM Project

The Kraaipan West Project covers an approximately 15 kilometre long stretch of the Amalia-Kraaipan Greenstone Terrane (AKGT) in southern Botswana. The Kraaipan West Project comprises Prospecting Licences, PL064/2017 and PL065/2017, which are 584 km^2 and 446km^2 in area, respectively.

The Company has determined not to renew the Kraaipan West Project tenements.

[2] Verified Market Research Report "Global Synthetic Zeolite Market Size & Forecast to 2026"

Corporate

During the period, the Company:

(a) Completed a $2 million capital raising, through the issue of 333,333,333 fully paid ordinary shares;

(b) Paid the cash consideration and issued the consideration shares and performance rights for the acquisition of the Abercorn Project, comprising 235,000,000 ordinary fully paid shares, 75,000,000 Class A performance rights and 75,000,000 Class B performance rights;

(c) Entered into an exclusive worldwide licence from UniQuest Pty Ltd, the technology transfer company of The University of Queensland (UQ), for the manufacturing (synthesising) of zeolites. The consideration paid for the grant of the licence was:

(i) $150,000 in cash as an upfront licence fee; and
(ii) A further licence fee of $600,000 which was satisfied by the issue of 92,307,692 fully paid ordinary shares.

Further particulars of the licence agreement are outlined in notes 19 and 20 to the financial statements.

(d) Entered into a research agreement with the University of Queensland for the continued research and development of the patent-pending mineral processing technology for the manufacturing (synthesising) of zeolites.

Subsequent to the end of the financial year, The Company completed a $1,657,500 capital raising ("Placement") and issued 127,500,000 new ordinary shares at an issue price of $0.013c.

Proceeds of the Placement will primarily be applied to:

- Accelerating commercialisation of the University of Queensland ("UQ") developed mineral processing technology
- Further expand research opportunities to enhance and develop diverse commercial applications of the Technology
- Progressing the Abercorn Project's (kaolin) industrial mineral marketability program

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Metalsearch Limited and the entities it controlled at the end of, or during, the year ended 30 June 2020.

DIRECTORS

The names and details of the Company's directors in office during the period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Sylvia Tulloch BSc, MSc (Non-Executive Chairman)

Sylvia is a materials scientist, with many years' experience in establishment and management of high technology businesses, with a focus on commercialisation, mineral processing technologies and the cleantech sector. Sylvia holds a Bachelor of Science and Masters in Materials Science from the University of New South Wales and is an investor in and Director of many start-up companies, has founded and taken 2 companies to ASX listing and held government advisory positions in the start-up, renewable energy, and manufacturing sectors. She is currently the Chairman of the ACT government Renewable Energy Innovation Fund (REIF) Business Advisory Board, Chairman of Griffin Accelerator – ACT only start-up business accelerator program, and has held several state and federal committee appointments.

Peter Zardo MACID (Managing Director)

Mr Zardo was previously a high performing corporate banking director, with the Westpac Group for over 16 years and possesses significant experience in business advisory, project management and corporate finance. Mr Zardo completed Westpac's Emerging Leader Program in late 2019 and was a recipient of the St George Bank MD Scholarship travelling to the USA and Canada to gain insights on business strategy from global brands such as Apple, Nike and IBM. He has undertaken studies in Applied Science at Charles Sturt University and is a member of the Australian Institute of Company Directors. Mr Zardo was appointed Chief Operating Officer on 7 April 2020 and became Managing Director on 8 July 2020.

John Goody (Non-Executive Director)

Mr Goody is a member of the Geological Society of Australia with over 45 years' experience in minerals exploration and has been responsible for the development of various prospects throughout Australia, Papua New Guinea, Vanuatu, Philippines, China and Chile. He was a founding director of Aeon Metals Ltd (ASX: AML) which now has a circa $100m market capitalisation and is currently a director of various private mineral exploration companies. Mr Goody was appointed a Non-Executive Director on 16 October 2019.

Robert Downey B.Ed, LL.B (Hons) (Non-Executive Director)

Mr Downey is a qualified solicitor who has practised mainly in the areas or international resources law, corporate law and initial public offerings as well as mergers and acquisitions. He has extensive experience as an adviser, founder and director of various ASX, TSX and AIM companies. Mr Downey is currently a partner at Dominion Legal, a boutique law firm in Perth. Mr Downey became Non-Executive Chairman on 18 October 2016, resigned as Chairman on 7 April 2020 but assumed the role of Non-Executive Director.

In the three years immediately before the end of the financial year, Mr Downey was a director of ASX-listed Calima Energy Ltd until 24 August 2017, Minrex Resources Ltd until 29 January 2018 and Kairiki Energy Ltd until 28 August 2019. He is currently a director of Connexion Telematics Ltd.

Keong Chan B.Com (Non-Executive Director)

Mr Chan spent his early years working with PwC Australia and Deloitte in Canberra, Sydney and Perth and has significant corporate experience in capital raisings, initial public offerings, mergers and acquisitions, and takeovers and divestments. Mr Chan became a Non-Executive Director on 16 October 2019 and Non-Executive Chairman on 7 April 2020. Mr Chan resigned on 8 July 2020.

Jeremy Read (Non-Executive Director)

Mr Read is a seasoned mineral resource industry executive, having worked on a broad range of precious and base metals projects in Australia, Africa, North America, India and Scandinavia. He has been the Managing Director of four ASX listed resource companies. Mr Read has also listed companies on the Alternate Investment Market (AIM) in London and the Botswana Stock Exchange. Mr Read has extensive experience in gold, nickel and copper exploration having spent 11 years working for BHP in Africa and Australia. Mr Read became a Non-Executive Director on 29 May 2017 and resigned on 7 April 2020.

Jason Brewer M.Eng (Hons) ARSM (Non-Executive Director)

Mr Brewer has over 20 years' experience in international mining, financial markets and investment banking. He is a qualified mining engineer, obtaining a Masters degree, with Honours, from the Royal School of Mines at Imperial College, London and worked in both underground and open-cash mining operations in the UK, Australia, Canada and South Africa. Mr Brewer became a Non-Executive Director on 1 August 2018 and resigned on 16 October 2019.

Neville Bassett AM B.Bus, FCA (Non-Executive Director)

Mr Bassett is a chartered accountant operating his own corporate consulting business, specialising in the area of corporate, financial and management advisory services. Mr Bassett has been involved with numerous public company listings and capital raisings. His involvement in the corporate arena has also taken in mergers and acquisitions, and includes significant knowledge and exposure to the Australian financial markets. Mr Bassett has experience in matters pertaining to the *Corporations Act*, ASX listing requirements, corporate taxation and finance. Mr Bassett became a Non-Executive Director on 7 May 2015 and resigned on 16 October 2019. Mr Bassett continues as Company Secretary.

COMPANY SECRETARY

Mr Bassett was appointed Company Secretary on 7 May 2015.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

The following relevant interests in shares of the Company or a related body corporate were held by directors at the date of this report:

	Ordinary Shares	Options	Performance Rights
Directors			
Sylvia Tulloch	-	-	-
Peter Zardo	41,880,000	20,000,000	54,770,000
Robert Downey	1,378,925	-	-
John Goody	98,301,000	-	23,782,500

There were no share options or performance rights of Metalsearch Limited that have been granted to directors of the Company with shareholder approval since 1 July 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the period was:

- the exploration of the Group's mineral tenements with the objective of identifying economic mineral deposits;
- working with the University of Queensland to develop and commercialise novel and proprietary zeolite mineral processing technology that consumes kaolin or suitable mine tailings / residues to produce high value zeolites; and
- the identification and evaluation of new venture and corporate opportunities.

DIVIDENDS

No dividends were paid or declared during the period. No recommendation for payment of dividends has been made.

