



S K Y M E T A L S

SKY METALS LIMITED

and its controlled entities

A.B.N. 46 098 952 035

ANNUAL REPORT

FOR THE SIX MONTHS ENDED
30 JUNE 2020

SKY METALS LIMITED

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SKY METALS LIMITED

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

2020 has been an exciting period for the Company with high grade gold mineralisation intersected in the initial drilling program at the Hume Target. It has also seen validation of the Company's gold exploration strategy targeting high value McPhillamys style gold opportunities in NSW.

The year started extremely well for the Company with outstanding high grade gold results received from drilling of the Hume Target at the Cullarin Project. Further drilling at the Hume Target has intersected significant gold mineralisation over a 400m strike length and enabled the SKY team to determine the controls on high grade mineralisation. Follow up drilling has recently commenced.

SKY has recently completed sufficient expenditure such that it now owns 80% of the Cullarin Project. Earlier in the year a share placement to raise \$10.5 million was undertaken to progress drilling and other exploration activities on the +20km strike potential of Cullarin Gold Project; the Company remains well funded. We believe this is just the beginning of an exciting gold story along this Belt.

SKY's regional exploration programs at the Cullarin Project and other gold projects are generating high ranking targets for drill testing. The Company has an exploration program developed to test these targets as soon as possible.

In June the Company optioned the Iron Duke copper-gold Project as part of a strategy to add high value, under tested advanced projects to the SKY portfolio. Recently the Galwadgere copper-gold Project was also optioned as part of this strategy. These two high ranking copper-gold projects complement the Company's existing gold projects and leverage the SKY's teams experience in both commodities.

Your Board is excited by the Company's direction and is looking forward to creating value for our shareholders whilst building a strong future for the Company.

I would like to express my heartfelt thanks to all of the SKY team including my fellow Directors Mr Hill and Mr Kairaitis, and CEO Mark Arundell for the exceptional work that has been conducted in 2020.

Yours sincerely



Norman A. Seckold
Chairman

SKY METALS LIMITED

REVIEW OF OPERATIONS

Corporate Activities

- On 16 January 2020, the Company issued 6 million unlisted options to the Chief Executive Officer ('CEO') Mr Mark Arundell, as part of the incentive component of his remuneration. Mr Arundell commenced with the Company as CEO on 28 January 2020.
- On 31 January 2020, Mr Peter Duerden ceased his role as Managing Director, 5 million unlisted options held by Peter Duerden lapsed upon his resignation.
- On 17 February 2020, 117,188 options held by the vendors of Big Sky Pty Ltd were exercised at 8 cents per share.
- In the first quarter of 2020, the Company raised \$10.5 million from the placement of 47.6 million shares at 22 cents per share over two tranches, with the second tranche approved by shareholders at a meeting held 8 April 2020.
- On 22 May 2020, 2,132,812 options held by the vendors of Big Sky Pty Ltd were exercised at 8 cents per share.
- On 5 June 2020, the Company issued 6.25 million director performance rights after approval by shareholders at a meeting held 2 June 2020.
- On 9 June 2020, the Company entered into an Option to Purchase Agreement with Diversified Minerals Pty Limited for the acquisition of 100% of the issued capital of Balmain Minerals Pty Ltd, the holder of the Iron Duke Copper-Gold project (EL 6064) in NSW. In consideration for the grant of the Option, SKY issued to Diversified Minerals 128,205 options in SKY exercisable into fully paid ordinary shares in SKY, and will spend \$150,000 on in-ground exploration expenditure within 18 months. On election to exercise the option, SKY may purchase 100% equity interest by payment of \$350,000 in cash and/or shares at SKY's election plus \$50,000 worth of two year options, at 100% above VWAP (average of preceding 5 trading days) at date of election to purchase.
- On 15 June 2020, 351,563 options held by the vendors of Big Sky Pty Ltd were exercised at 8 cents per share.
- During the period, the Company changed its year-end financial reporting date from 31 December to 30 June.

SKY METALS LIMITED

REVIEW OF OPERATIONS

Sky Metals Limited ('SKY') is an ASX listed public company focused on the exploration and development of high value mineral resources in Australia. SKY's project portfolio offers exposure to the gold, copper, and tin markets in the world class mining jurisdiction of NSW.



Figure 1: Sky Metals - Project Location Map

SKY METALS LIMITED

REVIEW OF OPERATIONS

CULLARIN PROJECT – GOLD

SKY 80% (EL7954)

Diamond Core Drilling

SKY's maiden drilling programme at the Hume Prospect, Cullarin Project (**Figure 1**) was completed in early 2020 with two diamond core holes drilled to test and extend the scale and tenor of gold mineralisation recorded in historic drilling. A follow up program of ten diamond drillholes was completed during April-June 2020.

The initial drillholes, HUD001 and HUD002, intersected a broad package of strongly altered volcaniclastic rocks with associated zinc and lead sulphides, consistent with the target 'McPhillamys style' gold mineralisation. Mineralisation in hole HUD002 was visibly stronger and included visible gold (**Figure 2a & 2b**). The results from drillhole HUD002 indicate the potential for a significant high-grade gold system at the Hume Prospect. Significant assay results from all drillholes are set out in **Table 1**. Drillhole locations are shown on **Figure 5**.



Figure 2a: Visible gold in hole HUD002 at 129.7m



Figure 2b: Strong pyrite-silica alteration HUD002 at 110m

SKY's follow up drilling programme was completed in June 2020 with ten diamond core holes drilled for a total of 3,331m (**Figure 5**). The holes were primarily targeted to test the strike and depth extent of the mineralisation intersected in HUD002.

All drillholes intersected a broad package of strongly altered volcaniclastic rocks with associated zinc and lead sulphides, consistent with the target 'McPhillamys style' gold mineralisation. Significant gold mineralisation was reported from drillholes **HUD003** to the east of HUD002 and drillhole **HUD007** to the south of HUD002 (**Figure 3 & Table 1**). Significant gold mineralisation was also reported from drillhole **HUD008** (**Table 1**) which was the most southerly hole drilled indicating mineralisation is open to the south. A six-metre zone of high-grade base metal mineralisation was intersected in **HUD005** (**Figure 4 & Table 1**).

SKY is now set to commence a multi drill rig program to rapidly advance assessment of the potential of the Hume Target.



Figure 3 – HUD007 – 68-70m– 33.4g/t Au – Quartz-galena-sphalerite veining

SKY METALS LIMITED
REVIEW OF OPERATIONS

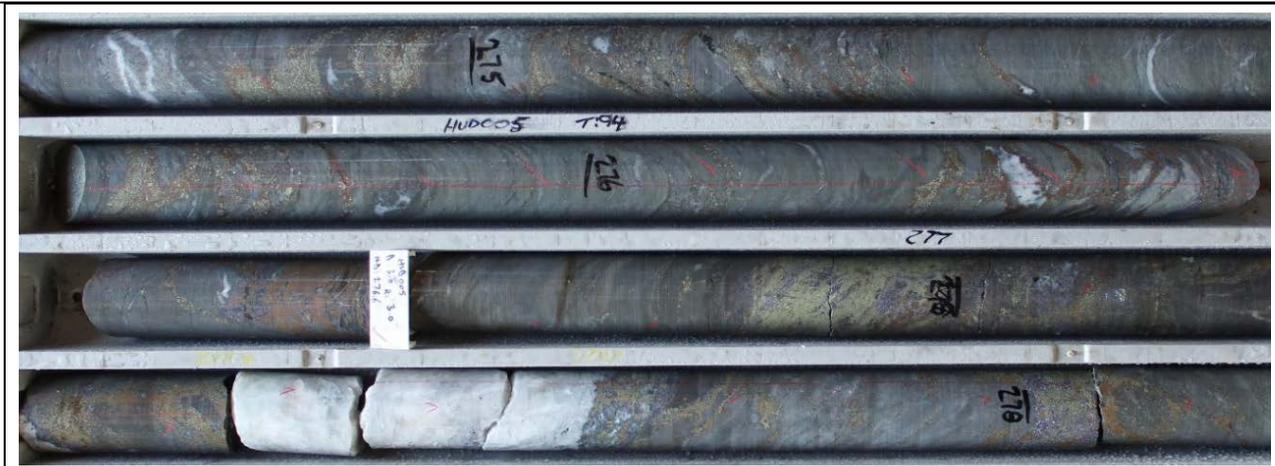


Figure 4 – HUD005 – 275-278m – High grade Zinc-Lead-Copper mineralisation

Hole ID	From	To	Interval	Au	Cu	Pb	Zn	Ag	Recovery
	(m)	(m)	(m)	g/t	%	%	%	g/t	%
HUD001	116	170	54	0.84	-	0.25	0.14	10	>95
inc.	128	133	5	5.76	0.12	1.38	1.27	27	>95
	224	247	23	0.76	-	-	-	24	>95
inc.	224	233	9	1.29	-	-	-	49	>95
HUD002	56	149	93	4.24	-	0.67	1.2	12	66
inc.	56	92	36	2.88	-	0.39	0.66	32	28
inc.	92	106	14	20.2	0.13	1.62	3.29	15	63
inc.	106	149	43	1.30	-	0.55	0.93	5	>95
HUD003	37	57	20	0.95	-	0.30	0.54	3	>95
inc.	49.3	57	7.3	2.08		0.50	1.04	4	>95
HUD005	273	279	6	0.09	1.28	5.83	6.61	26	>95
HUD007	49	118	69	2.21	-	0.57	0.90	8	>95
inc	51	84	33	3.58	-	0.57	0.90	8	>95
inc.	68	84	14	6.76	-	0.64	1.24	6	>95
inc.	111	113	2	8.14	-	2.59	2.18	12	>95
HUD008	58	83.2	25.2	0.94		0.27	0.28	4	85%
inc	75.7	82.4	6.7	2.46		0.13	0.38	4	60%
HUD009	146	153.8	7.8	0.70		0.23	0.69	24	>95
HUD010	220	223	3	1.89		0.87	1.45	24	>95

Table 1: Cullarin Project, Hume Prospect. Significant drillhole intersections

SKY METALS LIMITED
REVIEW OF OPERATIONS

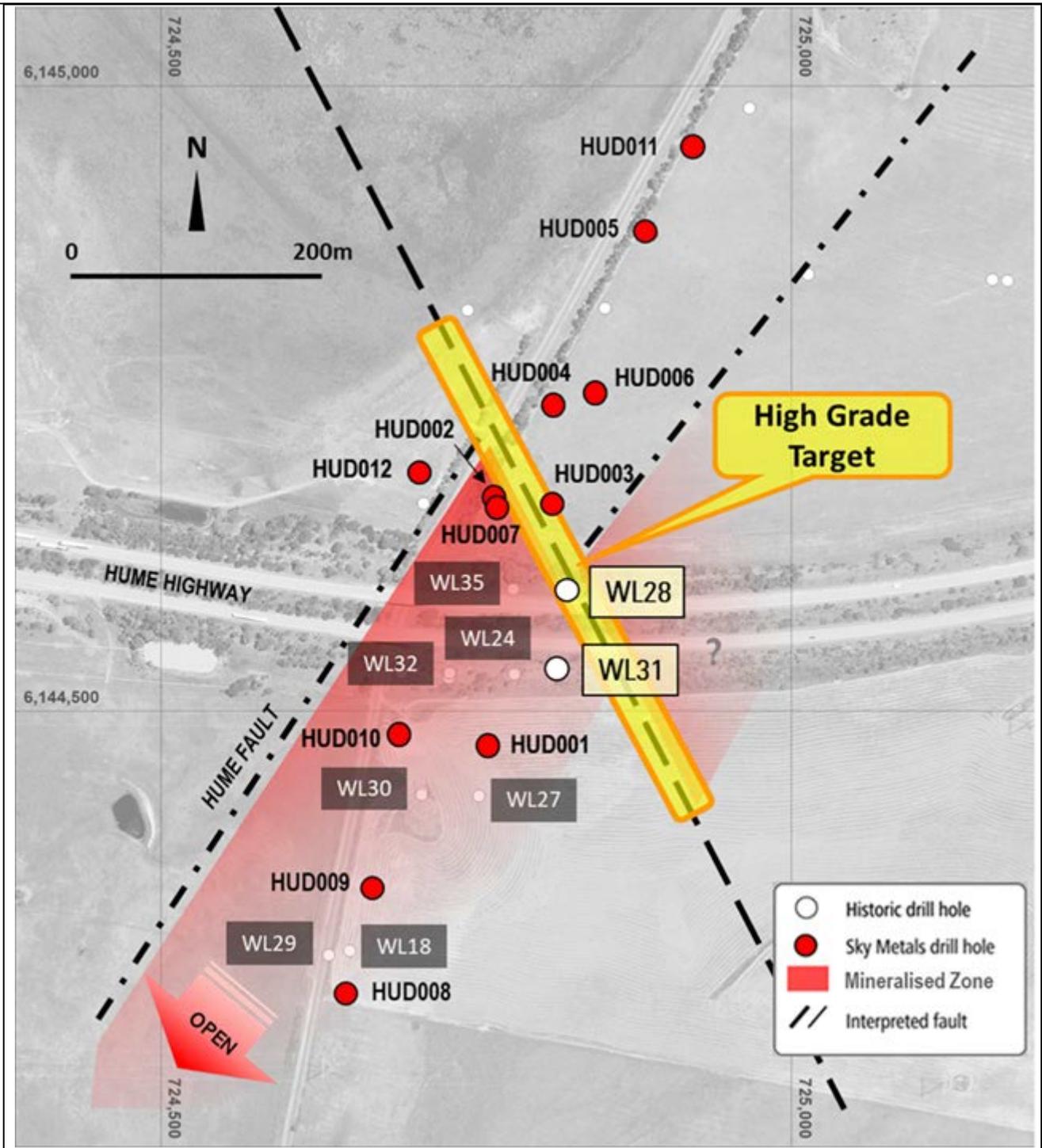


Figure 5 - Hume Target – Drillhole Locations

SKY METALS LIMITED

REVIEW OF OPERATIONS

Historic Core Sampling

SKY identified several historic diamond drillholes from the Hume Target at the NSW Government drillcore library in western Sydney which had previously been partially sampled for gold. A series of drillholes (drilled in the 1980's) were identified as a priority for sampling primarily to evaluate the postulated trend of the HUD002 mineralisation. Significant and anomalous gold results are reported in **Table 2**.

