

SATURN METALS



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Financial Report

for the half-year ended 31 December 2021

Saturn Metals Limited

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
Adrian Goldstone	Non-Executive Director

Company Secretary

Natasha Santi

Share Registry

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Stock Exchange Listing

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

Registered Office & Principal Place of Business

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Website: www.saturnmetals.com.au

ABN: 43 619 488 498
ACN: 619 488 498

Auditors

BDO Audit (WA) Pty Ltd
Level 9, Mia Yellagonga Tower 2
5 Spring Street
PERTH WA 6000

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DIRECTORS REPORT

The Directors present their report together with the consolidated financial statements of the Group comprising of Saturn Metals Limited ("Saturn" the "Group" or the "Company") and its subsidiary for the financial half-year ended 31 December 2021 and the auditor's report thereon.

Directors

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

Brett Lambert	Non-Executive Chairman
Ian Bamborough	Managing Director
Andrew Venn	Non-Executive Director
Robert Tyson	Non-Executive Director
Adrian Goldstone	Non-Executive Director

Principal Activities

The principal activity of the Group is the exploration for economic deposits of precious metals.

For the period of this report, the emphasis has been gold focused exploration near Leonora, in Western Australia.

Review of Operations

Financial Review

During the half year the Group incurred a loss from ordinary activities after income tax of \$1,246,751 (31 December 2020: \$810,158).

The Group had a cash balance of \$10,037,736 as at 31 December 2021 (30 June 2021: \$8,155,144).

Corporate Review

On 25 November 2021, Saturn announced to the ASX a successful capital raising to raise \$8,000,000 (before costs) through the issue of 16,666,667 new shares at an issue price of \$0.48 per share. On 3 December 2021 Saturn issued 13,833,334 new shares in conjunction with the partial completion of this placement to raise \$6,640,000 (\$6,194,679 net of costs). The balance of 2,833,333 shares subscribed for in the placement will be issued after the subscriber receives approval from the Foreign Investment Review Board, anticipated during March 2022, which will see the company receive the balance of placement proceeds totaling \$1,360,000 (before costs) due in relation to completion of the placement.

During the half year ended 31 December 2021, 768,000 unquoted options held by Directors and employees were exercised at a price of \$0.264 per share to raise \$202,752.

At the Annual General Meeting (AGM) held on 24 November 2021 approval was given for the issue of 2,200,000 unquoted options to Non-Executive Directors of the Company, with the issue completed on 6 December 2021. AGM approval was also provided for the issue of 750,000 performance rights to the Managing Director which were issued in conjunction with 1,200,000 unquoted options and 1,007,000 performance rights to employees of the Company, on 20 December 2021.

Effective from the AGM, the Company's auditor was changed from Pricewaterhouse Coopers to BDO Audit (WA) Pty Ltd.

DIRECTORS REPORT (Cont.)

Operations Review

Apollo Hill Resource – Drilling

During the half year a continued push for extension of the Apollo Hill resource area was underpinned by continued reverse circulation (RC) drilling activities. RC step out drilling at Apollo Hill extended the deposit in multiple directions.

Resource Extension - North

- Excellent high grade extensional RC intersections include:
 - **7m @ 11.18g/t Au** from 172m including **3m @ 25.67g/t Au** from 172m; and
 - **3m @ 17.62g/t Au** from 160m – AHRC0813
 - **25m @ 0.66g/t Au** from 11m - AHRC0821.
- Results highlight a 150m northern extension of the Apollo Hill mineralisation.
- Mineralisation remains open to the North and around these important new intersections.

Resource Extension – Ra-Tefnut Corridor

- On the Ra-Tefnut extensional corridor thick and shallow RC intersections include:
 - **10m @ 2.34g/t Au** from 136m including **5m @ 4.42g/t Au** from 140m – AHRC0768
 - **22m @ 1.00g/t Au** from 154m – AHRC0789
 - **14m @ 1.49g/t Au** from 104m including **6m @ 3.01g/t Au** from 112m – AHRC0782
 - **18m @ 1.16 g/t Au** from 37m and **10m @ 0.96g/t Au** from 58m – AHRC0786
 - **4m @ 11.59g/t Au** from 112m – AHRC0758
- Results are building width to the gold system with several stacked lodes now evident.
- Drilling on this new zone, since the last resource upgrade in January 2021, has outlined a 1km long, 200m wide mineralised corridor with coherent zones of mineralisation and multiple strong intersections.

