

SKY METALS LIMITED
(formerly Planet Gas Limited)
and its controlled entities

A.B.N. 46 098 952 035

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
30 JUNE 2019**

SKY METALS LIMITED
(formerly Planet Gas Limited)
AND ITS CONTROLLED ENTITIES

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SKY METALS LIMITED
(formerly Planet Gas Limited)
AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

The Directors of Sky Metals Limited (formerly Planet Gas Limited) (the 'Company' or 'Sky') present their report together with the condensed consolidated interim financial report and the auditor's review report thereon for the half-year ended 30 June 2019.

Directors

The names and particulars of the Directors of the Company at any time during or since the end of the half-year are:

Norman A. 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 (formerly Collierina Cobalt Limited), a minerals exploration and development company operating in Australia and Indonesia, Santana Minerals Limited, a precious metals exploration company operating in Chile and Mexico, and Deputy Chairman and Executive Director of Nickel Mines Limited a nickel mining and development company operating in Indonesia. He is also a director of unlisted public company Mekong Minerals 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) (formerly Collierina Cobalt Limited), a mineral exploration and development company operating in Australia and Indonesia.

Richard G.M. 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). 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.

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DIRECTORS' REPORT

Peter J. Nightingale, Executive Director and CFO

Director since 4 December 2001 – resigned 20 June 2019.

Peter Nightingale graduated with a Bachelor of Economics degree from the University of Sydney and is a member of the Institute of Chartered Accountants in Australia. He has worked as a chartered accountant in both Australia and the USA.

As a director or company secretary, Mr Nightingale has, for more than 25 years, been responsible for the financial control, administration, secretarial and in-house legal functions of a number of private and public listed companies in Australia, the USA and Europe.

Mr Nightingale is currently a director of listed companies Alpha HPA Limited (formerly Collierina Cobalt Limited) and Nickel Mines Limited. He is also a director of unlisted public company Prospech Limited.

Robert Michael Bell, Independent and Non-Executive Director

Director since 30 October 2007 – resigned 20 June 2019

Bob Bell graduated from Birmingham University in 1960 and moved to Australia in 1964, working as a geologist on the Roma gas fields. After a time with the Queensland Government Mines Department in the late 1970s he established his own consultancy business, specialising in oil and gas exploration in Australia and overseas. He was one of the first geologists in Australia to recognise the enormous potential of coal bed methane production in Queensland.

Mr Bell was one of the founders of Queensland Gas Company which was bought by British Gas in 2009 and he was a director in Green Investment Limited.

Anthony J. McClure, Non-Executive Director

Director since 27 August 2003 – resigned 20 June 2019

Anthony McClure graduated with a Bachelor of Science (Geology) degree from Macquarie University in 1986. Mr McClure has over 30 years' technical, management and financial experience in the resource sector worldwide in project management and executive development roles. He has also worked in the financial services sector and stockbroking, primarily as a resource analyst covering both mineral and energy sectors.

Mr McClure is currently Managing Director of Silver Mines Limited and a director of unlisted public company Mekong Minerals Limited.

Anthony J. McDonald, Independent and Non-Executive Director

Director since 19 November 2003 – resigned 20 June 2019.

Mr McDonald graduated with a Bachelor of Laws from the Queensland University of Technology in 1981. He was admitted as a solicitor in 1982. He has been involved in the natural resources sector in Australia and internationally for many years and in the past 18 years has been actively involved in management in the resources sector.

Mr McDonald is currently Managing Director of Santana Minerals Limited, a precious metals explorer with a Chile and Mexico focus, a non-executive director of ASX listed PPK Group Limited, a mining products and services provider, and a non-executive director of unlisted Mekong Minerals Limited.

SKY METALS LIMITED
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DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW

The activities of Sky Metals Limited and its controlled entities (the 'Group') during the half-year ended 30 June 2019 include the following:

- The Company setup and moved its principal place of operations and administrative office to 207 Byng Street, Orange, New South Wales. The establishment of an exploration team and office close to the Company's exploration projects provide greater operational efficiency with Orange providing a service hub for many exploration groups in New South Wales
- Completed the final stages of planning and mobilising rigs for drilling activity at the Tallebung Project.

