



Saturn Metals Limited

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2020

ABN 43 619 488 498

Corporate Directory

Directors

Brett Lambert Non-executive Chairman
Ian Bamborough Managing Director
Andrew Venn Non-executive Director
Robert Tyson Non-executive Director

Company Secretary

Ryan Woodhouse

Registered Office

Unit 1, 34 Kings Park Rd
WEST PERTH WA 6005
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Stock Exchange Listing

Securities of Saturn Metals Limited are listed on the Australian Securities Exchange (ASX)
ASX Code: STN

ACN: 619 488 498

Share Registry

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Level 12 QV1 Building
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PERTH WA 6000

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Facsimile: +61 (0)2 9287 0303
Website: www.linkmarketservices.com

Auditors

PricewaterhouseCoopers
Level, 15
125 St Georges Terrace
Perth WA 6000

Website

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Saturn Metals Limited

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Saturn Metals Limited is a company limited by shares, incorporated and domiciled in Australia. The financial report was authorised for issue by the directors on 25 February 2021. The directors have the power to amend and reissue the financial report.

Saturn Metals Limited

Director's Report

Your directors present their report on Saturn Metals Limited (“Group” or “Saturn”) for the half-year ended 31 December 2020.

Directors

The following persons were directors of Saturn Metals Limited during the financial period and up to the date of this report.

Brett Lambert
Ian Bamborough
Andrew Venn
Robert Tyson

Results

The loss for the Group for the period after providing for income tax amounted to \$810,158 (31 December 2019: \$1,122,331).

Review of operations / significant changes in the state of affairs

Apollo Hill Gold Deposit

During the half year the Company continued with an extensive RC drill program completing 220 RC drill holes for 48,000m. Results from this program contributed to an upgrade of the resource at the Apollo Hill Gold Deposit to 944,000 ounces (See Resource Table 1) as announced subsequent to half year end (ASX Announcement 28 January 2021).

Significant results returned during the reporting period which subsequently contributed to the resource upgrade, included ^a:

- 16m @ 2.0g/t Au from 136m including 5m @ 5.57g/t Au from 141m – AHRC0414
- 8m @ 2.87g/t Au from 219m – AHRC0286
- 9m @ 2.06g/t Au from 132m – AHRC382
- 23m @ 1.64g/t Au from 221m – AHRC0393
- 20m @ 1.08g/t Au from 235m including 6m @ 2.54g/t Au from 245m – AHRC0157R
- 10m @ 1.62g/t Au from 126m – AHRC0481
- 6m @ 5.17g/t Au from 47m – AHRC0365
- 10m @ 2.02g/t Au from 51m including 5m @ 3.84g/t Au from 53m – AHRC0414
- 9m @ 2.06g/t Au from 132m – AHRC382
- 16m @ 1.06g/t Au from 16m – AHRC0393
- 10m @ 1.46g/t Au from 261m including 7m @ 1.95g/t Au from 261m – AHRC0157R
- 15m @ 1.30g/t Au from 160m including 9m @ 1.95g/t Au from 166m – AHRC0403
- 7m @ 5.55g/t Au from 286m including 3m @ 12.1g/t Au from 287m – AHRC0375
- 16m @ 2.0g/t Au from 136m including 5m @ 5.57g/t Au from 141m – AHRC0414

^a Refer to ASX Announcements published 22 December 2020, 18 November 2020, 10 November 2020, 26 October 2020, 12 October 2020, 7 September 2020, 24 August 2020, 30 July 2020, 10 July 2020.

Apollo Hill Regional

Other activities during the half year period focused on investigating targets adjacent to the resource, data compilation, geophysics, mapping, geological interpretation and target generation on Apollo Hill's surrounding 1,000km² regional exploration land package.

West Wyalong

Last year, Saturn entered into a Joint Venture on a 91km² brownfields exploration tenement over the highly prospective and historic West Wyalong Gold Field, Lachlan Fold Belt, NSW. West Wyalong is located approximately 40km south west of Evolution's Cowal Gold Mine. Recorded historical production from the

Saturn Metals Limited

Director's Report

West Wyalong Goldfield, which operated mainly between 1894 and 1915, totaled approximately 439,000 oz Au at 36g/t Au (see full references in Saturn's ASX announcement dated 28 April 2020).