Sampling by SKY of WL015 extended a historic intersection at approximately 150m depth. An intersection of **17m @ 1.69g/t Au** from 151m within a zone of **47.5m @ 0.84g/t Au** from 139.5m is now reported (**Table 3**). Also, a new zone of shallow, high grade gold mineralisation was defined in WL015 at 25.6-25.9m (**0.3m @ 13.75 g/t Au**) associated with a zone of intense silicification.

Hole ID	From	To	Interval	Au	Cu	Pb	Zn	Ag	Comment	Recovery
	(m)	(m)	(m)	g/t	%	%	%	g/t		%
WL015	25.6	25.9	0.3 [#]	13.75	-	-	-	3.5	SKY assay	>95
"	64.7	66	1.3	1.04	0.33	0.29	3.18	6.0	SKY assay	>95
	139.5	187	47.5	0.84 [^]					SKY & historic	>95
incl	151	168	17	1.69 [^]					SKY & historic	>95

Table 2: Historic drillholes, Hume Target. Significant historic drillhole intersections

- Drilled 3m and 0.3m recovered.

^ - Au only analysed for historic assays

Sampling of historic diamond core holes at the NSW Government drillcore library recommenced in early June after a COVID-19 lockdown was lifted. All historic diamond drillholes completed by previous explorers between HUD002 and HUD008 are currently being logged and sampled. Although each of these drillholes record wide intervals of gold mineralisation, the historic sampling has been incomplete.

Sampling of these drillholes offers SKY a great opportunity to advance the evaluation of the Hume Target as this sampling program which will save significant time and money.

Soil Sampling

SKY completed a soil sampling programme over the Hume Target. Results indicate a robust McPhillamys multi-element anomaly (**Hume North**) over ~1,200m strike extent associated with the radiometric anomaly approximately 1.5km north of HUD002 (**Figure 6**). The combination of the potassium (K) radiometric signature together with a pronounced magnetic low, and gold and multi-element pathfinder anomaly in the soil results, described a 'McPhillamys style' target at Hume North.

A second gold anomaly has been identified to the northwest of Hume North proximal to the **Breadalbane Iron Mine**. A McPhillamys style multi-element anomaly is also present over an area of 500m x 400m peripheral to a distinct magnetic high associated with the iron mine (**Figure 6**).

SKY METALS LIMITED

REVIEW OF OPERATIONS

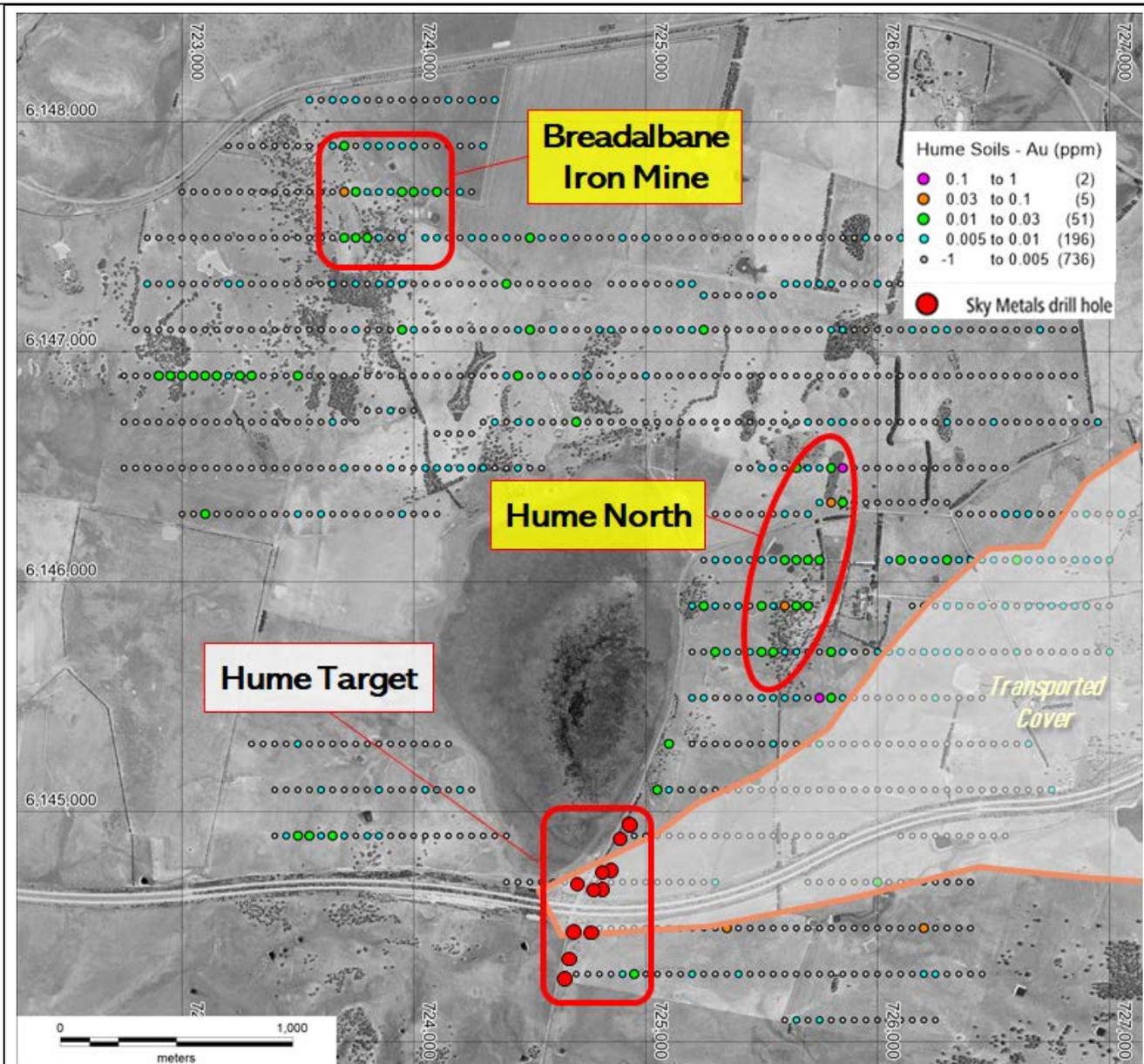


Figure 6 – Hume Target – Soil samples (colour by Au grade) and drill targets

KANGIARA PROJECT – GOLD SKY EARNING 80% (EL8400, EL8573)

The Kangiara Project (EL8400, EL8573) is located 30km northwest of Yass in the Southern Tablelands of New South Wales (**Figure 5**). The Project contains volcanic/volcaniclastic rocks of the Silurian Douro Group considered prospective for gold and base metal (copper-zinc) mineralisation.

The high grade Kangiara Mine operated during the early 1900s, with documented production of ~40,000 tonnes at 16% Pb, 3% Cu, 5% Zn, 280g/t Ag, and 2g/t Au from narrow north-south trending sulphide veins (ASX PDM 18 June 2009). Mining occurred up to 120m depth. Previous work by Paradigm Metals led to the calculation of an Indicated and Inferred Mineral Resource at Kangiara.

Exploration activity during 2020 confirmed a footwall gold target at the Kangiara Mine that appeared to be largely untested. Identification of a previously unsampled drillhole (DDH-1B) at the NSW Government drillcore library which tested the targeted footwall position has led to a deferral of the planned drill program. Logging and sampling of this drillhole will be conducted before further work is conducted.

SKY METALS LIMITED

REVIEW OF OPERATIONS

Caledonian PROJECT – GOLD

100% SKY (EL8920)

The Caledonian Project (EL8920) is located 30km southeast of Yass in the Southern Tablelands of New South Wales (**Figure 1**). The area contains the historic Caledonian Gold Mine. The distribution of multiple historic drill intersections at Caledonian Prospect indicate a potentially large and shallow mineralised gold system with discrete high-grade zones (e.g. 6m @ 8g/t Au recorded from the main lode, GSNSW; ASX SKY 11 Nov 2019). The deepest historical drillhole is 62m and most holes are ~25m deep. These drillholes are within a coherent 600 x 100m soil gold anomaly (+0.1ppm).

Historic shallow drill intercepts include:

- **10m @ 2.15 g/t Au from 16m**
- **19m @ 1.8 g/t Au from 1.7m to EOH**
- 36m @ 1.2 g/t Au from 0m to EOH
- 21.5m @ 1.2 g/t Au from 0m to EOH

Exploration activity during 2020 confirmed that the prospect has not been adequately tested and thus SKY intends to drill two or three RC and/or diamond core holes to determine the depth extent and controls on the gold mineralisation at the target.

Mylora PROJECT – GOLD

100% SKY (EL8915)

The Mylora Project (EL8915) is located 20km west of Yass in the Southern Tablelands of New South Wales (**Figure 1**). Historic gold occurrences in the Mylora area display extensive disseminated/stringer pyrite-sericite alteration zones within Late Silurian volcanoclastics associated with a distinctive multielement geochemical signature considered to be prospective for McPhillamys-style gold mineralisation.

At the Mylora prospect, extensive 'gossanous' phyllic alteration extends over ~1.5km of strike. Historic drillhole DDH1 returned 3m @ 1.84g/t Au from 150m which is considered very encouraging and no drill testing has previously been conducted beneath the historic open pits at Mylora North.

Exploration activity during 2020 has involved data compilation, detailed review, land access negotiations. Geological reconnaissance combined with mineral occurrence sampling will be conducted as an initial test of gold potential of the area.

TIRRANA PROJECT - GOLD

100% SKY (ELA5968)

As part of a regional review of the Cullarin area for McPhillamys-style gold mineralisation, SKY identified an area of open ground to the south-east of the Cullarin project that satisfied several key McPhillamys-style gold mineralisation criteria. SKY has thus applied for an exploration licence (ELA5968) to cover this highly prospective area (**Figure 1**).

A detailed review of previous exploration covering Tirrana is planned as an initial test of the gold potential of the area.

IRON DUKE PROJECT – COPPER-GOLD

Option to purchase 100% (EL6699); 100% SKY (ELA5991)

SKY has been granted an exclusive Option to Purchase of the Iron Duke Copper-Gold Project from Balmain Minerals Pty Ltd (**Figure 1**). Previous exploration has delineated a shallow, open-ended Copper-Gold resource at Iron Duke (ASX KBL Mining 4th June 2012).

SKY has identified the Iron Duke prospect for immediate drill testing. SKY has also devised a programme to assess the regional potential of EL 6064 including the Christmas Gift workings. Negotiations for land access are currently in progress to commence field activities. Initial work proposed include surface sampling and an airborne EM survey to generate drill targets.

As part of a regional review of the Iron Duke area, SKY identified the area surrounding EL6064 as being prospective for Iron Duke style mineralisation. SKY has thus applied for an exploration licence (ELA5991) to cover this highly prospective area.

SKY METALS LIMITED

REVIEW OF OPERATIONS

Tallebung PROJECT – Tin

100% SKY (EL6699)

The Tallebung Project is located approximately 70km north-west of Condobolin in central NSW (**Figure 1**). The project encompasses the historic Tallebung Tin Mining Field at the northern extent of the Wagga Tin Belt within the central Lachlan Orogen and is considered prospective for lode-style tin - tungsten mineralisation. Outcropping mineralisation is developed over two kilometres as sheeted/stockwork quartz-cassiterite-wolframite sulphide veins above a mineralising granite.

Exploration activity conducted during late 2019 comprised a programme of RC drilling. Drilling was designed to test for shallow tin mineralisation along strike from lodges defined in previous drilling and areas of high-grade rock chip results. Results from the drilling indicated the presence of a coherent, narrow high-grade lode structure extending for up to 2000m of strike. Follow up to these results is currently being formulated.