Subsequent to 30 June 2019, the Company has commenced its maiden drilling programme at the Tallebung Project (ASX 1 July 2019). RC drilling (1197m) was designed to test the extent and geometry of high-grade, shallow tin lodes with core drilling (~1300m) assessing an underlying porphyry-style tin target

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 the quarterly activities report released on 29 July 2019, the market announcements dated 5 August 2019 and 27 August 2019 and that all material assumptions and technical parameters in the market announcements continue to apply and have not materially changed.

Corporate Activities

- The Company changed its name from Planet Gas Limited to Sky Metals Limited ('Sky' or 'the Company');
- On 20 June 2019, Messrs Peter Nightingale, Robert Bell, Anthony McClure and Anthony McDonald resigned as directors of Sky and Messrs Rimas Kairaitis and Richard Hill were appointed as directors of Sky.
- On 20 June 2019, Mr Peter Duerden was appointed as Chief Executive Officer ('CEO')
- On 20 June 2019, Sky Metals Limited (formerly Planet Gas Limited) completed the acquisition of Big Sky Metals Pty Ltd ('Big Sky' or 'Big Sky Group');
- All preconditions for the acquisition of Big Sky were satisfied on 20 June 2019, as follows:
 - Shareholders approved the acquisition of Big Sky on 6 May 2019;
 - The Company satisfied the requirements of re-admission to the Australian Securities Exchange ('ASX') pursuant to ASX Chapters 1 and 2;
 - The Company raised \$4,500,000 before costs under a public offer by issuing 112,500,000 ordinary shares.
- The Company issued 70,000,000 ordinary shares and 20,000,000 unlisted options to the vendors of Big Sky on 19 June 2019;
- The Company issued 14,233,450 ordinary shares to related parties and unrelated creditors as debt conversion to settle outstanding debts on 20 June 2019, The shares issued are held in escrow as follows:
 - 302,475 shares are escrow for 12 months;
 - 13,930,975 shares are escrow for 24 months; and
- On 20 June 2019, the Company issued 5,000,000 unlisted options to the CEO Mr Peter Duerden, as part of the incentive component of his remuneration.

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DIRECTORS' REPORT

Subsequent Events

On 31 July 2019, Mr Richard Willson was appointed as Joint Company Secretary. On 7 August 2019, the Company issued 2,200,000 ordinary shares under the Employee Incentive Plan to Peter Duerden and 2,200,000 ordinary shares to Pindari Custodians Pty Ltd in connection with the capital raising under the Public Offer.

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

Signed at Sydney this 13th day of September 2019
in accordance with a resolution of the Board of Directors:



Norman A. Seckold
Chairman



Rimas Kairaitis
Director



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 review of Sky Metals Limited for the half-year ended 30 June 2019 there have been:

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

KPMG

Stephen Board

Partner

Brisbane
13 September 2019

SKY METALS LIMITED
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**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2019**

	Notes	30 June 2019 \$	30 June 2018 \$ *Restated
CONTINUING OPERATIONS			
Revenue		-	-
Administration and consultants' expenses		(173,184)	(263,776)
Depreciation	5	(432)	-
Travel expenses		(4,454)	-
Other expenses		(57,209)	(48,500)
Operating loss before financing income		(235,279)	(312,276)
Financial income		1,316	28
Finance expense		-	-
Net financing expense		(233,963)	28
Loss before tax		(233,963)	(312,248)
Income tax expense		-	-
Loss from continuing operations		(233,963)	(312,248)
DISCONTINUED OPERATION			
Loss from discontinued operations (net of tax)	14	-	(36,031)
Loss for the period		(233,963)	(348,279)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences - foreign operations		-	(68,664)
Net change in the fair value of available for sale financial assets		-	(184)
Total items that may be reclassified subsequently to profit or loss		-	(68,848)
Other comprehensive loss for the period		-	(68,848)
Total comprehensive loss for the period		(233,963)	(417,127)
Earnings per share			
Basic and diluted loss per share (cents)		(0.36)	(0.58)
Earnings per share – continuing operations			
Basic and diluted loss per share (cents)		(0.36)	(0.58)

