



METALSEARCH LIMITED

ABN 29 137 984 297

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2019**

This interim financial report does not include all the notes of the type normally included in an annual financial report. This report is to be read in conjunction with the Annual Report for the year ended 30 June 2019 and any public announcements made by Metasearch Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*

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CORPORATE DIRECTORY

ABN 29 137 984 297

Directors

Robert Downey (Non-Executive Chairman)
Jeremy Read (Non-Executive Director)
John Goody (Non-Executive Director)
Keong Chan (Non-Executive Director)

Company Secretary

Neville Bassett

Registered Office

Level 4, 216 St Georges Terrace,
Perth WA 6000
Telephone: +61 8 6268 2698
Facsimile: +61 8 9268 2699

Postal Address

PO Box 7315 Perth WA 6850

Internet

W: www.metalsearch.com.au
E: info@metalsearch.com.au

Share Registry

Automic Pty Ltd
Level 2, 267 St Georges Terrace
Perth WA 6000
Email: registrar@securitytransfer.com.au
Telephone: 1300 288 664
Email: hello@automicgroup.com.au
Web: automicgroup.com.au

Auditors

Rothsay Auditing
Level 1, Lincoln House
4 Ventnor Avenue
West Perth WA 6005
Telephone: +61 8 9486 7094

Stock Exchange Listing

Metalsearch Limited securities are listed on the Australian Securities Exchange (ASX code: MSE).

METALSEARCH LIMITED
31 DECEMBER 2019
DIRECTORS' REPORT

DIRECTORS' REPORT

Your directors are pleased to present their report on Metalsearch Limited for the half-year ended 31 December 2019.

DIRECTORS

The names of the directors who held office during or since the end of the half year are:

Robert Downey	Non-Executive Chairman
Jeremy Read	Non-Executive Director
John Goody	Non-Executive Director (appointed 16 October 2019)
Keong Chan	Non-Executive Director (appointed 16 October 2019)
Jason Brewer	Non-Executive Director (resigned 16 October 2019)
Neville Bassett	Non-Executive Director (resigned 16 October 2019)

RESULT

The Company recorded a loss for the half-year ended 31 December 2019 of \$670,990 compared to a loss of \$349,293 for the corresponding period in the prior year.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the period was the exploration of the Company's mineral tenements with the objective of identifying economic mineral deposits and the identification and evaluation of new venture and corporate opportunities.

REVIEW OF OPERATIONS

Abercorn Project, Australia

During the period, 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 world leading High Purity Alumina ("**HPA**") project located in central Queensland (*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 128km²**, 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.

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.

The kaolin mineralisation previously drilled in 24 holes in 2007 has the potential for the extraction of marketable volumes of higher-grade feedstock¹.

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DIRECTORS' REPORT (continued)

Assays completed on samples of kaolin from the 2007 drilling program, indicate the -10 micron fraction consistently graded at >33% Al_2O_3 , representing approximately 20% of the raw ore mass. The ability to cost effectively upgrade bulk raw ore to a higher yield of Al_2O_3 via simple grain size sorting, at considerable scale, indicates the potential for developing the Abercorn Project in joint venture with global end users seeking to source high grade Al_2O_3 ¹.

The Company is currently undertaking preliminary processing studies to determine the viability of using -20um instead of -10um material as part of any processing flowsheet and preliminary results have been positive. If the -20um material can be processed this has the added advantage of increasing the yield. Previous testing has shown that the -20um fraction contains ~88% of all the kaolin in the raw ore at a grade of ~29% Al_2O_3 .

The kaolin on the Abercorn Project has already been shown to be capable of producing **99.99% Al_2O_3 (4N HPA)** including high grade **assays up to 33.71% Al_2O_3** (-10 micron fraction¹) and commercial grade Aluminium Sulphate (ALUM), used in water purification.

Processing of multi-spectral satellite scanner data (ASTER) suggests that the kaolin intersected by previous drilling, is much more extensive than indicated by the 2007 drilling.

Aircore Drilling Program

During the period, 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. The Abercorn Project has previously produced 99.99% Al_2O_3 (4N HPA)¹.