Ra North Corridor – Another Push

- At the Ra North corridor, extensional RC results returned in the footwall position to Apollo Hill Main Lode include:
 - **7m @ 1.49g/t Au** from 29m,
 - **6m @ 1.63g/t Au** from 47m, and
 - **12m @ 1.37g/t Au** from 183m – AHRC0801
 - **3m @ 1.74g/t Au** from 299m including **1m @ 4.06g/t Au** from 299m – AHRC0814
- Results returned highlight the exploration opportunity to the north of the Ra Tefnut corridor adjacent to the western margin of the Apollo Hill Main Lode.



Plate 1 – Aerial view of Apollo Hill deposit currently 3km long and up to 800m wide

DIRECTORS REPORT (Cont.)

Apollo Hill Resource – Metallurgy

During the half year, to prepare for the for the next Apollo Hill resource upgrade, Saturn commenced a program of metallurgical test work.

Test work included the drilling of, and then submission of, 600m of large diameter (PQ and HQ sized) diamond drill cores to the laboratory for a series of metallurgical tests designed to evaluate the amenability of Apollo Hill mineralised material to bulk tonnage, low operating cost processing methods such as heap or vat leaching.

Results from preliminary test work completed before half year end showed clear potential to consider lower processing costs through simpler and scalable treatment options. Lower unit costs can in turn lead to lower cut off grades allowing the processing of additional mineralised material, improved stripping ratios, more efficient mining processes and economies of scale.

Material was submitted from differing geographies, material types, grade ranges and rock types at Apollo Hill. Specific test programs conducted in site water are focussing on:

- Rock strength and crushing and grinding characteristics;
- Agglomeration and permeability tests;
- Leach testing via bottle roll for overall recovery at various crush sizes; and
- Bigger scale column leach testing to help assess leaching kinetics under conditions more closely reflecting full scale operations.

In addition to the metallurgical test work underway, the Company commissioned a preliminary capital and operating costs study for large scale, bulk tonnage processing at Apollo Hill. The engineering firm engaged to conduct the study has significant experience in this style of operation and are the design engineers for a similar project currently under construction in Western Australia. The study is expected to deliver up to date and locally based cost information which will provide a sound basis for assessing Apollo Hill's project development options.

Towards the end of the half year, the results of Saturn's successful 2021 drilling campaign, were integrated into a new mineral resource block model. This block model will be used with results of the costs study and the new metallurgical data to provide important cost and recovery information for open pit optimisation studies and the subsequent resource upgrade, expected towards the end of March 2022.



Plate 2 – Gravity gold concentrate obtained from a 5kg – 15g/t Au transitional basalt sample rod milled to P80 passing 75 micron then gravity concentrated – via Knelson centrifugal concentrator (phase 1) and the Mozley Table (phase 2); large nuggety gold grains visible in concentrate. Larger grains flattened due to rod milling process.

DIRECTORS REPORT (Cont.)

Regional Exploration Activities Identify New Gold Systems

During the half year the Company continued a major regional drilling campaign following on from previous preparatory geophysical surveys and heritage clearance phases.

Significantly during the half year, results from regional activities have confirmed a large, concealed gold system – Bob's Prospect, 7km east of the 944,000oz gold Apollo Hill Mineral Resource (35.9Mt @ 0.8g/t Au¹) (Figure 1).

Significant results returned include:

- **5m @ 6.82g/t Au** from 130m – AHRC0825;
- **5m @ 3.15g/t Au** from 168m – AHRC0827; and
- **32m @ 0.49g/t Au** from 68m including **8m @ 1.41g/t Au** from 84m – AHAC0349.

Results and intersections returned highlight a so far under explored 3.5km long gold system beneath relatively shallow cover on the eastern side of the Apollo Hill 'Super Structure' (Figure 1).