During the period the Company and its joint venture partners held a successful community consultation meeting in West Wyalong. During the meeting the Company introduced its exploration drilling plans to stakeholders and interested parties.

Initial reconnaissance activities carried out during the half year saw the collection rock chips from mullock dumps at several old workings to the north of West Wyalong. Assays received showed the majority of samples contained gold mineralisation, with eight of the 20 rock chips taken in this area returning grades over 1g/t Au and 15 returning grades above 0.1g/t Au (see ASX Announcement 9 December 2020).

High grade rock chip results returned from mullock dumps over a 200m strike length on the 'Mouse Trap Line' at West Wyalong North, including:

- 81.3g/t Au (2.6 oz/t) at Louisa
- 29.6g/t Au (0.97 oz/t) at Louisa
- 8.59g/t Au (0.27 oz/t) at Welcome Stranger

Corporate

The Company raised \$13,742,926 (\$12,991,564 net of costs) via a Share Placement of 20,511,829 new ordinary shares on 14 September 2020 to institutional and sophisticated investors to support ongoing exploration and resource drilling at Apollo Hill.

On 17 November 2020, the Company issued 1,892,500 unlisted options with an exercise price of \$0.70c to an overseas institutional investor. The options were part of the June 2020 capital raising and were issued following shareholder and foreign investment review board (FIRB) approval. The options have an expiry term of two years from the issue date.

The Company also issued 763,000 unlisted director and employee performance rights. Of these, 388,000 were issued pursuant to shareholder approval received at the annual general meeting of shareholders on 26 November 2020.

Events occurring after reporting period

The Group had no other events occurring after the reporting period to disclose.

Saturn Metals Limited

Director's Report

Shares under option

Shares under option granted to key management personnel at the time of this report were as follows:

Grant Date	Date Vested & No. Exercisable	Expiry Date	Exercise Price	Fair value per option at Grant Date
9 Mar 2018	3,000,000 Director Options Class A – 9 March 2019 (33%) Class B – 9 March 2020 (33%) Class C – 9 March 2021 (33%)	9 Apr 2021	20 cents	13 cents
9 Mar 2018	1,000,000 Director Options Class A – 9 March 2019	9 Apr 2021	20 cents	13 cents
6 Dec 2018	450,000 Director Performance Incentive Options Vested after the Option holder attained two years of continuous employment either as an employee or an officer or director of the Company.	6 Dec 2021	26.4 cents	15 cents
6 Dec 2018	318,000 Employee Incentive Options The Options vested upon the Option holder attaining two years of continuous employment in either as an employee or an officer or director of the Company.	6 Dec 2021	26.4 cents	15 cents
9 Dec 2019	750,000 Director Performance Incentive Options CLASS A (60%) Will vest when the Company's share price exceeds the S&P/ASX Metals and Mining (Industry) Index (XMM) by 10% or more on the second-year anniversary of the date of issue. Both the STN and the XMM final price will be determined by the 20-day VWAP. CLASS B (40%) Will vest when the Related Party has attained two years of continuous employment with the Company regardless of a change of role or change of duties.	8 Dec 2022	36.4 cents	CLASS A 21.1 cents CLASS B 21.9 cents
9 Dec 2019	450,000 Employee Performance Incentive Options CLASS A (60%) Will vest when the Company's share price exceeds the S&P/ASX Metals and Mining (Industry) Index (XMM) by 10% or more on the second-year anniversary of the date of issue. Both the STN and the XMM final price will be determined by the 20-day VWAP. CLASS B (40%) Will vest when the Employee has attained two years of continuous employment with the Company regardless of a change of role or change of duties.	8 Dec 2022	36.4 cents	CLASS A 18.2 cents CLASS B 19.8 cents

No option holder has any right under the options to participate in any other share issue of the Company.

Options issued to Third Parties.