OPERATING AND FINANCIAL REVIEW

Finance Review

The Group commenced the financial year with cash assets of $1,757,605.

During the period, total exploration expenditure expensed by the Group amounted to $1,759,776 (2019: $93,348) which included $997,694 (2019: nil) of capitalised tenement acquisition costs written off. In line with the Group's accounting policies, all exploration expenditure, other than acquisition costs, are written off as they are incurred. Net administration expenditure incurred amounted to $360,911 (2019: $270,750). This has resulted in an operating loss after income tax for the year ended 30 June 2020 of $2,757,045 (2019: $531,685). At 30 June 2020, cash assets available totalled $1,566,656.

Operating Results for the Period

Summarised operating results are as follows:

	2020	
	Revenues	**Results**
	$	**$**
Revenues and loss from ordinary activities before income tax expense	260	(2,757,045)

Shareholder Returns

	2020	**2019**
Basic loss per share (cents)	(0.297)	(0.112)

Risk Management

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board.

The Group believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed in this Annual Report, no significant changes in the state of affairs of the Group occurred during the financial year other than that referred to in the financial statements or notes thereto in the *Review of Activities*.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years apart from the below.

- the Company announced a Maiden Indicated and Inferred JORC 2012 Compliant Resource at the 100% owned Abercorn Project on 6 July 2020. Deferred consideration of 75,000,000 new ordinary shares at $0.012 were issued to the Vendors for achieving the first milestone;
- on 28 July 2020 the Company completed a $1,657,500 capital raising ("Placement") and issued 127,500,000 new ordinary shares at an issue price of $0.013.
- The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had no significant impact on the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company's objective is to become an Australian industrial mineral and compound producer, underpinned by patent-pending technologies. The Company remains focused on the development of the Queensland based Abercorn Project, acquired in August 2019. Abercorn Project is a large-scale kaolin prospect, which has the potential to underpin the production of kaolin mineral product for global markets and industrial compounds manufactured by using our novel and proprietary mineral processing technologies.

The Abercorn Project has demonstrated it contains a resource of significant scale and a very consistent, high quality grade of kaolinite mineralisation.

The Company is working with the University of Queensland to develop and commercialise novel and proprietary zeolite mineral processing technology that consumes kaolin or suitable mine tailings / residues to produce high value zeolites.

The technology has the potential to fast track development of the Abercorn Project, with a low capital cost to reach commercial production, utilising the company's existing kaolin feedstock.

It also provides potential opportunities to monetise broader application of the technology outside the company by offering a significantly lower cost method of manufacturing zeolites compared to conventional processes.

The Company also aspires to improving environmental outcomes by continuing to build on the potential of our zeolite mineral processing technology to be applied as a commercial remediation solution for suitable mine tailings / residues, by using tail streams as feed for low cost production of zeolites.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its exploration activities in Australia and Botswana. The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the period under review.

REMUNERATION REPORT (AUDITED)

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of Metalsearch Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives. The Board of Metalsearch Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The Board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $300,000). Base fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the employee option plan.

Performance based remuneration

During the year, the Group did not issue incentive options or performance rights to directors or other key management personnel apart from those issued to Peter Zardo upon appointment as Chief Operating Officer which are detailed below:

- 20,000,000 options exercisable at $0.015 and expire on 6 April 2024
- 50,000,000 performance rights

Use of remuneration consultants

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2020.

Voting and comments made at the Company's 2019 Annual General Meeting

The Company received approximately 100% of "yes" votes on its remuneration report for the 2019 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Details of remuneration

Details of the remuneration of the directors and the key management personnel of the Group are set out in the following table.

The key management personnel of the Group comprise the directors and the chief executive officer (where appointed) who have authority and responsibility for planning, directing and controlling activities within the Group.

Given the size and nature of operations of the Group, there are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

Key management personnel of the Group

	Short-Term		**Post-Employment**		**Share-based Payments**	**Total**
	Salary & Fees	Non-Monetary	Superannuation	Retirement benefits		
	$	$	$	$	$	$
Directors						
Robert Downey – Appointed 18 October 2016						
2020	**42,000**	**-**	**-**	**-**	**-**	**42,000**
2019	36,000	-	-	-	-	36,000
Jeremy Read – Ceased 7 April 2020						
2020	**76,000**	**-**	**-**	**-**	**-**	**76,000**
2019	36,000	-	-	-	-	36,000
Jason Brewer – Ceased 16 October 2019						
2020	**12,000**	**-**	**-**	**-**	**-**	**12,000**
2019	33,000	-	-	-	-	33,000
Neville Bassett – Ceased 16 October 2019						
2020	**10,500**	**-**	**-**	**-**	**-**	**10,500**
2019	36,000	-	-	-	-	36,000
John Goody – Appointed 16 October 2019						
2020	**28,500**	**-**	**-**	**-**	**-**	**28,500**
2019	-	-	-	-	-	-
Keong Chan – Appointed 16 October 2019; Ceased 8 July 2020						
2020	**31,500**	**-**	**-**	**-**	**-**	**31,500**
2019	-	-	-	-	-	-
Other Key Management Personnel						
Peter Zardo –CEO Appointed 7 April 2020						
2020	**20,625**	**-**	**1,959**	**-**	**120,000**	**142,584**
2019	-	-	-	-	-	-
Dr Quinton Hills –CEO Ceased 31 August 2018						
2020	**-**	**-**	**-**	**-**	**-**	**-**
2019	35,754	-	3,167	-	-	38,921
Total Key Management Personnel Remuneration						
2020	**221,125**	**-**	**1,959**	**-**	**120,000**	**343,084**
2019	176,754	-	3,167	-	-	179,921

Service agreements

Peter Zardo

In April 2020, the Company entered into an Executive Service Agreement with Mr Peter Zardo.

Under the Agreement, Mr Zardo was engaged by the Company to provide services to the Company in the capacity of COO.

The material terms of the executive service agreement with Mr Zardo are as follows:

1. $165,000 per annum base salary (plus statutory superannuation).
2. Rights to the following service securities (issued 6 April 2020):
    a. 20,000,000 unlisted sign-on options with an exercise price of $0.015 cents and an expiry date of four years from the commencement date of the employment. The options will not vest until the 12-month anniversary of the Commencement Date.
3. Rights to the following performance incentive securities (issued 6 April 2020):

    Five tranches of performance rights (Class C, D, E, F and G) of 10,000,000 performance rights each, with each tranche having the following performance hurdles:

    a. Class C – On the Pilot Plant Completion Date (as that term is defined in the Licence Agreement);
    b. Class D – Upon completion and sign off by a competent person of a prefeasibility study (as that phrase is defined in the JORC Code 2012) of the Abercorn Project;
    c. Class E – upon the first to occur of either:
        a. Execution and completion of a sub-licencing agreement under clause 4.2 of the Licence Agreement between Metalsearch and UQ and pursuant to which Metalsearch has commenced receiving royalty payments from the sub-licensor arising from commercial production of synthetic zeolites; or
        b. Execution and completion of an unconditional offtake agreement pursuant to which the third party agrees to take or pay a minimum of 1,000,000 tonnes of kaolin (on a dry metric tonne basis) per annum for minimum period of five years
    d. Class F – Upon the commencement of commercial production of either ALUM or HPA from the proprietary HPA processing patents owned and developed by Metalsearch; and
    e. Class G – Upon commencement of commercial production of synthetic zeolite (as that phrase is defined in the Licence Agreement).
4. The agreement is for a fixed term of 2 years, although;
    a. May be terminated by the Company with 6 months' notice under specified terms and subject to a termination benefit equal to the balance of term
    b. May be terminated by the Company with immediate effect in the event of serious or wilful misconduct.