The Company is encouraged by the positive intersections throughout the drilling program of what appears to be high quality kaolin, of the form which the 2007 drilling showed is host to the Al_2O_3 mineralisation. Intersections of Kaolin mineralisation were routinely intersected throughout the campaign, including in excess of 40m thickness. Substantial intersections of bright white kaolin were also encountered on the periphery of the drill grid, indicating high potential for further mineralisation outside of the current drilled area.

Aircore holes drilled into an area 2km south of the main Cynthia prospect also intersected bright white kaolin of the same form mineralised with Al_2O_3 at the Cynthia Prospect. The Company decided to increase the number of holes drilled around this satellite target, and pending results, it is likely a follow up drilling campaign will be conducted around this satellite target.

The objective of the Aircore drilling program is to define a maiden Inferred Mineral Resource (JORC 2012) of kaolin containing high-grade Al_2O_3 . The Company also conducted extensional drilling in order to further define and extend the encouraging kaolin mineralisation intersected in holes drilled in 2007.

Geochemical samples have been submitted to ALS Global for analysis. The Company is confident of delivering a strong result and looks forward to updating the market on receipt of results.

¹See Metalsearch Limited ASX Announcement 13 August 2019. 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 announcement.

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DIRECTORS' REPORT (continued)

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.

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.

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 AKGT in Botswana is interpreted to be highly prospective for both gold and magmatic nickel-copper-PGM sulphide mineralisation, as these rocks are directly along strike and within the same geological units, as the well-known Kalgold and Kalplats deposits across the border in South Africa.

The Kraaipan West Project comprises Prospecting Licences, PL064/2017 and PL065/2017, which are 584 km² and 446km² in area. This project is approximately 30 kilometres to the west of the Kraaipan Gold-Nickel-Copper-PGM Project. The southern boundary of the tenures is located along Botswana's southern border with South Africa and can be accessed via well-maintained, all weather roads from Gaborone (capital of Botswana), approximately 180 kilometres to the north.

Kraaipan Project Drill Program

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*).

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DIRECTORS' REPORT (continued)

The Company is looking to bring a partner into the Kraaipan Gold project to continue testing a number of gold and nickel-copper targets which have been generated by Metalsearch from historical data sets.

Competent Person Statement

Statements contained in this report relating to historical exploration results, and current exploration results on the Kraaipan Project are based on, and fairly represents, information and supporting documentation prepared by Mr. Jeremy Read, who is a member of the Australian Institute of Mining & Metallurgy (AusIMM), Member No 224610. Mr Read is a Non-Executive Director and 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 Read consents to the use of this information in this report in the form and context in which it appears.

Corporate

During the period, the Company:

- (a) Completed a \$2 million capital raising;
- (b) Paid the cash consideration and issued the consideration shares and performance rights for the acquisition of the Abercorn Project; and
- (c) Appointed Mr John Goody and Keong Chan as directors of the Company. Mr Bassett and Mr Brewer resigned as directors. Mr Bassett continues as company secretary.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Rothsay Auditing, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 9 and forms part of this directors' report for the half-year ended 31 December 2019.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306 (3) of the Corporations Act 2001.



Robert Downey
Non-Executive Chairman
Perth, 9 March 2020



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 review of the 31 December 2019 interim financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the review.

Graham Swan FCA (Lead auditor)

Rothsay Auditing

Dated 9 March 2020

METALSEARCH LIMITED**31 DECEMBER 2019****CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Note	2019 \$	2018 \$
REVENUE	2	260	260
EXPENDITURE			
Administration expenses		(200,727)	(200,718)
Depreciation expense		(2,750)	(2,290)
Exploration expenses		(385,123)	(91,565)
Salaries and employee benefits expense		(81,000)	(54,980)
Due diligence expenses		(1,650)	-
LOSS BEFORE INCOME TAX		(670,990)	(349,293)
Income tax benefit / (expense)		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF METALSEARCH LIMITED		(670,990)	(349,293)
Basic and diluted loss per share (cents)		(0.001)	(0.001)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

