

SKY METALS LIMITED
AND ITS CONTROLLED ENTITIES

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED
30 JUNE 2022



SKY METALS LIMITED

CONTENTS

	Page
Chairman's Letter	1
Review of Operations	2
Statement of Corporate Governance	23
Directors' Report	24
Auditor's Independence Declaration	35
Consolidated Statement of Profit or Loss and Other Comprehensive Income	36
Consolidated Statement of Financial Position	37
Consolidated Statement of Changes in Equity	38
Consolidated Statement of Cash Flows	39
Notes to the Consolidated Financial Statements	40
Directors' Declaration	65
Independent Auditor's Report	66
ASX Additional Information	71
Corporate Directory	73

SKY METALS LIMITED

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

2022 was a very active year for the Company with a busy exploration program running throughout the year on the Company's projects. Although, we were fortunate COVID did not materially affect the ability of the Company to progress our exploration strategy. The ongoing wet weather across much of the east coast of Australia hampered SKY's exploration campaigns. Despite this, SKY was able to carry out an effective exploration program primarily focussed on the Company's large-scale tin assets Doradilla and Tallebung.

Early in the year, the Company received exceptional results from the second drilling campaign at the Doradilla Project, with drilling concentrated on the 3KEL Target. These results, in combination with indications of a processing pathway forward for the tin mineralisation at the 3KEL Target, gave SKY a strong impetus to conduct follow up work. The follow up diamond drilling program at 3KEL Doradilla commenced in November 2021 and produced some impressive results, with a large RC drilling campaign undertaken early in FY23 to follow up these results. We are eagerly anticipating the assay results of this program.

In February, while unfavourable weather conditions were experienced at 3KEL, an RC drilling program was completed at the historic Tallebung Tin Mine. SKY previously completed two RC drilling programs and a diamond drilling program at Tallebung in 2019. The results of the 2019 drilling, integrated with historic drilling and mining records, indicated that Tallebung could have strong potential to be developed as a bulk tonnage tin resource. Results from the RC program completed by SKY in February confirmed the potential for strong bulk tonnage tin mineralisation at Tallebung. Further RC drilling has now been completed at the Tallebung Tin Target which has delineated a significant zone of bulk tonnage tin mineralisation and identified a number of extensions to the tin system at Tallebung.

To further develop the strong potential now growing at Tallebung, SKY is working with TOMRA on developing a simple gravity flow sheet inclusive of beneficiation using TOMRA's XRT ore sorting technology. The results from the TOMRA test work indicate the possibility for a reduced processing plant size and therefore project capital, and operating costs. We are very encouraged by the results received to date to quickly progress the Tallebung Tin Project.

Your Board continues to be invigorated by the results achieved to date and is excited by the Company's prospects. We look forward to creating value for our shareholders.

I would like to express my heartfelt thanks to all of the SKY team including my fellow Directors Mr Hill and Mr Kairaitis, Company Secretary Mr Willson and CEO Mr Davies for the exceptional work that has been conducted in 2022.

Yours sincerely



Norman A. Seckold
Chairman

SKY METALS LIMITED

REVIEW OF OPERATIONS

Corporate Activities

- On 7 July 2021 the Company announced the completion of the acquisition of 100% of the Galwadgere Copper-Gold Project in NSW from Alkane Resources with the issue of 6,000,000 fully paid ordinary shares in June 2021 following \$250,000 in-ground expenditure, and the Galwadgere maiden JORC-2012 Inferred Resource of 3.6Mt at 0.82% Cu & 0.27g/t Au,
- On 29 October 2021 SKY announced a \$5.6 million placement to institutional, sophisticated and professional investors at A\$0.085 per share,
- On 26 April 2022 Mr Oliver Davies was appointed Chief Executive Officer of the Company,
- On 28 June 2022 the Company moved to its new office at 2 Hawthorn Place in Orange NSW.



SKY METALS LIMITED

REVIEW OF OPERATIONS

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

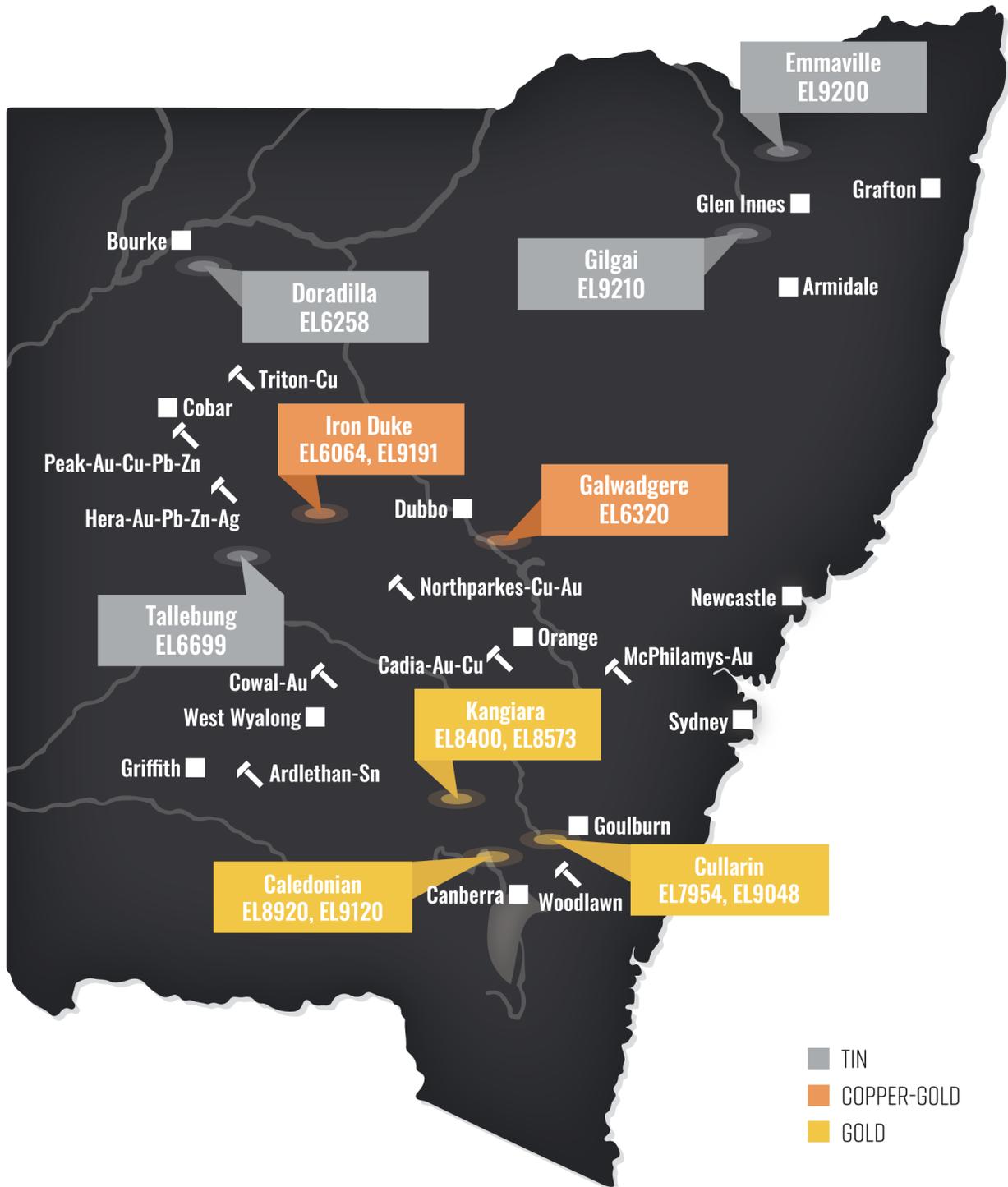


Figure 1: SKY Metals - Project Location Map

Tallebung project: Tin (EL 6699, SKY 100%)

Tallebung Target – RC Drilling

In February 2022, SKY completed nine of eleven planned RC holes and one redrilled hole, ten holes altogether, for a total of 1,217m, at the historic Tallebung Tin Mine (**TBRC014-19** and **TRC022-25**). This drilling was designed to test for further up dip, shallow bulk tonnage tin mineralisation. A Further six RC drillholes, **TBRC020-21** and **TBRC026-29**, for a total of 1,110m were completed at Tallebung to infill the large extensions to the tin mineralisation intercepted by the initial RC campaign. Assays have been received for one of the six holes drilled, **TBRC021**, successfully extending the tin mineralisation – the other assay results are still pending. Results for both programs included:

- TBRC015:** 29m @ 0.13% tin from 82m, including;
3m @ 0.54% tin from 82m.
- TBRC021:** 4m @ 0.35% tin & 0.04% tungsten from 42m.
25m @ 0.14% tin from 124m including;
8m @ 0.36% tin & 0.07% tungsten from 124m.
- TBRC024:** 23m @ 0.23% tin from 86m to EOH including,
4m @ 0.54% tin, 0.05% tungsten from 87m.

Another six infill and extension RC drillholes, **TBRC030-35**, were then completed at Tallebung to continue to expand the broad footprint of bulk tonnage mineralisation and to increase confidence in the bulk tonnage tin mineralisation intercepted in previous drilling (**Figure 1**) – results are still pending for these holes.

Tallebung Target – Diamond Drilling

During the year, a large diameter PQ diamond drillhole, TBD002, was completed at Tallebung to provide samples for further metallurgical test work. This hole was orientated perpendicular to previous drilling and subparallel to the mineralisation to intercept as much of the mineralisation as possible to provide as much sample as possible for bulk metallurgical test work (Figure 2). Assay results received include:

- TBD002:** 60.2m @ 0.54% tin & 40.4g/t silver from 12.8m, including;
15m @ 1.17% tin, 150.3g/t silver & 0.20% copper from 58m including;
6m @ 2.28% tin, 229.1g/t silver & 0.35% copper from 64m.

The shallow high-grade tin mineralisation intercepted in TBD002 demonstrates the strong potential for near surface open pit tin mineralisation at Tallebung. Two possible post mineralisation faults were observed in the hole and SKY plans to drill additional diamond drillholes with orientated core to continue to further develop the geological and structural controls on the mineralisation at Tallebung in the next year.

Tallebung Target – Metallurgical Testwork

A sample of the Tallebung tin mineralisation was sent to TOMRA Ore Sorting Solutions in Sydney. The sample was sorted on approximately a 25:75 product to waste ratio. Assays from this work showed an almost quadrupling of the grade with +90% recovery for both tin and tungsten (Table 1). These trial results were extremely encouraging for the application of ore sorting at Tallebung. Samples taken from the wide-diameter diamond hole, TBD002, have now been sorted by TOMRA to build on these very excellent, early trial results.

Commodity	Sample	Weights	Feed Grade	Sort Grade	Sort Ratio	Recovery	Upgrade
Tin	Product 1	2.98	0.19%	0.70%	26:74	96%	3.74
	Waste 1	8.62	0.19%	0.01%	74:26	4%	0.05
Tungsten	Product 1	2.98	0.02%	0.06%	26:74	90%	3.50
	Waste 1	8.62	0.02%	0.002%	74:26	10%	0.14

Table 1 – Tallebung Tin-Tungsten Project, Tallebung Target. Collar summary for drill holes.

The sorted products from TOMRA will now be sent to ALS Burnie to test a conventional, simple gravity concentration circuit to produce a saleable concentrate from the tin mineralisation at Tallebung. Tin mineralisation at Tallebung is hosted as coarse cassiterite (tin-oxide) indicating favourable concentration by traditional gravity methods, most likely to be after preconcentration via ore sorting.

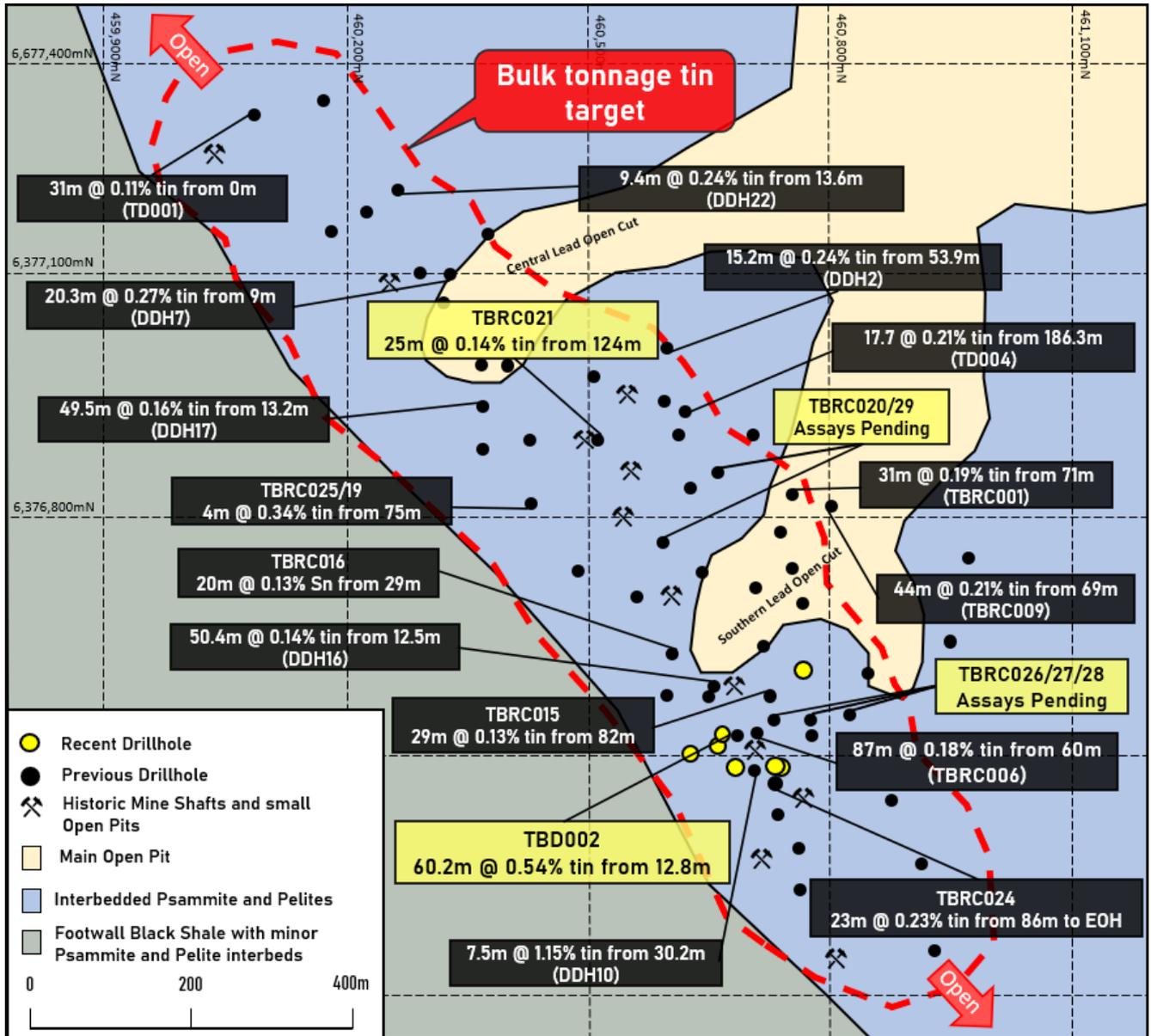


Figure 2: Tallebung Target – Plan view with drill hole collars and significant intercepts. Recent results are in yellow and RC holes are yellow (TBRC030-35) – assays are pending for these holes at the end of the year.