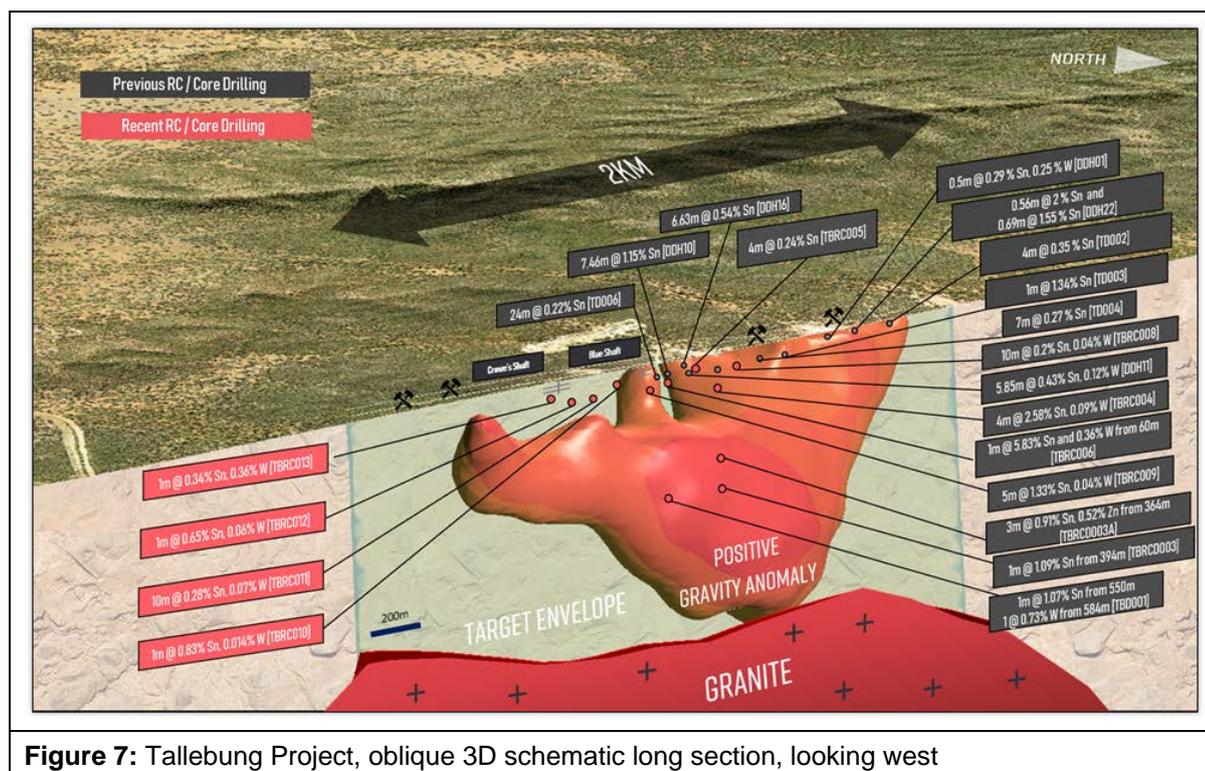


Figure 7: Tallebung Project, oblique 3D schematic long section, looking west

Doradilla PROJECT – Tin, Polymetallic

100% SKY (EL6258)

The Doradilla Project is located approximately 30km south of Bourke in north-western NSW and represents a large and strategic tin project with potential for significant polymetallic mineralisation (tin, tungsten, copper, bismuth, indium, nickel, cobalt, gold) (**Figure 1**). The known mineralisation is hosted within the extensive Doradilla-Midway-3KEL (DMK-Line) skarn which marks an up to 100m wide zone extending over 15 kilometres (**Figure 8**).

A programme of RC drilling of multiple targets at the Doradilla Tin and 3KEL Prospects was completed in late 2019. Ten drill holes were completed with the following high-grade results of tin (Sn), copper (Cu), indium (In) and silver (Ag) from the 3KEL & Doradilla Prospects:

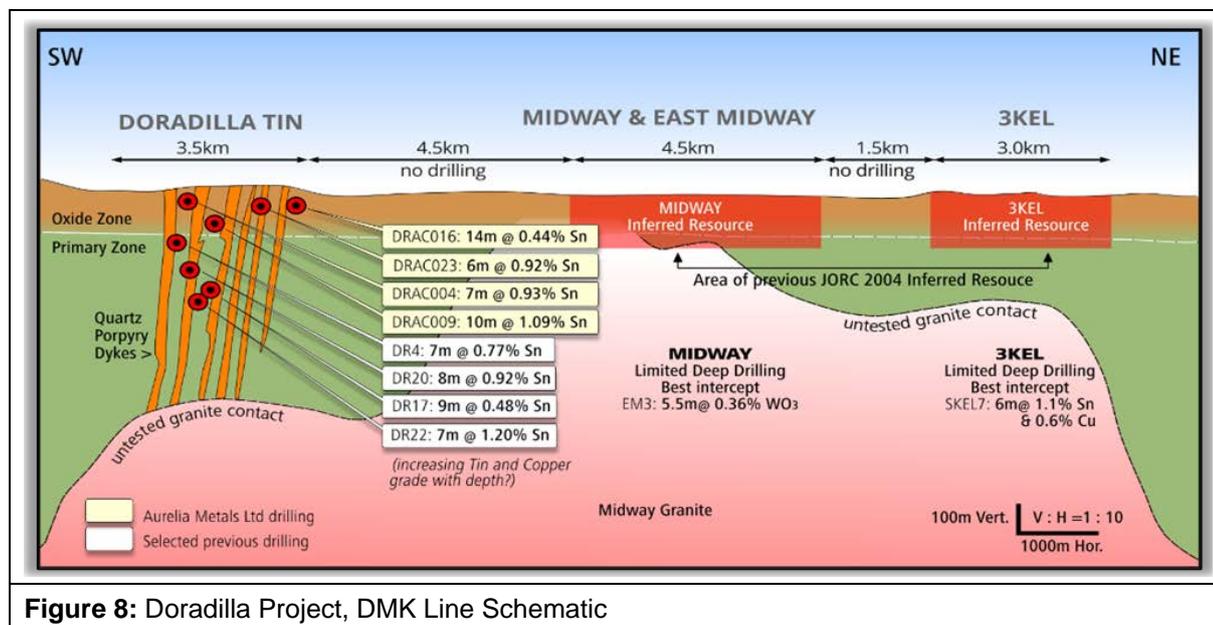
3KRC001	17m @ 1.36% Sn, 0.69% Cu , 70g/t In from 34m
3KRC002	6m @ 1.11% Sn, 1.48% Cu , 44g/t Ag, 65g/t In from 105m
3KRC003	10m @ 1.00% Sn, 0.8% Cu , 53g/t In from 25m
DORC001	11m @ 1.04 Sn, 0.26% Pb from 37m

The intersection of significant shallow mineralisation at both Doradilla and 3KEL has confirmed the tenor and width of oxide tin mineralisation at 3KEL and Doradilla Prospects. Of significance are the results from 3KEL in hole 3KRC002 (**6m @ 1.11% Sn, 1.48% Cu**, 44g/t Ag, 65g/t In from 105m) which represent the first time significant **primary** tin and copper mineralisation have been recognised at 3KEL. This mineralisation remains open along strike and at depth.

SKY METALS LIMITED

REVIEW OF OPERATIONS

A project review of Doradilla was undertaken to determine appropriate follow up to the results of the drilling. To generate new targets and delineate the regional structure of the DMK Line, flying a detailed low level airborne magnetic/radiometric survey was proposed as a high order priority. SKY is aiming to conduct this work in the near future.



COVID-19 Impact

COVID-19 and regulatory controls arising from it have had minimal impact on the Company. The initial stages of COVID-19 regulation, whilst impacting on some exploration activities and capital raising sentiment, did not directly impact the Company. As has been demonstrated, the Company was able to successfully undertake its planned exploration program.

The operation of the Company has not been impacted given Directors and administrative support are located in NSW and / or are well used to operating in a virtual environment. COVID-19 restrictions have impacted the Board's ability to have face to face meetings, but this has not stopped its effective operation.

The Board does not consider the present level of COVID-19 restrictions will impact on it effectively carrying out its activities going forward in the foreseeable future.

The Company did not receive any JobKeeper payments during the financial year.

SKY METALS LIMITED

REVIEW OF OPERATIONS

Holder	Equity	Licence ID	Grant Date	Expiry Date	Units	Area	Comment
Tarago Exploration Pty Ltd (HRR sub)	Earning 80%	EL7954	19-6-2012	19-6-2022	51	144 km ²	Cullarin Project, earning up to 80% + Heron JV
Ochre Resources Pty Ltd (HRR sub)	Earning 80%	EL8400	20-10-2015	20-10-2024	52	147 km ²	Kangiarra Project, earning up to 80% + Heron JV
Ochre Resources Pty Ltd (HRR sub)	Earning 80%	EL8573	23-5-2017	23-5-2023	17	48 km ²	Kangiarra Project, earning up to 80% + Heron JV
Aurum Metals Pty Ltd (SKY sub)	100%	EL8920	5-12-2019	5-12-2025	65	183 km ²	Caledonian Project
Aurum Metals Pty Ltd (SKY sub)	100%	EL8915	18-11-2019	18-11-2024	29	82 km ²	Mylora Project
Aurum Metals Pty Ltd (SKY sub)	100%	ELA5968	-	-	52	147 km ²	Tirrana Project - application
Balmain Minerals Pty Ltd	Option to Purchase 100%	EL6064	21-3-2003	20-3-2022	5	82 km ²	Iron Duke Project
Aurum Metals Pty Ltd (SKY sub)	100%	ELA5991	-	-	60	174 km ²	Iron Duke Project - application
Stannum Pty Ltd (SKY sub)	100%	EL6258	21-6-2004	21-6-2020 (under renewal)	38	110 km ²	Doradilla Project
Stannum Pty Ltd (SKY sub)	100%	EL6699	10-1-2007	10-1-2021	14	41 km ²	Tallebung Project

Table 3: SKY Metals - Tenement Summary

No Material Changes

Sky Metals confirms that it is not aware of any new information or data that would materially affect the information included in market announcements and that all material assumptions and technical parameters in the market announcements continue to apply and have not materially changed.

Competent Person Statement

The information in this report that relates to geology and exploration results and planning was compiled by Mr Mark Arundell, who is a Member of the Australasian Institute of Geoscientists (AIG) and CEO of Sky Metals Ltd. Mr Arundell has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Arundell consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

SKY METALS LIMITED

CORPORATE GOVERNANCE STATEMENT

The Board is committed to maintaining the highest standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2020 Corporate Governance Statement was approved by the Board on 30 September 2020 and reflects the corporate governance practices throughout the 2020 financial reporting period. A description of the Company's current corporate governance practices is set out in the Company's Corporate Governance Statement, which can be viewed at <http://www.skymetals.com.au/index.cfm/company/corporate-governance/>

The Directors present the consolidated financial report of Sky Metals Limited ('SKY' or 'the Company') and its controlled entities for the six months ended 30 June 2020. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

SKY METALS LIMITED

DIRECTORS REPORT

The Directors present their report together with the consolidated financial statements of the Group comprising of Sky Metals Limited ('the Company') and its subsidiaries for the six months ended 30 June 2020 and the auditor's report thereon.

Directors

The names and particulars of the Directors at any time during or since the end of the period are:

Norman Alfred Seckold, Executive Chairman

Director since 4 December 2001

Norman Seckold graduated with a Bachelor of Economics degree from the University of Sydney in 1970. He has spent more than 30 years in the full time management of natural resource companies, both in Australia and overseas, including the role of Chairman for a number of publicly listed companies.

Mr Seckold is currently Chairman of Alpha HPA Limited, a minerals exploration and development company operating in Australia and Indonesia, Santana Minerals Limited, a precious metals exploration company, and Deputy Chairman and Executive Director of Nickel Mines Limited a nickel mining and development company operating in Indonesia.

In the past three years, Mr Seckold was also a director of Jervois Mining Limited.

Rimas Kairaitis

Director since 20 June 2019.

Mr Kairaitis is a geologist and mining industry executive with over 25 years' experience in minerals exploration, resource development and mining company management in gold, base metals and industrial minerals. In his most recent role, Mr Kairaitis was the founding Managing Director and CEO of Aurelia Metals Limited (ASX: AMI), which he steered from a junior exploration company to a profitable NSW based gold and base metals producer.

Mr Kairaitis is also the Managing Director of Alpha HPA Limited (ASX: A4N), a mineral exploration and technology company.

Richard Grant Manners Hill

Director since 20 June 2019.

Mr Hill is a geologist and solicitor with over 25 years' experience in the resources sector. He has performed roles as commercial manager and geologist for several mid-cap Australian mining companies and as Director and Chairman for a series of successful ASX-listed companies including a founding Director for Aurelia Metals Limited (ASX:AMI) and Chairman of Genesis Minerals Ltd. He is currently the Chairman of New World Cobalt Limited (ASX: NWC), and Non-Executive Director of Accelerate Resources Limited. In addition to his corporate, commercial and fund raising roles, Mr Hill has practical geological experience as a mine based and exploration geologist in a range of commodities worldwide.

Peter Benjamin Duerden

Director since 14 October 2019 – resigned 31 January 2020
(CEO 24 June 2019 – 31 January 2020)

Mr Duerden is a geologist and mineral exploration specialist, with over 20 years' experience in mineral exploration, including particular expertise in NSW mineral systems. Peter most recently held NSW exploration manager position with established NSW operators including Newcrest Mining and Alkane Resources. Peter holds a Masters of Economic Geology and is a Registered Professional Geoscientist (RPGeo) and member of the AIG.

SKY METALS LIMITED

DIRECTORS REPORT

Company Secretary

Richard Willson

Company Secretary since 31 July 2019

Richard is an experienced, Non-Executive Director, Company Secretary and CFO with more than 20 years' experience predominantly within the resources, technology and agricultural sectors for both publicly listed and private companies.

Richard has a Bachelor of Accounting from the University of South Australia, is a Fellow of CPA Australia, and a Fellow of the Australian Institute of Company Directors. He is a Non-Executive Director of Titomic Limited (ASX:TTT), AusTin Mining Limited (ASX:ANW), Thomson Resources Limited (ASX:TMZ), 1414 Degrees Limited (ASX:14D), Graphene Technology Solutions Limited, Variety SA, and the not-for-profit Unity Housing Company; and Company Secretary of a number of ASX Listed Companies.

Directors' and Executives' Remuneration

For details on the amount of remuneration for each Director, refer to the Remuneration Report below.

Directors' Meetings

The number of Directors' meetings and number of meetings attended by each of the Directors (while they were a Director) of the Company during the period are:

Director	Board Meetings	
	Held	Attended
Norman A. Seckold	7	7
Rimas Kairaitis	7	7
Richard G.M. Hill	7	7

Directors' Interests

Directors' beneficial shareholdings at the date of this report are:

Director	Fully paid ordinary shares	Options over ordinary shares	Options Terms	Performance Rights	Performance Rights Terms
Norman Seckold	15,061,623	-	-	2,250,000	SKY Share Price achieving a 30 day VWAP of \$0.67 at any time up to 5 June 2022
Rimas Kairaitis *	8,200,830	2,300,000	\$0.08 at any time up to 24 June 2023	2,000,000	SKY Share Price achieving a 30 day VWAP of \$0.67 at any time up to 5 June 2022
Richard Hill *	6,900,000	1,900,000	\$0.08 at any time up to 24 June 2023	2,000,000	SKY Share Price achieving a 30 day VWAP of \$0.67 at any time up to 5 June 2022

* The shares and options held by Mr Kairaitis and Mr Hill are escrow for 24 months from 1 July 2019.