Grant Date	Date Vested & No. Exercisable	Expiry Date	Exercise Price	Fair value per option at Grant Date
26 Jun 2020	1,892,500 Third Party Options	26 Jun 2022	70 cents	21.6 cents

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Director's Report

Performance rights on issue

Grant Date	Date Vested & No. Exercisable	Expiry Date	Exercise Price	Fair value per option at Grant Date
20 Nov 2019	<i>750,000 Director Performance Incentive Options</i> Will vest upon the Company achieving a JORC Compliant Inferred Resource of greater than 1.5 Moz, at a minimum grade of 0.8g/t, at its Apollo Hill and Ra Deposits Area/Corridor within a period of 2 years from the grant of the Performance Rights.	8 Dec 2022	Nil	35.5 cents
9 Dec 2019	<i>450,000 Employee Performance Incentive Options</i> Will vest upon the Company achieving a JORC Compliant Inferred Resource of greater than 1.5 Moz, at a minimum grade of 0.8g/t, at its Apollo Hill and Ra Deposits Area/Corridor within a period of 2 years from the grant of the Performance Rights.	8 Dec 2022	Nil	33 cents
26 Nov 2020	<i>388,000 Director Performance Incentive Options</i> CLASS A (75%) Will vest on the achievement of various performance hurdles. CLASS B (25%) Will vest on the achievement of a market based performance hurdles.	26 Nov 2023	Nil	CLASS A 70 cents CLASS B 51.4 cents
21 Dec 2020	<i>375,000 Employee Performance Incentive Options</i> CLASS A (75%) Will vest on the achievement of various performance hurdles. CLASS B (25%) Will vest on the achievement of a market based performance hurdles.	20 Dec 2023	Nil	CLASS A 66 cents CLASS B 47.4 cents

Proceedings on behalf of the Group

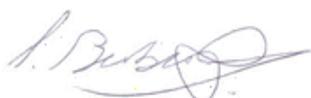
No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the period.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is included at the end of this financial report.

This report is made in accordance with a resolution of the board of directors and signed for on behalf of the board by:

Ian Bamborough



Managing Director
Perth, Western Australia
25th February 2021

Saturn Metals Limited

Competent Persons Statements

¹The information for the Mineral Resource included in this report is extracted from the report entitled (Apollo Hill Gold Resource Upgraded To 944,000oz) created on 28 January 2021 and is available to view on the Saturn Metals Limited website. Saturn Metals Limited confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. Saturn Metals Ltd confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Table 1: January 2021 Apollo Hill Mineral Resource

Lower Cut-off Grade (Au g/t)	Oxidation state	Measured			Indicated			Inferred			MII Total		
		Tonnes (Mtonnes)	Au (g/t)	Au Metal (Kozs)	Tonnes (Mtonnes)	Au (g/t)	Au Metal (Kozs)	Tonnes (Mtonnes)	Au (g/t)	Au Metal (Kozs)	Tonnes (Mtonnes)	Au (g/t)	Au Metal (Kozs)
0.4	Oxide	0	0	0	0.5	0.8	13	0.3	0.8	8	0.9	0.8	21
	Transitional	0	0	0	3.4	0.8	91	0.8	0.8	21	4.3	0.8	112
	Fresh	0	0	0	17.3	0.8	452	13.5	0.8	359	30.8	0.8	810
	Total	0	0	0	21.2	0.8	556	14.7	0.8	388	35.9	0.8	944

Preliminary Whittle pit optimizations using approximated regional mining and processing costs for multiple processing scenarios have been run on the resource model using a gold price of US\$1,700/oz to generate a range of pit shells and cut-off grades. A pit shell for a combined mill and heap leach scenario representing a revenue factor of 1.4 was selected as a nominal constraint within which to report the Apollo Hill Mineral Resource, thereby satisfying the JORC Code requirement for a Mineral Resource to have reasonable prospects for eventual economic extraction. Other relevant information is described in the JORC Code Table 1 as appropriate. A nominal 0.4 g/t Au lower cut-off grade was selected for all material types. There is no material depletion by mining within the model area. Estimation is by localised multiple indicator kriging for Apollo Hill zone and the Apollo Hill Hanging-wall zone; estimation of Ra and Tefnut zone used restricted ordinary kriging due to limited data. The model assumes a rotated 5 m by 12.5 m by 5 m RL Selective Mining Unit (SMU) for selective open pit mining. The final models are SMU models and incorporate internal dilution to the scale of the SMU. Technically the models do not account for mining related edge dilution and ore loss. These parameters should be considered during the mining study as being dependent on grade control, equipment and mining configurations including drilling and blasting. Classification is according to JORC Code Mineral Resource categories. Totals may vary due to rounded figures.