Shareholdings of key management personnel

The number of ordinary shares in the Group held during the financial year by each director of Metalsearch Limited and other key management personnel of the Group, including their personally related parties, is set out below.

	Balance at start of the year	Acquired	Net Change Other	Balance at end of the year
Directors				
Robert Downey	**1,378,925**	-	-	**1,378,925**
Jeremy Read	**4,000,000**	-	**(4,000,000)**	-
Jason Brewer	-	-	-	-
Neville Bassett	**11,980,945**	-	**(11,980,945)**	-
John Goody	-	-	**75,518,500**	**75,518,500**
Keong Chan	-	-	-	-
Other key management personnel				
Peter Zardo	-	-	**37,110,000**	**37,110,000**
Dr Quinton Hills	-	-	-	-

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Option holdings of key management personnel

The number of unlisted options over ordinary shares in the Company held during the financial year by directors of Metalsearch Limited and other key management personnel of the Group, including their personally related parties, is set out below.

	Balance at start of the year	Granted as compensation	Acquired (Expired)	Net Change Other	Balance at end of the year	Vested and exercisable	Unvested
Directors							
Robert Downey	-	-	-	-	-	-	-
Jeremy Read	-	-	-	-	-	-	-
Jason Brewer	-	-	-	-	-	-	-
Neville Bassett	-	-	-	-	-	-	-
John Goody	-	-	-	-	-	-	-
Keong Chan	-	-	-	-	-	-	-
Other key management personnel							
Peter Zardo	-	**20,000,000**	-	-	**20,000,000**	-	**20,000,000**
Dr Quinton Hills	-	-	-	-	-	-	-

Share-based compensation

The number of performance rights in the Company held during the financial year by directors of Metalsearch Limited and other key management personnel of the Group, including their personally related parties, is set out below.

	Balance at start of the year	Granted as compensation	Acquired (Expired)	Net Change Other	Balance at end of the year	Vested and exercisable	Unvested
Directors							
Robert Downey	-	-	-	-	-	-	-
Jeremy Read	-	-	-	-	-	-	-
Jason Brewer	-	-	-	-	-	-	-
Neville Bassett	-	-	-	-	-	-	-
John Goody	-	-	-	**47,565,000**	**47,565,000**	**23,782,500**	**23,782,500**
Keong Chan	-	-	-	-	-	-	-
Other key management personnel							
Peter Zardo	-	**50,000,000**	-	**9,540,000**	**59,540,000**	**4,770,000**	**54,770,000**
Dr Quinton Hills	-	-	-	-	-	-	-

Shares provided on exercise of remuneration options.

During the financial year ended 30 June 2020 no remuneration options were exercised.

End of remuneration report.

DIRECTORS' MEETINGS

During the financial year the Company held meetings of directors. The attendance of directors at meetings of the Board were:

	Director's Meetings		Audit Committee Meetings	
	A	B	A	B
Robert Downey	13	13	2	2
Jeremy Read	5	11	2	2
Jason Brewer	1	2	1	1
Neville Bassett	2	2	1	1
John Goody	11	11	1	1
Keong Chan	11	11	1	1

Notes

A – Number of meetings attended.

B – Number of meetings held during the time the director held office during the period.

SHARES UNDER OPTION

At the date of this report there are 20,000,000 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	-
Movements of share options during the period	
Lapsed	-
Issued	20,000,000
Total number of options outstanding as at 30 June 2020 and the date of this report	**20,000,000**

The balance is comprised as follows:

Expiry date	Exercise price (cents)	Number of options
listed		
-	-	-
unlisted		
6 April 2024	$0.015	20,000,000
Total number of options outstanding at the date of this report		**20,000,000**

The following options lapsed during the year:

Original Expiry date	Exercise price (cents)	Number of options
listed		
-	-	-
unlisted		
-	-	-
Total option lapsed		**-**

No shares in Metalsearch Limited were issued during the year ended 30 June 2020 upon the exercise of options.

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

INSURANCE OF DIRECTORS AND OFFICERS

The Company has in place an insurance policy insuring Directors and Officers of the Company against any liability arising from a claim brought by a third party against the Company or its Directors and officers, and against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as a Director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

In accordance with a confidentiality clause under the insurance policy, the amount of the premium paid to the insurers for 2020 has not been disclosed. This is permitted under Section 300(9) of the Corporations Act 2001.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to 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.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Other than the matters included in this Directors Report or elsewhere in the Annual Financial Report, future developments, business strategies and prospects of the Company and the expected results of those operations have not been disclosed as the Directors believe that their inclusion would most likely result in unreasonable prejudice to the Company.

NON-AUDIT SERVICES

No non-audit services have been provided by the Company's auditors, Rothsay Auditing.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

Signed in accordance with a resolution of the directors.

Sylvia Tulloch
Chairman
Perth, 11 September 2020

ROTHSAY
Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

The Directors
Metalsearch Limited
PO Box 7315
Perth WA 6850

Dear Directors

In accordance with Section 307C of the *Corporations Act 2001* (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

(i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2020 financial statements; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Metalsearch Limited and the entities it controlled during the year.

Daniel Dalla CA (Lead auditor)
Partner
Rothsay Auditing

Dated 11 September 2020

ROTHSAY
Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

METALSEARCH LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Metalsearch Limited ("the Company") and its subsidiaries ("the Group") which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on that date and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration of the Company.

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

METALSEARCH LIMITED (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter - Business Combination	***How our Audit Addressed the Key Audit Matter***
During the year the Group acquired Abercorn Kaolin Pty Ltd for $4,280,000 as disclosed in Note 16 to the financial statements. This was considered a key audit matter given the significant value of this investment relative to other assets of the Group.	We assessed the reasonableness of the fair value attributed to the investment with reference to relevant supporting documentation. We considered the reasonableness of the purchase price allocation against the assets acquired. We assessed whether the disclosures included in the financial report meet the requirements of Australian Accounting Standards.
Key Audit Matter - Intangible Assets	***How our Audit Addressed the Key Audit Matter***
During the year the Group acquired intangible assets of $761,290 as disclosed in Note 11 to the financial statements. This was considered a key audit matter given the significant value of this asset relative to other assets of the Group and the significant judgement involved in determining that it can be capitalised in accordance with Australian Accounting Standards.	We assessed the reasonableness of the fair value attributed to the asset with reference to relevant supporting documentation. We considered the appropriateness of capitalising the expenditure in accordance with AASB 138 *Intangible Assets*.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

METALSEARCH LIMITED (continued)

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 in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/Home.aspx.

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

METALSEARCH LIMITED (continued)

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2020.