SKY METALS LIMITED

REVIEW OF OPERATIONS

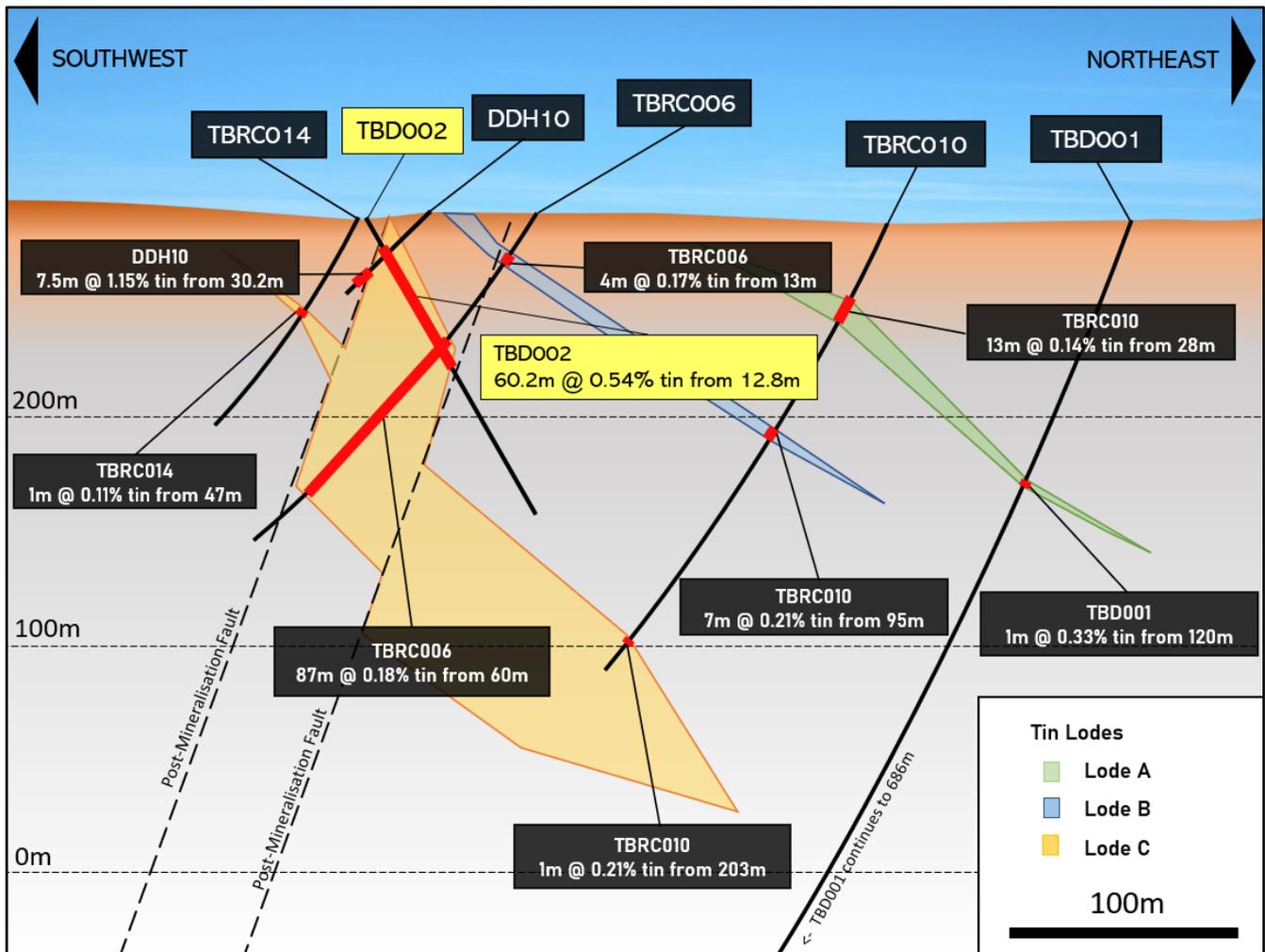


Figure 3: Tallebung Target – Cross-section of TBD002 and significant intercepts. Recent holes are in yellow.

Hole ID	Easting (MGA)	Northing (MGA)	RL (m)	Dip	Azimuth (MGA)	Total Depth (m)	Comments
TBRC014	460625.71	6376533.9	287.05	-63	239.4	113	Completed
TBRC015	460726.51	6376596.15	286.12	-64	237.4	168	Completed
TBRC016	460536.12	6376635.32	283.79	-64	237.4	106	Completed
TBRC017	460597.97	6376572.46	284.81	-64	237.4	130	Completed
TBRC018	460546.61	6376691.94	283.27	-64	237.4	172	Completed
TBRC019	460427.8	6376818.93	292.14	-62	220.4	78	Abandoned due to hole deviation
TBRC020	460590.99	6376772.85	281.69	-60	239.4	204	Completed
TBRC021	460518.57	6376900.06	289.74	-60	246.6	210	Completed
TBRC022	460483.11	6376717.45	284.99	-60	244.4	132	Abandoned due to hole deviation
TBRC023	460418.82	6376891.6	288.92	-65	230.4	119	Completed
TBRC024	460735.38	6376477.27	291.37	-64	242.4	109	Abandoned due to strong ground water
TBRC025	460429.35	6376820.86	292.02	-57	220.4	90	Completed - Redrill of TBRC019
TBRC026	460845.01	6376531.68	286.86	-60	260.4	192	Completed
TBRC027	460729.43	6376529.45	288.79	-60	260.4	186	Completed

SKY METALS LIMITED

REVIEW OF OPERATIONS

Hole ID	Easting (MGA)	Northing (MGA)	RL (m)	Dip	Azimuth (MGA)	Total Depth (m)	Comments
TBRC028	460763.91	6376527.83	288.79	-60	260.4	198	Completed
TBRC029	460655.32	6376873.9	281.86	-60	246.4	120	Abandoned due to strong ground water
TBRC030	460607.78	6376522.02	286.69	-58	260.4	204	Completed
TBRC031	460539.37	6376480.99	286.59	-60	260.4	150	Completed
TBRC032	460733.57	6376479.91	291.07	-55	255.4	198	Completed
TBRC033	460746.35	6376479.35	290.82	-62	230.4	156	Completed
TBRC034	460671.92	6376461.98	293.10	-60	255.4	203	Completed
TBRC035	460667.42	6376526.42	288.48	-60	260.4	192	Completed
TBD002	460631.23	6376534.37	286.96	-60	83.7	150.2	Completed

Table 2 – Tallebung Tin Project, Tallebung Target. Collar summary for drill holes.

Hole ID	From (m)	To (m)	Interval (m)	Sn (%)	W (%)	Ag (g/t)	Cu (%)	Zn (%)	Comment
TBD002	12.8	73	60.2	0.54	0.01	40.4	0.06	-	Bulk Tonnage Interval
including	12.8	13.4	0.6	7.96	0.08	5.41	-	-	High-grade Vein
and	36.6	73	36.4	0.73	0.01	65.2	0.09	-	Lower Zone – ‘C’ Lode
including	58	73	15	1.17	0.02	150.3	0.20	0.05	High-grade Zone
including	64	70	6	2.28	0.03	229.1	0.35	0.08	High-grade Core
TBRC014	36	37	1	0.10	-	3.7	-	-	
	47	48	1	0.11	-	-	-	-	
TBRC015	82	111	29	0.13	0.03	-	-	-	Lode B
including	82	85	3	0.54	0.13	-	-	-	
TBRC016	29	49	20	0.13	-	-	-	-	
including	29	33	4	0.46	-	-	-	-	
TBRC017	17	34	17	0.11	-	-	-	-	Lode B
including	24	29	5	0.25	-	-	-	-	
	54	58	4	0.34	-	-	-	-	Lode C
TBRC018	133	139	6	0.10	-	-	-	-	
	154	166	12	0.08	0.34	26	-	0.32	
including	154	156	2	0.03	1.73	12	-	0.71	
and	161	166	5	0.16	0.08	45	-	0.27	
TBRC019	57	61	4	0.11	0.18	28	-	-	Lode C
	75	76	1	0.39	-	-	-	-	
TBRC021	42	46	4	0.35	0.04	21.6	-	-	
including	42	43	1	1.23	0.07	53.7	-	-	
	124	149	25	0.14	0.03	3.24	-	-	
including	124	132	8	0.36	0.07	7.73	-	-	

SKY METALS LIMITED

REVIEW OF OPERATIONS

Hole ID	From	To	Interval	Sn	W	Ag	Cu	Zn	Comment
	(m)	(m)	(m)	%	%	g/t	%	%	
including	124	125	1	1.57	0.02	28.8	-	0.1	
	192	202	10	0.12	0.02	4.12	-	0.21	
TBRC022	43	44	1	0.07	0.16	-	-	-	
	88	103	15	0.11	0.04	6.3	-	-	
	100	103	3	0.43	0.06	3.7	-	-	
TBRC023	56	71	15	0.06	0.06	3.3	-	0.35	
including	56	62	6	0.13	0.09	4.2	-	-	
	85	98	13	0.10	0.05	19	-	0.65	
including	85	89	4	0.15	0.11	42	-	0.77	
	116	119	3	0.17	0.11	37	-	1.00	Open to EOH
TBRC024	11	14	3	0.28	0.01	4.9	-	-	
	48	58	10	0.13	0.04	4.3	-	-	
	86	109	23	0.23	0.02	3.4	-	0.20	Broad mineralisation – Open to EOH
including	87	91	4	0.54	0.05	2.9	-	0.16	
including	96	97	1	2.67	0.03	28	-	2.5	
TBRC025	59	63	4	0.34	0.08	25	-	-	Lode C
including	61	62	1	1.33	0.15	82	-	-	
	86	88	2	0.11	0.05	20	-	-	

Table 3 – Tallebung Tin Project, Tallebung Target. Significant drillhole intersections.

DORADILLA project: TIN-POLYMETALLIC (EL 6258, SKY 100%)

3KEL Target – RC and Diamond Drilling

Additional results from the RC and diamond drilling at 3KEL completed by SKY in August 2021 has confirmed further wide, strong, tin-copper mineralisation and established strong continuity over 2.5km long strike length in the primary zone. Results include:

- 3KRCD007:** 42m @ 0.41% tin from 37m including,
7m @ 1.31% tin & 0.22% copper from 63m
- 3KRC011:** 32m @ 0.42% tin & 0.1% copper from 66m including,
9m @ 0.99% tin & 0.31% copper from 81m
- 3KRC012:** 37m @ 0.31% tin from 91m including,
1m @ 4.23% tin & 0.20% copper from 121m

The consistency of the width, strike extent and high-grades of the mineralisation intercepted in the first phase exploration program demonstrates the very large potential scale of the tin-polymetallic mineralisation at the 3KEL Target.