METALSEARCH LIMITED

31 DECEMBER 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	31 December 2019 \$	30 June 2019 \$
CURRENT ASSETS		
Cash and cash equivalents	2,555,591	1,757,605
Trade and other receivables	71,368	9,833
TOTAL CURRENT ASSETS	<u>2,626,959</u>	<u>1,767,438</u>
NON-CURRENT ASSETS		
Plant and equipment	13,376	10,126
Mining properties	2,849,910	997,694
TOTAL NON-CURRENT ASSETS	<u>2,863,286</u>	<u>1,007,820</u>
TOTAL ASSETS	<u>5,490,245</u>	<u>2,775,258</u>
CURRENT LIABILITIES		
Trade and other payables	5 43,748	30,691
TOTAL CURRENT LIABILITIES	<u>43,748</u>	<u>30,691</u>
TOTAL LIABILITIES	<u>43,748</u>	<u>30,691</u>
NET ASSETS	<u>5,446,497</u>	<u>2,744,567</u>
EQUITY		
Issued capital	25,616,939	22,234,213
Reserves	213,251	223,057
Accumulated losses	(20,383,693)	(19,712,703)
TOTAL EQUITY	<u>5,446,497</u>	<u>2,744,567</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

METALSEARCH LIMITED

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Contributed Equity \$	Share-based Payments Reserve \$	Options Reserves \$	Foreign Exchange Reserves \$	Accumulated Losses \$	Total \$
BALANCE AT 1 JULY 2018	20,602,840	1,371,626	501,292	224,868	(21,053,936)	1,646,690
Loss for the period	-	-	-	-	(349,293)	(349,293)
TOTAL COMPREHENSIVE LOSS	-	-	-	-	(349,293)	(349,293)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	1,749,700	-	-	-	-	1,749,700
Share issue costs	(118,327)	-	-	-	-	(118,327)
Foreign exchange movement	-	-	-	895	-	895
BALANCE AT 31 DECEMBER 2018	22,234,213	1,371,626	501,292	225,763	(21,403,229)	2,929,665
BALANCE AT 1 JULY 2019	22,234,213	-	-	223,057	(19,712,703)	2,744,567
Loss for the period	-	-	-	-	(670,990)	(670,990)
TOTAL COMPREHENSIVE LOSS	-	-	-	-	(670,990)	(670,990)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	3,620,000	-	-	-	-	3,620,000
Share issue costs	(237,274)	-	-	-	-	(237,274)
Foreign exchange movement	-	-	-	(9,806)	-	(9,806)
BALANCE AT 31 DECEMBER 2019	25,616,939	-	-	213,251	(20,383,693)	5,446,497

The above statement of changes in equity should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	2019	2018
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenditure on mining interests	(411,062)	(55,921)
Payments to suppliers and employees	(301,772)	(330,591)
Interest received	260	260
Net cash outflow from operating activities	(712,574)	(386,252)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(7,000)	-
Net cash on acquisition of Abercorn Kaolin Pty Ptd	11,765	-
Due diligence	(1,650)	-
Payments to acquire mining assets	(350,000)	-
Net cash outflow from investing activities	(346,885)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of ordinary shares net of share issue cost	1,867,726	1,631,373
Net cash inflow from financing activities	1,867,726	1,631,373
Net (decrease)/increase in cash and cash equivalents	808,267	1,245,121
Exchange differences on cash and cash equivalents	(10,281)	1,043
Cash and cash equivalents at the beginning of the half-year	1,757,605	692,049
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	2,555,591	1,938,213

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Metasearch Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

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 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 capital under the Corporations Act 2001, if required, by 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 interest 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.

METALSEARCH LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2019, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2019.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2019. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Company accounting policies.

NOTE 2: REVENUE

	Half-Year Consolidated	
	December 2019	December 2018
From continuing operations	\$	\$
Interest revenue	260	260
Other revenue	-	-
Total revenue	260	260

NOTE 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.