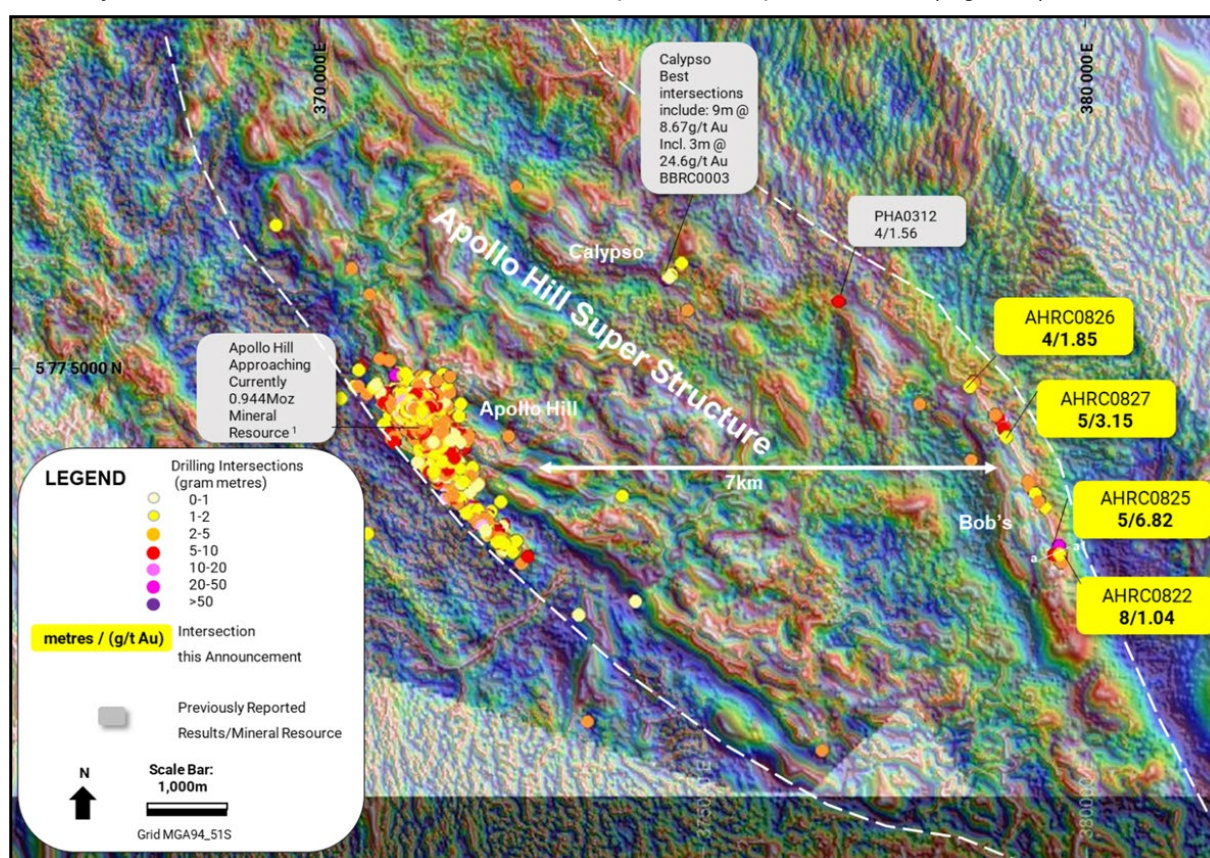


Figure 1 – Plan view of the current mineralisation footprint across the Apollo Hill camp with results highlighted – merged aeromagnetic and gravity geophysics back-ground highlights the geological complexity and multiple exploration targets at the 'Camp Scale'.

1. Details of the Mineral Resource which currently stands at 35.9 Mt @ 0.8 g/t Au for 944,000 oz Au and a breakdown by category are presented in Table 1a (page 10 of this document) along with the associated Competent Persons statement and details of the ASX announcement that this information was originally published in.

DIRECTORS REPORT (Cont.)

In addition to Bob's Prospect, air core results returned from regional exploration drilling completed towards the end of the half year have also highlighted three new prospects along strike of the Apollo Hill Mineral Resource (Figure 2).