The above Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

SKY METALS LIMITED
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CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	30 June 2019 \$	31 December 2018 \$
Current assets			
Cash and cash equivalents		4,526,272	248,794
Trade and other receivables		53,214	-
Other assets		64,112	-
Total current assets		<u>4,643,598</u>	<u>248,794</u>
Non-current assets			
Other financial assets	4	231	231
Property, plant and equipment	5	9,763	-
Intangible assets	6	-	-
Exploration and evaluation expenditure	7	3,221,371	-
Total non-current assets		<u>3,231,365</u>	<u>249,025</u>
Total assets		<u>7,874,963</u>	<u>3,717,702</u>
Current liabilities			
Trade and other payables		540,368	646,547
Total current liabilities		<u>540,368</u>	<u>646,547</u>
Total liabilities		<u>540,368</u>	<u>646,547</u>
Net assets/(liabilities)		<u>7,334,595</u>	<u>(397,522)</u>
Equity			
Issued capital	8	57,197,956	49,781,972
Fair value reserve	4	230	230
Option reserves	9	550,096	-
Accumulated losses		(50,413,687)	(50,179,724)
Total equity/(deficiency)		<u>7,334,595</u>	<u>(397,522)</u>

The above Condensed Consolidated Interim Statement of Financial Position should be read
in conjunction with the accompanying notes

SKY METALS LIMITED
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CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2019

	Issued capital \$	Accumulated losses \$	Fair value reserve \$	Foreign currency translation reserve \$	Option reserve \$	Total equity \$
Balance at 1 January 2018	49,781,972	(48,413,176)	414	(2,581,510)	-	(1,212,300)
Total comprehensive income for the period						
Loss for the period	-	(348,279)	-	-	-	(348,279)
Other comprehensive income items that may be reclassified subsequently to profit or loss						
Foreign currency translation differences	-	-	-	(68,664)	-	(68,664)
Net change in fair value of available-for-sale financial assets	-	-	(184)	-	-	(184)
Total other comprehensive loss	-	-	(184)	(68,664)	-	(68,848)
Total comprehensive loss	-	(348,279)	(184)	(68,664)	-	(417,127)
Transactions with owners recorded directly in equity						
Ordinary shares issued	-	-	-	-	-	-
Transaction costs on issue of shares	-	-	-	-	-	-
Share options	-	-	-	-	-	-
Balance at 30 June 2018	49,781,972	(48,761,455)	230	(2,650,174)	-	(1,629,427)
Balance at 1 January 2019	49,781,972	(50,179,724)	230	-	-	(397,522)
Total comprehensive income for the period						
Loss for the period	-	(233,963)	-	-	-	(233,963)
Other comprehensive income items that may be reclassified subsequently to profit or loss						
Foreign currency translation differences	-	-	-	-	-	-
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	-
Total other comprehensive loss	-	-	-	-	-	-
Total comprehensive loss	-	(233,963)	-	-	-	(233,963)
Transactions with owners recorded directly in equity						
Ordinary shares issued	7,869,338	-	-	-	-	7,869,338
Transaction costs on issue of shares	(453,354)	-	-	-	-	(453,354)
Share options	-	-	-	-	550,096	550,096
Balance at 30 June 2019	57,197,956	(50,413,687)	230	-	550,096	7,334,595

The above Condensed Consolidated Interim Statement of Changes in Equity should be read in conjunction with the accompanying notes

SKY METALS LIMITED
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CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2019

	30 June 2019 \$	30 June 2018 \$
Cash flows from operating activities		
Cash receipts in the course of operations	-	228,119
Cash payments in the course of operations	(123,964)	(26,179)
Cash provided by operations	(123,964)	201,940
Interest received	1,316	28
Interest paid	-	(131,431)
Net cash provided by / (used in) operating activities	(122,648)	70,537
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(13,386)	-
Payments for plant and equipment	(10,195)	-
Cash acquired by acquisition of subsidiary	2,715	-
Net cash used in investing activities	(20,866)	-
Cash flows from financing activities		
Repayment of borrowings	-	(195,567)
Proceed from share issue	4,500,000	-
Share issue expenses	(79,008)	-
Net cash from financing activities	4,420,992	(195,567)
Net decrease in cash and cash equivalents	4,277,478	(125,030)
Cash and cash equivalents at the beginning of the financial period	248,794	143,040
Cash and cash equivalents at the end of the financial period	4,526,272	18,010

The above Condensed Consolidated Interim Statement of Cash Flows should be read
in conjunction with the accompanying notes

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2019

NOTE 1 - REPORTING ENTITY

Sky Metals Limited (formerly Planet Gas Limited) ("Sky" or the 'Company') is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the half-year ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the 'Group'). During the half-year ended 30 June 2019, the Group changed its main undertaking to primarily being engaged in the acquisition, exploration and development of tin-tungsten projects and other hard rock minerals in Australia.