SKY METALS LIMITED

DIRECTORS REPORT

Unissued shares under option

At the date of this report, unissued ordinary shares of the Company under option are:

Number of shares	Exercise Price	Expiry Date
17,398,437	\$0.08	20 June 2023
10,000,000	\$0.15	2 October 2021
1,500,000	\$0.12	24 October 2023
2,000,000	\$0.12	31 January 2023
2,000,000	\$0.16	31 January 2023
2,000,000	\$0.20	31 January 2023
128,205	\$0.39	24 June 2022

Performance Rights

At the date of this report, unissued ordinary shares of the Company under performance rights are:

Number of shares	Performance Milestone Share Price	Expiry Date
6,250,000	\$0.67	5 June 2022

Principal Activities

The principal activities of the Group during the course of the period was the exploration for tin and gold in New South Wales.

Financial Results

The consolidated loss after income tax attributable to members of the Company for the six months ended 30 June 2020 was \$828,983 (12 months to 31 December 2019 - \$1,143,790 loss).

Review of Operations

A review of operations of the consolidated entity during the six months ended 30 June 2020 is provided in the 'Review of Operations'.

Dividends

The Directors do not recommend the payment of a dividend in respect of the six months ended 30 June 2020. No dividends have been paid or declared during the period (2019 - \$nil).

Environmental Regulations

The Company's operations are subject to significant environmental regulations under both Australian Commonwealth and State legislation in relation to its activities.

The Board of Directors regularly monitors compliance with environmental regulations. The Directors are not aware of any breaches of these regulations up to the date of this report.

SKY METALS LIMITED

DIRECTORS REPORT

Likely Developments

The Group's focus over the next financial year will be on its key projects, Cullarin, Kangiara, Mylora, Caledonian, Tirrana, Iron Duke, Doradilla and Tallebung. Further commentary on planned activities in these projects over the forthcoming year is provided in the 'Operations Review'. The Company will also assess new opportunities, especially where these have synergies with existing projects.

Indemnification of Directors and Officers

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001, every officer or agent of the Company shall be indemnified out of the property of the entity against any liability incurred by him or her in their capacity as officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

Proceedings on Behalf of The Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the period.

Significant changes in the state of affairs

There were no significant changes to the state of affairs of the Company during the period.

Subsequent Events

On 24 July 2020, SKY notified Heron Resources Limited that it had expended in excess of A\$2,000,000 across the Cullarin and Kangiara Projects to meet the Farm In Expenditure of the Farm-In and Joint Venture Agreement within the Farm In Expenditure period to earn an 80% equity interest in the Tenements.

On 24 August 2020, the Group entered into an Option agreement to Purchase the Galwadgere Copper-Gold Project in NSW from Alkane Resources Ltd ('Alkane'). To exercise the Option, SKY must spend \$250,000 on in-ground expenditure within 18 months. On election to exercise the option, SKY may purchase 100% equity interest in EL6320 by issuing 6,000,000 fully paid ordinary shares in the capital of SKY to Alkane.

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

SKY METALS LIMITED

DIRECTORS REPORT

Remuneration Report - Audited

Principles of Compensation - Audited

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the Directors and the CEO of the Company. No other employees have been deemed to be key management personnel.

The remuneration policy of Directors and senior executives is to ensure the remuneration package properly reflects the persons' duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board is responsible for reviewing its own performance. The evaluation process is designed to assess the Company's business performance, whether long term strategic objectives are being achieved, and the achievement of individual performance objectives.

Remuneration generally comprises salary and superannuation. Longer term incentives are able to be provided, including through the Company's share option program which acts to align the Director's and senior executive's actions with the interests of the shareholders. The remuneration disclosed below represents the cost to the Group for services provided under these arrangements.

There were no remuneration consultants used by the Company during the period ended 30 June 2020 or in the prior year.

Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders. The Company's specific policy for determining the nature and amount of remuneration of Board members of the Company is as follows:

The Constitution of the Company provides that the Non-Executive Directors are entitled to remuneration as determined by the Company in general meeting to be apportioned among them in such manner as the Directors agree and, in default of agreement, equally. The aggregate remuneration currently determined by the Company is \$500,000 per annum, excluding shareholder approved share based payments. Additionally, Non-Executive Directors are entitled to be reimbursed for properly incurred expenses. Currently Non-Executive Directors fees are \$40,000 per annum, and the Chairman \$50,000 per annum.

If a Non-Executive Director performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Director, the Company may remunerate that Director by payment of a fixed sum determined by the Directors in addition to or instead of the remuneration referred to above. A Non-Executive Director is entitled to be paid travelling and other expenses properly incurred by them in attending Director's or general meetings of the Company or otherwise in connection with the business of the Company.

All Directors have the opportunity to qualify for participation in the Directors' and Executive officers' option plan, subject to the approval of shareholders.

The remuneration of Non-Executive Directors for the period ended 30 June 2020 is detailed in this Remuneration Report

Executive Service Agreement

Mr Peter Duerden became the Chief Executive Officer of the Group on 24 June 2019 and Managing Director on 14 October 2019. Mr Duerden resigned on 31 January 2020. Mr Duerden received an annual remuneration of \$200,000 (plus superannuation). Mr Duerden was also entitled to use a Company motor vehicle while he was working in the position of Chief Executive Officer / Managing Director.

SKY METALS LIMITED

DIRECTORS REPORT

Remuneration Report - Audited (Cont.)

Mr Mark Arundell commenced as the Chief Executive Officer on 28 January 2020. Mr Arundell is paid a consulting fee of \$25,000 per month (exclusive of GST). The engagement may be terminated without notice if the Consultant is guilty of serious misconduct, that is, misconduct of a kind such that it would be unreasonable to require the Company to continue the engagement during any notice period. The Company, or Mr Arundell may terminate the engagement by giving one month written notice.

Details of Directors & Executives

The following table provides details of the members of key management personnel of the entity as at 30 June 2020:

Directors and Executives	Position held at 30 June 2020
Norman Seckold	Chairman
Rimas Kairaitis	Non-Executive Director
Richard Hill	Non- Executive Director
Peter Duerden	Managing Director – to 31 January 2020
Mark Arundell	Chief Executive Officer – from 28 January 2020

Details of remuneration for the period ended 30 June 2020 - Audited

Details of the nature and amount of each major element of the remuneration of each Director of the Company and other key management personnel of the Group are:

	Period	Directors & Consulting Fees/salary \$	Cash Bonus \$	Share based payments Shares & options ⁽³⁾ \$	Post - employment benefit Super-annuation \$	Total \$
Directors and Executives						
Executives						
Mark Arundell ⁽⁶⁾	2020 ⁽¹⁾	125,000	-	206,826 ⁽³⁾	-	331,826
	2019 ⁽²⁾	-	-	-	-	-
Peter Duerden ⁽⁵⁾	2020 ⁽¹⁾	53,947	-	-	5,383	59,330
	2019 ⁽²⁾	108,333	20,000	160,000	10,608	298,941
Non-executive Directors						
Norman Seckold (Chairman)	2020 ⁽¹⁾	25,000	-	18,695 ⁽⁴⁾	-	43,695
	2019 ⁽²⁾	92,632	-	-	-	92,632
Rimas Kairaitis	2020 ⁽¹⁾	26,000	-	16,618 ⁽⁴⁾	-	42,618
	2019 ⁽²⁾	23,073	-	-	-	23,073
Richard Hill	2020 ⁽¹⁾	76,700	-	16,618 ⁽⁴⁾	-	93,318
	2019 ⁽²⁾	74,690	-	-	-	74,690
Total all specified Directors	2020 ⁽¹⁾	306,647	-	258,757	5,383	570,787
	2019 ⁽²⁾	298,728	20,000	160,000	10,608	489,336

(1) Six months ended 30 June 2020.

(2) Year ended 31 December 2019.

(3) During the period 6,000,000 unlisted options were issued to Mark Arundell.

(4) During the period 6,250,000 performance rights were issued to Directors.

(5) Ceased appointment as Director on 31 January 2020.

(6) Appointed as CEO on 28 January 2020.

SKY METALS LIMITED

DIRECTORS REPORT

Remuneration Report - Audited (Cont.)

Options granted as compensation

On 16 January 2020 6,000,000 options were issued to the Company's CEO Mr Mark Arundell.

Director / Executive	Grant Date	Number of Options Granted	Vesting Date	Fair Value at Grant Date	Options Terms (Exercise Price and Term)
Mark Arundell	16 January 2020	2,000,000	16 January 2020	\$0.066	\$0.12 before 31 January 2023
Mark Arundell	16 January 2020	2,000,000	16 January 2021	\$0.061	\$0.16 before 31 January 2023
Mark Arundell	16 January 2020	2,000,000	16 January 2022	\$0.057	\$0.20 before 31 January 2023

The fair value of the options at grant date was determined based on Black-Scholes formula. The model inputs of the options issued were the Company's share price of \$0.09 at the grant date, a volatility factor of 115.19% based on historical share price, a risk-free rate of 0.69% based on the 5-year government bond rate and no dividend paid.

There were no other options over ordinary shares granted to Directors as remuneration during the six months ended 30 June 2020. No options granted as compensation vested during the six months ended 30 June 2020, except as outlined above (2019: nil).

Performance Rights granted as compensation

On 5 June 2020 6,250,000 performance rights were issued to the Company's Directors.

The performance rights will convert into shares at no cost upon the Company's share price achieving 200% of the 30 day VWAP prior to the shareholder meeting at which the issue of the performance rights is approved, within 24 months of issue. Shareholders approved the issue of performance rights at a meeting held 2 June 2020. 200% of the 30 Day VWAP prior to shareholder approval is \$0.67.

Director	Grant Date	Number of Performance Rights Granted	Fair Value at Grant Date
Norman Seckold	5 June 2020	2,250,000	\$0.243
Rimas Kairaitis	5 June 2020	2,000,000	\$0.243
Richard Hill	5 June 2020	2,000,000	\$0.243

The fair value of the performance rights at grant date was determined based on Black-Scholes formula. The model inputs of the options issued were the Company's share price of \$0.305 at the grant date, a volatility factor of 100% based on historical share price, a risk-free rate of 1% based on the 5-year government bond rate and no dividend paid.

Analysis of movement in equity instruments

The value of rights or options over ordinary shares in the Company granted and exercised by each key management person during the reporting period is detailed below.

SKY METALS LIMITED

DIRECTORS REPORT

Remuneration Report - Audited (Cont.)

Key management personnel	Granted in period * (\$)	Value of rights or options exercised in period (\$)
Norman Seckold	545,895	-
Rimas Kairaitis	485,240	-
Richard Hill	485,240	-
Mark Arundell	367,625	-

* The value of the rights or options granted in the year is the fair value of the rights or options calculated at grant date. The total value of the rights or options granted is included in the table above. The amount is allocated to remuneration over the vesting period.

Ordinary shareholding of key management personnel movement in shares - Audited

The movement during the reporting period in the number of ordinary shares in the Company held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Key management personnel	Held at 1 January 2020	Share Placement	On Market Purchase	Other	Held at 30 June 2020
Norman Seckold	13,061,623	2,000,000	-	-	15,061,623
Peter Duerden	2,000,000	-	-	-	2,000,000**
Rimas Kairaitis	8,200,830	-	-	-	8,200,830
Richard Hill	6,750,000	150,000	-	-	6,900,000
Mark Arundell	-*	50,000	-	-	50,000

* Number of shares held at date of appointment as Director / Key Management Personnel

** Number of shares held at date of ceasing to be Director / Key Management Personnel

Remuneration Report - Audited (Cont.)

Option holdings of key management personnel movement in options - Audited

Key management personnel	Held at 1 January 2020	Granted	Lapsed	Held at 30 June 2020
Peter Duerden	5,000,000	-	(5,000,000)	-
Rimas Kairaitis	2,300,000	-	-	2,300,000
Richard Hill	1,900,000	-	-	1,900,000
Mark Arundell	-	6,000,000	-	6,000,000

Performance Rights holdings of key management personnel movement in performance rights - Audited

Key management personnel	Held at 1 January 2020	Granted	Lapsed	Held at 30 June 2020
Norman Seckold	-	2,250,000	-	2,250,000
Rimas Kairaitis	-	2,000,000	-	2,000,000
Richard Hill	-	2,000,000	-	2,000,000

SKY METALS LIMITED

DIRECTORS REPORT

Key management personnel transactions - Audited

Other transactions with key management personnel - Audited

During the six months ended 30 June 2020, Norman Seckold had joint control of an entity, Mining Services Trust ('MIS'), which provided administrative services to the Group. Fees paid to MIS during the period amounted to \$261 (2019 - \$64,887) exclusive of GST. The total outstanding amount at 30 June 2020 is \$Nil (2019: \$79).

Consequences of performance on shareholders' wealth - Audited

In considering the Group's performance and benefits for shareholders' wealth, the Board has regard to the following indices in respect of the current period and the previous four financial years.

	2020	2019	2018	2017	2016
	\$	\$	\$	\$	\$
Net (loss)/profit attributable to equity holders of the parent	(828,983)	(1,143,790)	(1,766,548)	(753,508)	(1,149,536)
Dividends paid	-	-	-	-	-
Change in share price	0.176	(0.001)	(0.001)	-	0.002

The overall level of key management personnel's compensation has been determined based on market conditions and advancement of the Group's projects.

End of remuneration report.

SKY METALS LIMITED

DIRECTORS REPORT

Non-audit Services

The Company may decide to employ the auditor (KPMG) on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

The board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 as the nature and scope of each type of non-audit service provided means that the auditor independence was not compromised.

Details of the amounts paid to the auditor of the Group, KPMG, and its network firms for audit and non-audit services provided during the period are set out below.