Significant intersections returned include:

- **13m @ 1.32g/t Au** from 56m including **4m @ 4.31g/t Au** from 56m – AHAC0464 at the **Aquarius Prospect**;
- **12m @ 0.74g/t Au** from 48m including **4m @ 1.36g/t Au** from 56m – AHAC0444 at the **Casper Prospect**; and
- 4m @ 0.47g/t Au from 44m – AHAC0477 and 8m @ 0.36g/t Au from 44m – AHRC0478 (two holes drilled 400m apart on a single regional drill line) at the **Hercules Prospect**.

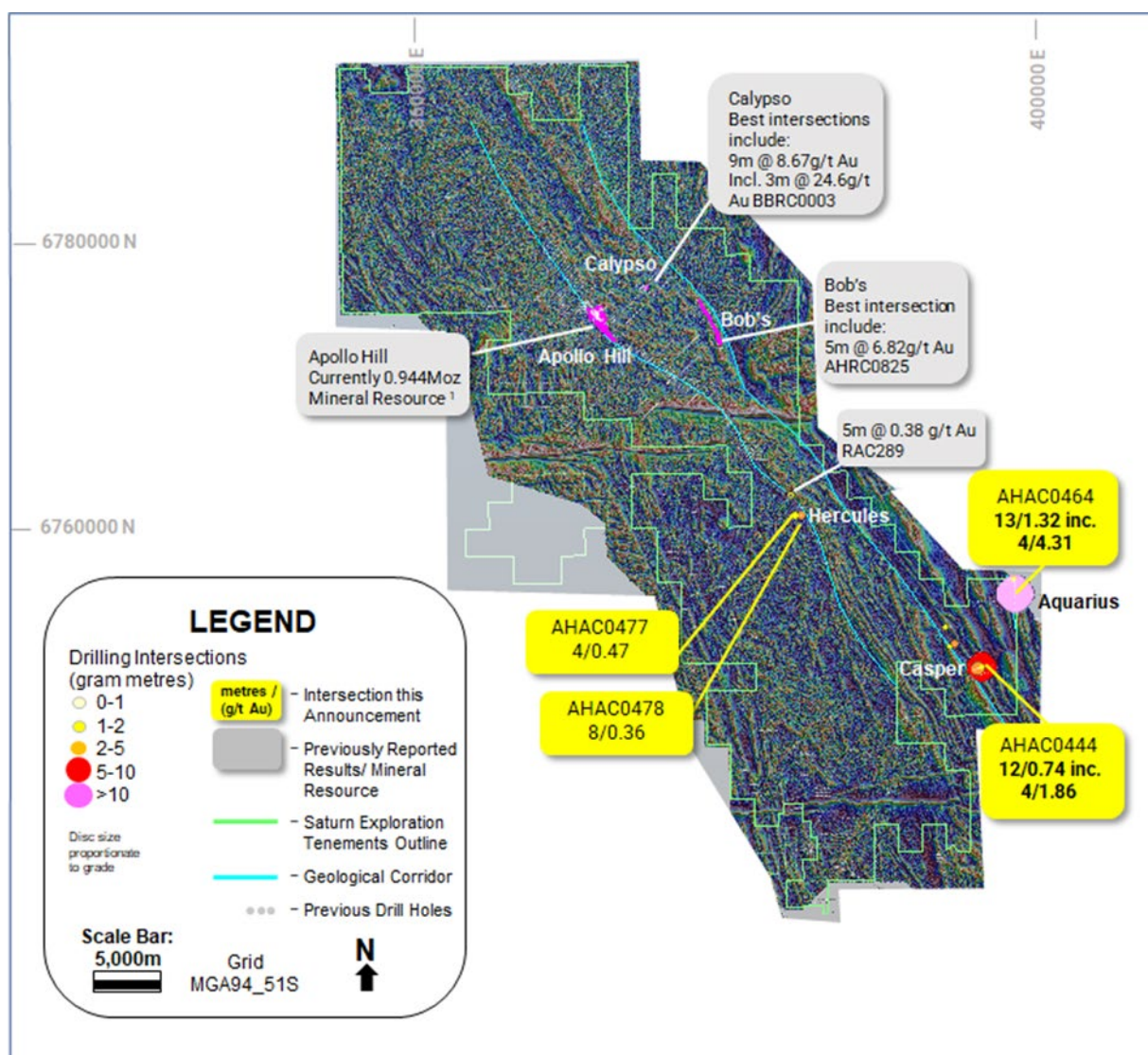


Figure 2 – Plan of significant regional Air core results, Saturn Metals tenement outline and significant prospects on geophysical background.