The consolidated annual financial statements of the Group as at and for the year ended 31 December 2018 are available upon request from the Company's registered office at Level 2, 66 Hunter Street, Sydney, NSW, 2000 or at www.skymetals.com.au

NOTE 2 - BASIS OF PREPARATION

The condensed consolidated interim financial statements are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standard AASB 134 *Interim Financial Reporting*.

The condensed consolidated interim financial statements do not include full disclosures 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 31 December 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

These condensed consolidated interim financial statements were approved by the Board of Directors on 13 September 2019.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year-end 31 December 2018.

Estimates and judgements

The preparation of the condensed consolidated interim financial statements 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 expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group'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 31 December 2018.

Additional judgements and key sources of estimation uncertainty that have been applied to the condensed consolidated interim financial statements as at and for the half-year ended 30 June 2019 are described in the following notes:

- Note 7 - Exploration and evaluation expenditure.
- Note 12 - Acquisition of controlled entity.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2019

NOTE 4 – OTHER FINANCIAL ASSETS

At 30 June 2019, the Directors compared the carrying value of the investment to market value and recorded a nil movement in fair value (30 June 2018 - \$184 reduction in equity). This was based on a closing price of \$0.010 at 30 June 2019 (31 December 2018 - \$0.021).

AASB 9 requires that, subject to initial recognition, an entity recognises its financial assets at amortised cost or fair value, depending on the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Following the adoption of AASB 9, the Group classifies its investments as follows:

	30 June 2019	31 December 2018
	\$	\$
<i>Equity instruments at fair value through other comprehensive income</i>		
Equity securities – Investment in Pilot Energy Limited	231	231

Equity instruments at fair value through other comprehensive income are equity instruments which the Group intends to hold for the foreseeable future, and for which an irrevocable election to classify as such upon transition to AASB 9 has been made. Any dividends received 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 the fair value reserve in OCI and are never reclassified to profit or loss.

NOTE 5 – PROPERTY PLANT AND EQUIPMENT

Property, plant and Equipment

Acquisition	10,195	-
Accumulated Depreciation	(432)	-
Net book value	9,763	-

NOTE 6 - INTANGIBLE ASSETS

Overriding royalty interest (ORRI)

Net book value	-	-
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Reconciliations of the carrying amounts for each class of intangible assets are set out below:

Carrying amount at beginning of half year	-	2,352,236
Disposal	-	(2,409,399)
Amortisation	-	(155,350)
Net foreign currency differences on translation	-	212,513
Net book value	-	-

On 15 October 2018, the Company sold its wholly owned subsidiary Planet Gas USA Inc., which held the ORRI to High Peak Royalties Limited. The consideration for the sale was \$1 and Sky Metals Limited (formerly Planet Gas Limited) was released from all indebtedness owed to Macquarie Bank Limited.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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NOTE 7 - EXPLORATION AND EVALUATION EXPENDITURE

	30 June 2019 \$	31 December 2018 \$
PRL 118 to PRL 128	-	-
PRL 221 to PRL 230 (formerly 638)	-	-
EL 6699 Tallebung	2,224,875	-
EL 6258 Doradilla	996,496	-
Net book value	<u>3,221,371</u>	-
PRL 118 to PRL 128		
Carrying amount at beginning of the half-year		- 1,051,052
Additions		- 3,000
Disposal		- (399,000)
Impairment		- (655,052)
Net book value		<u>-</u>
PRL 221 to PRL 230 (formerly 638)		
Carrying amount at beginning of the half-year		- 131,793
Additions		- 3,000
Disposal		- (1,000)
Impairment		- (133,793)
Net book value		<u>-</u>
EL 6699 Tallebung		
Additions	2,224,875	-
Net book value	<u>2,224,875</u>	-
EL 6258 Doradilla		
Additions	996,496	-
Net book value	<u>996,496</u>	-

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 half-year ended 30 June 2019, the Group assessed its exploration and evaluation expenditure assets for impairment and recorded no impairment.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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NOTE 8 - ISSUED CAPITAL