A program of six diamond drillholes were then completed to follow up on these extremely encouraging results from the RC and diamond drilling program in August. The first drill hole in the follow up diamond drilling program intercepted strong visual zinc mineralisation over at least a 12m interval from approximately 145-157m (**Figure 4**). This mineralisation represents a 500m extension along strike of the large 3KEL Target to the northeast. Assays were received in January 2022 and confirmed a strong zone of zinc mineralisation, currently open in all directions:



3KDD013: 11.2m @ 3.09% zinc from 144.9m including, 1m @ 6.54% zinc from 150m

Zinc sulphide (sphalerite) mineralisation is typical in large and zoned tin systems such as the 3KEL discovery. The sphalerite in hole **3KDD013** occurs as bands, stringers and zones of semi-massive sulphides. To test the geological theory that the zinc mineralisation was overlying deeper tin mineralisation, **3KDD017** was drilled under **3KDD013** and intercepted strong zinc and tin mineralisation (**Figure 4**)

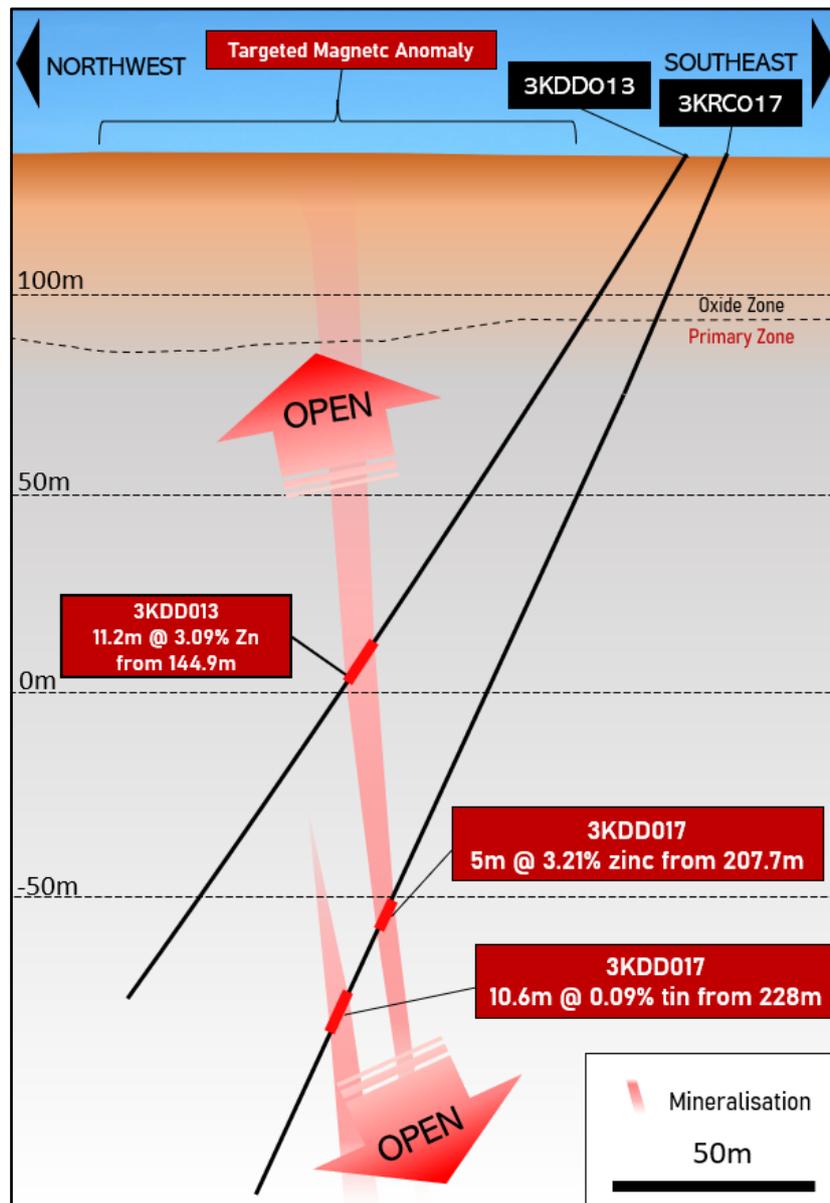


Figure 4: 3KEL Target – Cross-section showing **3KDD013** and **3KRC017**.

The holes **3KDD014-16** were drilled to extend mineralisation along the 3KEL Target at depth over a 2.5km strike. All holes intercepted strong mineralisation a depth. A wide diameter diamond hole, **3KDD018**, was drilled to intercept the high-grade tin mineralisation in **3KRC007** on a sub-parallel angle to produce samples for metallurgical test work (**Figure 5**). Results included:

3KDD018: 81m @ 0.48% tin from 5m, including; 23m @ 1.06% tin from 48m

The high-grade tin results achieved in **3KDD018** show the hole successfully intercepted the 3KEL mineralisation and, therefore, the sample recovered will be suitable for the ongoing metallurgical test work.



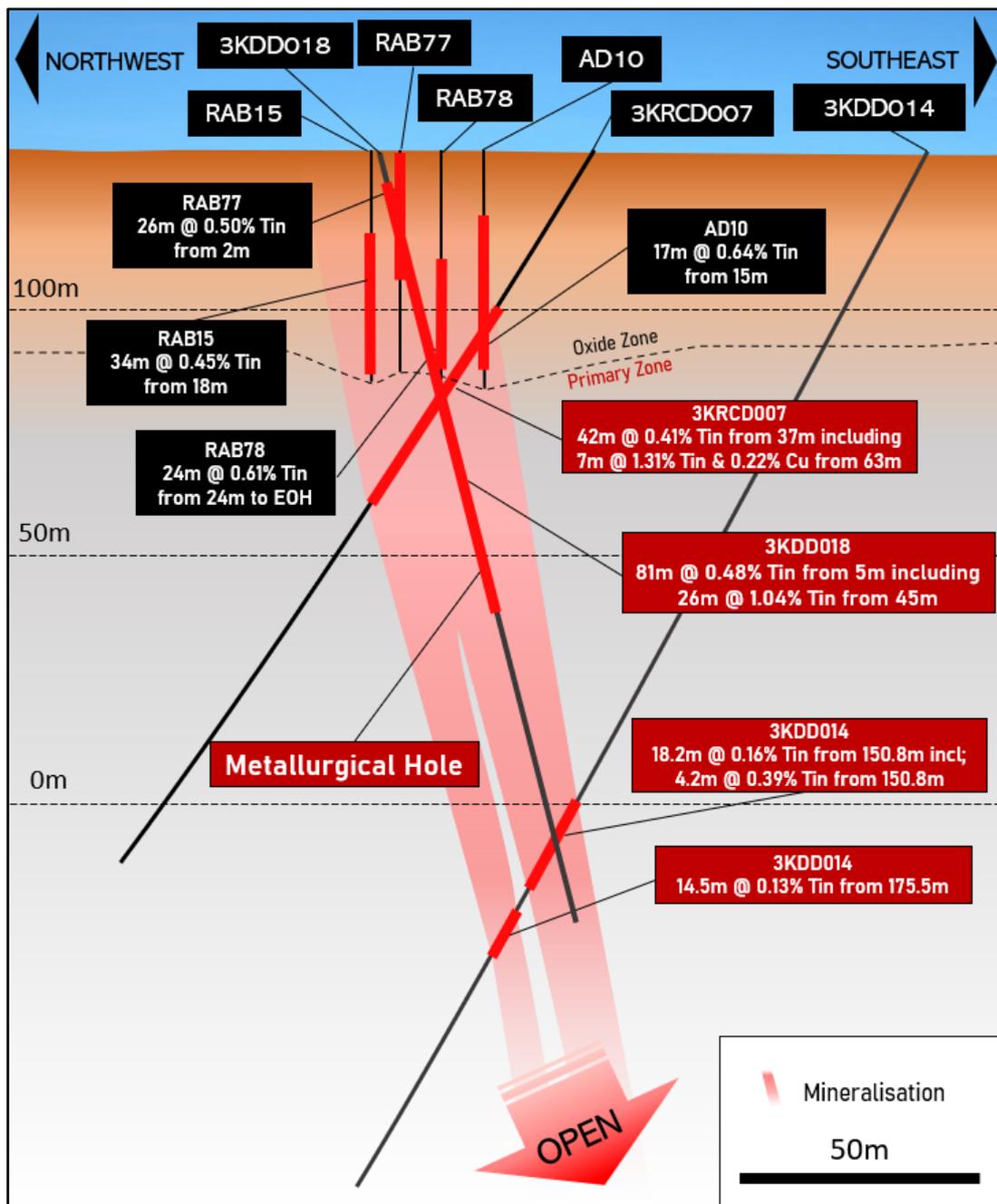


Figure 5: 3KEL Target – Cross-section showing 3KRCD007, 3KDD014 and 3KRC018 – Metallurgical hole.

SKY has engaged a metallurgist to oversee the test work process and several labs have been contacted to develop and test possible flowsheets for the 3KEL mineralisation, labs contacted include ALS Burnie and TOMRA Ore Sorting Solutions. The test work is anticipated to take at least 2-3 months with results and follow-on studies to proceed afterwards.

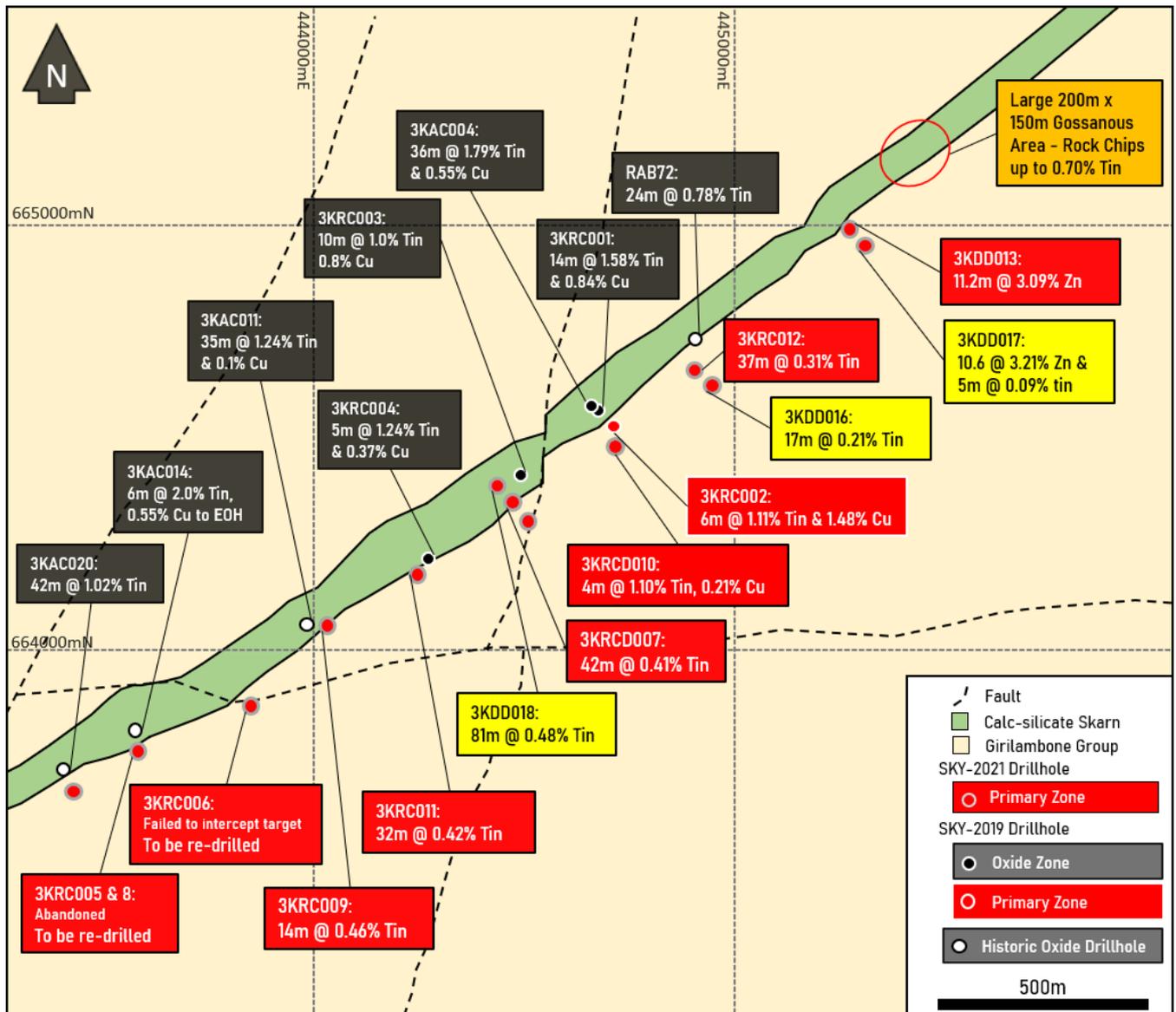


Figure 6: 3KEL Target – Geological map of the 3KEL Target and drillhole collar positions and assays. Drillholes from latest drill program are in the yellow boxes.

3KEL Target – RC Drilling

The large extension and infill RC drilling program commenced at the end of the year and is planned to take at least 2 months. The drill program will continue the drilling of the large 3KEL Target, starting on the north-eastern end of the 3KEL Target before moving to the south-west, testing along the 2.8km strike. This RC program will aim to explore extensions to the large strike of tin mineralisation, extend the zinc mineralisation in **3KDD013** and also test underneath the rock chips results from the large 200m x 150m undrilled gossanous area 200m further to the northeast of **3DKK013**. Rock chips from this gossanous area assayed up to 0.7% tin and represent a +700m extension of the 3KEL Target.

SKY METALS LIMITED

REVIEW OF OPERATIONS

Hole ID	Easting (MGA)	Northing (MGA)	RL (m)	Dip	Azimuth (MGA)	Total Depth (m)	Comments
3KRC005	6648746	443576	135.6	-60	323.8	72	Abandoned
3KRC006	6648872	443847	135.1	-60	323.8	156	Completed
3KRCD007	6649356	444459	132.8	-60	323.8	204.6	RC pre-collar with diamond tail
3KRC008	6648756	443579	135.7	-60	323.8	66	Abandoned
3KRC009	6649051	444026	134.6	-60	323.8	156	Completed
3KRCD010	6649464	444698	132.7	-60	323.8	222.7	RC pre-collar with diamond tail
3KRC011	66491893	444238	131.9	-60	323.8	156	Completed
3KRC012	6649663	444898	131.9	-60	323.8	138	Completed
3KDD013	445302.3	6649969.1	129.2	-55	324.6	246.6	Intercepted strong Zinc mineralisation
3KDD014	444494.1	6649295.6	132.8	-60	324.6	237.7	Strong visual UV fluorescent tin minerals
3KDD015	443487.4	6648634.5	136.6	-55	323.6	222.5	Drilled under 3KAC020
3KDD016	444933.9	6649621.1	132.1	-60	324.6	252.6	Completed
3KDD017	445309.7	6649962.4	129.3	-66	334.6	276.7	Completed
3KDD018	444425.6	6649385.2	135.4	-75	142	168.5	Completed

Table 4 – Doradilla Tin-Polymetallic Project, 3KEL Target. Collar summary for drill holes.