DIRECTORS REPORT (Cont.)

West Wyalong Farm-In Gold Joint Venture

During the half year Saturn completed its maiden diamond drill program at its West Wyalong Gold Project in New South Wales.

The initial focus of exploration was the 2km long high-grade Mallee Bull Reef within the long forgotten West Wyalong Goldfield.

No underground development or modern exploration is known to have occurred on the Mallee Bull Reef line since 1915 when a decline in production was synchronous with the onset of World War One. Saturn's program is the first modern test of this excellent opportunity.

Results from the first four exploratory diamond holes (2,085m) drilled at West Wyalong during the half year to test the Mallee Bull Reef structure (historically produced over 128,000oz at 50g/t Au up to 1915 (a Bowman 1977, see Saturn ASX announcement dated 28 April 2020)) beneath old workings have:

- further confirmed the extension of gold bearing quartz reef structures at depth beneath old workings;
- identified wide geological corridors with potential for multiple gold shoots; and
- developed the geological model for refinement of geological targeting work; and provided additional information on the extent and position of old workings.

Geological information and assays returned from the drilling program improved the understanding of the reef structures and will be essential in the design and direction of the next phase of the exploration program. The best result returned from the drilling programme was 0.7m @ 2.74g/t Au from 393.2m in hole WWDD0003.