	30 June 2019		31 December 2018	
	Number	\$	Number	\$
(a) Ordinary shares, fully paid at 1 July	537,622,535	49,781,972	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		
Less cost of issue	-	(453,354)	-	-
Balance at end of period	250,495,645	57,197,956	537,622,535	49,781,972

*Acquisition of controlled entity – See note 12

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

(b) Share Options

On 20 June 2019, 20,000,000 options were granted to the vendors of Big Sky Metals Limited. The expiry date of the options is 19 June 2023 and they can be exercised at any time before the expiry date. The exercise price of the options is \$0.08.

On 20 June 2019, 5,000,000 options were granted to the CEO as follows:

- 1,000,000 options exercisable at \$0.08 and expiring on 19 June 2024. The options vest after 1 year of employment.
- 2,000,000 options exercisable at \$0.12 and expiring on 19 June 2024. The options vest after 1 year of employment.
- 2,000,000 options exercisable at \$0.16 and expiring on 19 June 2024. The options vest after 1 year of employment.

Fair Value of options

The fair value of 20,000,000 options granted on 20 June 2019 to the vendors of Big Sky Metals Pty Ltd was \$548,000. The Black-Scholes formula model inputs were the Company's share price of \$0.04 at the grant date, a volatility factor of 119.56% based on historical share price performance and a risk-free interest rate of 0.99% based on the 5-year government bond rate.

The fair value of 1,000,000 options granted on 20 June 2019 with an exercise price of \$0.08 was \$30,200. The Black-Scholes formula model inputs were the Company's share price of \$0.04 at the grant date, a volatility factor of 119.56% based on historical share price performance and a risk-free interest rate of 0.99% based on the 5-year government bond rate.

The fair value of 2,000,000 options granted on 20 June 2019 with an exercise price of \$0.12 was \$56,600. The Black-Scholes formula model inputs were the Company's share price of \$0.04 at the grant date, a volatility factor of 119.56% based on historical share price performance and a risk-free interest rate of 0.99% based on the 5-year government bond rate.

The fair value of 2,000,000 options granted on 20 June 2019 with an exercise price of \$0.16 was \$53,800. The Black-Scholes formula model inputs were the Company's share price of \$0.04 at the grant date, a volatility factor of 119.56% based on historical share price performance and a risk-free interest rate of 0.99% based on the 5-year government bond rate.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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NOTE 9 - RESERVES

	30 June	31 December
	2019	2018
	\$	\$
Equity based compensation reserve (a)	2,096	
Option premium reserve (b)	548,000	-
Balance at end of the period	<u>550,096</u>	<u>-</u>
Equity based compensation reserve (a)		
Vesting of employee share option	<u>2,096</u>	-
Balance at end of the period	<u>2,096</u>	<u>-</u>
Option premium reserve (b)		
Fair value of options issued	<u>548,000</u>	-
Balance at end of the period	<u>548,000</u>	<u>-</u>

NOTE 10 - RELATED PARTY DISCLOSURE

During the half-year ended 30 June 2019, Norman A. Seckold and Peter J. Nightingale had a controlling interest in an entity, Mining Services Trust, which provided full administrative services, including rental accommodation, administrative staff, services and supplies, to the Group. No fees were charged or paid to Mining Services Trust during the half-year ended 30 June 2019 (2018 - \$108,000 excluding GST). The amounts outstanding as at 30 June 2019 including GST is \$Nil (2018 - \$574,103). At 31 December 2018, the amount outstanding was \$297,000 exclusive of GST, after a 50% discount was given by MIS for fees unpaid from 2016 to 2018.

During the year ended 31 December 2018, each Company director agreed to provide a debt forgives equivalent to 75% of their director's unpaid fees outstanding as at 31 October 2018, and from 1 November 2018, the directors did not earn or accrue fees until the acquisition of Big Sky.

The unpaid Management fees, rent and Director's fees of \$557,239 were settled by the issue of 13,930,975 ordinary shares on 20 June 2019.

NOTE 11 - SUBSEQUENT EVENTS

On 31 July 2019, Mr Richard Willson was appointed as Joint Company Secretary. On 7 August 2019, the Company issued 2,200,000 ordinary shares under the Employee Incentive Plan to Peter Duerden and 2,200,000 ordinary shares to Pindari Custodians Pty Ltd in connection with the capital raising under the Public Offer.