In our opinion the remuneration report of Metalsearch Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Rothsay

Rothsay Auditing

Dated 11 September 2020

Daniel Dalla
Partner

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2020	Notes	Consolidated	
		2020	2019
		$	$
REVENUE	4	**260**	**260**
EXPENDITURE			
Depreciation expense		**(5,946)**	**(4,557)**
Employee benefits expense		**(217,584)**	**(163,290)**
Exploration expenses		**(1,759,776)**	**(93,348)**
Administration expenses		**(360,911)**	**(270,750)**
Technology expenses		**(291,438)**	**-**
Other expenses		**(1,650)**	**-**
Share based payments expenses	27	**(120,000)**	**-**
LOSS BEFORE INCOME TAX		**(2,757,045)**	**(531,685)**
INCOME TAX BENEFIT/(EXPENSE)	6	**-**	**-**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF METALSEARCH LIMITED		**(2,757,045)**	**(531,685)**
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share)	25	**(0.297)**	**(0.112)**

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020	Notes	Consolidated	
		2020	2019
		$	$
CURRENT ASSETS			
Cash and cash equivalents	7	1,566,656	1,757,605
Trade and other receivables	8	86,522	9,833
TOTAL CURRENT ASSETS		1,653,178	1,767,438
NON-CURRENT ASSETS			
Plant and equipment	9	10,180	10,126
Mining properties	10	4,267,216	997,694
Intangible assets	11	761,290	-
TOTAL NON-CURRENT ASSETS		5,038,686	1,007,820
TOTAL ASSETS		6,691,864	2,775,258
CURRENT LIABILITIES			
Trade and other payables	12	214,773	30,691
TOTAL CURRENT LIABILITIES		214,773	30,691
TOTAL LIABILITIES		214,773	30,691
NET ASSETS		6,477,091	2,744,567
EQUITY			
Issued capital	13	27,727,506	22,234,213
Reserves	14(a)	1,219,333	223,057
Accumulated losses	14(b)	(22,469,748)	(19,712,703)
TOTAL EQUITY		6,477,091	2,744,567

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Financial Statements

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2020	Notes	Contributed Equity	Share-based Payments Reserve	Options Reserves	Acquisition Reserve	Foreign Exchange Reserves	Accumulated Losses	Total
Consolidated		**$**	**$**	**$**	**$**	**$**	**$**	**$**
BALANCE AT 1 JULY 2018		20,602,840	1,371,626	501,292	-	224,868	(21,053,936)	1,646,690
Loss for the year	14(b)	-	-	-	-	-	(531,685)	(531,685)
TOTAL COMPREHENSIVE LOSS		-	-	-	-	-	**(531,685)**	**(531,685)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS								
Expiration of share options		-	**(1,371,626)**	**(501,292)**	-	-	**1,872,918**	-
Shares issued during the year	13	**1,749,700**	-	-	-	-	-	**1,749,700**
Share issue costs		**(118,327)**	-	-	-	-	-	**(118,327)**
Foreign exchange movement		-	-	-	-	**(1,811)**	-	**(1,811)**
BALANCE AT 30 JUNE 2019		**22,234,213**	-	-	-	**223,057**	**(19,712,703)**	**2,744,567**
Loss for the year	14(b)	-	-	-		-	(2,757,045)	(2,757,045)
TOTAL COMPREHENSIVE LOSS		-	-	-	-	-	**(2,757,045)**	**(2,757,045)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS								
Issue of share options		-	-	**120,000**	-	-	-	**120,000**
Shares issued during the year	13	**5,840,000**	-	-	-	-	-	**5,840,000**
Share issue costs		**(346,707)**	-	-	-	-	-	**(346,707)**
Abercorn Acquisition		-	-	-	**900,000**	-	-	**900,000**
Foreign exchange movement		-	-	-	-	**(23,724)**	-	**(23,724)**
BALANCE AT 30 JUNE 2020		**27,727,506**	-	**120,000**	**900,000**	**199,333**	**(22,469,748)**	**6,477,091**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2020	Notes	Consolidated 2020 $	Consolidated 2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(797,375)	(473,145)
Expenditure on mining interests		(746,314)	(89,721)
Other income		260	260
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	24	(1,543,429)	(562,606)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(7,000)	-
Net cash on acquisition of Abercorn Kaolin Pty Ltd		11,765	-
Due diligence		(1,650)	-
Payments to acquire mining assets		(350,000)	-
Purchase of other intangible assets		(150,000)	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(496,885)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares net of share issue cost		1,863,292	1,631,373
NET CASH INFLOW FROM FINANCING ACTIVITIES		1,863,292	1,631,373
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(177,022)	1,068,767
Cash and cash equivalents at the beginning of the financial year		1,757,605	692,049
Effects of exchange rate fluctuations on cash held		(13,927)	(3,211)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	1,566,656	1,757,605

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Metalsearch Limited and its subsidiaries. The financial statements are presented in Australian currency. Metalsearch Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 11 September 2020. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Metalsearch Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of Metalsearch Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2019 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2019.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention unless otherwise stated.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Metalsearch Limited ("Company" or "parent entity") as at 30 June 2020 and the results of all subsidiaries for the year then ended. Metalsearch Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Investments in subsidiaries are accounted for at cost in the separate financial statements of Metalsearch Limited.

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Metalsearch Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Metalsearch Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless that is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(e) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(f) Income tax

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associated operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(g) Leases

At the lease commencement, the Group recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Group believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Group's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Group's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exceptions to lease accounting

The Group has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The Group recognises the payments associated with these leases as an expense on a straight-line basis over the lease term

(h) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions 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 insignificant risk of changes in value.

(j) Trade and other receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(k) Financial instruments

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs.

(l) Financial assets

Classification

On initial recognition, the Group classifies its financial assets at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statements of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less any allowance for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for financial assets measured at amortised cost.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Group in full, without recourse to the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables and contract assets

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced a significant increase in credit risk then the lifetime losses are estimated and recognised.

(m) Financial liabilities

The Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Group comprise of trade and other payables.

(n) Plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the reducing balance method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates vary between 20% and 40% per annum.

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 (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When re-valued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(o) Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through the sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial year the decision is made. Each area of interest is reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

(p) Intangible Assets

Intangible assets are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Patents, trademarks and licences

Patents, trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses once the asset is considered held ready for use. Intellectual property and licences are amortised on a systematic basis matched to the future economic benefits over the useful life of the project once the patents are considered held ready to use.

Significant costs associated with trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 20 years.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identity that the project will deliver future economic benefits and these benefits can be measured reliably.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms.

(r) Employee benefits

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 are measured at the amounts expected to be paid when the liabilities are settled. All short-term employee benefit obligations are presented as payables.

(s) Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

Options over ordinary shares have also been issued as consideration for the acquisition of interests in tenements and other services. These options have been treated in the same manner as employee options described above, with the expense being included as part of exploration expenditure.

(t) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(u) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(v) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(w) New accounting standards and interpretations

Standards and Interpretations applicable to 30 June 2020

In the year ended 30 June 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all Standards and Interpretations issued but not yet adopted for the year ended 30 June 2020. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Group accounting policies.

(x) Critical accounting judgements, estimates and assumptions

The directors evaluate estimates and judgements incorporated into the financial report 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 Group.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

(y) Going concern

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Company's assets and the discharge of its liabilities in the normal course of business.

The directors consider it is appropriate to prepare the consolidated entity's financial statement on a going concern basis and recognise that additional funding may be required to ensure the consolidated entity can continue its operations for the next twelve months and to fund the continued development of the consolidated entity's exploration assets. This basis has been determined after consideration of the following factors:

- The ability to issue additional share capital under the Corporations Act 2001, if required, by a share purchase plan, share placement or rights issue;
- Debt financing, including convertible note issues;
- The option of farming out all or part of the consolidated entity's exploration projects; and
- The ability, if required to dispose of interests in exploration and development assets.

Consequently, the Board considers the Group is a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all Board members to be involved in this process. The Board has responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management.

(a) Market risk

(i) Foreign exchange risk

The Group has operations internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Botswana Pula.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements.

The functional currency of the Group's foreign subsidiary company is the Botswana Pula. All parent entity and Australian subsidiary entity balances are in Australian dollars and all Group balances are in either Australian dollars or Botswana Pula, so the Group has only minimal exposure to foreign currency risk at the reporting date.

(ii) Price risk

Given the current level of operations, being mineral exploration projects, the Group is not exposed to price risk.

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of un-restricted cash and cash equivalents for the Group $1,566,656 (2019: $1,757,605) is subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the period depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Group was 0% (2019: 0%).

Sensitivity analysis

At 30 June 2020, if interest rates had changed by +/- 100 basis points from the weighted average rate for the period with all other variables held constant, post-tax loss for the Group would have been $15,667 (2019: $17,576) lower/higher as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the statement of financial position and notes to the financial statements.