	6 Months to 30 June 2020	12 Months to 31 December 2019
	\$	\$
Statutory Audit		
- Taxation services	14,490	-
- Audit and review of financial reports	57,975	126,500
	<u>72,465</u>	<u>126,500</u>

Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

The lead auditor's independence declaration is set out on page 24 and forms part of the Directors' Report for the period ended 30 June 2020.

Signed at Sydney this 30th day of September 2020
in accordance with a resolution of the Board of Directors:



Norman A. Seckold
Chairman



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Sky Metals Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Sky Metals Limited for the six-month period ended 30 June 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Stephen Board
Partner

Brisbane
30 September 2020

SKY METALS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	6 Months to 30 June 2020 \$	12 Months to 31 December 2019 \$
Revenue			
Other income	4	55,509	4,000
Expenses			
Consultants' and administration expenses		(293,821)	(502,448)
Depreciation and amortisation expense		(53,384)	(42,223)
Employee and director expenses		(412,956)	(212,702)
Other expenses	4	(135,118)	(389,824)
Operating (loss) before finance income		(839,770)	(1,143,197)
Finance income	4	13,666	2,737
Finance expense	4	(2,879)	(3,330)
Net finance income / (expense)		10,787	(593)
Loss before tax		(828,983)	(1,143,790)
Income tax expense	5	-	-
Total comprehensive (loss) for the period		(828,983)	(1,143,790)
Total comprehensive (loss) attributable to:			
Owners of the Company		(828,983)	(1,143,790)
Non-controlling interest		-	-
Total comprehensive (loss) for the period		(828,983)	(1,143,790)
Earnings per share			
Basic and diluted loss per share (cents)	15	(0.30)	(0.71)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with accompanying notes.

SKY METALS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

		30 June 2020	31 December 2019
	Notes	\$	\$
Current assets			
Cash and cash equivalents	16	8,307,265	2,184,617
Trade and other receivables	6	36,193	33,945
Other current assets	7	2,000,000	37,500
Total current assets		10,343,458	2,256,062
Non-current assets			
Investments	8	231	231
Exploration and evaluation expenditure	9	6,407,940	4,907,873
Property plant and equipment	10	194,911	236,845
Other non-current assets	7	67,500	30,000
Total non-current assets		6,670,582	5,174,949
Total assets		17,014,040	7,431,011
Current liabilities			
Trade and other payables	11	302,540	353,014
Lease liability	12	42,631	40,172
Employee benefits payable		11,524	11,472
Total current liabilities		356,695	404,658
Non-current liabilities			
Lease liability	12	-	21,581
Total non-current liabilities		-	21,581
Total liabilities		356,695	426,239
Net assets		16,657,345	7,004,772
Equity			
Issued capital	13	67,653,175	57,448,596
Fair value reserve	14	230	230
Option premium reserve	14	1,066,934	879,460
Accumulated losses		(52,081,214)	(51,323,514)
Total equity attributable to equity holders of the Company		16,639,125	7,004,772
Non-controlling interest	24	18,220	-
Total equity		16,657,345	7,004,772

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

SKY METALS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	Issued capital \$	Fair value & Option reserve \$	Accumulated losses \$	Total	Non- controlling Interest \$	Total equity \$
Balance at 1 January 2019		49,781,972	230	(50,179,715)	(397,522)	-	(397,522)
Total comprehensive income for the period							
Loss for the period		-	-	(1,143,790)	(1,143,790)	-	(1,143,790)
Total other comprehensive income/(loss)		-	-	-	-	-	-
Total comprehensive income/(loss) for the period		-	-	(1,143,790)	(1,143,790)	-	(1,143,790)
Transactions with owners recorded directly in equity							
Ordinary shares issued	13	8,117,338	-	-	8,117,338	-	8,117,338
Transaction costs on issue of shares	13	(450,714)	-	-	(450,714)	-	(450,714)
Share options – share based payments	13	-	879,460	-	879,460	-	879,460
Balance at 31 December 2019		57,448,596	879,690	(51,323,514)	7,004,772	-	7,004,772
Balance at 1 January 2020		57,448,596	879,690	(51,323,514)	7,004,772	-	7,004,772
Total comprehensive income for the period							
Loss for the period		-	-	(828,983)	(828,983)	-	(828,983)
Total comprehensive income/(loss) for the period		-	-	(828,983)	(828,983)	-	(828,983)
Transactions with owners recorded directly in equity							
Ordinary shares issued							
- Share Placement	13	10,472,860	-	-	10,472,860	-	10,472,860
- Exercise of options	13	208,119	(71,283)	71,283	208,119	-	208,119
Transaction costs on issue of shares	13	(476,400)	-	-	(476,400)	-	(476,400)
Share options – share based payments		-	258,757	-	258,757	-	258,757
Non-controlling interest	24	-	-	-	-	18,220	18,220
Balance at 30 June 2020		67,653,175	1,067,164	(52,081,214)	16,639,125	18,220	16,657,345

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

SKY METALS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	6 Months to 30 June 2020 \$	12 Months to 31 December 2019 \$
Cash flows from operating activities			
Cash receipts in the course of operations		5,509	4,000
Government assistance received		50,000	-
Cash payments in the course of operations		<u>(632,659)</u>	<u>(653,268)</u>
Cash generated from operations		(577,150)	(649,268)
Interest received		13,666	2,737
Interest paid		<u>(2,879)</u>	<u>(3,000)</u>
Net cash used in operating activities	16	<u>(566,363)</u>	<u>(649,861)</u>
Cash flows from investing activities			
Payments for exploration and development expenditure		(1,482,205)	(1,266,171)
Payments for term deposits		(2,000,000)	-
Payments for security deposits		-	(67,500)
Payments for plant and equipment		(11,363)	(198,645)
Cash acquired by acquisition of subsidiary	24	-	2,715
Net cash used in investing activities		<u>(3,493,568)</u>	<u>(1,529,601)</u>
Cash flows from financing activities			
Proceeds from share issues and exercise of options		10,680,979	4,500,000
Share issue expenses		(476,400)	(362,715)
Lease payments		<u>(22,000)</u>	<u>(22,000)</u>
Net cash used in financing activities		<u>10,182,579</u>	<u>4,115,285</u>
Net increase in cash and cash equivalents		6,122,648	1,935,823
Cash and cash equivalents at 1 January		<u>2,184,617</u>	<u>248,794</u>
Cash and cash equivalents at the end of the financial period	16	<u>8,307,265</u>	<u>2,184,617</u>

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

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. Reporting entity

Sky Metals Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 207 Byng Street, Orange, NSW, 2800. The consolidated financial statements of the Company for the period ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for-profit entity, primarily engaged in identifying and evaluating mineral resources opportunities in New South Wales.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards ('IFRSs') and interpretations adopted by the International Accounting Standards Board ('IASB').

The consolidated financial statements were authorised for issue by the Directors on 30 September 2020.

(b) Change of financial year end

The financial year of the Company has changed from 31 December to 30 June to align the reporting schedule of the Company with Australia's normal reporting calendar and to synchronise the financial years of SKY's consolidated group entities. Accordingly, the financial period reported in these financial statements covers the six month period from 1 January 2020 to 30 June 2020. Comparative figures for these financial statements cover the twelve month period from 1 January 2019 to 31 December 2019. The results for the current period are therefore not directly comparable with the results for the prior period.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items in the Statement of Financial Position:

- * Investments - financial assets classified as fair value through other comprehensive income.

(d) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

(e) Use of estimates and judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in the following notes:

- Note 9 - Exploration and evaluation expenditure.
- Note 19 – Share based payments.
- Note 24 - Acquisition of controlled entity.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by all entities in the Group.

(a) Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue to the extent that it is highly probable that a significant reversal in the amount of the cumulative revenue recognised will not occur.

Revenue from government grants

Revenue from government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Cash flow boost assistance received during the period has been presented as revenue.

(b) Exploration and evaluation expenditure

Exploration and evaluation expenditure, including the costs of acquiring licences, are capitalised as intangible exploration and evaluation assets on an area of interest basis, less any impairment losses. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in profit or loss.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- * the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- * activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to developing mine properties.

(c) Intangible assets

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the units of production method over their estimated useful lives and is recognised in profit or loss.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

3. Significant accounting policies (Cont.)

(d) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Depreciation

Items of plant and equipment are initially recorded at cost and are depreciated over their estimated useful lives using the declining balance method from the date of acquisition.

Office equipment and software is depreciated at rates between 30% and 60% per annum. Plant and equipment is depreciated at a rate of 33.3% per annum. Motor Vehicles are depreciated at a rate of 25% per annum.

(e) Going concern

The consolidated financial report has been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group recorded a loss after tax of \$828,983 (2019: \$1,143,790) for the period ended 30 June 2020. At 30 June 2020 the Group had cash and cash equivalents of \$8,307,265 (2019: \$2,184,617) and net assets of \$16,657,345 (2019: \$7,004,772).

The Directors have prepared cash flow forecasts that support the ability of the Group to continue as a going concern for the period of at least 12 months from the date of the directors declaration. The cash flow projections assume the Group substantially increases exploration activities in the Cullarin and Kangiara areas and take into consideration the estimation of impacts of COVID-19. The Directors are satisfied that existing cash resources remain sufficient to fund planned exploration activities and in addition, the Group is able to reduce expenditure to the level of funding available if necessary.

During the period ended 30 June 2020, the Group successfully completed a capital raise via a share placement totalling \$10,472,860 and received \$208,119 through the exercise of options.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

3. Significant accounting policies (Cont.)

(f) Financial instruments

Non-derivative financial assets

Recognition and initial measurement

The Group initially recognises trade receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair value through other comprehensive income – equity investment; or
- Fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value through OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity instruments at fair value through other comprehensive income

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

3. Significant accounting policies (Cont.)

(f) Financial instruments (Cont.)

Non-derivative financial liabilities

Financial liabilities are measured at amortised cost.

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Other financial liabilities comprise loans and borrowings and trade and other payables.

(g) Share capital

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

(i) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the Consolidated Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(j) Income tax

Income tax comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- * temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- * temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; or
- * taxable temporary differences arising on the initial recognition of goodwill.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

3. Significant accounting policies (Cont.)

(j) Income tax (Cont.)

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Sky Metals Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

(k) Impairment

Financial instruments

The Group recognises expected credit losses ('ECLs') on:

- Financial assets measured at amortised cost;

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at fair value through other comprehensive income, the loss allowance is charged to profit or loss and is recognised in other comprehensive income.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. The recoverable amount of an asset or CGU is the greater of their fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Impairment losses are recognised in profit or loss.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

3. Significant accounting policies (Cont.)

(l) Basis of consolidation

Reversals of impairment

An impairment loss in respect of a financial asset carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of non-financial assets, an impairment loss is reversed if there has been a conclusive change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(m) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign currency differences are generally recognised in the profit or loss. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(n) Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in the foreign currency translation reserve ('FCTR'), a separate component of equity.

Foreign exchange gains and losses arising from a monetary item receivable or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in the FCTR.

When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

3. Significant accounting policies (Cont.)

(n) Foreign operations (Cont.)

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the FCTR.

(o) Segment reporting

Determination and presentation of operating segments

The Group determines and presents operating segments based on the information that is provided internally to the Executives Directors, who are the Group's operating decision makers.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's management and Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Executive Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(p) Employee benefits

Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting or market conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(q) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Site restoration

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

3. Significant accounting policies (Cont.)

(r) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis.

(s) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Investments in equity securities

The fair value of listed shares is determined by reference to their market price at the reporting date.

Share-based payment transactions

The fair value of the employee share options is measured using the Black-Scholes formula, taking into account the terms and conditions upon which the options were granted. Measurement inputs include share price on grant date, exercise price of the instrument, expected volatility (based on historic share performance), risk-free interest rate (based on government bonds), and a dividend yield.

(t) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cashflows of which can be clearly distinguished from the rest of the Group and which:

- Represent a separate major line of business or geographic area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is presented as if the operation had been discontinued from the start of the comparative year.

(u) Leases

At inception of a contract, the Group assessed whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether the contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease under AASB16.

At commencement on or modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. The Group recognises a right-of-use asset at the commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

3. Significant accounting policies (Cont.)

(u) Leases (Cont.)

The right of use asset is subsequently depreciated using the straight line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group at the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset which is determined on the same basis as those of property plant and equipment. In addition the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounting using the interest rate implicit in the lease, or if that rate cannot be readily determined the Groups incremental borrowing rate. Generally the Group uses its incremental borrowing rate as the discount rate.

(v) Newly effective accounting standards

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020 and do not have a material effect on the Group's financial statements.

- Amendments to References to Conceptual Frameworks in IFRS standards;
- Definition of a Business (Amendments to AABS 3);
- Definition of Material (Amendments to AABS 101 and AASB 108); and
- AABS 17 Insurance Contracts.