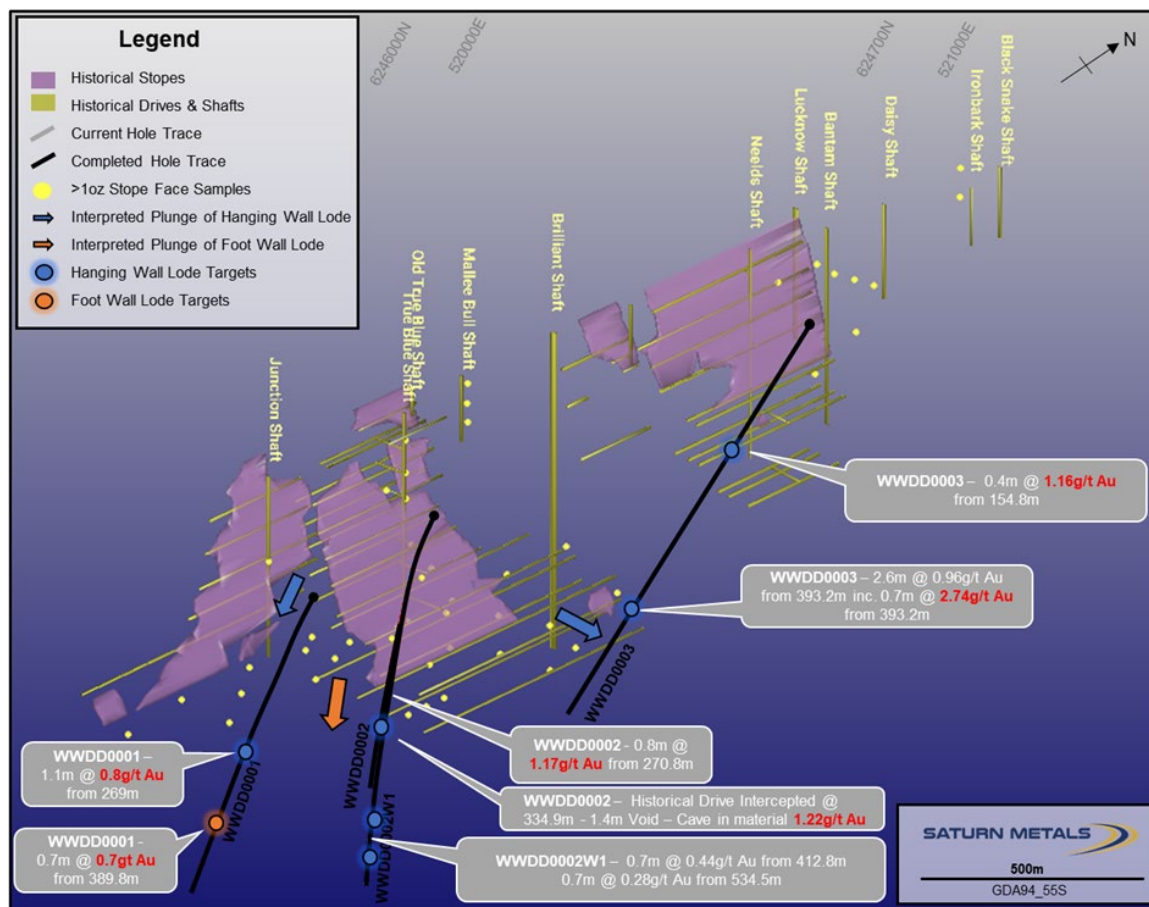


Figure 3 – Oblique 3D view - Long Section View of the Maiden West Wyalong Drill Program (adapted from d1-d4- GS1928/007 p61long-section).

DIRECTORS REPORT *(Cont.)*

Events occurring after 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.

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

The lead auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on the following page and forms part of the Directors Report for the half-year ended 31 December 2021.

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
16 March 2022

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF SATURN METALS LIMITED

As lead auditor for the review of Saturn Metals Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. 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 entity it controlled during the period.

A handwritten signature in black ink, appearing to read 'Dean Just', is written over a light grey circular watermark that contains the text 'For personal use only'.

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 16 March 2022

COMPETENT PERSONS STATEMENTS

¹ The 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2021

	Note	31 December 2021 \$	31 December 2020 \$
Interest and other income		8,904	56,739
Share-based remuneration	8	(290,027)	(9,665)
Employee and Directors' benefit expenses		(484,623)	(393,862)
Administration expenses		(441,490)	(382,012)
Finance costs		(4,188)	-
Exploration expenditure expensed		(35,327)	(81,358)
Loss before income tax		(1,246,751)	(810,158)
Income tax benefit (expense)		-	-
Loss from continuing operations after income tax		(1,246,751)	(810,158)
Other comprehensive income		-	-
Total Loss and comprehensive income for the half-year attributable to the members of Saturn Metals Limited		(1,246,751)	(810,158)
Earnings per share:			
Basic Loss per share for the year attributable to the members of Saturn Metals Limited		(0.01)	(0.01)
Diluted Loss per share for the year attributable to the members of Saturn Metals Limited		(0.01)	(0.01)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	31 December 2021 \$	30 June 2021 \$
Current Assets			
Cash and cash equivalents	4	10,037,736	8,155,144
Trade and other receivables		87,616	100,460
Other Current Assets		37,352	76,349
Total Current Assets		10,162,704	8,331,953
Non-Current Assets			
Trade and other receivables		42,974	42,974
Plant & equipment		310,268	348,614
Exploration assets	5	25,290,049	22,255,694
Total Non-Current Assets		25,643,291	22,647,282
Total Assets		35,805,995	30,979,235
Current Liabilities			
Trade and other payables		744,052	1,328,714
Lease liabilities		68,879	62,966
Total Current Liabilities		812,931	1,391,680
Non-Current Liabilities			
Lease liabilities		99,465	134,665
Total Non-Current Liabilities		99,465	134,665
Total Liabilities		912,396	1,526,345
Net Assets		34,893,599	29,452,890
Equity			
Contributed equity	6	39,662,842	33,265,409
Accumulated losses	7	(6,726,607)	(5,479,856)
Option reserve	7	1,957,364	1,667,337
Total Equity		34,893,599	29,452,890

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2021

	Contributed Equity \$	Accumulated Losses \$	Share based Payment Reserve \$	Option Revaluation Reserve \$	Total Equity \$
Balance at 1 July 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 costs	(751,362)	-	-	-	(751,362)
Share based payments	-	-	9,665	-	9,665
Option revaluation	(408,900)	-	-	408,900	-
Balance at 31 December 2020	32,465,409	(4,330,664)	1,007,633	408,900	29,551,278
Balance at 1 July 2021	33,265,409	(5,479,856)	1,258,437	408,900	29,452,890
Loss for the half-year	-	(1,246,751)	-	-	(1,246,751)
Total comprehensive loss for the half-year	-	(1,246,751)	-	-	(1,246,751)
Issue of share capital	6,842,752	-	-	-	6,842,752
Share issue costs	(445,319)	-	-	-	(445,319)
Share based payments	-	-	290,027	-	290,027
Balance at 31 December 2021	39,662,842	(6,726,607)	1,548,464	408,900	34,893,599