As the Group does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

3. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. For management purposes, the Group has identified two reportable segments being exploration activities undertaken in Australia and Botswana. These segments include the activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in these geographic locations.

Segment performance is evaluated based on the operating profit and loss and cash flows and is measured in accordance with the Group's accounting policies.

	Australia		Botswana		Consolidated Total	
	2020	2019	2020	2019	2020	2019
	$	$	$	$	$	$
Segment revenue	-	-	-	-	-	-
Reconciliation of segment revenue to total revenue before tax:						
Other revenue	**260**	260	-	-	**260**	260
Total revenue	**260**	260	-	-	**260**	260
Segment results	**(666,596)**	-	**(1,093,180)**	(93,348)	**(1,759,776)**	(93,348)
Reconciliation of segment result to net loss before tax:						
Other corporate and administration	**(966,090)**	(412,050)	**(31,439)**	(26,547)	**(997,529)**	(438,597)
Net profit/(loss) before tax	**(1,632,426)**	(411,790)	**(1,124,619)**	(119,895)	**(2,757,045)**	(531,685)
Income tax benefit	-	-	-	-	-	-
Net profit/(loss) after tax	**(1,632,426)**	(411,790)	**(1,124,619)**	(119,895)	**(2,757,045)**	(531,685)
Segment operating assets	**5,038,686**	10,126	-	997,694	**5,038,686**	1,007,820
Reconciliation of segment operating assets to total assets:						
Other corporate and administration assets	**1,643,068**	1,765,210	**10,110**	2,228	**1,653,178**	1,767,438
Total assets	**6,681,754**	1,775,336	**10,110**	999,922	**6,691,864**	2,775,258
Segment operating liabilities	**(214,019)**	(25,122)	**(754)**	(5,569)	**(214,773)**	(30,691)
Reconciliation of segment operating liabilities to total liabilities:						
Other corporate and administration liabilities	-	-	-	-	-	-
Total liabilities	**(214,019)**	(25,122)	**(754)**	(5,569)	**(214,773)**	(30,691)

	Consolidated	
	2020	2019
	$	$

4. REVENUE

From continuing operations		
Interest	**260**	260
Other income	-	-
	260	260

5. EXPENSES

Loss before income tax includes the following specific expenses:		
Defined contribution superannuation expense	**1,959**	3,167

6. INCOME TAX

(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	**(2,757,045)**	(531,685)
Prima facie tax benefit at the Australian tax rate of 30%	**(827,114)**	(159,506)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sundry items	-	-
	(827,114)	(159,506)
Movements in unrecognised temporary differences	**(40,706)**	(23,602)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**867,820**	183,108
Income tax expense	-	-
(c) Unrecognised temporary differences		
Deferred Tax Assets (at 30%)		
On Income Tax Account		
Provision for expenses	**6,758**	6,300
Capital raising costs	**95,832**	53,788
Investments	**38,877**	35,969
Carry forward revenue tax losses	**6,202,388**	5,366,339
	6,343,855	5,462,396
Deferred Tax Liabilities (at 30%)		
Sundry items	-	-
Intangible assets	**228,387**	-
Capitalised tenement acquisition costs	**1,280,165**	299,308
	1,508,552	299,308

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The Group's ability to use losses in the future is subject to the Group satisfying the relevant tax authority's criteria for using these losses.

	Consolidated 2020 $	Consolidated 2019 $

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2020 $	2019 $
Cash and cash equivalents		
Cash at bank and in hand	**1,566,656**	1,757,605
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	**1,566,656**	1,757,605

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2020 $	2019 $
Trade receivables	**86,522**	9,833

9. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	2020 $	2019 $
Plant and equipment		
Cost	**164,224**	158,224
Accumulated depreciation	**(154,044)**	(148,098)
Net book amount	**10,180**	**10,126**
Plant and equipment		
Opening net book amount	**10,126**	14,683
Additions	**6,000**	-
Depreciation charge	**(5,946)**	(4,557)
Closing net book amount	**10,180**	**10,126**

10. NON-CURRENT ASSETS – MINING PROPERTIES

	2020 $	2019 $
Tenement acquisition costs carried forward in respect of mining areas of interest		
Opening net book amount	**997,694**	997,694
Additions	**4,267,216**	-
Capitalised tenement acquisition costs written off	**(997,694)**	-
Closing net book amount	**4,267,216**	**997,694**

The ultimate recoupment of costs carried forward for tenement acquisition is dependent on the successful development and commercial exploitation or sale of the respective mining areas. Amortisation of the costs carried forward for the development phase is not being charged pending the commencement of production.

Tenement acquisition costs carried forward relate to the company's Australian held tenements.

	Consolidated 2020 $	Consolidated 2019 $
11. NON-CURRENT ASSETS – INTANGIBLE ASSETS		
Patents and Licences		
Cost	**761,290**	-
Less: Accumulated amortisation and impairment losses	**-**	-
Net book amount	**761,290**	**-**
Reconciliation		
Carrying amount at the beginning of the period	**-**	-
Additions during the period	**761,290**	-
Disposals	**-**	-
Amortisation expense	**-**	-
Balance at the end of the financial year	**761,290**	-

Synthetic Zeolite Mineral Processing Technology

On the 7 April 2020, the Company announced it had secured an exclusive worldwide licence from UniQuest, the technology transfer company of The University of Queensland (UQ) for the manufacturing (synthesising) of zeolites (Technology). The UQ synthetic zeolite mineral processing technology has the potential to significantly reduce the cost of manufacturing synthetic zeolites.

On 7 May 2020, the Company announced it had executed the research agreement ("Research Agreement") with UQ for the continued research and development of the patent pending mineral processing Technology.

12. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	2020	2019
Trade payables	**187,711**	9,644
Other payables and accruals	**27,062**	21,047
	214,773	**30,691**

Fair Value and Risk Exposures

(i) Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.
(ii) Trade and other payables are unsecured and usually paid within 60 days of recognition.

13. ISSUED CAPITAL

(a) Share capital

	Notes	2020 Number of shares	2020 $	2019 Number of shares	2019 $
Ordinary shares fully paid	13(b), 13(d)	**1,176,551,184**	**27,727,506**	480,910,159	22,234,213
Total issued capital		**1,176,551,184**	**27,727,506**	480,910,159	22,234,213
(b) Movements in ordinary share capital					
Beginning of the financial year		**480,910,159**	**22,234,213**	305,940,106	20,602,840
Issued during the year:					
• Issued for cash at 0.6 cents per share		**333,333,333**	**2,000,000**		
• Issued for acquisition at 1.2 cents per share		**235,000,000**	**2,820,000**		
• Issued to advisers for acquisition at 1.2 cents per share		**35,000,000**	**420,000**		
• Issued for licence at 0.65 cents per share		**92,307,692**	**600,000**		
• Issued for cash at 1 cent per share		**-**	**-**	174,970,053	1,749,700
Less: Transaction costs		**-**	**(346,707)**	-	(118,327)
End of the financial year		**1,176,551,184**	**27,727,506**	**480,910,159**	**22,234,213**

(c) Movements in options on issue

Beginning of the financial year	**-**	34,978,878
Options lapsed during the year	**-**	(34,978,878)
Issued during the year	**20,000,000**	-
End of the financial year	**20,000,000**	**-**

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

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

(e) Performance Rights

Beginning of the financial year	**-**	-
Performance rights lapsed during the year	**-**	-
Issued during the year	**200,000,000**	-
End of the financial year	**200,000,000**	**-**