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

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2019

NOTE 12 – ACQUISITION OF CONTROLLED ENTITY

During the half-year ended 30 June 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, based on a share price of \$0.04 per share) 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	<u>(907)</u>
	<u>3,348,000</u>

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
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AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2019

NOTE 13 - OPERATING SEGMENTS

The Group's chief operating decision maker has considered the requirements of AASB 8, Operating Segments, and has concluded that, during the half-year ended 30 June 2019, the Group has one reportable segment, as described below.

- Exploration – exploration and evaluation activities of the Group

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 income earning assets and revenue, interest bearing loans, borrowings and expenses, and corporate assets and expenses.

		Royalty	Total	Unallocated	Total
	Exploration (discontinued)	Segments	Segments	Unallocated	Total
	\$	\$	\$	\$	\$
30 June 2018					
Revenue and other income					
Revenue from external customers	-	207,252	207,252	-	207,252
Interest income	-	-	-	28	28
Interest expense	-	(136,767)	(136,767)	-	(136,767)
Results					
Operating profit /(loss) before income tax	-	(36,031)	(36,031)	(312,248)	(348,279)
Assets					
Segment assets	1,189,056	2,416,307	3,605,363	13,964	3,619,327
Liabilities					
Segment liabilities	-	3,759,962	3,759,962	1,488,792	5,248,754
30 June 2019					
Revenue and other income					
Revenue from external customers	-	-	-	-	-
Interest income	-	-	-	1,316	1,316
Interest expense	-	-	-	-	-
Results					
Operating profit /(loss) before income tax	(19,545)	-	(19,545)	(215,734)	(233,963)
Assets					
Segment assets	3,287,858	-	3,287,858	4,587,105	7,874,963
Liabilities					
Segment liabilities	11,983	-	11,983	528,385	540,368

SKY METALS LIMITED
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2019

NOTE 14 - DISCONTINUED OPERATIONS

The Group discontinued its royalty segment in the United States of America. This occurred via management's commitment to a plan during the prior period to sell this segment following a strategic decision to focus on the search of new exploration tenements. The Company executed a sale and purchase agreement for the sale of the entire ownership interest in Planet Gas USA Inc., on 15 October 2018 and the sale was approved by shareholders on 6 December 2018.

The segment was not classified as held for sale or discontinued operation as at 30 June 2018 and the comparative Consolidated Statement of Profit or Loss and Other Comprehensive Income has been re-presented to show the discontinued operation separately from continuing operations.

	2019	2018
	\$	\$
Result of discontinued operations		
Revenue	-	207,252
Other Income	-	-
Reversal impairment of intangible	-	-
Expenses	-	(238,067)
Results from operating activities	-	(36,031)
Income tax expense	-	-
Results from operating activities, net of income tax	-	(36,031)
Loss on sale of discontinued operation (including transfer of foreign currency translation reserve to profit or loss)	-	-
Loss for the period	-	(36,031)
Basic and diluted loss per share (cents)	-	(0.01)
Cash flows from (used in) discontinued operation		
Net cash from operating activities	-	96,688
Net cash used in from investing activities	-	-
Net cash used in financing activities	-	(195,567)
Net cash flows for the period	-	(98,879)

SKY METALS LIMITED
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DIRECTORS' DECLARATION

In the opinion of the Directors of Sky Metals Limited (formerly Planet Gas Limited) (the Company):

- (1) the condensed consolidated interim financial statements and notes set out on pages 6 to 17, are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed at Sydney this 13th day of September 2019
in accordance with a resolution of the Board of Directors:



Norman A. Seckold
Chairman



Rimas Kairaitis
Director



Independent Auditor's Review Report

To the shareholders of Sky Metals Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Sky Metals Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Sky Metals Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2019 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2019;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date;
- Notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Group** comprises Sky Metals Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim 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 Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Sky Metals Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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



KPMG



Stephen Board
Partner
Brisbane
13 September 2019

SKY METALS LIMITED
(formerly Planet Gas Limited)
AND ITS CONTROLLED ENTITIES

CORPORATE DIRECTORY

Directors:

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

Company Secretaries:

Mr Richard W. C. Willson
Mr Marcelo Mora

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