The information in this report that relates to exploration targets and exploration results is based on information compiled by Ian Bamborough, a Competent Person who is a Member of The Australian Institute of Geoscientists. Ian Bamborough is a fulltime employee and Director of the Company, in addition to being a shareholder in the Company. Ian Bamborough has sufficient experience that 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'. Ian Bamborough consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

This document contains exploration results and historic exploration results as originally reported in fuller context in Saturn Metals Limited ASX Announcements, Quarterly Reports - as published on the Company's website. Saturn Metals Limited confirms that it is not aware of any new information or data that materially affects the information on results noted.

Saturn Metals Limited

Consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2020

	Note	31 Dec 2020 \$	31 Dec 2019 \$
Interest and other income		56,739	12,707
Share-based remuneration	8	(9,665)	(566,985)
Employee and Directors' benefit expenses		(393,862)	(272,436)
Administration expenses		(382,012)	(295,617)
Capitalised Exploration Expensed		(81,358)	-
Loss before income tax		(810,158)	(1,122,331)
Income tax benefit (expense)		-	-
Loss from continuing operations after income tax		(810,158)	(1,122,331)
Other comprehensive income		-	-
Total Loss and comprehensive income for the half-year attributable to the members of Saturn Metals Limited		(810,158)	(1,122,331)
		\$	\$
Basic Loss per share		(0.01)	(0.02)
Diluted Loss per share		(0.01)	(0.02)

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

Saturn Metals Limited

Consolidated statement of financial position

As at 31 December 2020

	Note	31 Dec 2020 \$	30 Jun 2020 \$ Restated
Current Assets			
Cash and cash equivalents	5	12,504,138	5,131,938
Trade and other receivables		61,131	52,518
Total Current Assets		12,565,269	5,184,456
Non-Current Assets			
Plant & equipment		91,183	93,945
Exploration assets	6	17,719,487	12,624,645
Total Non-Current Assets		17,810,670	12,718,590
Total Assets		30,375,939	17,903,046
Current Liabilities			
Trade and other payables		824,661	542,840
Total Current Liabilities		824,661	542,840
Total Liabilities		824,661	542,840
Net Assets		29,551,278	17,360,206
Equity			
Contributed equity	7	32,465,409	19,882,745
Accumulated losses	8	(4,330,664)	(3,520,506)
Option reserve	8	1,416,533	997,967
Total Equity		29,551,278	17,360,206

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

Saturn Metals Limited

Consolidated statement of changes in equity

For the half-year ended 31 December 2020

	Contributed Equity \$	Accumulated Losses \$	Share based Payment Reserve \$	Option Revaluation Reserve \$	Total Equity \$
Balance at 1 Jul 2019	12,132,001	(2,044,439)	541,789	-	10,629,351
Loss for the half-year	-	(1,122,331)	-	-	(1,122,331)
Total comprehensive loss for the half-year	-	(1,122,331)	-	-	(1,122,331)
Issue of share capital	3,341,250	-	-	-	3,341,250
Share issue expenses	(218,224)	-	-	-	(218,224)
Share based payments	-	-	566,985	-	566,985
Balance at 31 Dec 2019	15,255,027	(3,166,770)	1,108,774	-	13,197,031
Balance at 1 Jul 2020	19,882,745	(3,520,506)	997,968	-	17,360,207
Loss for the half-year	-	(810,158)	-	-	(810,158)
Total comprehensive loss for the half-year	-	(810,158)	-	-	(810,158)
Issue of share capital	13,742,926	-	-	-	13,742,926
Share issue expenses	(751,362)	-	-	-	(751,362)
Share based payments	-	-	9,665	-	9,665
Option revaluation	(408,900)	-	-	408,900	-
Balance at 31 Dec 2020	32,465,409	(4,330,664)	1,007,633	408,900	29,551,278