4. Loss from operating activities

Loss from operating activities before income tax includes the following items of income and expense:

Other income

	6 Months to 30 June 2020	12 Months to 31 December 2019
	\$	\$
- ATO Cashflow boost	50,000	-
- other	5,509	4,000
	55,509	4,000

Other expenses

- Pre-license costs	(38,006)	(21,444)
- Legal fees	(22,127)	(3,689)
- Auditor's remuneration – audit & review of financial reports	(57,975)	(126,500)
- Other	(17,010)	(238,191)
	(135,118)	(389,824)

Financial income and expense

Interest revenue	13,666	2,737
Finance lease expense	(2,879)	(3,330)

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

	6 Months to 30 June 2020	12 Months to 31 December 2019
	\$	\$
5. Income tax expense		
Current tax expense		
Current period	(171,955)	(1,787,226)
Adjustments for prior year	-	-
Tax (profit)/losses not recognised	<u>171,955</u>	<u>1,787,226</u>
	-	-
<i>Numerical reconciliation of income tax expense to prima facie tax payable:</i>		
Loss before tax	(828,983)	(1,143,790)
Prima facie income tax benefit at the Australian tax rate of 30% (2019 - 30%)	(248,695)	(343,137)
Adjustments to prima facie tax due to:		
- non-deductible expenses	76,739	69,455
- effect of DTAs on tax losses not brought to account	1,142,785	1,787,226
- effect of DTAs on temporary differences not brought to account	<u>(970,829)</u>	<u>(1,513,544)</u>
Tax expense	-	-
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Capital losses	-	-
Tax losses	9,973,817	10,167,249
Net deductible temporary differences	<u>(944,622)</u>	<u>(1,436,342)</u>
Potential tax benefit at 30% (2019 - 30%)	<u>9,209,195</u>	<u>8,730,907</u>
<p>The deductible temporary differences and tax losses do not expire under current tax legislation, however, are subject to tests that must be satisfied before they can be utilised relating to continuity of ownership or same business. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the tax benefits. Tax losses do not expire but are subject to requirements regarding continuity of ownership and/or business.</p>		
6. Trade and other receivables		
GST	35,303	33,065
Other	890	880
	<u>36,193</u>	<u>33,945</u>
7. Other assets		
Current		
Tenement bond deposit	-	37,500
Term Deposit	2,000,000	-
	<u>2,000,000</u>	<u>37,500</u>
Non-current		
Tenement bond deposit	67,500	30,000
	<u>67,500</u>	<u>30,000</u>
8. Investments	30 June 2020	31 December 2019
	\$	\$
Investments - fair value through other comprehensive income	<u>231</u>	<u>231</u>

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

8. Investments (Cont.)

The Company holds 10,950 Ordinary Shares in Pilot Energy Limited. At 30 June 2020, the Directors compared the carrying value of the investment to market value and recorded a nil movement in fair value (2019 – \$Nil).

9. Exploration and evaluation expenditure

EL 6699 Tallebung	1,885,736	1,854,799
EL 6258 Doradilla	2,553,998	2,439,754
EL 7954 Cullarin	1,765,150	478,604
EL 8400 & EL 8573 Kangiara	148,865	134,716
EL8915 Mylora	10,708	-
EL 8920 Caledonian	20,773	-
EL 6064 Iron Duke	22,710	-
Net book value	6,407,940	4,907,873

EL 6699 Tallebung		
Carrying amount at beginning of period	1,854,799	-
Exploration and evaluation on acquisition of controlled entity	-	993,205
Additions	30,937	861,594
Net book value	1,885,736	1,854,799

EL 6258 Doradilla		
Carrying amount at beginning of period	2,439,754	-
Exploration and evaluation on acquisition of controlled entity	-	2,214,781
Additions	114,244	224,973
Net book value	2,553,998	2,439,754

EL 7954 Cullarin		
Carrying amount at beginning of period	478,604	-
Additions	1,286,546	478,604
Net book value	1,765,150	478,604

EL 8400 & EL 8573 Kangiara 1 & 2		
Carrying amount at beginning of period	134,716	-
Additions	14,149	134,716
Net book value	148,865	134,716

EL 8915 Mylora		
Carrying amount at beginning of period	-	-
Additions	10,708	-
Net book value	10,708	-

EL 8920 Caledonian		
Carrying amount at beginning of period	-	-
Additions	20,773	-
Net book value	20,773	-

EL 6064 Iron Duke		
Carrying amount at beginning of period	-	-
Additions	22,710	-
Net book value	22,710	-

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

9. Exploration and evaluation expenditure (Cont.)

The ultimate recoupment of exploration and evaluation expenditure is dependent on the successful development and commercial exploitation, or alternatively sale of the respective areas of interest.

During the six months ended 30 June 2020, the Group assessed its exploration and evaluation expenditure assets for impairment and recorded no impairment.

10. Property plant and equipment	30 June 2020	31 December 2019
Motor vehicles	116,172	132,664
Office equipment	31,184	32,555
Plant and equipment	10,695	11,310
Right of use asset	36,860	60,316
Net book value	194,911	236,845
Motor vehicles	157,788	151,223
Depreciation	(41,616)	(18,559)
Net book value	116,172	132,664
Office Equipment	39,416	35,619
Depreciation	(8,232)	(3,064)
Net book value	31,184	32,555
Plant and Equipment	12,803	11,803
Depreciation	(2,108)	(493)
Net book value	10,695	11,310
Right of use asset	80,422	80,422
Depreciation	(43,562)	(20,106)
Net book value	36,860	60,316

Right of Use Assets

Right-of-use assets related to the leased office in Orange are presented as property, plant & equipment.

The Company leases its head office in Orange NSW. The lease is for a period of two years commencing on 1 July 2019 with an option to renew for a further period of two years. The annual lease cost is \$44,000 excluding GST.

As at 30 June 2020 the Company recognised \$80,422 of right-to-use asset, \$43,562 of accumulated depreciation and \$42,631 of lease liabilities all of which is recognised as a current liability.

At 1 July 2019, the Company recognised a lease liability of \$80,422 and a right-to-use asset equal to the lease liability.

During the six months ended 30 June 2020, the Company recognised \$23,456 of depreciation charges and \$2,879 of interest costs from the lease.

Reconciliation of the carrying amounts for each class of property, plant & equipment are set out below.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

10. Property plant and equipment (cont.)

	6 Months to 30 June 2020	12 Months to 31 December 2019
Motor Vehicles		
Carrying amount at beginning of period	132,664	-
Additions	6,565	151,223
Depreciation	(23,057)	(18,559)
Net book value	116,172	132,664
Office Equipment		
Carrying amount at beginning of period	32,555	-
Additions	6,861	35,619
Depreciation	(8,232)	(3,064)
Net book value	31,184	32,555
Plant & Equipment		
Carrying amount at beginning of period	11,310	-
Additions	1,493	11,803
Depreciation	(2,108)	(493)
Net book value	10,695	11,310
Right of use asset		
Carrying amount at beginning of period	60,316	-
Additions	-	80,422
Depreciation	(23,456)	(20,106)
Net book value	36,860	60,316
11. Trade and other payables		
Current liabilities		
Trade and other payables	207,652	61,826
Accruals	67,227	85,000
Payroll payables	27,661	27,498
Other liabilities	-	178,690
	302,540	353,014
12. Lease liability		
Current liabilities		
Property rental	42,631	40,172
Non-current liabilities		
Property rental	-	21,581
	42,631	61,753

Payments under the lease arrangements attributable to the repayment of lease liability is included under financing cash flows. During the six months ended 30 June 2020, payments totalling \$22,000 has been recognised as cash outflows from lease repayments.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

	6 Months to 30 June 2020		12 Months to 31 December 2019	
	No.	\$	No.	\$
13. Issued capital				
Ordinary shares, fully paid at 1 January	254,695,645	57,448,596	537,622,535	49,781,972
Consolidation of 1 share for every 10	-	-	(483,860,340)	-
Issued ordinary shares 20 June 2019*	-	-	70,000,000	2,800,000
Issued ordinary shares 20 June 2019 for \$0.04	-	-	14,233,450	569,338
Issued ordinary shares 20 June 2019 for \$0.04	-	-	112,500,000	4,500,000
Issued ordinary shares 7 August 2019 for \$0.04	-	-	2,200,000	88,000
Issued ordinary shares 7 August 2019 for \$0.08	-	-	2,000,000	160,000
Exercise of Vendor Options	2,601,563	208,119	-	-
Share Placement for \$0.22 (two tranches)	47,603,907	10,472,860	-	-
Less cost of issue	-	(476,400)	-	(450,714)
Balance at end of period	<u>304,901,115</u>	<u>67,653,175</u>	254,695,645	57,448,596

*Acquisition of controlled entity – See note 24

The Company raised \$10.472 million from the placement of 47.6 million shares at 22 cents per share over two tranches, with the second tranche approved by shareholders at a meeting held 8 April 2020.

During the period 2.6 million options held by the vendors of Big Sky Pty Ltd were exercised at 8 cents per share.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

No dividends were declared or paid by the Company during the current or prior period.

	30 June 2020	31 December 2019
	\$	\$
14. Reserves		
Fair value reserve		
Opening balance	230	230
Net change in fair value of financial assets	-	-
Closing balance	<u>230</u>	<u>230</u>

Changes in fair value of investments are recognised in other comprehensive income and accumulated in a separate reserve within equity. Refer to Note 8 for further details on investments.

Option Premium Reserve		
Opening balance	879,460	879,460
Issue of CEO options	206,806	-
Exercise of options	(71,283)	-
Issue of director performance rights	51,951	-
Closing balance	<u>1,066,934</u>	<u>879,460</u>

The option premium reserve is used to recognise the grant date fair value of options issued but not exercised separately within equity. Refer to Note 19 for further details on options on issue.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

	6 Months to 30 June 2020 \$	12 Months to 31 December 2019 \$
15. Loss per share		
	Total	Total
Basic and diluted loss per share:		
Net loss for the period attributable to equity holders of the parent	(828,983)	(1,143,790)
	6 Months to 30 June 2020 N°	12 Months to 31 December 2019 N°
Weighted average number of ordinary shares (basic and diluted)		
Issued ordinary shares at the beginning of the period	254,695,645	53,762,195
Effect of shares issued (note 13)	<u>25,537,778</u>	<u>106,795,679</u>
Weighted average number of ordinary shares at the end of the period	<u>280,233,423</u>	<u>160,557,874</u>

As the Group is loss making, none of the potentially dilutive securities are currently dilutive in the calculation of the total loss per share.

16. Reconciliation of cash flows from operating activities

Reconciliation of net loss from operating activities after tax to net cash used in operating activities

Loss from operating activities after tax	(828,983)	(1,143,790)
Non-cash items		
Amortisation and depreciation	53,384	42,223
Interest payable	2,783	3,330
Share based payment	258,757	229,460
Changes in assets and liabilities		
Trade and other receivables	(2,238)	(33,946)
Trade and other payables	(50,118)	241,388
Employee provisions	52	11,474
Net cash used in operating activities	<u>(566,363)</u>	<u>(649,861)</u>

Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and cash on deposit net of bank overdrafts and excluding security deposits. Cash at the end of the period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash at bank	<u>8,307,265</u>	<u>2,184,617</u>
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SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

17. Related party disclosures

Parent and ultimate controlling party

Sky Metals Limited is both the parent and ultimate controlling party of the Group.

Key management personnel and Directors' transactions

During the period ended 30 June 2020, Norman Seckold had joint control of an entity, Mining Services Trust, which provided full administrative services, including rental accommodation, administrative staff, services and supplies to the Group until 30 September 2019. Fees paid to Mining Services Trust ('MIS') during the period amounted to \$216 (2019 - \$64,887) exclusive of GST. At the end of the period the amount outstanding to MIS was \$nil (2019 \$79). At the end of the period the amount outstanding to Key Management Personnel and Directors was \$12,375 (2019 \$7,000). These services were invoiced monthly in advance and payable within 30 days.

	2020	2019
	\$	\$
Total amounts owing at balance date		
Directors fees	12,375	7,000
Mining Services Trust	-	79
	12,375	7,079

18. Key management personnel disclosures

	6 Months to 30 June 2020	12 Months to 31 December 2019
	\$	\$
Key management personnel compensation		
Primary fees/salary	243,947	298,728
Consulting Fees	62,700	-
Cash Bonus	-	20,000
Share based payments - Shares & Options	258,757	160,000
Post – employment benefits Superannuation	5,383	10,608
	570,787	489,336

At 30 June 2020, \$12,375 exclusive of GST was payable to key management personnel (31 December 2019, \$7,000 exclusive of GST). There were no loans made to key management personnel or their related parties during the six month period ended 30 June 2020 and the 2019 financial year.

The Board reviews remuneration arrangements annually based on services provided. Apart from the details disclosed in this note and Note 17, no Director has entered into a contract with the Company during the period and there were no contracts involving Directors' interests subsisting at period end.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

19. Share Based Payments

Incentive Plan

The Company has an Incentive Plan to provide eligible persons, being employees or directors, or individuals whom the determined to be employees for the purpose of the Plan, with the opportunity to acquire options over unissued ordinary shares in the Company. The number of options granted or offered under the Plan will not exceed 5% of the total number of issued shares of the Company as at the time of the invitation or offer. Unless otherwise determined by the Board, the exercise price of each option will be a minimum of the Market value of a Share when the Board resolves to offer the options. Options have no voting of divided rights. The Board may in its absolute discretion determine the vesting conditions attached to options issued under the plan.

If at any time before the exercise of an Option a holder ceases to be an Eligible Participant any options which have not reached their exercised period will automatically lapse unless the Board otherwise determined within 30 days of the holder ceases to be an eligible participant.

Options & Performance Rights Issues

During the period the Company issued options and performance rights under the Company's Incentive Plan, and options as part consideration in relation to the acquisition of assets.

The following options and performance rights were on issue at 30 June 2020.

Type / Description	Grant Date	Vesting Date	Expiry Date	Exercise Price	Fair Value of Options Granted	Balance at the end of the period
Vendor*	20 June 2019	20 June 2019	19 June 2023	\$0.08	\$0.0274	17,398,437
Heron Resources**	24 October 2019	24 October 2019	2 October 2021	\$0.15	\$0.0262	10,000,000
Incentive Plan	25 October 2019	25 October 2019	25 October 2023	\$0.12	\$0.0463	1,500,000
Incentive Plan	16 January 2020	16 January 2020	31 January 2023	\$0.12	\$0.0657	2,000,000
Incentive Plan	16 January 2020	16 January 2021	31 January 2023	\$0.16	\$0.0610	2,000,000
Incentive Plan	16 January 2020	16 January 2022	31 January 2023	\$0.20	\$0.0571	2,000,000
Incentive Plan	5 June 2020	5 June 2020	5 June 2022	\$Nil	\$0.243	6,250,000
Diversified Minerals***	24 June 2020	24 June 2020	24 June 2022	\$0.39	\$0.1421	128,205

* The Company issued 20,000,000 unlisted options to the vendors of Big Sky Pty Ltd

** The Company issued 10,000,000 unlisted options pursuant to the Farm-in JV agreement with Heron Resources Limited

*** The Company issued 128,205 unlisted options pursuant to the Balmain Minerals Option agreement with Diversified Minerals Limited

Movement of options & performance rights during the period ended 30 June 2020.