Hole ID	From (m)	To (m)	Interval (m)	Sn (%)	Cu (%)	Zn (%)	In (g/t)	Ag (g/t)	Comment
3KRCD007	37	79	42	0.41	-	0.1	39.22	-	Oxide and Primary Mineralisation
including	63	70	7	1.31	0.22	0.15	101.1	4.22	Primary Mineralisation
3KRC009	90	101	11	0.26	0.06	-	12.92	-	Primary Mineralisation
and	106	120	14	0.46	-	-	22.15	-	Primary Mineralisation
including	108	115	7	0.77	-	-	33.39	-	Primary Mineralisation
3KRCD010	135	139	4	1.10	0.21	-	91.46	4.85	
3KRC011	66	98	32	0.42	0.1	0.57	45.97	1.39	
including	81	90	9	0.99	0.31	0.98	94.01	2.85	
3KRC012	40	45	5	0.23	-	-	-	-	
and	69	84	15	0.16	-	-	22.48	-	
and	91	128	37	0.31	-	-	16.26	-	
including	121	122	1	4.23	0.20	-	42.4	-	
3KDD013	144.9	156.1	11.2	0.03	-	3.09	5.97	1.11	Broad Zinc mineralisation
including	150	151	1	0.03	-	6.54	3.93	2.39	
3KDD014	150.8	169	18.2	0.16	-	-	16.1	-	Broad mineralisation
including	150.8	155	4.2	0.38	-	-	29.4	-	



SKY METALS LIMITED

REVIEW OF OPERATIONS

Hole ID	From	To	Interval	Sn	Cu	Zn	In	Ag	Comment
	(m)	(m)	(m)	%	%	%	g/t	g/t	
	175.5	190	14.5	0.13	-	-	15.8	-	Second zone of mineralisation
3KDD015	159.7	169.5	9.8	0.15	-	-	20	9.8	Broad mineralisation
including	159.7	165	5.3	0.23	-	-	29.3	5.1	
3KDD016	179	229	50	0.11	-	-	-	-	Broad mineralisation
including	185	203	18	0.20	-	-	-	-	
3KDD017	207.7	212.7	5	0.05	-	3.21	17.0	-	Upper Zinc Zone
and	228	238.6	10.6	0.09	-	-	11.4	-	Lower Tin Zone
3KDD018	5	86	81	0.48	0.06	0.19	32.5	-	Broad mineralisation
including	45	71	26	1.04	0.10	0.30	67.1	-	High-grade zone of mineralisation

Table 5 – Doradilla Tin-Polymetallic Project, 3KEL Target. Significant drillhole intersections.

SKY METALS LIMITED

REVIEW OF OPERATIONS

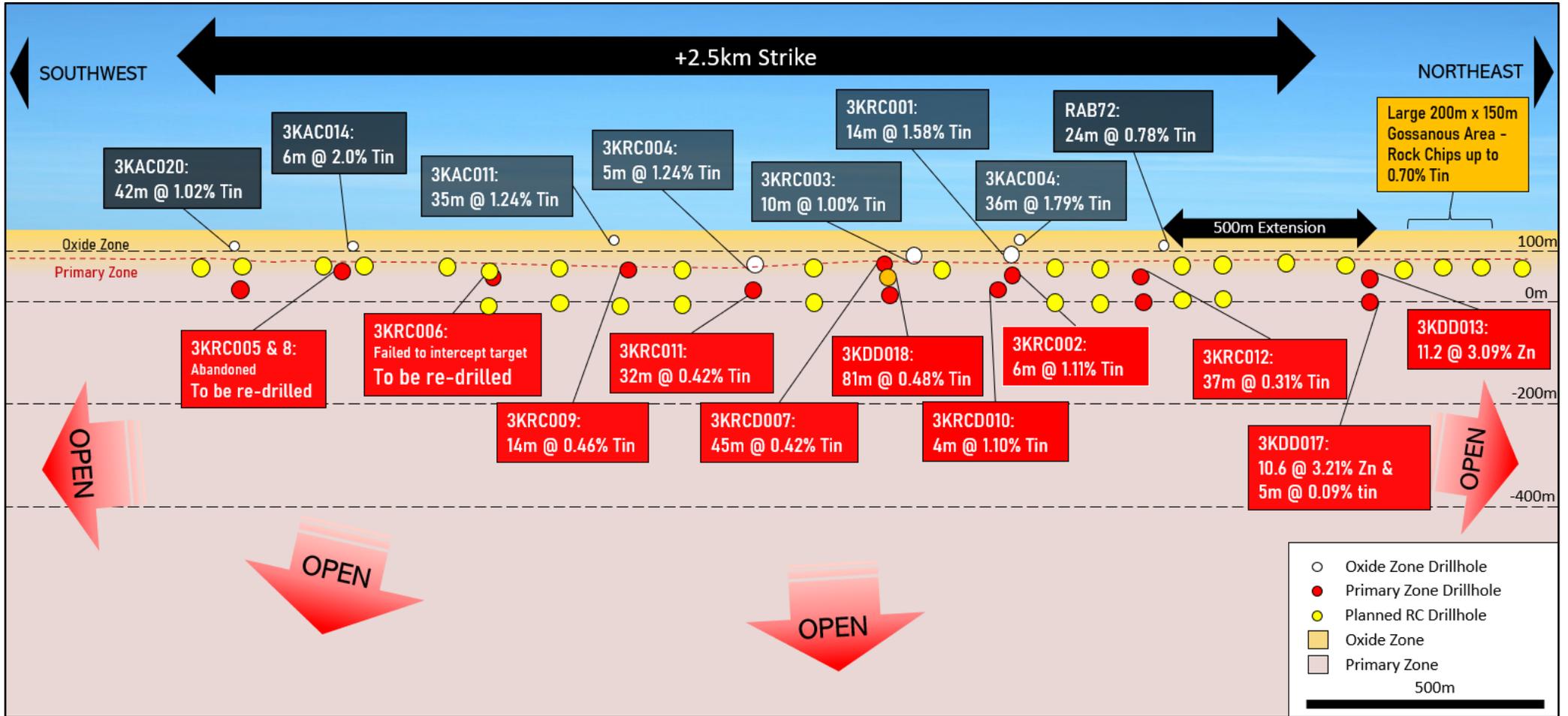


Figure 7: 3KEL Target – Schematic Long Section. Holes 3KRC005 and 3KRC008 were drilled from the same pad and both holes were abandoned before reaching the target depth.

CULLARIN PROJECT: GOLD-LEAD-ZINC-COPPER (EL 7954, SKY 80%; HRR JV)

Hume Target – Diamond Drilling

Diamond drilling completed at the Hume Target this year was aimed at extending the high-grade, gold-lead-zinc-copper mineralisation. **HUD030** was drilled to test repetitions of the Hume Structure, which controls the high-grade mineralisation at Hume and **HUD031** was drilled to test down plunge extensions of the Hume Target. **HUD031** intercepted intervals of massive sulphides and strong base metal mineralisation, extending the known mineralisation by over 80m down plunge, more than any previous drilling at Hume. Assays received from **HUD031** show broad intervals of base metal mineralisation at depth (**Figure 6**). These results demonstrate that the Hume Target not only remains open at depth but also appears to be thickening. Results received to date include:

HUD031: 32m @ 5.09% Pb+Zn, 0.15% Cu, 6g/t Ag from 420m including;
6m @ 8.93% Pb+Zn, 0.51% Cu, 18g/t Ag, 0.13g/t Au from 446m

SKY is very encouraged by these results for **HUD031** and thicker intervals of mineralisation at the Hume Target. This demonstrates the potential of broader zones of mineralisation which warrant further exploration. SKY intends to follow-up these promising results by re-entering **HUD030** and drilling on to intercept the Hume Structure approximately 150m below **HUD031**. This will test further extensions of the high-grade mineralisation in **HUD031** and test for any other potential mineralisation by using the hole as a platform for an DHEM survey.

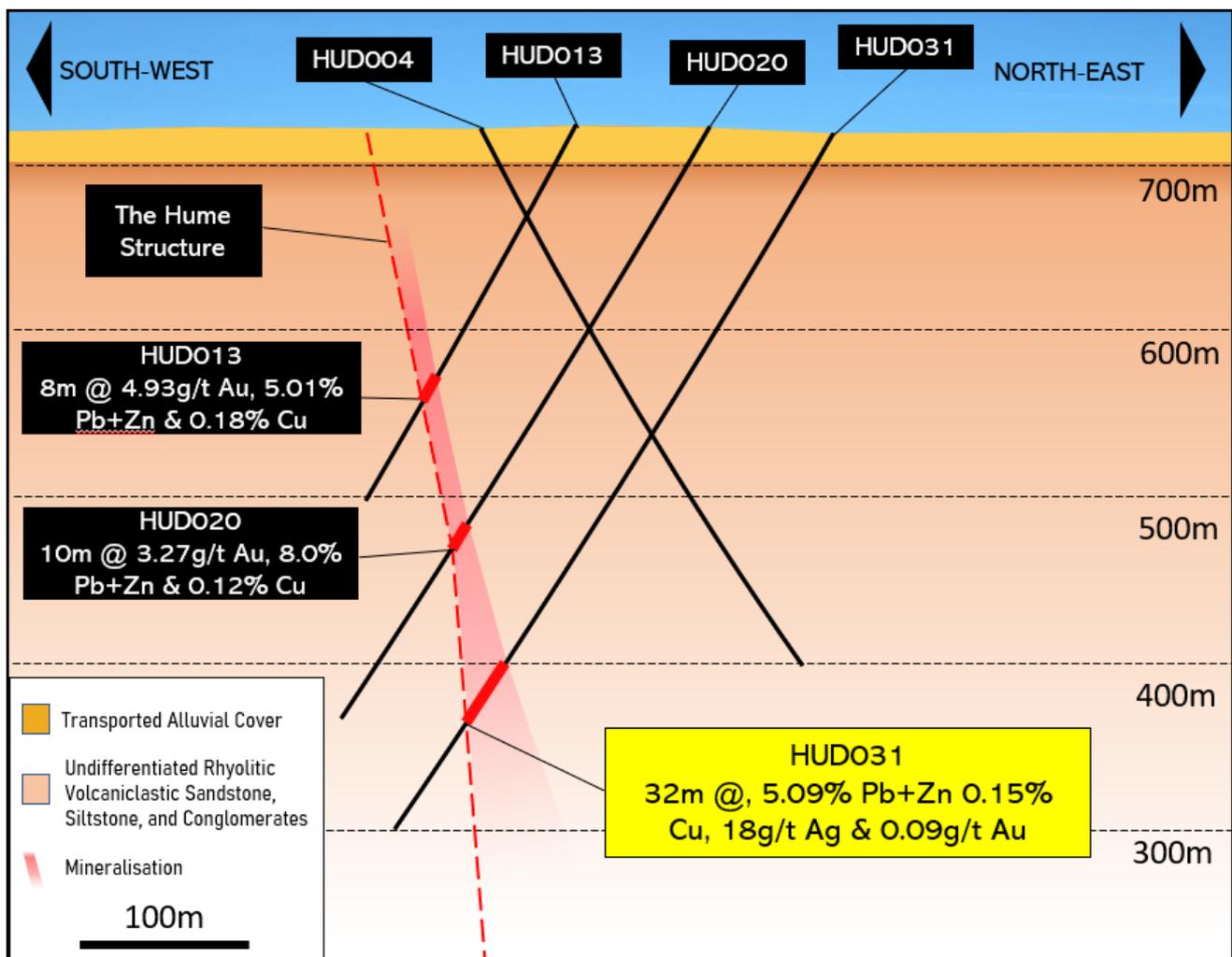


Figure 8: Schematic Cross Section of HUD013, HUD020 and HUD031. HUD030 will intercept below HUD031 off section.

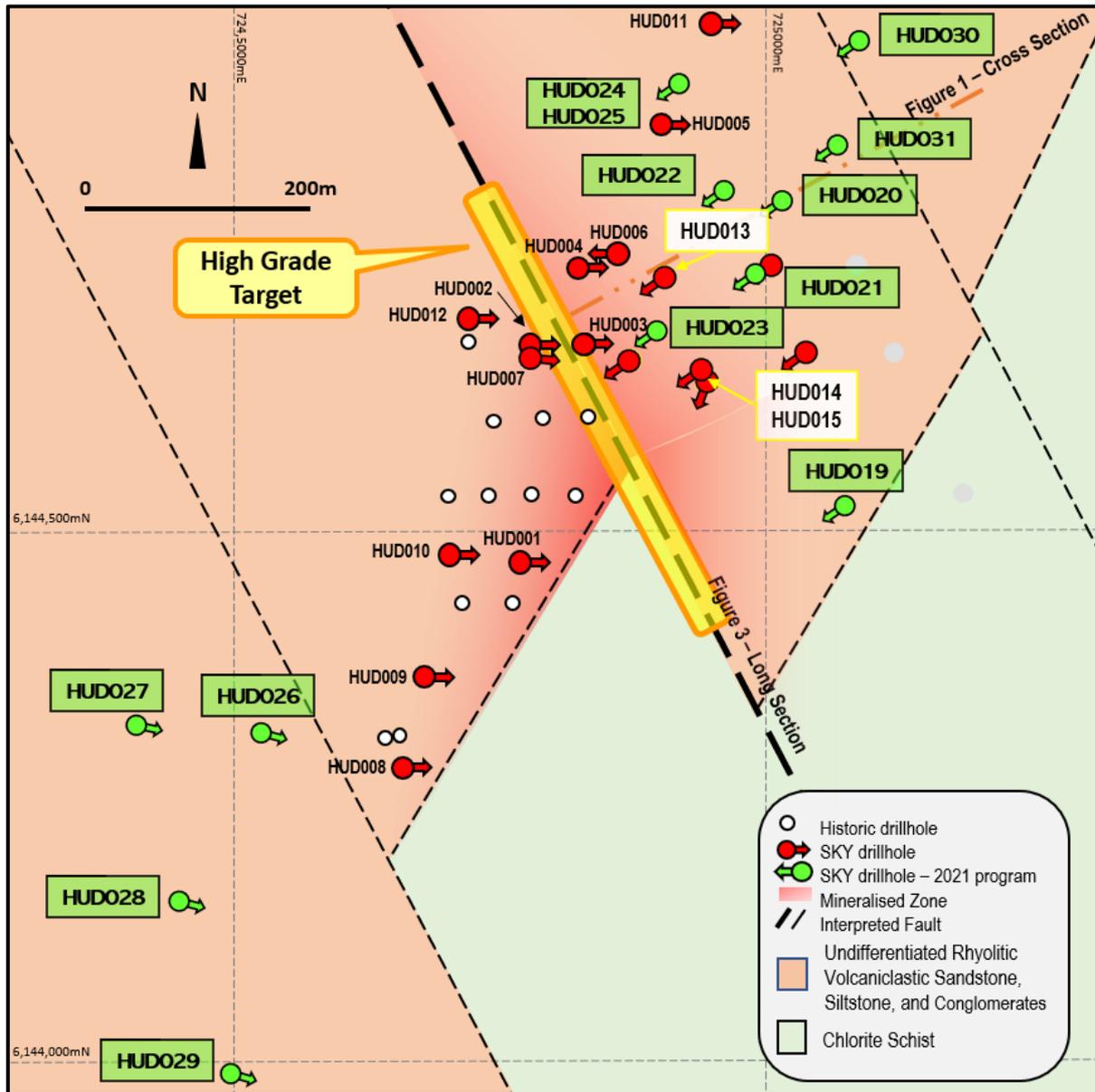


Figure 9: Cullarín Gold-Lead-Zinc-Copper Project - Hume Target – Drillhole locations plan view.