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

Saturn Metals Limited

Consolidated statement of cash flows

For the half-year ended 31 December 2020

	Note	31 Dec 2020 \$	31 Dec 2019 \$
Cash flows from operating activities			
Payments to suppliers and employees		(684,123)	(568,635)
Net cash outflow from operating activities		(684,123)	(568,635)
Cash flows from investing activities			
Payments for exploration expenditure		(4,931,203)	(1,859,090)
Payments for purchase of plant and equipment		(10,777)	(9,258)
Interest received		6,739	21,205
Net cash outflow from investing activities		(4,935,241)	(1,847,143)
Cash flows from financing activities			
Proceeds from issue of shares		13,742,926	3,341,250
Transaction costs of issue of shares		(751,362)	(218,224)
Net cash inflow from financing activities		12,991,564	3,123,026
Net increase/(decrease) in cash and cash equivalents			
		7,372,200	707,248
Cash and cash equivalents at the beginning of the half-year		5,131,938	2,745,167
Cash and cash equivalents at the end of half-year	5	12,504,138	3,452,415

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

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Notes to the financial statements

1. Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Saturn Metals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, with the exception of the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group.

Certain new accounting standards and interpretations have been published that are mandatory for the current reporting period and have not been early adopted by the group. The Group assessed that none of the new accounting standards and interpretations will have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2. Significant changes in the current reporting period

During the half-year period, Saturn completed a share placement of 20,511,829 ordinary shares to institutional and sophisticated investors on 14 September 2020. The placement was completed at a share price of 67 cents per share to raise \$13,742,926 (\$12,991,564 net of costs).

Saturn also issued 763,000 unlisted director and employee performance rights, which are subject to performance hurdles. Of these, 388,000 were issued pursuant to shareholder approval received at the annual general meeting of shareholders on 26 November 2020.

The Group had no other significant changes in the reporting period to disclose.

3. Financial Risk Management

Overview

The Group is exposed to financial risks through the normal course of its business operations. The key risks impacting the Group's financial instruments are considered to be, interest rate risk, liquidity risk, and credit risk. The Group's financial instruments exposed to these risks are cash and cash equivalents, trade receivables, trade payables and other payables.

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. Management assesses the credit quality of the counterparties by taking into account its financial position, past experience and other factors. For banks and financial institutions, management considers independent ratings and only dealing with banks licensed to operate in Australia.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

Tax receivables and prepayments do not meet the definition of financial assets.

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Notes to the financial statements

Risk management

The Group limits its exposure to credit risk in relation to cash and cash equivalents and other financial assets by only utilising banks and financial institutions with acceptable credit ratings.

The Group operates in the mining exploration sector and does not have trade receivables from customers.

Impairment losses

At 31 December 2020, the Group has not recognised any impairment losses.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will 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 manages liquidity by maintaining adequate reserves by continuously monitoring forecasted and actual cash flows ensuring there are appropriate plans in place to finance these future cash flows.

Typically, the Group ensures it has sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Interest rate risk

Interest rate risk is the risk that the Group's financial position will be adversely affected by movements in interest rates, cash and cash equivalents at variable rates exposes the Group to cash flow interest rate risk. The Group is not exposed to fair value interest rate risk as all of its financial assets and liabilities are carried at the amortised amount.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

		Carrying Amount	
		31 Dec 2020 \$	30 Jun 2020 \$
Short term cash deposits	5	-	-

Cash flow sensitivity analysis for variable rate instruments of the Group

At 31 December 2020 if interest rates had changed +/- 100 basis points from year-end rates with all other variables held constant, equity and post-tax loss would have been nil lower/higher (30 June 2020: \$17,018 lower/higher - based on a calculated weighted average balance of short term deposits during the financial year of \$1,701,781).