14. RESERVES AND ACCUMULATED LOSSES

	Consolidated 2020 $	Consolidated 2019 $
(a) Reserves		
Share-based payments reserve	**120,000**	-
Acquisition reserve	**900,000**	-
Foreign currency translation reserve	**199,333**	223,057
	1,219,333	**223,057**
Movements:		
Share-based payments and option reserve		
Balance at beginning of financial year	**-**	1,872,918
Options issued during the year	**120,000**	-
Share based payment expense	**-**	-
Expiration of share options	**-**	(1,872,918)
Balance at end of financial year	**120,000**	**-**
Acquisition reserve		
Balance at beginning of year	**-**	-
Abercorn acquisition accrued milestone payment	**900,000**	-
Balance at end of financial year	**900,000**	**-**
Foreign currency translation reserve		
Balance at beginning of year	**223,057**	224,868
Exchange differences on translation of foreign operation	**(23,724)**	(1,811)
Balance at end of financial year	**199,333**	**223,057**
(b) Accumulated losses		
Balance at beginning of financial year	**(19,712,703)**	(21,053,936)
Expiration of share options	**-**	1,872,918
Net loss for the year	**(2,757,045)**	(531,685)
Balance at end of financial year	**(22,469,748)**	**(19,712,703)**

(c) Nature and purpose of reserves

(i) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued.

(ii) Acquisition reserve

The acquisition reserve is used to recognise the fair value of deferred consideration on asset acquisition.

(iii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.

15. DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

	2020	2019
	$	$

16. ABERCORN ACQUISITION

The Company completed its acquisition of 100% of the share capital in Abercorn Kaolin Pty Ltd ("Abercorn"), which owns the Abercorn High Purity Alumina ("HPA") Project ("Abercorn Project") located in Queensland, Australia (refer ASX Announcement dated 16 October 2019).

The Project comprises 3 contiguous Exploration Permits for Minerals ("EPM") for a total of 38 sub-blocks, an **area of 128km²**, these are EPM 26837 comprising 33 sub-blocks, EPM 26903 comprising 4 sub-blocks and EPM 19081 comprising one sub-block. The Project is situated approximately 135km south-west of the deep-water port of Gladstone and 125km west of the deep-water port of Bundaberg in Central Queensland.

This acquisition is not considered to be a business combination under AASB 3: Business combinations.

Key Commercial Terms of Acquisition

The Acquisition is a combination of cash and shares including deferred payments to the Vendors once key performance related milestones are achieved.

The consideration for the Acquisition is summarised as follows:

- the payment of $50,000 as a non-refundable deposit;
- at completion, the payment by the Company of $300,000 as reimbursement for past expenditures;
- at completion, the issue by the Company to the Vendors of 235,000,000 ordinary fully paid shares in the Company ("MSE Shares") at a deemed issue price of $0.012 having a total value equivalent to $2,820,000;
- issue of the deferred consideration set out below on satisfaction of each milestone;
  - upon certification by an independent Competent Person on or before the first anniversary of the date of the term sheet of an inferred JORC compliant resource of 10,000,000 tonnes of raw ore containing 29% Al_2O_3 at -20micron sizing, the issue by the Company to the Vendors of 75,000,000 MSE Shares: and
  - upon completion by the Company of a Scoping Study (as defined in the JORC Code) before the 3rd anniversary of the date of the term sheet, the issue by the Company to the Vendors of 75,000,000 MSE Shares.

No person will acquire a relevant interest of greater than 20% in the Company as a result of the MSE Shares issued at completion of the Acquisition, and any subsequent issue of MSE Shares under the consideration for the Acquisition will be deferred to the extent that, as a result of any such issue, the resulting voting power of any shareholder will increase to more than 20% in contravention of section 606(1) of the Corporations Act 2001 (Cth).

Details of the consideration transferred and the allocation to the net assets acquired are as follows:

Fair Value Consideration	
Cash	350,000
Issue of shares in Metalsearch Ltd to vendors (235,000,000 at $0.012)	2,820,000
Issue of shares in Metalsearch Ltd to advisers (17,500,000 at $0.012)	210,000
Accrued deferred consideration of shares in Metalsearch Ltd to Vendors (75,000,000 at $0.012)	900,000
	4,280,000
The assets acquired and liabilities assumed at the date of acquisition are as follows:	
Recognised Amounts of Identifiable Net Assets on Acquisition	
Cash	11,765
Trade and other receivables	1,019
Mining properties	4,267,216
	4,280,000

Acquisition Related Costs

Acquisition related costs of $8,057 have been expensed during the period.

	Consolidated	
	2020	**2019**
	$	**$**

17. KEY MANAGEMENT PERSONNEL DISCLOSURES

	2020 $	2019 $
(a) Key management personnel compensation		
Short-term benefits	**221,125**	176,754
Post-employment benefits	**1,959**	3,167
Other long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payments	**120,000**	-
	343,084	**179,921**

Detailed remuneration disclosures are provided in the remuneration report on pages 14 to 18.

Apart from the detail in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end. Certain non-executive directors provided consulting services to the Group during the year. These services were charged to the Group based on the days worked. The total amount payable while they held positions as directors is shown in the Remuneration Report.

(b) Loans to key management personnel

There were no loans to key management personnel during the year.

(c) Other transactions with key management personnel

Services

Rent of $12,000 and capital raising fees of $56,000 were paid to Westar Services Pty Ltd, a company of which Mr Neville Bassett is a director and shareholder. The amounts paid were on arm's length commercial terms.

Legal fees of $41,453 were paid to Dominion Legal, a partnership of which Mr Robert Downey is a partner of. The amounts paid were on arm's length commercial terms.

18. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	2020 $	2019 $
(a) Audit services		
Rothsay Auditing – audit and review of financial reports	**19,000**	20,000
Total remuneration for audit services	**19,000**	**20,000**
(b) Non-audit services		
Total remuneration for other services	**-**	-

19. CONTINGENCIES

Abercorn Acquisition

On 16 October 2019, the Company completed the acquisition of the Abercorn High Purity Alumina ("HPA") Project.

The acquisition included contingent consideration for issue of further Shares to the Vendors or their nominees upon the achievement of certain milestones:

- upon certification by an independent Competent Person on or before the first anniversary of the date of the term sheet of an inferred JORC compliant resource of 10,000,000 tonnes of raw ore containing 29% Al_2O_3 at -20micron sizing, the issue by the Company to the Vendors of 75,000,000 MSE Shares (Class A Performance Rights): and
- upon completion by the Company of a Scoping Study (as defined in the JORC Code) before the 3rd anniversary of the date of the term sheet, the issue by the Company to the Vendors of 75,000,000 MSE Shares (Class B performance Rights).

The first milestone was met and the deferred consideration of 75,000,000 MSE Shares were issued subsequent to the end of the financial year.

Licence Agreement – Synthetic Zeolite

On 7 April 2020, the Company secured an exclusive worldwide licence from UniQuest Pty Ltd, the technology transfer company of the University of Queensland, for the manufacturing (synthesising) of Zeolites (the Technology).

The grant of the licence included contingent consideration upon the achievement of certain milestones and outcomes:

(i) in the event that a patent is granted or on the successful production of three five kilogram batched of type A synthetic zeolite from the Pilot Plant that it will at that time pay a success milestone of $600,000 either in cash or by way of the issue of ordinary fully paid shares in the capital of the Company, calculated on a 30 day VWAP (at the Company's election); and

(ii) a 5% royalty on gross sales of synthetic zeolites produced using the Technology;

The Licence Agreement also gives the Company the option, withing specified circumstances, to acquire the Technology and the intellectual property rights, subject to the payment of an assignment fee.

Kraaipan Acquisition

On 29 May 2017, the Company completed the acquisition of the Kraaipan Gold-Nickel-Copper-PGM Project in southern Botswana.