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2021

	Note	31 Dec 2021 \$	31 Dec 2020 \$
Cash flows from operating activities			
Payments to suppliers and employees		(958,830)	(684,123)
Net cash outflow from operating activities		(958,830)	(684,123)
Cash flows from investing activities			
Payments for exploration expenditure		(3,513,179)	(4,931,203)
Payments for purchase of plant and equipment		(18,260)	(10,777)
Interest received		8,904	6,739
Net cash outflow from investing activities		(3,522,535)	(4,935,241)
Cash flows from financing activities			
Proceeds from issue of shares		6,842,752	13,742,926
Transaction costs of issue of shares		(445,321)	(751,362)
Repayment of lease liability		(33,474)	-
Net cash inflow from financing activities		6,363,957	12,991,564
Net increase in cash and cash equivalents		1,882,592	7,372,200
Cash and cash equivalents at the beginning of the half-year		8,155,144	5,131,938
Cash and cash equivalents at the end of half-year	4	10,037,736	12,504,138

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

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2021 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 2021 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.

(b) Judgements and estimates

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at, and for the year ended 30 June 2021.

2. Significant Changes in the Current Reporting Period

During the half-year period, Saturn completed a share placement of 13,833,334 ordinary shares to institutional and sophisticated investors on 3 December 2021. The placement was completed at a share price of 48 cents per share to raise \$6,640,000 (\$6,194,681 net of costs).

In addition, Saturn issued 1,757,000 unlisted Director and employee performance rights, which are subject to performance hurdles and 3,400,000 unlisted Director and employee options, which are subject to vesting over a period of time. Shareholder approval for these issues, where required, was received at the Annual General Meeting held on 24 November 2021.

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

3. Contingencies & Commitments

The Group had no contingent assets or liabilities as at 31 December 2021 (30 June 2021: \$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 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 \$815,580 (30 June 2021: \$763,080).

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

4. 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 December 2021	30 June 2021
	\$	\$
Cash at bank and in hand	10,037,736	8,155,144
	<u>10,037,736</u>	<u>8,155,144</u>

5. Exploration & 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 December 2021	30 June 2021
	\$	\$
At cost	25,290,049	22,255,694

Reconciliation:

Opening balance	22,255,694	12,624,645
Exploration expenditure	3,069,682	9,776,035
Exploration expenditure expensed	(35,327)	(144,986)
Closing balance	<u>25,290,049</u>	<u>22,255,694</u>

6. Contributed Equity

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.

	December 2021		June 2021	
	Number of Shares	\$	Number of Shares	\$
Opening balance	112,464,510	33,265,409	87,952,680	19,882,745
Shares issued:				
On exercise of options	768,000	202,752	4,000,000	800,000
As a result of share placements	13,833,334	6,640,000	20,511,830	13,742,926
As a result of options issued	-	-	-	(408,900)
Transaction costs on share issues	-	(445,319)	-	(751,362)
Closing balance	<u>127,065,844</u>	<u>39,662,842</u>	<u>112,464,510</u>	<u>33,265,409</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

7. Reserves & Accumulated Losses

	31 December 2021	30 June 2021
(a) Accumulated losses	\$	\$
Opening balance	5,479,856	3,520,506
Loss for the period	1,246,751	1,959,350
Closing balance	6,726,607	5,479,856
(b) Share-based payments reserve		
Opening balance	1,258,437	997,967
Options expenses (Directors options)	69,056	156,598
Options expenses (Employee options)	25,053	77,943
Options lapsed (Directors options)	-	(162,173)
Options lapsed (Employee options)	-	(114,603)
Net performance rights (Director's rights)	125,207	206,547
Net performance rights (Employee's rights)	70,711	96,158
Closing balance	1,548,464	1,258,437
(c) Option revaluation reserve		
Opening balance	408,900	-
Options issued to third party	-	408,900
Closing balance	408,900	408,900

8. Share-Based Payments

During the period, 1,757,000 performance rights were issued to the Managing Director and employees and 3,400,000 unquoted options were issued to Non-Executive Directors and employees.