Primary Reporting – geographical segments

The geographical segments of the consolidated entity are as follows:

METALSEARCH LIMITED

31 DECEMBER 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 3: SEGMENT INFORMATION (continued)

Revenue by geographical region

Revenue attributable to the Group disclosed below, based on where the revenue is generated from:

	December 2019 \$	December 2018 \$
Australia	260	260
Botswana	-	-
Total revenue	260	260
Segment results by geographical region		
Australia	559,733	288,924
Botswana	111,257	60,369
Net loss before tax	670,990	349,293

Assets by geographical region

The location of segment assets by geographical location of the assets is disclosed below:

	December 2019 \$	June 2019 \$
Australia	4,485,582	1,775,336
Botswana	1,004,663	999,992
Total assets	5,490,245	2,775,258

Liabilities by geographical region

The location of segment liabilities by geographical location of the assets is disclosed below:

	December 2019 \$	June 2019 \$
Australia	40,716	25,122
Botswana	3,032	5,569
Total liabilities	43,748	30,691

METALSEARCH LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 4: ISSUED CAPITAL

	December 2019 Shares	December 2019 \$	June 2019 Shares	June 2019 \$
Issues of ordinary shares during the half-year				
Issued for cash	333,333,333	2,000,000	174,970,053	1,749,700
Issued for acquisition	235,000,000	1,410,000	-	-
Issued to advisers for acquisition and capital raising	35,000,000	210,000	-	-
Share issue cost	-	(237,274)	-	(118,327)
	603,333,333	3,382,726	174,970,053	1,631,373

	Number of options	
	December 2019	June 2019
Movements of options during the half-year		
Options lapsed during the year	-	(34,387,878)
Issued during the year	-	-
	-	(34,378,878)

NOTE 5: TRADE AND OTHER PAYABLES

	Half-Year Consolidated	
	December 2019 \$	June 2019 \$
Trade creditors	14,851	9,644
Director's fees payable	13,500	9,000
Other payables and accruals	15,397	12,047
Total	43,748	30,691

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 6: ACQUISITION – ABERCORN PROJECT

The Company successfully 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.

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 by 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 \$0.006 having a total value equivalent to \$1,410,000;
- 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% Al₂O₃ 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).

METALSEARCH LIMITED**31 DECEMBER 2019****NOTES TO THE FINANCIAL STATEMENTS (continued)****NOTE 6: ACQUISITION – ABERCORN PROJECT (continued)**

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

Fair Value Consideration Transferred

Cash	350,000
Issue of shares in Metalsearch Ltd to vendor (235,000,000 at \$0.006)	1,410,000
Issue of shares in Metalsearch Ltd to advisers (17,500,000 at \$0.006)	105,000
	1,865,000

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	13,730
	26,514

Fair value on Acquisition – Mining Properties

1,868,486

Acquisition Related Costs

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 7: CONTINGENCIES

There are no material contingent liabilities or contingent assets of the Group at balance date other than those detailed below.

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% Al₂O₃ 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.

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’):

- 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;
- 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;
- 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

METALSEARCH LIMITED**31 DECEMBER 2019****NOTES TO THE FINANCIAL STATEMENTS (continued)****NOTE 7: CONTINGENCIES (continued)**

- 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.

The Directors were Vendors of the Kraaipan project and as part of the acquisition will be eligible for the following contingent consideration on achievement of the Milestones referred to above:

Name	First Milestone Shares	Second Milestone Shares	Third Milestone Shares	Fourth Milestone Shares
Mandevilla Pty Ltd	1,354,500	2,709,000	2,709,000	2,709,000
Mintaka Nominees Pty Ltd	1,593,750	3,187,500	3,187,500	3,187,500
Jeremy James Read	2,500,000	5,000,000	5,000,000	5,000,000

- Mandevilla Pty Ltd is a company of which Mr Neville Bassett is a director and a controlling shareholder;
- Mintaka Nominees Pty Ltd is a company in which Mandevilla Pty Ltd, a company of which Mr Neville Bassett is a director and a controlling shareholder, holds a 28.75% interest.

NOTE 8: SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2019, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

METALSEARCH LIMITED

31 DECEMBER 2019

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 10 to 21 are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Metalsearch Limited will be able to pay its debts as and when they become due and payable.

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



Robert Downey

Non-Executive Chairman

Perth, 9 March 2020



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

Independent Review Report to the Members of Metalsearch Limited

The financial report and directors' responsibility

The interim financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Metalsearch Limited for the period ended 31 December 2019.

The Company's directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the financial position as at 31 December 2019 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Metalsearch Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Independence

In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Metalsearch Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the financial position as at 31 December 2019 and of the performance for the period ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Rothsay Auditing

**Graham Swan FCA
Partner**

Dated th9 March 2020