SKY METALS LIMITED

REVIEW OF OPERATIONS

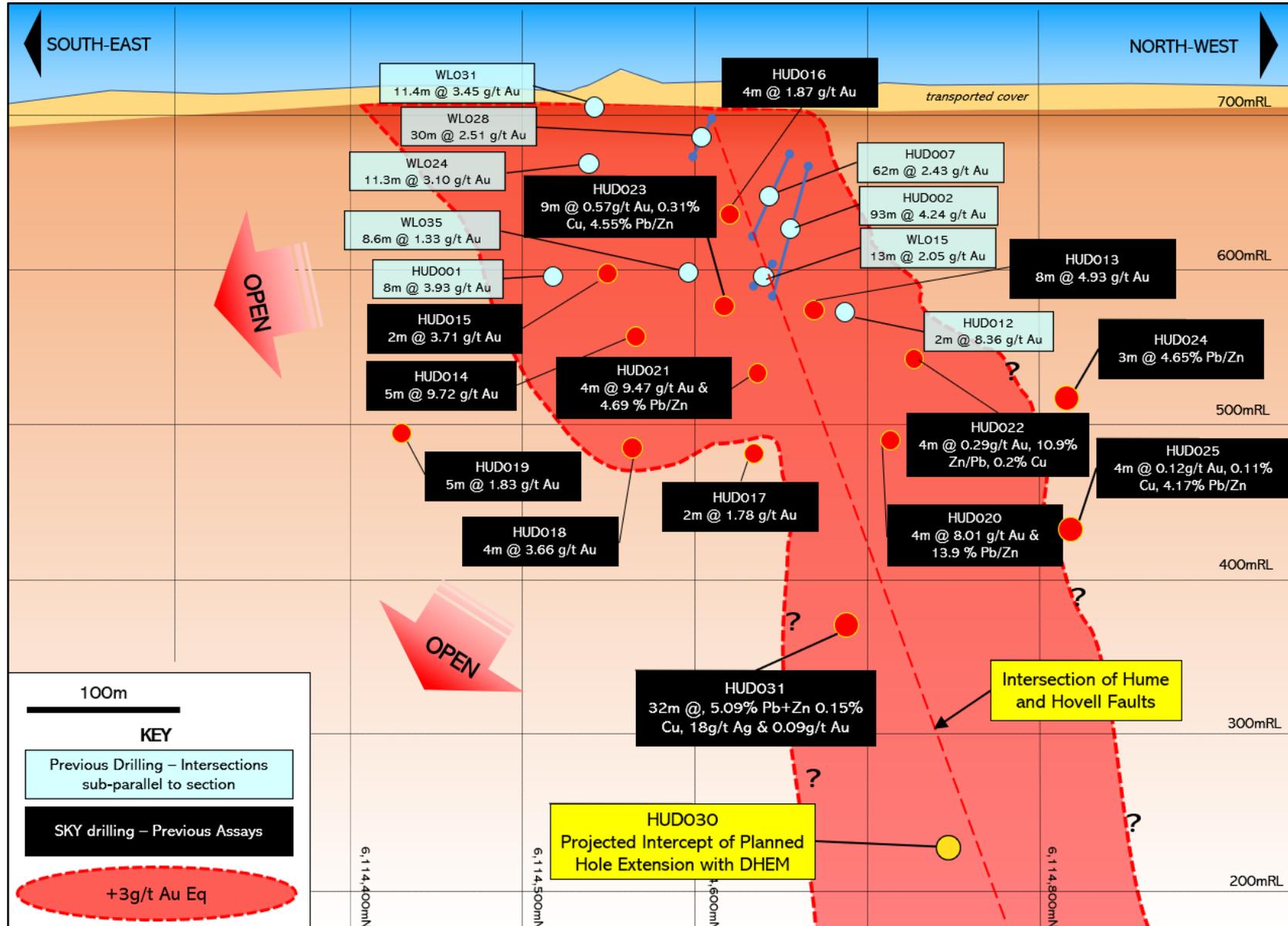


Figure 10: Hume Target – Long Section (schematic). Significant Intersections

SKY METALS LIMITED

REVIEW OF OPERATIONS

Hole ID	Easting (MGA)	Northing (MGA)	RL (m)	Dip	Azimuth (MGA)	Total Depth (m)	Comments
HUD030	725121	6144959	737	-60	235	303.6	Completed
HUD031	725021	6144777	725	-60	245.5	515.6	Completed

Table 1 – Cullarin Gold-Lead-Zinc-Copper Project, Hume Target. Collar summary for drill holes.

Hole ID	From	To	Interval	Au	Cu	Pb	Zn	Ag	Comment
	(m)	(m)	(m)	g/t	%	%	%	g/t	
HUD031	348	452	104	0.05	0.06	1.22	1.68	3.59	
Incl.	420	452	32	0.09	0.15	2.35	2.73	6.28	
Incl.	436	452	16	0.13	0.23	3.85	3.36	10.3	
Incl.	446	452	6	0.13	0.51	6.36	2.57	18	

Table 2 Cullarin Gold-Lead-Zinc-Copper Project, Hume Target. Significant drillhole intersections

CALEDONIAN PROJECT: GOLD (EL 8920, EL 9120, SKY 100%)

Caledonian Target – AC Drilling

SKY has now completed a soil sampling program, two phases of RC drilling and two diamond drill holes at the Caledonian Target. Results from these programs have delineated shallow high-grade gold mineralisation over a 700m x 500m area, results include:

- CARC002:** 3m @ 13.6 g/t Au from 14m including,
1m @ 38.4 g/t Au from 15m
- CAD001:** 2m @ 11.4 g/t Au from 22m including,
1m @ 21.9 g/t Au from 22m
- CARC011:** 5m @ 4.46 g/t Au from 11m including,
2m @ 8.82 g/t Au from 11m

A review of SKY's and historic results indicates the gold mineralisation at Caledonian likely represents a shallow, sub-horizontal blanket of oxide and supergene gold mineralisation developed over an oxidised skarn. SKY completed a shallow aircore (AC) drilling program over the area to delineate this target (**Figure 10**). The drilling program consisted of 38 vertical AC holes for a total of 697m on 50-100m spacing over the 600m x 400m area of mineralisation defined by the previous drilling, soil sampling and costeaming.

Significant ground waters were intercepted by the AC drilling which prevented all but 4 of the 38 holes from reaching refusal. As such, many of the holes were abandoned prematurely and may not have reached target depth to intercept significant mineralisation. SKY does not consider the target concept to have been effectively tested. Better results include:

- CAAC029:** 3m @ 2.08g/t Au from 8m to EOH including;
1m @ 4.29g/t Au from 9m
- CAAC016:** 9m @ 0.4g/t Au from 7m
- CAAC036:** 3m @ 0.49g/t Au from 0m

These results will be evaluated, along with the previous drilling, to direct SKY to further shallow high-grade oxide gold mineralisation in the target area.

SKY METALS LIMITED

REVIEW OF OPERATIONS

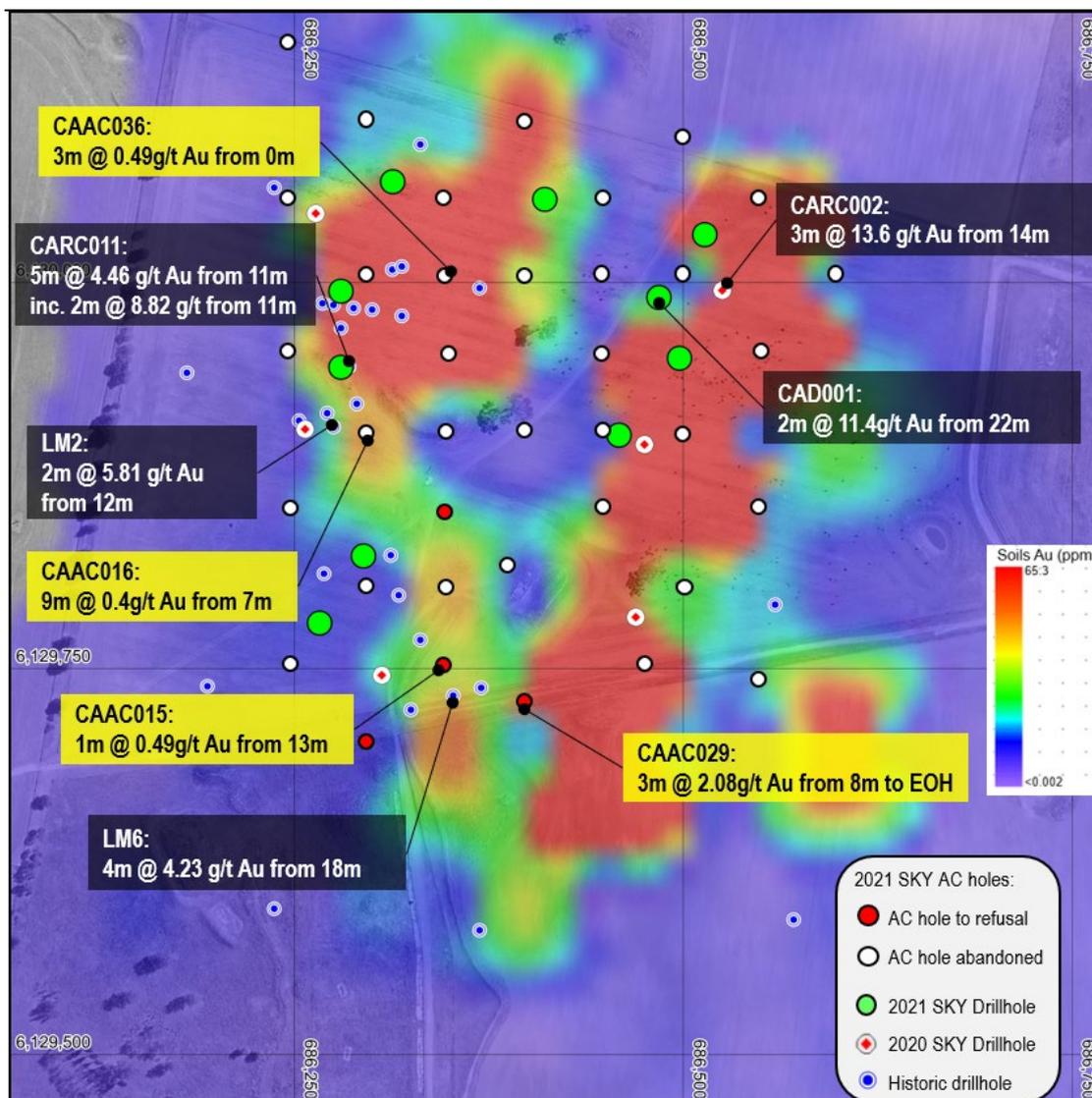


Figure 11 – Caledonian Gold Project – Plan view of the Caledonian Target area with drilling intercepts overlaid on gold in soils.

IRON DUKE project: COPPER-GOLD

BALMAIN Option 100% (EL6064), SKY 100% (9191)

The Iron Duke Project covers the Iron Duke Shear Zone which is at least 4km in strike and open to the south. Several historic copper mines occur along the Iron Duke Shear Zone including the Iron Duke, Christmas Gift, Monarch, Mount Pleasant and Silver Linings mines, along with several unnamed copper workings and shafts. Last year, SKY completed a maiden drilling program at the Iron Duke Mine, in conjunction with a VTEM survey and DHEM, to identify extensions to the high-grade copper-gold mineralisation along the Iron Duke Shear Zone (SKY:ASX Announcement 2nd June 2021).

An RC and diamond drilling program is planned to test for further extensions to the Iron Duke mine and test the previously undrilled historic mines at the Christmas Gift Workings (comprising of the Christmas Gift, Monarch, Mount Pleasant and Silver Linings mines). However, this program has been delayed due to extremely wet ground condition preventing access to the area. Currently, this program is planned for the following year after a detailed review of the geophysics, mining records, historic data and previous drilling to develop robust targets for further drill testing and expansion of the Iron Duke mineralisation.

Galwadgere PROJECT: Copper-GOLD

100% SKY (EL6320)

Last year in 2021, SKY announced the Galwadgere maiden JORC-2012 Inferred Resource of **3.6Mt at 0.82% Cu & 0.27g/t Au** prepared by H&S Consultants (H&SC). H&S were engaged by SKY to complete the maiden

SKY METALS LIMITED

REVIEW OF OPERATIONS

resource using drilling completed by SKY in 2020 and previous drilling completed by Alkane Resources (ALK) and other past explorers. A drilling program at the Galwadgere Target is planned for the next year to further expand on the maiden JORC-2012 resource.