(a) Performance Rights

On 13 December 2021, 750,000 Director Performance Rights (70% Tranche 1; 30% Tranche 2) and 1,007,000 Employee Performance Rights (60% Tranche 1; 40% Tranche 2) were granted for nil consideration.

Fair value of performance rights granted in the half year to 31 December 2021

Tranche 1 Performance Rights

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 1 Performance Rights is determined to be 36.8 cents per performance right issued to a Director and 26.7 cents per performance right issued to an employee. 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:

	Director	Employee
Exercise price	Nil	Nil
Grant date	24 November 2021	13 December 2021
Performance measurement date	24 November 2023	20 December 2023
Expiry date	24 November 2024	9 December 2024
Share price at issue date	\$0.56	\$0.41
Expected price volatility	70%	70%
Expected dividend yield	0%	0%
Risk-free interest rate	0.535%	0.895%

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

Tranche 2 Performance Rights

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 2 Performance Rights is determined to be 56.0 cents per performance right issued to a Director and 41.0 cents per performance right issued to an employee. They were valued on a prorated basis as a result of the vesting conditions attached to these performance rights. 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 performance right, the share price at grant date and performance rights granted during the 6 months ended 31 December 2021 included:

	Director	Employee
Exercise price	Nil	Nil
Grant date	24 November 2021	13 December 2021
Performance measurement date	24 November 2023	20 December 2023
Expiry date	24 November 2024	9 December 2024
Share price at issue date	\$0.56	\$0.41
Expected price volatility	70%	70%
Expected dividend yield	0%	0%
Risk-free interest rate	0.535%	0.895%

(b) Unquoted Options

On 24 November 2021, 2,200,000 Director unquoted options were granted, and on 13 December 2021 1,200,000 employee unquoted options were also granted. All grants were made for nil consideration.

Fair value of unquoted options granted in the half year to 31 December 2021:

2,200,000 options issued to Director's vest in two tranches over a two-year period with 50% vesting 12 months from the grant date and 50% vesting 24 months from the grant date.

1,200,000 options issued to employee's vest in three tranches, over a three-year period, with one third vesting at each of the 12 month, 24 month and 36 month anniversaries of the issue date.

	Director	Employee
Exercise price	\$0.80	\$0.63
Grant date	24 November 2021	13 December 2021
Expiry date	22 November 2024	9 December 2025
Share price at issue date	\$0.56	\$0.41
Expected price volatility	68%	70%
Expected dividend yield	0%	0%
Risk-free interest rate	0.985%	1.20%

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

9. Related Party Transactions

There were no related party transactions in the half year period to 31 December 2021.

Key Management Personal Remuneration

Details of the Group's key management personal compensation arrangements are provided in the Remuneration Report and the Notes to the Financial Statements contained in the Group's Annual Report for the year ended 30 June 2021.

Significant changes in the nature of key management personal compensation since 30 June 2021 are as follows.

- Effective from 4 October 2021 the annual cash salary of Managing Director, Mr Ian Bamborough was increased to \$300,000 per annum.
- On 24 November 2021 2,200,000 unquoted options with an exercise price of \$0.80 per share, expiring 22 November 2024 were granted to Non-Executive Directors.

Non-Executive Director	Options
Brett Lambert	700,000
Robert Tyson	500,000
Andrew Venn	500,000
Adrian Goldstone	500,000
	<u>2,200,000</u>

- On 24 November 2021 750,000 performance rights were granted to the Managing Director.

Managing Director	Performance Rights
Ian Bamborough	750,000
	<u>750,000</u>

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

10. 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 2021 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
16 March 2022

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 its subsidiary (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, 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 the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) 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*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the directors for the 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.

Auditor's responsibility for the review of the 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 2021 and its financial 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.

BDO Audit (WA) Pty Ltd

The image shows a handwritten signature in dark ink. The signature is written in a cursive style, starting with a large 'D' and ending with a stylized flourish. Above the signature, the letters 'BDO' are handwritten in a simple, blocky font.

Dean Just
Director

Perth, 16 March 2022