Grant Date	Outstanding at the beginning of the period	Granted during the period	Cancelled during the period	Exercised during the period	Expired during the period	Outstanding at the end of the period	Exercisable at the end of the period
20 June 2019	20,000,000	-	-	(2,601,563)	-	17,398,437	17,398,437
7 August 2019	1,000,000	-	(1,000,000)	-	-	-	-
7 August 2019	2,000,000	-	(2,000,000)	-	-	-	-
7 August 2019	2,000,000	-	(2,000,000)	-	-	-	-
24 October 2019	10,000,000	-	-	-	-	10,000,000	10,000,000
25 October 2019	1,500,000	-	-	-	-	1,500,000	1,500,000
16 January 2020	-	2,000,000	-	-	-	2,000,000	2,000,000
16 January 2020	-	2,000,000	-	-	-	2,000,000	-
16 January 2020	-	2,000,000	-	-	-	2,000,000	-
5 June 2020	-	6,250,000	-	-	-	6,250,000	-
24 June 2020	-	128,205	-	-	-	128,205	128,205
	36,500,000	12,378,205	(5,000,000)	(2,601,563)	-	41,276,642	31,026,642

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

19. Share Based Payments (Cont.)

Weighted average exercise of options and performance rights

Year	Outstanding at the beginning of the period	Granted during the period	Forfeited during the period	Exercised during the period	Expired during the period	Outstanding at the end of the period	Exercisable at the end of the period
2020	\$0.107	\$0.420	\$0.128	\$0.080	-	\$0.200	\$0.108

The weighted average remaining contractual life of share options and performance rights outstanding at the end of the period was 2.35 years (2019: 3.29 years).

Fair Value of Options & Performance Rights

The fair value of options granted is measured at grant date and recognised as an expense over the period during which the employee becomes unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation methodology, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of options that vest.

When options on issue are modified and the modification is beneficial to the other party the incremental fair value at the date of the modification is recognised over the remaining modified vesting period and the original grant-date fair value is recognised over the remaining original vesting period. When the modification is to options on issue that have fully vested the incremental fair value is recognised as an expense in the period the modification occurs. The incremental fair value is the difference between the fair value of the share based payment at the date of modification between the old and new terms.

The fair value of 2,000,000 options granted on 16 January 2020 with an exercise price of \$0.12 was \$131,420. The Black-Scholes formula model inputs were the Company's share price of \$0.09 at the grant date, a volatility factor of 115.19% based on historical share price performance and a risk-free interest rate of 0.69% based on the 5-year government bond rate.

The fair value of 2,000,000 options granted on 16 January 2020 with an exercise price of \$0.16 was \$122,000. The Black-Scholes formula model inputs were the Company's share price of \$0.09 at the grant date, a volatility factor of 115.19% based on historical share price performance and a risk-free interest rate of 0.69% based on the 5-year government bond rate.

The fair value of 2,000,000 options granted on 16 January 2020 with an exercise price of \$0.20 was \$114,220. The Black-Scholes formula model inputs were the Company's share price of \$0.09 at the grant date, a volatility factor of 115.19% based on historical share price performance and a risk-free interest rate of 0.69% based on the 5-year government bond rate.

The fair value of 128,205 options granted on 24 June 2020 with an exercise price of \$0.39 was \$18,221. The Black-Scholes formula model inputs were the Company's share price of \$0.305 at the grant date, a volatility factor of 100% based on historical share price performance and a risk-free interest rate of 1% based on the 2-year government bond rate.

The fair value of 6,250,000 performance rights granted on 5 June 2020 which will convert to shares upon the Company's share price on ASX achieving 200% of the 30 day VWAP prior to the Meeting within 24 Months was \$1,516,376. The performance rights were valued using a Monte Carlo simulation model. The model inputs were the Company's share price of \$0.305 at the grant date, a volatility factor of 125% based on historical share price performance and a risk-free interest rate of 0.24% based on the 2-year government bond rate.

The fair value of 1,000,000 options granted on 7 August 2019 with an exercise price of \$0.08 was \$67,200. The Black-Scholes formula model inputs were the Company's share price of \$0.08 at the grant date, a volatility factor of 115.19% based on historical share price performance and a risk-free interest rate of 0.69% based on the 5-year government bond rate.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

19. Share Based Payments (Cont.)

Fair Value of Options & Performance Rights (Cont.)

The fair value of 2,000,000 options granted on 7 August 2019 with an exercise price of \$0.12 was \$129,000. The Black-Scholes formula model inputs were the Company's share price of \$0.08 at the grant date, a volatility factor of 115.19% based on historical share price performance and a risk-free interest rate of 0.69% based on the 5-year government bond rate.

The fair value of 2,000,000 options granted on 7 August 2019 with an exercise price of \$0.16 was \$124,600. The Black-Scholes formula model inputs were the Company's share price of \$0.08 at the grant date, a volatility factor of 115.19% based on historical share price performance and a risk-free interest rate of 0.69% based on the 5-year government bond rate.

The fair value of 10,000,000 options granted on 24 October 2019 with an exercise price of \$0.15 was \$262,000. The Black-Scholes formula model inputs were the Company's share price of \$0.08 at the grant date, a volatility factor of 92.98% based on historical share price performance and a risk-free interest rate of 0.74% based on the 2-year government bond rate.

The fair value of 1,500,000 options granted on 25 October 2019 with an exercise price of \$0.12 was \$69,450. The Black-Scholes formula model inputs were the Company's share price of \$0.08 at the grant date, a volatility factor of 92.98% based on historical share price performance and a risk-free interest rate of 0.79% based on the 5-year government bond rate.

During the period ended 30 June 2020, share based payment expense of \$258,747 was recorded in the profit and loss (2019 - \$229,460).

20. Financial risk management and financial instruments disclosures

The Group's financial instruments comprise deposits with banks, receivables, investments, and trade and other payables. The Group does not trade in derivatives or in foreign currency.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risks. This note presents information about the Group's exposure to each of these risks, its objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies are reviewed regularly to reflect changes in market conditions and the Group's activities. The primary responsibility to monitor the financial risks lies with the Managing Director under the authority of the Board.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligation as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors rolling forecasts of liquidity on the basis of commitments, expected fund raisings, trade payables and other obligations for the ongoing operation of the Group. At balance date, the Group has available funds of \$8,307,265, and a term deposit of \$2,000,000.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

20. Financial risk management and financial instruments disclosures (Cont.)

Contractual maturities of financial liabilities are:

Financial liabilities	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 5 years	More than 5 years
	\$	\$	\$	\$	\$	\$
Trade and other payables	302,540	(302,540)	(302,540)	-	-	-
Lease liability	42,631	(42,631)	(20,555)	(22,076)	-	-
30 June 2020	345,171	(345,171)	(323,095)	(22,076)	-	-
Trade and other payables	353,014	(353,014)	(353,014)	-	-	-
Lease liability	61,753	(61,753)	(19,617)	(20,555)	(21,581)	-
31 December 2019	414,767	(414,767)	(372,631)	(20,555)	(21,581)	-

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The carrying amount of the Group's financial assets represents the maximum credit risk exposure as follows:

	6 Months to 30 June 2020	12 Months to 31 December 2019
	\$	\$
Cash and cash equivalents	8,307,265	2,184,617
Other Asset / Term Deposit	2,000,000	-
Trade and other receivables	36,183	33,945
Tenement bond deposit	67,500	67,500
	10,410,948	2,286,062

Cash and cash equivalents

At 30 June 2020, the Group held cash and cash equivalents of \$8,307,265 (31 December 2019 - \$2,184,617), and a term deposit of \$2,000,000, which represent its maximum credit exposure on these assets. These balances are held with a major Australian bank.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Group's income statement is affected by changes in interest rates due to the impact of such changes on interest income and expenses.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

20. Financial risk management and financial instruments disclosures (Cont.)

Variable rate instruments

	6 Months to 30 June 2020	12 Months to 31 December 2019
	\$	\$
Cash and cash equivalents	8,307,265	2,184,617
Term deposit	2,000,000	-
Loans and borrowings	-	-
	10,307,265	2,184,617

At 30 June 2020, the Group held fixed term deposits totalling \$6,013,107 (2019 - \$nil).

The Group does not have interest rate swap contracts. The Group has an interest bearing account from which it draws cash when required to pay liabilities as they fall due. The Group analyses its interest rate exposure when considering renewals of existing positions including alternative financing arrangements.

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures at balance date.

An increase of 100 basis points in interest rates throughout the reporting period would have decreased the loss for the period by the amounts shown below, whilst a decrease would have increased the loss by the same amount. The Company's equity consists of fully paid ordinary shares. There is no effect on fully paid ordinary shares by an increase or decrease in interest rates during the period.

	59,365	1,214
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Currency risk

At 30 June 2020, the Group does not hold bank accounts in denominations other than the functional currency.

Price risk

The Group is exposed to equity securities prices risk. This arises from investments held by the Group.

As at 30 June 2020, the Group's investments in financial assets consist of an investment in Pilot Energy Limited (refer Note 8). A 10% increase/(decrease) in the price of this investment would result in an immaterial increase/(decrease) in equity.

Capital management

Management aims to control the capital of the Group in order to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's capital includes ordinary share capital supported by financial assets. There are no externally imposed capital requirements on the Group.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of cash levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

20. Financial risk management and financial instruments disclosures (Cont.)

Estimation of fair values

The carrying amounts of financial assets and financial liabilities included in the balance sheet approximate fair values.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 - fair value measurements are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - fair value measurements are those instruments valued based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - fair value measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
30 June 2020				
Financial assets	230	-	-	230
31 December 2019				
Financial assets	230	-	-	230

All financial assets outline above relate to investments held in listed equity securities (designated as Level 1 financial assets). The fair value is based on quoted market prices at the end of the reporting period.

21. Operating segments

The Group's chief operating decision maker has considered the requirements of AASB 8, Operating Segments. During the period the Group had a single reportable segment, as described below.

- Exploration – exploration and evaluation activities

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and expenses.

	Exploration	Total Segments	Unallocated	Total
	\$	\$	\$	\$
30 June 2020				
Revenue and other income				
Interest income	-	-	13,666	13,666
Other Income	-	-	55,509	55,509
Operating loss before income tax	(38,007)	(38,007)	(790,976)	(828,983)
Assets				
Segment assets	6,407,940	6,407,940	10,606,100	17,014,040
Liabilities				
Segment liabilities	-	-	(356,695)	(356,695)

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

21. Operating segments (Cont.)

	Exploration	Total Segments	Unallocated	Total
	\$	\$	\$	\$
31 December 2019				
Revenue and other income				
Interest income	-	-	2,737	2,737
Other Income	-	-	4,000	4,000
Operating loss before income tax	(21,144)	(21,144)	(1,122,646)	(1,143,790)
Assets				
Segment assets	4,907,873	4,907,873	2,523,138	7,431,011
Liabilities				
Segment liabilities	-	-	(426,239)	(426,239)

	6 Months to 30 June 2020	12 Months to 31 December 2019
	\$	\$
Reconciliations of reportable segment revenues and profit or loss		
Revenue		
Total revenue for reportable segments	-	-
Discontinued operation	-	-
Other income	55,509	4,000
Consolidated revenue	55,509	4,000
Profit or loss		
Total loss for reportable segments	-	-
Unallocated amounts:		
- interest income	13,666	2,737
- other income	55,509	4,000
- net other corporate expenses	(898,158)	(1,150,527)
Consolidated loss before tax	(828,983)	(1,143,790)

Reconciliations of reportable segment assets and liabilities

Assets		
Total assets for reportable segments	6,407,940	4,907,873
Unallocated corporate assets	10,606,100	2,523,138
Consolidated total assets	17,014,040	7,431,011
Liabilities		
Total liabilities for reportable segments	-	-
Unallocated corporate liabilities	356,695	426,239
Consolidated total liabilities	356,695	426,239

Geographical information

All of the Company's activities are in Australia.

Concentration of revenue

Revenue is ATO Cashflow boost, bank interest and rent from sub-lease of office in Orange, NSW.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

22. Subsequent events

On 24 July 2020, SKY notified Heron Resources Limited that it had expended in excess of A\$2,000,000 across the Cullarin and Kangiara Projects to meet the Farm In Expenditure of the Farm-In and Joint Venture Agreement within the Farm In Expenditure period to earn an 80% equity interest in the Tenements.

On 24 August 2020, the Group entered into an Option agreement to Purchase the Galwadgere Copper-Gold Project in NSW from Alkane Resources Ltd ('Alkane'). To exercise the Option, SKY must spend \$250,000 on in-ground expenditure within 18 months. On election to exercise the option, SKY may purchase 100% equity interest in EL6320 by issuing 6,000,000 fully paid ordinary shares in the capital of SKY to Alkane.

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

23. Controlled entities

Parent entity

Sky Metals Limited is an Australian incorporated company listed on the Australian Stock Exchange.

Controlled entity	Country of incorporation	Ownership interest	
		2020	2019
		%	%
Big Sky Metals Pty Ltd	Australia	100	100
Stannum Pty Ltd	Australia	100	100
Gradient Energy Pty Limited	Australia	100	100
Planet Cooper Basin Pty Limited	Australia	100	100
Aurum Metals Pty Limited	Australia	100	100
Planet Unconventional Energy Pty Limited	Australia	100	100
Balmain Minerals Pty Ltd	Australia	0	0

24. Acquisition of controlled entity

Balmain Minerals Pty Ltd

During the period ended 30 June 2020, the Company entered into an Option to Purchase Agreement with Diversified Minerals Pty Limited for the acquisition of 100% of the issued capital of Balmain Minerals Pty Ltd, the holder of the Iron Duke Copper-Gold project (EL 6064) in NSW. In consideration for the grant of the Option, SKY issued to Diversified Minerals 128,205 options in SKY exercisable into fully paid ordinary shares in SKY, and will spend \$150,000 on in-ground exploration expenditure within 18 months. On election to exercise the option, SKY may purchase 100% equity interest by payment of \$350,000 in cash and/or shares at SKY's election plus \$50,000 worth of two year options, at 100% above VWAP (average of preceding 5 trading days) at date of election to purchase.