Soil sampling undertaken along strike from the Galwadgere MRE has identified two copper-gold, multielement pathfinder soil anomalies. The northern soil sampling program has delineated a 200m x 100m soil anomaly which is coincident with the McDowell's mine, several historic mine shafts and copper-carbonate bearing rocks discovered near these workings. Soil sampling south of the Galwadgere Target has identified another soil anomaly which appears similar in tenor to the anomaly identified at the McDowell's mine. These anomalies are within 3km of the Galwadgere resource and provide strong support for expanding the copper-gold resource at Galwadgere with along strike exploration. These are priority drill targets to be tested.

KANGIARA project: GOLD

80% SKY (EL8400 & EL8573; DVP JV)

The Kangiara Project (EL8400, EL8573) is located 30km northwest of Yass in the Southern Tablelands of New South Wales (**Figure 9**). The project contains volcanic/volcaniclastic rocks of the Silurian Douro Group considered prospective for gold and base metal (copper-zinc) mineralisation. The high grade Kangiara Mine operated during the early 1900s, with documented production of ~40,000 tonnes at 16% Pb, 3% Cu, 5% Zn, 280g/t Ag and 2g/t Au from narrow north-south trending sulphide veins (ASX PDM 18 June 2009). Previous work by Paradigm Metals led to the calculation of an Indicated and Inferred Mineral Resource at Kangiara. Further desktop studies and follow-up field investigations are planned for next year.

TIRRANA PROJECT: GOLD

100% SKY (EL9048)

As part of a regional review of the Cullarin area for McPhillamys-style gold mineralisation, SKY identified an area of open ground to the south-east of the Cullarin project. A detailed desktop review of previous exploration covering Tirrana was completed in the December 2021. This review identified two key areas for follow up.

NEW ENGLAND project: Tin

100% SKY (EI9200 & 9210)

The New England Projects in the New England Orogen of NSW cover areas of significant historical tin production – Emmaville & Gilgai. These areas were selected as they were considered to have significant potential to host hardrock tin resources and limited modern day exploration has been conducted. A detailed desktop review of previous exploration covering these areas is proposed for next year with field work planned to follow-up any prospective targets which are identified.

NARRAIH project: Tin

100% SKY (ELA6486)

The Narriah Project is prospective for tin, lithium and tungsten. Multiple historic mines and workings are present in the area including the Restdown and Erigolia tin mining fields. Historic records state that tin and tungsten were previously mined from both alluvial and hard rock sources. The tenement covers the Erigolia Granite intruding the sediments of the Clements Formation. Previous exploration identified anomalous lithium in rock and soil sampling. Lithium anomalism appears offset to the historic tin workings in the vicinity of the Restdown mining field. At this stage, no lithium bearing minerals are identified in samples from the tenement. Further work to understand the distribution of lithium and the lithium-bearing minerals is required upon grant of the tenement which is anticipated for the December quarter 2022. Following the grant of this tenement, SKY will conduct a detailed literature review of previous exploration and field work as required, including geological mapping, potential surface sampling and drilling of any targets identified.

SKY METALS LIMITED

REVIEW OF OPERATIONS

Holder	Equity	Licence ID	Grant Date	Expiry Date	Units	Area	Comment
Tarago Exploration Pty Ltd (DVP sub)	80%	EL7954	19/06/2012	19/06/2028	51	144	Cullarin Project earning up to 80%, DVP:ASX JV, earned 80% 04/08/2020
Ochre Resources Pty Ltd (DVP sub)	80%	EL8400	20/10/2015	20/10/2024	52	147	Kangiarra Project 1 earning up to 80% DVP:ASX JV, earned 80% 04/08/2020
Ochre Resources Pty Ltd (DVP sub)	80%	EL8573	23/05/2017	23/05/2023	17	48	Kangiarra Project 2 earning up to 80% DVP:ASX, earned 80% 04/08/2020
Aurum Metals Pty Ltd (ACN 145 468 408)	100%	EL8920	5/12/2019	5/12/2025	65	183	Caledonian
Aurum Metals Pty Ltd (ACN 145 468 408)	100%	EL9048	15/02/2021	15/02/2026	52	146.6	Tirrana
Aurum Metals Pty Ltd (ACN 145 468 408)	100%	EL8915	18/11/2019	18/11/2024	29	82	Relinquished December 2020
Stannum Pty Ltd (ABN 33 121 771 695)	100%	EL6258	21/06/2020	21/06/2026	38	110	Doradilla
Stannum Pty Ltd (ABN 33 121 771 695)	100%	EL6699	10/01/2007	10/01/2027	14	41	Tallebung
Balmain Minerals Pty Limited	Option to Purchase	EL6064	21/03/2003	20/03/2028	5	14.5	Iron Duke
Cuprum Aurum Pty Ltd (ACN 128 437 507)	100%	EL6320	12/04/2004	11/10/2026	14	40	Galwadgere
Aurum Metals Pty Ltd	100%	EL9120	30/03/2021	30/03/2027	50	141	Murrum
Gradient Energy Pty Ltd	100%	EL9191	8/06/2021	8/06/2027	60	146	Albert
Stannum Pty Ltd	100%	EL9200	21/06/2021	21/06/2027	74	222	Emmaville
Stannum Pty Ltd	100%	EL9210	1/07/2021	1/07/2027	82	244	Gilgai
Stannum Pty Ltd	100%	ELA6486	-	-	92	262	Narriah – Application Pending Grant

Table 8: Sky Metals - Tenement Summary

SKY METALS LIMITED

REVIEW OF OPERATIONS

Business risks

Events may occur within or outside Australia that could impact upon the world economy, commodity prices, the operations of Sky Metals. These events include war, acts of terrorism, civil disturbance, political intervention and natural events such as earthquakes, floods, landslides, fires and poor weather affecting roadways and which may disrupt field work and exploration activities. While the Company will endeavour to manage these risks where possible and limit any impacts, there can be no guarantee that the Company will not be impacted by these occurrences.

COVID-19 and regulatory controls arising from it have had minimal impact on the Company. The initial stages of COVID-19 regulation, whilst impacting on some exploration activities and capital raising sentiment, did not directly impact the Company. As has been demonstrated, the Company was able to successfully undertake its planned exploration program while implementing all reasonable measures to ensure the safety of SKY personnel, contractors, and the broader community.

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

No Material Changes

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

Competent Person Statement

The information in this report that relates to Exploration Results is based on information compiled by Rimas Kairaitis, who is a Member of the Australasian Institute of Mining and Metallurgy. Rimas Kairaitis is a Director of Sky Metals Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Kairaitis consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

SKY METALS LIMITED

CORPORATE GOVERNANCE STATEMENT

The Board is committed to maintaining the highest standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council.

The 2022 Corporate Governance Statement was approved by the Board on 30 September 2022 and reflects the corporate governance practices throughout the 2022 financial year. A description of the Company's current corporate governance practices is set out in the Company's Corporate Governance Statement, which can be viewed at <http://www.skymetals.com.au/index.cfm/company/corporate-governance/>

SKY METALS LIMITED

DIRECTORS REPORT

The Directors present their report together with the consolidated financial statements of the Group comprising of Sky Metals Limited ('the Company') and its subsidiaries for the financial year ended 30 June 2022 and the auditor's report thereon.

Directors

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

Norman Alfred Seckold, Executive Chairman

Director since 4 December 2001

Norman Seckold graduated with a Bachelor of Economics degree from the University of Sydney in 1970. He has spent more than 40 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 process technology company Alpha HPA Limited, Santana Minerals Limited, a precious metals exploration company, and Deputy Chairman and Executive Director of Nickel Industries Limited a nickel mining and production company operating in Indonesia.

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. From 2006-2016 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 process technology company Alpha HPA Limited (ASX: A4N).

Richard Grant Manners Hill

Director since 20 June 2019.

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

SKY METALS LIMITED

DIRECTORS REPORT

Company Secretary

Richard Willson

Company Secretary since 31 July 2019

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

Richard has a Bachelor of Accounting from the University of South Australia, is a Fellow of CPA Australia, and a Fellow of the Australian Institute of Company Directors. He is a Non-Executive Director of Titomic Limited (ASX:TTT), AusTin Mining Limited (ASX:ANW), Thomson Resources Limited (ASX:TMZ), PNX Metals Limited (ASX:PNX), MedTEC Holdings Ltd, and Unity Housing Company Ltd; and Company Secretary of a number of ASX Listed Companies.

Directors' and Executives' Remuneration

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

Directors' Meetings

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

Director	Board Meetings	
	Held	Attended
Norman A. Seckold	3	3
Rimas Kairaitis	3	3
Richard G.M. Hill	3	3

The Board met informally frequently throughout the year.

Directors' Interests

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

Director	Fully paid ordinary shares	Options over ordinary shares	Options Terms	Performance Rights	Performance Rights Terms
Norman Seckold	18,731,060	-	-	-	-
Rimas Kairaitis	9,130,830	2,300,000	\$0.08 at any time up to 24 June 2023	-	-
Richard Hill	6,900,000	1,900,000	\$0.08 at any time up to 24 June 2023	-	-

SKY METALS LIMITED

DIRECTORS REPORT

Unissued shares under option

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

Number of shares	Exercise Price	Expiry Date
17,398,437	\$0.08	20 June 2023
1,500,000	\$0.12	24 October 2022
2,000,000	\$0.12	31 January 2023
2,000,000	\$0.16	31 January 2023
2,000,000	\$0.20	31 January 2023
2,000,000	\$0.25	31 January 2024

Performance Rights

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

Number of shares	Performance Milestone Share Price	Expiry Date
1,950,000	\$0.35	27 October 2022
6,000,000	\$0.18	17 December 2024

Principal Activities

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

Financial Results

The consolidated loss after income tax attributable to members of the Company for the financial year ended 30 June 2022 was \$2,318,155 (30 June 2021 - \$2,352,292 loss).

Review of Operations

A review of operations of the consolidated entity during the year ended 30 June 2022 is provided in the 'Review of Operations'.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 30 June 2022. No dividends have been paid or declared during the period (2021 - \$nil).

Environmental Regulations

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

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

SKY METALS LIMITED

DIRECTORS REPORT

Likely Developments

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

Indemnification of Directors and Officers

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

Proceedings on Behalf of The Company

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

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

Significant changes in the state of affairs

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

Subsequent Events

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

SKY METALS LIMITED

DIRECTORS REPORT

Remuneration Report - Audited

Principles of Compensation - Audited

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

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

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

There were no remuneration consultants used by the Company during the year ended 30 June 2022 or in the prior year.

Non-Executive Director Remuneration

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

The Constitution of the Company provides that the Non-Executive Directors are entitled to remuneration as determined by the Company and approved at a general meeting of shareholders. The aggregate remuneration currently determined by the Company is \$500,000 per annum, excluding shareholder approved share based payments. Additionally, Non-Executive Directors are entitled to be reimbursed for properly incurred expenses. Currently Non-Executive Directors fees are \$40,000 per annum, and the Chairman \$50,000 per annum.

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

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

The remuneration of Non-Executive Directors for the year ended 30 June 2022 is detailed in this Remuneration Report

Executive Service Agreement

Mr Oliver Davies became the Chief Executive Officer of the Group on 26 April 2022. Mr Davies receives an annual remuneration of \$210,000 (plus superannuation). The Company, or Mr Davies may terminate the employment by giving one month written notice.

SKY METALS LIMITED

DIRECTORS REPORT

Remuneration Report - Audited (Cont.)

Details of Directors & Executives

The following table provides details of the members of key management personnel of the entity as at 30 June 2022:

Directors and Executives	Position held
Norman Seckold	Chairman
Rimas Kairaitis	Non-Executive Director
Richard Hill	Non- Executive Director
Oliver Davies	Chief Executive Officer – from 26 April 2022 Exploration Manager – to 26 April 2022

Details of remuneration for the year ended 30 June 2022 - Audited

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

	Period	Directors & Consulting Fees/salary \$	Share based payments Shares & options \$	Post - employment benefit Super-annuation \$	Short Term Benefits \$	Total \$	Remuneration subject to a performance condition %
Directors and Executives							
Executives							
Oliver Davies ⁽¹⁾	2022	177,476	70,016 ⁽⁴⁾	17,748	22,239	287,479	24.4
	2021	42,500	202,471 ⁽³⁾	4,037	7,931	256,939	5.4
Non-executive Directors							
Norman Seckold (Chairman)	2022	50,000	254,253 ⁽²⁾	-	-	304,253	83.6
	2021	50,000	273,375 ⁽²⁾	-	-	323,375	84.5
Rimas Kairaitis	2022	40,000	226,000 ⁽²⁾	-	-	266,000	85.0
	2021	40,000	243,000 ⁽²⁾	-	-	283,000	85.9
Richard Hill	2022	72,650	226,000 ⁽²⁾	-	-	298,650	75.7
	2021	69,600	243,000 ⁽²⁾	-	-	312,600	77.7
Total all specified Directors & Executives	2022	340,126	776,269	17,748	22,239	1,156,382	67.1
	2021	202,100	961,846	4,307	7,931	1,175,914	65.8

SKY METALS LIMITED

DIRECTORS REPORT

Remuneration Report - Audited (Cont.)

- (1) Appointed as Exploration manager on 1 April 2021 and as CEO on 26 April 2022.
- (2) During the six months to 30 June 2020 6,250,000 performance rights were issued to Directors which vest over the term of the rights. These performance rights lapsed on 5 June 2022.
- (3) During the year ended 30 June 2021 2,000,000 options (valued at \$188,530), and 600,000 employee performance rights (valued at \$111,840) were issued to Oliver Davies. Vesting expense from the date Oliver Davies commenced as KMP is \$202,471.
- (4) During the year ended 30 June 2022 2,000,000 performance rights (valued at \$164,000) were issued to Oliver Davies.

Options granted as compensation

There were no options over ordinary shares granted to Directors or Executives as remuneration during the year ended 30 June 2022.

Performance Rights granted as compensation

On 17 February 2022 1,000,000 performance rights were issued to Mr Oliver Davies. On 16 May 2022 a further 1,000,000 performance rights were issued to Mr Oliver Davies for his role as CEO.