Fair values

The carrying values of all financial assets and financial liabilities, as disclosed in the statement of financial position, approximate their fair values.

4. Contingencies & Commitments

The Group had no contingent assets or liabilities as at 31 December 2020 (30 June 2020: \$Nil).

Exploration commitments

Under the terms of mineral tenement licences held by the Group, minimum annual expenditure obligations are required to be expended during the forthcoming financial year in order for the tenements to maintain a

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Notes to the financial statements

status of good standing. This expenditure may be subject to variation from time to time in accordance with the relevant state department's regulations. The Group may at any time relinquish tenements and as such avoid the requirement to meet applicable expenditure requirement or may seek exemptions from the relevant authority.

Expenditure commitments under the terms of mineral tenement licences within one year at the reporting date but not recognised as liabilities were \$728,080 (30 June 2020: \$625,580).

5. Cash & Cash Equivalents

For statement of cash flows preparation purposes, cash and cash equivalents includes cash on hand and short-term deposits held at call (other than deposits used as cash backing for performance bonds) with financial institutions. Any bank overdrafts are shown within borrowings in the current liabilities on the statement of financial position.

	31 Dec 2020	30 Jun 2020
	\$	\$
Cash at bank and in hand	12,504,138	5,131,938
Term deposits with financial institutions	-	-
	12,504,138	5,131,938

6. Exploration and evaluation assets

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest.

	31 Dec 2020	30 Jun 2020
	\$	\$
At cost	17,719,487	12,624,645
Reconciliation		
Opening balance	12,624,645	8,176,971
Exploration expenditure	5,094,842	4,451,501
Grant refund	-	(3,827)
Closing balance	17,719,487	12,624,645

7. Contributed Equity

	2020		2019	
	Number of Shares	\$	Number of Shares	\$
Opening balance, 1 July	87,952,680	19,882,745	63,642,859	12,132,001
Shares issued upon conversion of performance rights	-	-	-	-
Shares issued as a result of share placements	20,511,829	13,742,926	9,546,428	3,341,250
Transfer to reserve as a result of options issued	-	(408,900)	-	-
Transaction costs on share issue	-	(751,362)	-	(218,224)
Closing balance, 31 Dec	108,464,509	32,465,409	73,189,287	15,255,027

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Notes to the financial statements

Ordinary shares

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

8. Reserves and accumulated losses

	31 Dec 2020	30 Jun 2020
	\$	\$
<i>(i) Accumulated losses</i>		
Opening balance 1 July	3,520,506	2,044,439
Loss for the half-year	810,158	1,476,067
Closing balance	4,330,664	3,520,506
<i>(ii) Share-based payments reserve</i>		
Opening balance 1 July	997,968	541,789
Options expenses (Directors options)	109,807	234,805
Options expenses (Employee options)	56,950	105,630
Net performance rights (Director's rights)	79,158	74,302
Net performance rights (Employee's rights)	40,526	41,442
Options lapsed (Directors options)	(162,173)	-
Options lapsed (Employee options)	(114,603)	-
Closing balance	1,007,633	997,968
<i>(iii) Option revaluation reserve</i>		
Opening balance 1 July	-	-
Options issued to third party	408,900	-
Closing balance	408,900	-

Nature and purpose of reserves

Share-Based Payment Reserve

The share-based payment reserve represents the fair value of equity benefits provided to Directors and employees as part of their remuneration for services provided to the Group paid for by the issue of equity.

Option Revaluation Reserve

On 26 June 2020 Saturn issued 1,892,500 free attaching options to a Third Party as part of a share placement. The issue of the options was subject to shareholder approval, which was granted on 8 August 2020, and Foreign Investment Review Board approval, which was granted on 17 November 2020. Given the uncertainty that that these approvals would be granted at the time of lodging the 30 June 2020 accounts, no value was separately recorded for those unissued free attaching options. Given both required approvals were received during the half year period and the issue of the options completed, the Group believes that an adjustment to equity accounts should be made to transfer the value of the options out of the Contributed Equity account and record this value in an Option Revaluation account. Note that total equity balance does not change with this adjustment.