Upon execution of the Purchase Agreement SKY assumed control of Balmain Minerals Pty Ltd as it is able to direct the relevant activities.

The above transaction has been accounted for as an acquisition of assets rather than a business combination as Balmain has no business operations and its principal asset is its interest in the tenement EL 6064, Iron Duke.

The following summarises the recognised amounts of identifiable assets acquired, and liabilities assumed at the acquisition date determined on a provisional basis:

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

24. Acquisition of controlled entity (Cont.)

	Recognised fair value on acquisition \$
Exploration and evaluation assets	18,220
Consideration paid	18,220

The fair value of exploration and evaluation assets has been determined as being the value of the Option Fee Options issued to Diversified Minerals Pty Ltd.

Balmain's operations are subject to specific New South Wales environmental regulations. The Group conducted a preliminary assessment of site restoration provisions arising from these regulations and determined that at the acquisition date no site restoration provisions were required.

While the Group controls Balmain Minerals Pty Ltd, it currently holds 0% of the equity and accordingly net assets of \$18,220 have been assigned to non-controlling interests.

Big Sky Metals

During the year ended 31 December 2019, the Company acquired 100% of the issued capital of Big Sky Metals Pty Ltd and its wholly owned subsidiary Stannum Pty Ltd ('Big Sky'). In consideration for Big Sky Group, the Company issued 70,000,000 ordinary shares and 20,000,000 unlisted options (equivalent to a consideration paid of fair value of \$3,348,000) to the shareholders of Big Sky. Big Sky Group through its wholly owned subsidiary Stannum Pty Ltd holds two exploration licences in central NSW, EL 6699 Tallebung and EL 6258 Doradilla.

The above transaction has been accounted for as an acquisition of assets rather than a business combination as Big Sky has no business operations and its principal asset is its interest in the two tenements, Tallebung and Doradilla tin-tungsten project.

The following summarises the recognised amounts of identifiable assets acquired, and liabilities assumed at the acquisition date determined on a provisional basis:

	Recognised fair value on acquisition \$
Cash	2,715
Property, plant and equipment	5,126
Exploration and evaluation assets	3,207,985
Other assets	57,720
Loan to Sky Metals Limited	75,361
Trade and other payables	(907)
	3,348,000

The fair value of exploration and evaluation assets has been determined as being the excess consideration paid over the acquisition date fair value of the identifiable assets and liabilities of Big Sky.

Big Sky's operations are subject to specific New South Wales environmental regulations. The Group conducted a preliminary assessment of site restoration provisions arising from these regulations and determined that at the acquisition date no site restoration provisions were required.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

25. Parent entity disclosures

As at 30 June 2020 the parent entity of the Group was Sky Metals Limited.

	Company	
	6 Months to 30 June 2020	12 Months to 31 December 2019
	\$	\$
Result of the parent entity		
Net loss	828,983	1,143,790
Other comprehensive loss	-	-
Total comprehensive loss	828,983	1,143,790
Financial position of the parent entity at period end		
Current assets	10,284,250	2,193,845
Non-current assets	6,698,736	5,259,373
Total assets	16,982,986	7,453,218
Current liabilities	332,701	404,658
Non-current liabilities	3,665,360	3,697,968
Total liabilities	3,998,061	4,102,626
Net assets / (liabilities)	12,984,925	3,350,592
Equity		
Share capital	67,653,175	57,448,596
Reserves	1,138,427	879,690
Accumulated losses	(55,806,677)	(54,977,694)
Total equity / (deficiency)	12,984,925	3,350,592

The Directors are of the opinion that no contingencies existed at, or subsequent to, the period end.

The Company had no capital commitments at the balance date.

26. Contingencies

The Directors are of the opinion that no contingencies existed at, or subsequent to, year end.

SKY METALS LIMITED

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Sky Metals Limited :
 - (a) the consolidated financial statements and notes thereto, set out on pages 25 to 55, and the Remuneration Report as set out on pages 18 to 22 of the Directors' Report are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Group as at 30 June 2020 and of its performance, for the six months ended on that date;
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - (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.
2. The Directors have been given the declarations required under section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the period ended 30 June 2020.
3. The Directors draw attention to note 2(a) of the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed at Sydney this 30th day of September 2020 in accordance with a resolution of the Board of Directors:



Norman A. Seckold
Chairman



Independent Auditor's Report

To the shareholders of Sky Metals Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Sky Metals Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the six-month period ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2020;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the six-month period then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the period end or from time to time during period.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report.

We are independent of the Group in accordance with 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* (including Independence Standards) (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.



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.

We have determined the matter described below to be a Key Audit Matter.

Capitalised exploration and evaluation expenditure - \$6,407,940

Refer to Note 9 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>Capitalised exploration and evaluation expenditure (E&E) is a key audit matter due to:</p> <ul style="list-style-type: none"> The significance of E&E activities to the Group's business, with the balance of capitalised E&E expenditure being 38% of total assets; and the greater level of audit effort required to evaluate the Group's application of the requirements of the industry specific accounting standard AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> (AASB 6), in particular, the conditions allowing capitalisation of relevant expenditure and the presence of impairment indicators. The presence of impairment indicators would necessitate a detailed analysis by the Group of the value of E&E, therefore given the criticality of this to the scope and depth of our work, we involved senior team members to challenge the Group's determination that no such indicators existed. <p>The AASB 6 conditions allowing capitalisation of relevant expenditure require judgement, particularly in respect of:</p> <ul style="list-style-type: none"> The Group's determination of the areas of interest; and The Group's intention and capacity to continue the relevant E&E activities. 	<p>Our procedures included:</p> <ul style="list-style-type: none"> Assessing the Group's policy for exploration and evaluation expenditure against the requirements of AASB 6; Assessing the Group's determination of its areas of interest for consistency with the definition in AASB 6; Assessing the Group's current rights to tenure for each area of interest by corroborating the ownership of the relevant licence to government registers or other supporting documentation and evaluating agreements in place with other parties. We also tested for compliance with licence conditions, such as minimum expenditure requirements on a sample of licenses; Selecting a statistical sample of items recorded as exploration and evaluation assets and checking the expenditure amount recorded for consistency to invoices from third parties or other underlying documentation; For the sample identified above, checking the nature of the expenditure for consistency with its classification as exploration and evaluation assets in accordance with the Group's accounting policy and the criteria in the accounting standards; Testing the completeness of exploration and evaluation expenditure recorded in the six-month period by checking payments recorded since 30 June 2020 for evidence of the timing of the transactions. For this procedure, we selected our sample from the Group's payments since balance date, trade payable schedule and unprocessed

<p>Assessing the presence of impairment indicators also requires judgement and given the financial position of the Group specific consideration needs to be given to:</p> <ul style="list-style-type: none"> • The strategic direction of the Group and their intent to continue exploration activities in each area of interest; • The ability of the Group to fund the continuation of activities in each area of interest; and • Results from latest activities regarding the existence or otherwise of economically recoverable reserves for each area of interest. 	<p>invoices post balance date, and the underlying documentation of the transaction; and</p> <ul style="list-style-type: none"> • Evaluating Group documents, such as minutes of Directors meetings and management's cash flow projections, for consistency with their stated intentions for continuing exploration and evaluation activities in certain areas. We corroborated this through interviews with key personnel.
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Other Information

Other Information is financial and non-financial information in Sky Metals Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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. They 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 the 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Sky Metals Limited for the six-month period ended 30 June 2020, complies with *Section 300A of the Corporations Act 2001*.

Directors' 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 responsibilities

We have audited the Remuneration Report included in pages 18 to 22 of the Directors' report for the six-month period ended 30 June 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Stephen Board
Partner

Brisbane
30 September 2020

SKY METALS LIMITED

ASX ADDITIONAL INFORMATION

Additional information as at 1 September 2020 required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report.

Home Exchange

The Company is listed on the Australian Stock Exchange. The Home Exchange is Sydney.

Class of Shares and Voting Rights

The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, attorney or representative, shall have one vote on a show of hands and one vote for each share held on a poll.

A member holding partly paid shares is entitled to a fraction of a vote equivalent to the proportion which the amount paid up bears to the issue price for the share.

Distribution of Shareholders

As at 1 September 2020, the total distribution of fully paid shareholders, being the only class of equity, was as follows:

Range	Total Holders	Number of shares
1 - 1,000	69	18,949
1,001 - 5,000	176	491,945
5,001 - 10,000	120	993,330
10,001 - 100,000	557	23,428,836
100,001 and over	318	279,968,055
Total	1,240	304,901,115

As at 1 September 2020, 215 shareholders held less than marketable parcels of 4,000 shares.

On Market Buy Back

There is no on market buy-back.

Substantial Holders

Holdings of substantial shareholders are set out below.

Ordinary Shares	Quantity
Aurelia Metals Ltd	17,500,000
Archimedes Securities Pty Ltd <Golden Valley S/F A/C>	13,061,623

SKY METALS LIMITED

ASX ADDITIONAL INFORMATION

Twenty Largest Shareholders

As at 1 September 2020 the twenty largest quoted shareholders held 40.6% of the fully paid ordinary shares as follows:

Name	Quantity	%
1 AUERELIA METALS LIMITED	18,410,000	6.04
2 RIGI INVESTMENTS PTY LIMITED <THE CAPE A/C>	10,750,000	3.53
3 CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	10,078,899	3.31
4 ADRIATIC PTY LTD <MGS A/C>	8,620,312	2.83
5 SMIFF PTY LTD	8,050,000	2.64
6 ARCHIMEDES SECURITIES PTY LTD <GOLDEN VALLEY S/F A/C>	7,224,748	2.37
7 SILVERPEAK NOMINEES PTY LTD <THE RGM HILL A/C>	6,650,000	2.18
8 TOPAZ PTY LTD	6,000,000	1.97
9 CITICORP NOMINEES PTY LIMITED	5,388,153	1.77
10 PALMER BOOKMAKING PTY LIMITED	4,932,605	1.62
11 BT PORTFOLIO SERVICES LIMITED <WARRELL HOLDINGS S/F A/C>	4,775,864	1.57
12 PERMGOLD PTY LTD <THE SECKOLD FAMILY S/F A/C>	4,083,750	1.34
12 ROSIGNOL PTY LTD <NIGHTINGALE FAMILY A/C>	4,083,750	1.34
14 WOODLANDS ASSET MANAGEMENT PTY LTD <WOODLANDS PARTNERSHIP A/C>	4,000,000	1.31
15 MR CLIVE LEDGER HARCUMBE HILL + MS ROBIN SALLY HILL <CLIVE HILL SUPER FUND A/C>	3,789,812	1.24
16 JEFF TOWLER BUILDING PTY LTD	3,600,000	1.18
17 MATZO CONSULTING PTY LTD	3,500,000	1.15
18 SPINITE PTY LTD <MAZAL A/C>	3,405,340	1.12
19 D&J REDELMAN PTY LTD <DAVID&JUDI REDELMAN SUP A/C>	3,305,000	1.08
20 NEWBALL PTY LIMITED	3,271,981	1.07

Tenements Held

As at 1 September 2020 the Company held the following interests in mineral exploration tenements,

Holder	Equity	Licence ID	Grant Date	Expiry Date	Units	Area	Comment
Tarago Exploration Pty Ltd (HRR sub)	80%	EL7954	19-6-2012	19-6-2022	51	144 km ²	Cullarin Project, 80% earned + JV
Ochre Resources Pty Ltd (HRR sub)	80%	EL8400	20-10-2015	20-10-2024	52	147 km ²	Kangiarra Project, 80% earned + JV
Ochre Resources Pty Ltd (HRR sub)	80%	EL8573	23-5-2017	23-5-2023	17	48 km ²	Kangiarra Project, 80% earned + JV
Aurum Metals Pty Ltd (SKY sub)	100%	EL8920	5-12-2019	5-12-2025	65	183 km ²	Caledonian Project
Aurum Metals Pty Ltd (SKY sub)	100%	EL8915	18-11-2019	18-11-2024	29	82 km ²	Mylora Project
Stannum Pty Ltd (SKY sub)	100%	EL6258	21-6-2004	21-6-2020	38	110 km ²	Doradilla Project
Stannum Pty Ltd (SKY sub)	100%	EL6699	10-1-2007	10-1-2021	14	41 km ²	Tallebung Project
Balmain Minerals Pty Ltd	Option	EL6064	21-3-2003	20-3-2022	5	14 km ²	Iron Duke Project
Alkane Resources Ltd	Option	EL6320	12-4-2004	11-10-2020	14	40 km ²	Galwadgere Project
Aurum Metals Pty Ltd (SKY sub)	100%	ELA5968	-	-			Tirrana Project
Aurum Metals Pty Ltd (SKY sub)	100%	ELA5991	-	-			Albert Project
Aurum Metals Pty Ltd (SKY sub)	100%	ELA6031	-	-			Murrum Project

Use of funds

The Company had used the cash it had at the time of reinstatement of its ordinary shares consistent with its business objectives.

SKY METALS LIMITED

CORPORATE DIRECTORY

Directors:

Mr Norman A. Seckold (Chairman)
Mr Rimantas Kairaitis
Mr Richard G.M. Hill

Company Secretary:

Mr Richard Willson

Principal Place of Business and Registered Office:

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Phone: +61 0403 525 411

Auditor's:

KPMG
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BRISBANE QLD 4000

Solicitors:

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Share Registrars:

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