The performance rights will convert into shares at no cost upon the Company's share price achieving a 5 day VWAP share price of 18 cents before 17 December 2024 and the Board of Directors being satisfied that SKY's environmental, social and corporate governance 'ESG' performance is satisfactory.

Director / Key Management Personnel	Grant Date	Number of Performance Rights Granted	Fair Value at Grant Date
Oliver Davies	17 February 2022	1,000,000	\$0.082
Oliver Davies	16 May 2022	1,000,000	\$0.082

The fair value of the performance rights at grant date was determined using a Monte Carlo simulation model. The model inputs of the performance rights issued were the Company's share price of \$0.092 at the grant date, a volatility factor of 108% based on historical share price, a risk-free rate of 1.49% based on the 5-year government bond rate and no dividend paid.

SKY METALS LIMITED

DIRECTORS REPORT

Remuneration Report - Audited (Cont.)

Analysis of movement in equity instruments

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

Key management personnel	Granted in period* (\$)	Value of rights or options exercised in period (\$)	Cancelled / Expired options in period (\$)
Oliver Davies	164,000	-	-
Norman Seckold	-	-	545,895
Rimas Kairaitis	-	-	485,240
Richard Hill	-	-	485,240

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

Ordinary shareholding of key management personnel movement in shares - Audited

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

Key management personnel	Held at 1 July 2021	Share Placement	On Market Purchase	Other / Disposed	Held at 30 June 2022
Norman Seckold	15,061,623	-	3,669,467	-	18,731,090
Rimas Kairaitis	8,930,830	-	200,000	-	9,130,830
Richard Hill	6,900,000	-	-	-	6,900,000
Oliver Davies	100,000	-	-	-	100,000

SKY METALS LIMITED

DIRECTORS REPORT

Remuneration Report - Audited (Cont.)

Option holdings of key management personnel movement in options - Audited

Key management personnel	Held at 1 July 2021	Granted	Vested	Lapsed / Cancelled	Held at 30 June 2022*
Rimas Kairaitis	2,300,000	-	-	-	2,300,000
Richard Hill	1,900,000	-	-	-	1,900,000
Oliver Davies	3,000,000	-	-	-	3,000,000

* Terms of options:

- (a) Oliver Davies 2,000,000 options granted and expiring 31 January 2024 and 1,000,000 options granted and expiring 24 October 2022
- (b) Richard Hill and Rimas Kairaitis 4,200,000 options granted 20 June 2019 and expiring 20 June 2023.

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

Key management personnel	Held at 1 July 2021	Granted	Vested	Lapsed / Cancelled	Held at 30 June 2022*
Norman Seckold	2,250,000	-	-	(2,250,000)	-
Rimas Kairaitis	2,000,000	-	-	(2,000,000)	-
Richard Hill	2,000,000	-	-	(2,000,000)	-
Oliver Davies	600,000	2,000,000	-	-	2,600,000

*Performance rights held by Oliver Davies:

- (a) 600,000 rights granted 27 October 2020 and expiring 27 October 2022
- (b) 2,000,000 rights granted 17 February 2022 and 16 May 2022 and expiring 17 December 2024

Key management personnel transactions - Audited

Other transactions with key management personnel - Audited

During the year ended 30 June 2022, Norman Seckold had joint control of an entity, Mining Services Trust ('MIS'), which invoiced for reimbursement of storage of company files to the Group. Fees paid to MIS during the period amounted to \$732 (six months to 30 June 2021 - \$917) exclusive of GST. At the end of the period the amount outstanding to MIS was \$Nil (2021 \$61).

During the year ended 30 June 2022, Richard Hill performed services for the Company which in the opinion of the Directors are outside the scope of the ordinary duties of a Non-Executive Director and was paid an amount of \$32,650 (six months to June 2021 \$29,600) for these services. At the end of the period the amount outstanding to Mr Hill was \$Nil (2021 \$Nil)

SKY METALS LIMITED

DIRECTORS REPORT

Remuneration Report - Audited (Cont.)

Consequences of performance on shareholders' wealth - Audited

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

	2022	2021	2020	2019	2018
	\$	\$	\$	\$	\$
Net (loss)/profit attributable to equity holders of the parent	(2,318,155)	(2,352,292)	(828,983)	(1,143,790)	(1,766,548)
Dividends paid	-	-	-	-	-
Change in share price	(0.05)	(0.15)	0.176	(0.001)	(0.001)

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

End of remuneration report.

SKY METALS LIMITED

DIRECTORS REPORT

Non-audit Services

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

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

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

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

	30 June 2022	30 June 2021
	\$	\$
Statutory Audit		
- Audit and review of financial reports	119,961	109,395
Non-Audit Services		
- Taxation services	21,528	21,528
	<u>120,156</u>	<u>130,923</u>

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

The lead auditor's independence declaration is set out on page 35 and forms part of the Directors' Report for the period ended 30 June 2022.

Signed at Sydney this 30th day of September 2022
in accordance with a resolution of the Board of Directors:



Norman A. Seckold
Chairman



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

To the Directors of Sky Metals Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Sky Metals Limited for the financial year ended 30 June 2022 there have been:

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

KPMG

Adam Twemlow

Partner

Brisbane

30 September 2022

SKY METALS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

	Notes	30 June 2022 \$	30 June 2021 \$
Other income			
Other income	4	15,765	59,953
Gain on disposal of property, plant and equipment		-	24,655
Expenses			
Consultants' and administration expenses		(538,512)	(579,292)
Depreciation and amortisation expense		(149,755)	(88,809)
Employee and director expenses		(1,466,779)	(1,593,172)
Other expenses	4	(172,357)	(206,458)
Operating (loss) before net finance income / (expense)		(2,311,638)	(2,383,123)
Finance income	4	2	32,408
Finance expense	4	(6,519)	(1,577)
Net finance income / (expense)		(6,517)	30,831
Loss before tax		(2,318,155)	(2,352,292)
Income tax expense	5	-	-
Total comprehensive (loss) for the year		(2,318,155)	(2,352,292)
Total comprehensive (loss) attributable to:			
Owners of the Company		(2,318,155)	(2,352,292)
Non-controlling interest		-	-
Total comprehensive (loss) for the year		(2,318,155)	(2,352,292)
Earnings per share			
Basic and diluted loss per share (cents)	15	(0.66)	(0.77)

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

SKY METALS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Notes	30 June 2022 \$	30 June 2021 \$
Current assets			
Cash and cash equivalents	16	4,597,338	3,528,190
Trade and other receivables	6	880	61,508
Other current assets	7	-	10,000
Total current assets		4,598,218	3,599,698
Non-current assets			
Investments	8	231	231
Exploration and evaluation expenditure	9	15,979,924	13,242,721
Property plant and equipment	10	690,595	284,225
Other non-current assets	7	272,020	157,621
Total non-current assets		16,942,770	13,684,798
Total assets		21,540,988	17,284,496
Current liabilities			
Trade and other payables	11	399,206	547,662
Lease liability	12	61,945	45,102
Employee benefits payable		77,529	33,726
Total current liabilities		538,680	626,490
Non-current liabilities			
Lease liability	12	443,846	14,881
Total non-current liabilities		443,846	14,881
Total liabilities		982,526	641,371
Net assets		20,558,462	16,643,125
Equity			
Issued capital	13	74,056,357	68,793,175
Fair value reserve	14	231	231
Option premium reserve	14	1,469,848	2,265,005
Accumulated losses		(54,986,194)	(54,433,506)
Total equity attributable to equity holders of the Company		20,540,242	16,624,905
Non-controlling interest		18,220	18,220
Total equity		20,558,462	16,643,125

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

SKY METALS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

Notes	Issued capital \$	Fair value & Option reserve \$	Accumulated losses \$	Total	Non- controlling Interest \$	Total equity \$
Balance at 1 July 2020	67,653,175	1,067,164	(52,081,214)	16,639,125	18,220	16,657,345
Total comprehensive income for the period						
Loss for the period	-	-	(2,352,292)	(2,352,292)	-	(2,352,292)
Total comprehensive income/(loss) for the period	-	-	(2,352,292)	(2,352,292)	-	(2,352,292)
Transactions with owners recorded directly in equity						
Ordinary shares issued						
- Share Issue	13 1,140,000	-	-	1,140,000	-	1,140,000
Share options – share based payments	19 -	1,198,072	-	1,198,072	-	1,198,072
Balance at 30 June 2021	68,793,175	2,265,236	(54,433,506)	16,624,905	18,220	16,643,125
Balance at 1 July 2021	68,793,175	2,265,236	(54,433,506)	16,624,905	18,220	16,643,125
Total comprehensive income for the period						
Loss for the period	-	-	(2,318,155)	(2,318,155)	-	(2,318,155)
Total comprehensive income/(loss) for the period	-	-	(2,318,155)	(2,318,155)	-	(2,318,155)
Transactions with owners recorded directly in equity						
Ordinary shares issued						
- Share issue	13 5,600,000	-	-	5,600,000	-	5,600,000
- Share issue costs	13 (336,818)	-	-	(336,818)	-	(336,818)
Share options – share based payments	19 -	970,310	-	970,310	-	970,310
Expiry of options and performance rights	-	(1,756,467)	1,765,467	-	-	-
Balance at 30 June 2022	74,056,357	1,470,079	(54,986,194)	20,540,242	18,220	20,558,462

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

SKY METALS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Notes	30 June 2022 \$	30 June 2021 \$
Cash flows from operating activities			
Cash receipts in the course of operations		15,765	9,954
Government assistance received		-	50,000
Cash payments in the course of operations		<u>(1,224,676)</u>	<u>(926,923)</u>
Cash generated from operations		(1,208,911)	(866,969)
Interest received		2	32,407
Interest paid		<u>(6,519)</u>	<u>(1,577)</u>
Net cash used in operating activities	16	<u>(1,215,428)</u>	<u>(836,139)</u>
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(2,737,203)	(5,705,123)
Proceeds from / (payments for) investments in term / security deposits		(104,400)	1,899,880
Payments for plant and equipment		(49,338)	(154,485)
Proceeds from sale of plant and equipment		-	72,000
Net cash used in investing activities		<u>(2,890,941)</u>	<u>(3,887,728)</u>
Cash flows from financing activities			
Proceeds from share issues and exercise of options		5,600,000	-
Share issue expenses		(336,818)	-
Lease payments		<u>(87,667)</u>	<u>(55,208)</u>
Net cash from / (used in) financing activities		<u>5,175,516</u>	<u>(55,208)</u>
Net increase / (decrease) in cash and cash equivalents		1,069,147	(4,779,075)
Cash and cash equivalents at 1 July		<u>3528,190</u>	<u>8,307,265</u>
Cash and cash equivalents at the end of the financial period	16	<u>4,597,337</u>	<u>3,528,190</u>

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

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. Reporting entity

Sky Metals Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 207 Byng Street, Orange, NSW, 2800. The consolidated financial statements of the Company for the period ended 30 June 2022 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for-profit entity, primarily engaged in identifying and evaluating mineral resources opportunities in New South Wales.

2. Basis of preparation

(a) Statement of compliance

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

The consolidated financial statements were authorised for issue by the Directors on 30 September 2022.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

- Note 9 - Exploration and evaluation expenditure.
- Note 19 – Share based payments.
- Note 3(d) – Going concern

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

3. Significant accounting policies

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

(a) Other Income

Income from government grants

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

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

(b) Exploration and evaluation expenditure

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

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

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

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

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

(c) Property, plant and equipment

Recognition and measurement

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

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

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

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

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

3. Significant accounting policies (Cont.)

(c) Property, plant and equipment (Cont.)

Depreciation

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

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

(d) Going concern

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

The Group recorded a loss after tax of \$2,318,155 (2021: \$2,352,292) for the year ended 30 June 2022. At 30 June 2022 the Group had cash and cash equivalents of \$4,597,338 (2020: \$3,528,190) and net assets of \$20,558,462 (2021: \$16,643,125). The Group's main activity is exploration and as such it does not presently have a source of operating income, rather it is reliant on equity raisings or funds from other external sources to fund its activities.

The Directors have prepared cash flow forecasts that support the ability of the Group to continue as a going concern for the period of at least 12 months from the date of the directors' declaration. These cash flow projections include significant ongoing expenditure on exploration and evaluation activities and assume the Group receives sufficient additional funding from shareholders or other parties. If such funding is not achieved, the Group plans to reduce expenditure in line with available funding.

These conditions give rise to a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern. The ongoing operation of the Group is dependent upon the Group raising additional funding from shareholders or other parties and/or the Group reducing expenditure in-line with available funding

In the event that the Group does not obtain additional funding and/or reduce expenditure in line with available funding, the achievement of which is inherently uncertain until secured or realised, it may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial report. No allowance for such circumstances has been made in the financial report.

(e) Financial instruments

Non-derivative financial assets

Recognition and initial measurement

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

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

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

Classification and subsequent measurement

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

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

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

3. Significant accounting policies (Cont.)

(e) Financial instruments (Cont.)

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

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

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

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

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

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

Non-derivative financial liabilities

Financial liabilities are measured at amortised cost.

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

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

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

(f) Share capital

Ordinary Shares

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

(g) Cash and cash equivalents

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

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

3. Significant accounting policies (Cont.)

(h) Goods and services tax (GST)

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

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

(i) Income tax

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

Current tax

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

Deferred tax

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

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

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

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

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

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

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

3. Significant accounting policies (Cont.)

(j) Impairment

Financial instruments

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

- Financial assets measured at amortised cost;

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

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

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

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

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

Non-financial assets

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

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

Reversals of impairment

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

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

(k) Basis of consolidation

Subsidiaries

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

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

3. Significant accounting policies (Cont.)

(k) Basis of consolidation (Cont.)