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Notes to the financial statements

Share options and reserve movements	31 Dec 2020		30 Jun 2020	
	Options	\$	Options	\$
Opening balance	7,760,000	882,224	6,560,000	541,789
Options issued to Directors	-	109,807	750,000	234,805
Options issued to Employees	-	56,950	450,000	105,630
Options issued to Third Party	1,892,500	408,900		
Options lapsed during the period	(1,792,000)	(276,776)	-	-
Exercised	-	-	-	-
Closing balance	7,860,500	1,181,105	7,760,000	882,224
Exercisable at 20 cents, vested on 9 Mar 19 *	2,000,000		2,000,000	
Exercisable at 20 cents, vested on 9 Mar 20 *	1,000,000		1,000,000	
Exercisable at 20 cents, vesting on or before 9 Mar 21*	1,000,000		1,000,000	
Exercisable at 26.4 cents, vesting on or before 6 Dec 21	450,000		1,500,000	
Exercisable at 26.4 cents, vesting on or before 6 Dec 21	318,000		1,060,000	
Exercisable at 36.4 cents, vesting on or before 8 Dec 22	750,000		750,000	
Exercisable at 36.4 cents, vesting on or before 8 Dec 22	450,000		450,000	
Exercisable at 70 cents, expiring on 17 June 22	1,892,500		1,892,500	
	7,860,500		9,652,500	

* Option expiry date – 9 April 2021

Performance rights and reserve movements	31 Dec 2020		30 Jun 2020	
	Rights	\$	Rights	\$
Opening balance	1,200,000	115,744	-	-
Performance Rights issued to Directors	388,000	79,158	750,000	74,302
Performance Rights issued to Employees	375,000	40,526	450,000	41,442
Performance Rights converted to ordinary shares	-	-	-	-
Closing balance	1,963,000	235,428	1,200,000	115,744
Exercisable on or before 8 December 2022				

9. Share-based payments

During the period, 763,000 performance rights were issued to the Managing Director and employees.

(a) Performance Rights

On 21 December 2020, 388,000 Director Performance Rights (25% Tranche 1; 25% Tranche 2; 25% Tranche 3; 25% Tranche 4) and 375,000 Employee Performance Rights (25% Tranche 1; 25% Tranche 2; 25% Tranche 3; 25% Tranche 4) were granted for nil consideration.

Fair value of performance rights granted in 2020

Tranche 1, 2, 4 Performance Rights

- Granted for no consideration
- Vesting Conditions:
 - Tranche 1: complete and publish a positive (next step supportive) scoping study on Apollo Hill within 24 months of award/issue of 2020 round of performance incentives.

Tranche 2: Estimate and report new JORC compliant Mineral Resources totalling no less than 200,000oz of contained gold on a tenement or tenements which, at the date of the resource report, the Company owns, has a joint venture interest in or has the right to acquire an interest in, excluding extensions to the Apollo Hill, Apollo Hill hanging-walls or Ra deposits.

Saturn Metals Limited

Notes to the financial statements

Tranche 4: The holder must have remained in continuous employment with the Company from the Issue Date as either Saturn staff, under an Executive Services Agreement or, Non-Executive Director or as an officially appointed officer.

The fair value of the Tranche 1, 2 and 4 Performance Rights is determined to be 70.0 cents per share (Directors) and 66.0 cents per share (Employees). They were valued on a prorated basis as a result of the vesting conditions attached to these options. The fair value at grant date is independently determined using a Black-Scholes option model that takes into account the exercise price, the term of the option, the share price at grant date and performance rights granted during the 6 months ended 31 December 2020 included:

	Directors	Employees
Exercise price	Nil	Nil
Grant date	26 November 2020	21 December 2020
Performance Measurement/Vesting date	26 November 2022	21 December 2022
Expiry date	26 November 2023	20 December 2023
Share price at issue date	70.0 cents	66.0 cents
Expected price volatility	90%	90%
Expected dividend yield	0.00%	0.00%
Risk-free interest rate	0.09%	0.09%

Tranche 3 Performance Rights

- a. Granted for no consideration
- b. Vesting Conditions:

Tranche 3: Company's share price outperforms the S&P/ASX 300 Metals and Mining (Industry) Index (XMM) by 10% in absolute terms over the period commencing on the date of issue and ending on the second-year anniversary of the date of the issue. Both STN and XMM initial and final prices will be determined by the 20 day VWAPs.