The acquisition included contingent consideration for issue of further Shares to the Vendors or their nominees upon the achievement of certain milestones as follows ('Milestone Consideration'):

a. upon certification of a JORC compliant resource of gold or gold equivalent of 250,000oz which at least 50% is classified as Indicated or above ('First Milestone'), Shares with a total value of $500,000 based on an issue price per Share equal to the higher of $0.02 or the 5 day volume weighted average price for Shares for the previous five days on which Shares traded prior to the announcement of the First Milestone;

b. upon certification of a JORC compliant resource of 500,000oz gold or gold equivalent of which at least 50% is classified as Indicated or above ('Second Milestone'), Shares with a total value of $1,000,000 based on an issue price per Share equal to the higher of $0.02 or the 5 day volume weighted average price for Shares for the previous five days on which Shares traded prior to the announcement of the Second Milestone;

c. upon certification of a JORC compliant resource of 750,000oz gold or gold equivalent of which at least 50% is classified as Indicated or above ('Third Milestone'), Shares with a total value of $1,000,000 based on an issue price per Share equal to the higher of $0.02 or the 5 day volume weighted average price for the previous five days on which Shares traded prior to the announcement of the Third Milestone; and

d. upon certification of a JORC compliant resource of 1,000,000oz gold or gold equivalent of which at least 50% is classified as Indicated or above (Fourth Milestone), Shares with a total value of $1,000,000 based on an issue price per Share equal to the higher of $0.02 or the 5 day volume weighted average price for the previous five days on which Shares traded prior to the announcement of the Fourth Milestone.No dividends were paid during the financial year.

	Consolidated	
	2020	**2019**
	$	**$**

20. COMMITMENTS

(a) Exploration commitments

The Group has certain commitments to meet minimum expenditure requirements on the mining exploration assets it has an interest in. Outstanding exploration commitments are as follows:

	2020 $	2019 $
within one year	1,159,451	1,719,386
later than one year but not later than five years	516,000	532,466
	1,675,451	**2,251,852**
Operating leases (non-cancellable):		
Minimum lease payments		
within one year	-	-
later than one year but not later than five years	-	-
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	-	-

The exploration work plan and expenditure commitment for the Botswanan tenements ($1,029,451) is subject to exploration success and a submission can be made to alter the exploration work plan and expenditure commitment if results do not warrant the level of exploration currently in the work plan, which was submitted when the application for the tenements was made.

(b) Research commitments

The Group has certain commitments to meet research milestone payments to Uniquest Pty Ltd, the commercialisation company for the University of Queensland, as follows:

	2020 $	2019 $
within one year	245,000	-
later than one year but not later than five years	107,627	-
	352,627	**-**

Research agreements relate to:

(i) the continued research and development of the patent-pending mineral processing technology for the manufacturing (synthesising) of zeolites; and

(ii) the continued research and development relating to a production process in the manufacture of High Purity Alumina (HPA).

(c) Licence Agreement – Synthetic Zeolite

On 7 April 2020, the Company secured an exclusive worldwide licence from UniQuest Pty Ltd, the technology transfer company of the University of Queensland, for the manufacturing (synthesising) of Zeolites (the Technology).

The Licence Agreement is subject to several conditions subsequent which must be satisfied at various milestone dates. If the conditions subsequent are not satisfied by the relevant milestone dates UniQuest may terminate the Licence Agreement or choose to waive the relevant condition. The conditions subsequent are as follows:

(a) the parties entering into a research agreement for a minimum of $400,000 and a three year term within 30 days of the date of the Licence Agreement. The research to be undertaken by UniQuest under the research agreement is to finalise the technical aspects of the Technology upon which a Pilot Plant will be constructed (amongst other purposes);

(b) the Company completing and operating a pilot plant for synthetic zeolite within 18 months of the date of the Licence Agreement;

(c) the commencement of commercial production of synthetic zeolite using the Technology within five (5) years from the date of the completion of the Pilot Plant; and

(d) the Company deriving commercial production from a minimum of three (3) countries within six (6) years from the date of completion of the Pilot Plant.

21. RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the Group is Metalsearch Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 22.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 17.

(d) Loans to related parties

Metalsearch Limited has provided unsecured, interest free loans to its wholly owned subsidiaries totalling $7,355,604 (2019: $6,731,532). An impairment assessment is undertaken each financial year by examining the financial position of each subsidiary and the market in which the respective subsidiary operates to determine whether there is objective evidence that the subsidiary is impaired. When such objective evidence exists, the Company recognises an allowance for the impairment loss. The loans were impaired by a total of $7,160,573 (2019: $6,316,306).

22. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name	Country of incorporation	Class of shares	Equity Holding[1]	
			2020	2019
			%	%
Abercorn Kaolin Pty Ltd	Australia	Ordinary	**100**	Nil
Kraaipan Founders Pty Ltd	Australia	Ordinary	**100**	100
Kraaipan Founders (UK) Pty Ltd	UK	Ordinary	**100**	100
KFPL (UK) Pty Ltd	UK	Ordinary	**100**	100
South East Metals (Pty) Ltd	Botswana	Ordinary	**100**	100
Laconia South America Pty Ltd[2]	Australia	Ordinary	**100**	100
Gold Mines of Peru SAC[3]	Peru	Ordinary	**100**	100
Minera Peru Gold SAC[3]	Peru	Ordinary	**100**	100
Compania Minera Sucre SA[3]	Peru	Ordinary	**100**	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.

(2) This entity was incorporated on 1 November 2011 with Metalsearch Limited as the sole shareholder.

(3) Not audited by Rothsay

23. EVENTS OCCURRING AFTER BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years other than the below.

- the Company announced a Maiden Indicated and Inferred JORC 2012 Compliant Resource at the 100% owned Abercorn Project on 6 July 2020. Deferred consideration of 75,000,000 new ordinary shares at $0.011 were issued to the Vendors for achieving the first milestone;
- on 28 July 2020 the Company completed a $1,657,500 capital raising ("Placement") and issued 127,500,000 new ordinary shares at an issue price of $0.013; and
- The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had no significant impact on the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

	Consolidated	
	2020	**2019**
	$	**$**
24. STATEMENT OF CASH FLOWS		
Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	**(2,757,045)**	(531,685)
Non-Cash Items		
Net cash on acquisition	**11,765**	-
Write off of acquisition costs of mining assets	**997,694**	-
Depreciation of non-current assets	**5,946**	4,557
Accrued charges	**22,528**	21,000
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	**(76,689)**	2,189
Increase/(decrease) in trade and other payables	**252,372**	(58,667)
Net cash outflow from operating activities	**(1,543,429)**	**(562,606)**

25. LOSS PER SHARE

(a) Reconciliation of earnings used in calculating loss per share		
Loss attributable to the owners of the Company used in calculating basic and diluted loss per share	**(2,757,045)**	(531,685)

	Number of shares	
	2020	**2019**
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**928,619,326**	475,757,292

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2020, all options on issue are considered anti-dilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

	Consolidated	
	2020	2019
	$	$

26. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Metalsearch Limited, at 30 June 2020. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	2020 $	2019 $
Current assets	**1,825,319**	1,812,095
Non-current assets	**4,890,470**	1,010,127
Total assets	**6,715,789**	2,822,222
Current liabilities	**214,019**	25,122
Total liabilities	**214,019**	25,122
Net assets	**6,501,770**	2,797,100
Issued capital	**27,727,506**	22,234,213
Foreign Currency Reserve	**166,449**	166,449
Acquisition Reserve	**900,000**	-
Share-based payments and option reserve	**120,000**	-
Accumulated losses	**(22,412,185)**	(19,603,562)
Total equity	**6,501,770**	2,797,100
Loss for the year	**(2,808,623)**	(480,996)
Total comprehensive loss for the year	**(2,808,623)**	(480,996)

27. SHARE BASED PAYMENTS

Options issued under Incentive Option Scheme:

There were 20,000,000 new options, exercisable at $0.015 and expiring on 6 April 2024, granted during the year valued at $0.006 each (calculated using the Black-Scholes method - stock price at $0.006, the risk free interest rate is 0.25% and the volatility is 181.8%), total value $120,000, were issued as part of Mr Peter Zardo's executive service agreement.