The fair value of the Tranche 3 Performance Rights is determined to be 51.4 cents per share (Directors) and 47.4 cents per share (Employees). They were valued using a hybrid option pricing model which incorporates a Monte Carlo simulation. The model takes into consideration that the Rights will vest at the end of the performance period, given that the performance of the Company's share price exceeds the Index by 10% on absolute terms over the performance period. The model inputs were:

	Directors	Employees
Exercise price	Nil	Nil
Grant date	26 November 2020	21 December 2020
Performance Measurement/Vesting date	26 November 2022	21 December 2022
Expiry date	26 November 2023	20 December 2023
Share price at issue date	70.0 cents	66.0 cents
Expected price volatility	90%	90%
Expected dividend yield	0.00%	0.00%
Risk-free interest rate	0.09%	0.09%

Saturn Metals Limited

Notes to the financial statements

10. Related Parties

At 31 December 2020, Peel Mining Limited (ASX: PEX) held no shares (Jun 2020: 4.6%, Dec 2019: 27.33%) of Saturn Metals Limited. Although Peel Mining Limited is no longer a shareholder of Saturn Metals Limited, its Managing Director, Mr Rob Tyson, is also the Group's non-executive Director. The Group engaged Peel Mining Limited in a non-exclusive basis to perform and provide administrative services and facilities through a service agreement. Throughout the half-year, the Group made reimbursements for costs associated with management services to Peel Mining Limited on an arm's length commercial basis.

The Group purchased drilling services totalling \$1,052,739, from a subsidiary of DDH1 Drilling Pty Ltd (Strike Drilling Pty Ltd) during the half. The Group's non-executive Director, Andrew Venn, was previously the Chief Operations Officer at DDH1 Drilling Pty Ltd. Mr Venn's position at DDH1 Drilling Pty Ltd has since changed to Executive General Manager, Corporate Services, however, he is still considered a member of key management personnel at the Group. All transactions were on *bona-fide* arm's length terms.

	31 Dec 2020	31 Dec 2019
	\$	\$
(a) Transactions with related parties		
Purchases of management services from associate	-	80,280
Purchases of management services from related party	124,225	
Purchase of drilling services	1,052,739	-
	1,176,964	80,280
	31 Dec 2020	30 Jun 2020
	\$	\$
(b) Outstanding balances arising from purchases of services with related parties		
<i>Current payables</i>		
Peel Mining Limited	(19,469)	(9,023)
Entities controlled by key management personnel	-	-
	(19,469)	(9,023)

Other than the above, the Group had no other transactions with related parties.

11. Events after the reporting period

There are no matters or circumstances that have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Director's declaration

The Board of Directors of Saturn Metals Limited declares that:

- (a) the financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are in accordance with the Corporations Act 2001 and:
 - (i) comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) give a true and fair view of the financial position as at 31 December 2020 and performance for the half-year ended on that date and
- (b) In the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;

This declaration is made in accordance with a resolution of the board of directors and is signed for and on behalf of the directors by:



Ian Bamborough

Managing Director
Perth, Western Australia
25th February 2021



Auditor's Independence Declaration

As lead auditor for the review of Saturn Metals Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review, and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Saturn Metals Limited and the entities it controlled during the period.

Helen Bathurst

Helen Bathurst
Partner
PricewaterhouseCoopers

Perth
25 February 2021



Independent auditor's review report to the members of Saturn Metals Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Saturn Metals Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the Condensed consolidated statement of financial position as at 31 December 2020, the Condensed consolidated statement of changes in equity, Condensed consolidated statement of cash flows and Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Saturn Metals Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the half-year financial report

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

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Auditor's responsibility for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Price Waterhouse Coopers

PricewaterhouseCoopers

Helen Bathurst

Helen Bathurst
Partner

Perth
25 February 2021