The following table is a summary of the movement of options that have been issued under the Incentive Option Scheme.

	2020 number	**2019 number**	**2020 weighted average exercise price**	**2019 weighted average exercise price**
Outstanding at the beginning of the year	-	600,000	-	14 cents
Granted during the year	20,000,000	-	1.5 cents	-
Lapsed during the year	-	(600,000)	-	14 cents
Outstanding at the end of the year	20,000,000	-	1.5 cents	-
Exercisable at the end of the year	-	-		

All options were issued free of charge and are exercisable on or before 6 April 2024 at an exercise price of $0.015 each. The options will not vest until the 12-month anniversary of the Commencement Date. $120,000 options expense was charged against operations for the year (2019: nil).

Performance Rights Granted:

There were 200,000,000 performance rights issued during the year.

The following table is a summary of the movement of performance rights.

	2020 number	2019 number	2020 weighted average exercise price	2019 weighted average exercise price
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	200,000,000	-	-	-
Lapsed during the year	-	-	-	-
Outstanding at the end of the year	200,000,000	-	-	-

As part of the acquisition of the Abercorn High Purity Alumina ("HPA") Project, 150,000,000 performance rights were issued to the Vendors. $900,000 value has been ascribed to 75,000,000 of the performance rights as the first milestone was met subsequent to year end and Shares were issued at $0.012 each. Nil value has been ascribed to the remaining 75,000,000 performance rights as it is not definitively known whether the final milestone would be achieved.

As part of Mr Peter Zardo's executive service agreement, 50,000,000 performance rights were issued. Nil value has been ascribed to the performance rights as it is not definitively known whether certain milestones would be achieved.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements, notes and additional disclosures are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2020 and of their performance for the financial year ended on that date;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

Sylvia Tulloch
Chair

11 September 2020

ASX ADDITIONAL INFORMATION

Additional information required by Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 31 August 2020.

Number of quoted and unquoted equity securities

Equity Security	Quoted	Unquoted
Ordinary shares	1,379,051,184	-
Performance Rights – Class B	-	75,000,000
Performance Rights – Class C	-	10,000,000
Performance Rights – Class D	-	10,000,000
Performance Rights – Class E	-	10,000,000
Performance Rights – Class F	-	10,000,000
Performance Rights – Class G	-	10,000,000
Options expiring 6 April 2024	-	20,000,000

Distribution of holders of equity securities

	Fully paid ordinary shares	Performance Rights	Options
1 - 1,000	82	-	-
1,001 - 5,000	140	-	-
5,001 – 10,000	83	-	-
10,001 - 100,000	338	-	-
100,000 and over	389	10	1
	1,032	**10**	1
Holding less than a marketable parcel	428		

Substantial Shareholders

Substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are as follows:

Shareholder	No. of Shares	%
Mr Anthony Paul Sheridan	113,301,000	8.22
Goody Investments Pty Ltd <Goody Family A/C>	98,301,000	7.13
UniQuest Pty Ltd	92,307,692	6.69
LL & P Pty Ltd	89,596,716	6.50
Whitcombe Super Investments Pty Ltd	70,159,190	5.09

ASX ADDITIONAL INFORMATION (CON'T)

Twenty largest holders of quoted equity securities

Fully Paid Ordinary Shares

The names of the twenty largest holders of quoted ordinary shares (ASX:MSE) are:

		Number of shares	Percentage of total ordinary shares
1	Mr Anthony Paul Sheridan	113,301,000	8.22%
2	Goody Investments Pty Ltd <Goody Family A/C>	98,301,000	7.13%
3	UniQuest Pty Ltd	92,307,692	6.69%
4	Davanna Pty Ltd	60,000,000	4.35%
5	LL&P Pty Ltd <The Andrew Solomons S/F A/C>	53,080,920	3.85%
6	Whitcombe Super Investments Pty Ltd <Whitcombe Super Fund A/C>	49,655,500	3.60%
7	Echelon Super Pty Ltd <Echelon Super Fund A/C>	38,500,000	2.79%
8	Ms Chunyan Niu	37,833,334	2.74%
9	Dr Andrew Solomons	36,515,796	2.65%
10	Pointciana Pty Ltd <Ivanhoe Investments A/C>	33,679,000	2.44%
11	Mr Peter Zardo <Zardo Family A/C>	26,880,000	1.95%
12	Mr Bilal Ahmad	26,500,000	1.92%
13	Mr Sufian Ahmad	24,100,000	1.75%
14	J&M Page Superannuation Pty Ltd <J&M Page Super Fund A/C>	22,636,177	1.64%
15	Ddpevcic (WA) Pty Ltd <Dominic Family A/C>	22,475,000	1.63%
16	Goldfire Enterprises Pty Ltd	19,539,207	1.42%
17	Acilloom Pty Ltd <Mollica Super Fund A/C>	19,000,000	1.38%
18	Dontoro Pty Ltd <The Mollica Family A/C>	19,000,000	1.15%
19	Faraday Nominees Pty Ltd <Bronte Investment A/C>	16,500,000	1.20%
20	Gold Coast Tweed Pet Motels Pty Ltd <AK A/C>	15,847,500	1.15%
		825,652,126	**59.87%**

Unquoted Equity Securities holdings greater than 20%

	Number Held
Performance Rights – Class B	
Mr Anthony Paul Sheridan	23,782,500
Goody Investments Pty Ltd <Goody Family A/C>	23,782,500
Gold Coast Tweed Pet Motels Pty Ltd <AK A/C>	15,847,500
Performance Rights – Class C	
Mr Peter Zardo <Zardo Family A/C>	10,000,000
Performance Rights – Class D	
Mr Peter Zardo <Zardo Family A/C>	10,000,000
Performance Rights – Class E	
Mr Peter Zardo <Zardo Family A/C>	10,000,000
Performance Rights – Class F	
Mr Peter Zardo <Zardo Family A/C>	10,000,000

Performance Rights – Class G	
Mr Peter Zardo <Zardo Family A/C>	10,000,000
Options exercisable at $0.015 each, expiring 6 April 2024	
Mr Peter Zardo <Zardo Family A/C>	20,000,000

Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

Home exchange

The Company is listed on the Australian Securities Exchange. The Home Exchange is Perth. The Company's securities are not quoted on any other stock exchange.

Buy back

Nil.

Restricted securities

There were no securities restricted by the ASX at the date of this report or the year ended 30 June 2020.

Schedule of interest in mining tenements

Location	Tenement	Percentage held/earning
Australia	EPM 19081	100
Australia	EPM 26837	100
Australia	EPM 26903	100
Australia	EPM 27427	100
Botswana	PL232/2016	100
Botswana	PL064/2017	100
Botswana	PL065/2017	100

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Metalsearch Limited are responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and accountable. The Board continuously reviews its governance practices to ensure they remain consistent with the needs of the Company.

ASX Listing Rule 4.10.3 requires listed companies to disclose the extent to which they have complied with the ASX Best Practice Recommendations of the ASX Corporate Governance Council in the reporting period. The Corporate Governance Statement and the Appendix 4G statement have been released to the ASX and can be found on the Company's website at www.metalsearch.com.au