Loss of control

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

Transactions eliminated on consolidation

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

(l) Segment reporting

Determination and presentation of operating segments

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

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

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

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

(m) Employee benefits

Share-based payment transactions

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

(n) Provisions

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

Site restoration

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

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

3. Significant accounting policies (Cont.)

(o) Finance income and finance costs

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

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

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

(p) Determination of fair values

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

Investments in equity securities

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

Share-based payment transactions

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

(q) Leases

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

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

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

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

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

3. Significant accounting policies (Cont.)

(r) Newly effective accounting standards

A number of new standards, amendments to standards and interpretations are able to be early adopted for annual periods beginning after 1 July 2021 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

	30 June 2022	30 June 2021
	\$	\$
4. Loss from operating activities		
Loss from operating activities before income tax includes the following items of income and expense:		
Other income		
- ATO Cashflow boost	-	50,000
- Rent received	9,600	9,600
- Other	6,165	353
	15,765	59,953
Other expenses		
- Pre-license costs	(14,624)	(34,773)
- Legal fees	(4,277)	(2,094)
- Auditor's remuneration – audit & review of financial reports	(119,961)	(109,395)
- Other	(33,495)	(60,196)
	(172,357)	(206,458)
Financial income and expense		
Interest revenue	2	32,408
Finance lease expense	(6,519)	(1,577)
5. Income tax expense		
Current tax expense		
Current period	(399,793)	(346,266)
Adjustments for prior year	-	-
Tax losses not recognised	399,793	346,266
	-	-
<i>Numerical reconciliation of income tax expense to prima facie tax payable:</i>		
Loss before tax	(2,318,155)	(2,352,292)
Prima facie income tax benefit at the Australian tax rate of 30% (2019 - 30%)	(695,466)	(705,687)
Adjustments to prima facie tax due to:		
- non-deductible expenses	295,654	359,421
- effect of DTAs on tax losses not recognised	1,280,138	1,855,646
- effect of DTAs on temporary differences not brought to account	(880,345)	(1,509,380)
Tax expense	-	-

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	30 June 2022	30 June 2021
	\$	\$
5. Income tax expense (Cont.)		
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Capital losses	-	-
Tax losses	13,463,522	11,880,616
Net deductible temporary differences	(4,096,049)	(2,452,197)
Potential tax benefit at 30% (2021 - 30%)	9,367,473	9,428,419
<p>The deductible temporary differences and tax losses do not expire under current tax legislation, however, are subject to tests that must be satisfied before they can be utilised relating to continuity of ownership or same business. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the tax benefits. Tax losses do not expire but are subject to requirements regarding continuity of ownership and/or business.</p>		
6. Trade and other receivables	30 June 2022	30 June 2021
	\$	\$
GST	-	60,618
Other	880	890
	880	61,508
7. Other assets		
Current		
Tenement bond deposit	-	10,000
Term Deposit	-	-
	-	10,000
Non-current		
Tenement bond deposit	272,020	157,621
	272,020	157,621
8. Investments		
Investments - fair value through other comprehensive income	231	231

The Company holds 10,950 Ordinary Shares in Pilot Energy Limited. At 30 June 2022, the Directors compared the carrying value of the investment to market value and recorded a \$Nil movement in fair value (2021 – \$Nil).

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	30 June 2022	30 June 2021
	\$	\$
9. Exploration and evaluation expenditure		
EL 6699 Tallebung	2,640,904	1,902,414
EL 6258 Doradilla	3,923,338	2,630,886
EL 6320 Galwadgere	1,881,784	1,834,118
EL 7954 Cullarin	5,768,440	5,461,459
EL 8400 & EL 8573 Kangiara	168,646	161,991
EL 8920 Caledonian	519,194	354,949
EL 6064 Iron Duke	1,026,812	855,981
EL 9048 Tirrana	-	8,265
EL 9120 Murrum	-	2,400
EL 9191 Albert	28,231	18,257
EL 9200 Emmaville	15,361	12,001
EL9210 Gilgai	7,214	-
Net book value	15,979,924	13,242,721
EL 6699 Tallebung		
Carrying amount at beginning of period	1,902,414	1,885,736
Additions	738,490	16,678
Net book value	2,640,904	1,902,414
EL 6258 Doradilla		
Carrying amount at beginning of period	2,630,886	2,553,998
Additions	1,292,452	76,888
Net book value	3,923,338	2,630,886
EL 6320 Galwadgere		
Carrying amount at beginning of period	1,834,118	-
Additions	47,666	1,834,118
Net book value	1,881,784	1,834,118
EL 7954 Cullarin		
Carrying amount at beginning of period	5,461,459	1,765,150
Additions	306,981	3,696,309
Net book value	5,768,440	5,461,459
EL 8400 & EL 8573 Kangiara 1 & 2		
Carrying amount at beginning of period	161,991	148,865
Additions	6,655	13,126
Net book value	168,646	161,991

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	30 June 2022	30 June 2021
	\$	\$
9. Exploration and evaluation expenditure (Cont.)		
EL 8920 Caledonian		
Carrying amount at beginning of period	354,949	20,773
Additions	164,245	334,176
Net book value	519,194	354,949
EL 6064 Iron Duke		
Carrying amount at beginning of period	855,981	22,710
Additions	170,831	833,271
Net book value	1,026,812	855,981
EL 9048 Tirrana		
Carrying amount at beginning of period	8,265	-
Additions	10,346	8,265
Written Off	(18,611)	
Net book value	-	8,265
EL 9120 Murrum		
Carrying amount at beginning of period	2,400	-
Additions	5,675	2,400
Written Off	(8,075)	
Net book value	-	2,400
EL 9191 Albert		
Carrying amount at beginning of period	18,257	-
Additions	9,974	18,257
Net book value	28,231	18,257
EL 9200 Emmaville		
Carrying amount at beginning of period	12,001	-
Additions	3,360	12,001
Net book value	15,361	12,001
EL 9210 Gilgai		
Carrying amount at beginning of period	-	-
Additions	7,214	-
Net book value	7,214	-

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 year ended 30 June 2022, the Group assessed its exploration and evaluation expenditure assets for impairment and recorded a full impairment of \$18,611 for the Tirrana tenement, and \$8,075 for the Murrum tenement as the Board have not planned future exploration activities in these areas.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

10. Property, plant and equipment	30 June 2022 \$	30 June 2021 \$
Motor vehicles	122,138	163,778
Office equipment	23,324	30,718
Plant and equipment	65,926	18,746
Right of use asset	479,207	70,983
Net book value	<u>690,595</u>	<u>284,225</u>
Motor vehicles	212,258	205,377
Depreciation	<u>(90,122)</u>	<u>(41,599)</u>
Net book value	<u>122,138</u>	<u>163,778</u>
Office Equipment	51,873	51,043
Depreciation	<u>(28,549)</u>	<u>(20,325)</u>
Net book value	<u>23,324</u>	<u>30,718</u>
Plant and Equipment	83,316	23,859
Depreciation	<u>(20,390)</u>	<u>(5,113)</u>
Net book value	<u>65,926</u>	<u>18,746</u>
Right of use asset	485,956	151,405
Depreciation	<u>(6,749)</u>	<u>(80,422)</u>
Net book value	<u>479,207</u>	<u>70,983</u>

Right of Use Assets

Right-of-use assets related to the leased exploration office and shed at Orange in NSW and are presented as property, plant & equipment. The lease of the Orange property is for a period of 6 years (3 years + 3 year option) commencing on 1 June 2022 and the Company is reasonably certain that the option period of the lease will be exercised. The annual lease cost is \$100,000 excluding GST.

As at 30 June 2022 the Company recognised \$485,956 of right-to-use asset, \$6,749 of accumulated depreciation and \$505,791 of lease liabilities of which \$61,945 is recognised as a current liability.

During the year ended 30 June 2022, the Company recognised \$35,143 of depreciation charges and \$6,519 of interest costs from the lease.

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

	30 June 2022 \$	30 June 2021 \$
Motor Vehicles		
Carrying amount at beginning of period	163,778	116,172
Additions	6,881	131,803
Disposals	-	(84,215)
Write back accumulated depreciation on disposals	-	34,941
Depreciation	<u>(48,523)</u>	<u>(34,923)</u>
Net book value at end of period	<u>122,138</u>	<u>163,778</u>

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

10. Property plant and equipment (Cont)

Office Equipment

Carrying amount at beginning of period	30,718	31,184
Additions	830	11,627
Depreciation	(8,224)	(12,093)
Net book value at end of period	23,324	30,718

Plant & Equipment

Carrying amount at beginning of period	18,746	10,695
Additions	62,457	11,056
Depreciation	(15,277)	(3,005)
Net book value at end of period	65,926	18,746

Right of use asset

Carrying amount at beginning of period	70,983	36,860
Additions	485,956	70,983
Disposals	(151,405)	-
Write back accumulated depreciation on disposals	108,816	-
Depreciation	(35,143)	(36,860)
Net book value at end of period	479,207	70,983

11. Trade and other payables

Current liabilities

Trade and other payables	308,883	470,252
Accruals	60,000	55,000
Payroll payables	30,323	22,410
	399,206	547,662

12. Lease liability

Current liabilities

Property rental	61,945	45,102
-----------------	--------	--------

Non-current liabilities

Property rental	443,846	14,881
	505,791	59,983

Payments under the lease arrangements attributable to the repayment of lease liability is included under financing cash flows. During the year ended 30 June 2022, payments totalling \$94,186 has been recognised as cash outflows from lease repayments.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	30 June 2022		30 June 2021	
	No.	\$	No.	\$
13. Issued capital				
Ordinary shares, fully paid at 1 July	310,901,115	68,793,175	304,901,115	67,653,175
Issued ordinary shares on 30 June 2021 for EL6320 acquisition at \$0.19	-	-	6,000,000	1,140,000
Placement of ordinary shares on 4 November 2021 at \$0.85	65,882,355	5,600,000	-	-
Less cost of issue	-	(336,818)	-	-
Balance at end of year	<u>376,783,470</u>	<u>74,056,357</u>	310,901,115	68,793,175

On 30 June 2021, the Group issued 6 million shares to Alkane Resources Limited as consideration for the acquisition of EL6320 (Galwadgere) at 19 cents per share.

On 4 November 2021 the Group issued 65,882,355 shares under a share placement at \$0.085 per share.

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

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

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

	30 June 2022	30 June 2021
	\$	\$
14. Reserves		
Fair value reserve		
Opening balance	231	231
Net change in fair value of financial assets	-	-
Closing balance	<u>231</u>	<u>231</u>

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

Option Premium Reserve		
Opening balance	2,265,005	1,066,934
Vesting of CEO options	33,125	127,698
Vesting of Employee Performance Rights	229,822	144,044
Vesting of Director Performance Rights	707,363	759,375
Issue of Exploration Manager Options	-	188,530
Expiry of Options	(262,000)	-
Cancellation of Performance Rights	(1,503,467)	(21,576)
Closing balance	<u>1,469,848</u>	<u>2,265,005</u>

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

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	30 June 2022	30 June 2021
	\$	\$
15. Loss per share		
	Total	Total
Basic and diluted loss per share:		
Net loss for the period attributable to equity holders of the parent	(2,318,155)	(2,352,292)
	30 June 2022	30 June 2021
	N°	N°
Weighted average number of ordinary shares (basic and diluted)		
Issued ordinary shares at the beginning of the period	310,901,115	304,901,115
Effect of shares issued (note 13)	42,958,906	16,438
Weighted average number of ordinary shares at the end of the period	<u>353,860,021</u>	<u>304,917,553</u>

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

	30 June 2022	30 June 2021
	\$	\$
16. Reconciliation of cash flows from operating activities		
Reconciliation of net loss from operating activities after tax to net cash used in operating activities		
Loss from operating activities after tax	(2,318,155)	(2,352,292)
Non-cash items		
Amortisation and depreciation	149,756	88,809
Impairment of exploration tenements	26,686	10,708
Gain on sale of PPE	-	(24,655)
Interest payable	-	1,577
Share based payment	970,310	1,198,072
Changes in assets and liabilities		
Trade and other receivables	60,628	(25,315)
Trade and other payables	(148,456)	244,756
Employee provisions	43,803	22,201
Net cash used in operating activities	<u>(1,215,428)</u>	<u>(836,139)</u>

Reconciliation of cash

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

Cash at bank	<u>4,597,338</u>	<u>3,528,190</u>
---------------------	------------------	------------------

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

17. Related party disclosures

Parent and ultimate controlling party

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

Key management personnel and Directors' transactions

During the period ended 30 June 2022, Norman Seckold had joint control of an entity, Mining Services Trust ('MIS'), which invoiced for reimbursement of storage of company files to the Group. Fees paid to MIS during the period amounted to \$666 (30 June 2021 - \$917) exclusive of GST. At the end of the period the amount outstanding to MIS was \$Nil (2021 \$61). At the end of the period the amount outstanding to Key Management Personnel and Directors was \$19,421 (2021 \$11,583). These services were invoiced monthly and payable within 30 days.

	2022	2021
	\$	\$
Total amounts owing at balance date		
Directors fees	19,421	11,583
Mining Services Trust	-	61
	<u>19,421</u>	<u>11,638</u>

18. Key management personnel disclosures

	30 June 2022	30 June 2021
	\$	\$
Key management personnel compensation		
Primary fees/salary/Consulting Fees	340,126	452,100
Share based payments – Shares, Performance Rights & Options	776,269	943,473
Short term benefits	22,239	7,931
Post – employment benefits - Superannuation	17,748	4,307
	<u>1,156,382</u>	<u>1,407,811</u>

At 30 June 2022, \$19,421 inclusive of GST was payable to key management personnel (30 June 2021, \$11,583 inclusive of GST). There were no loans made to key management personnel or their related parties during the years ended 30 June 2022 or 30 June 2021.

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

19. Share Based Payments

Incentive Plan

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

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

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

19. Share Based Payments (Cont.)

Options & Performance Rights Issues

During the period the Company issued 6 million performance rights under the Company's Incentive Plan.

The following options and performance rights were on issue at 30 June 2022.

Type / Description	Grant Date	Vesting Date	Expiry Date	Exercise Price	Fair Value of Options/Rights Granted	Balance at the end of the period
Vendor*	20 June 2019	20 June 2019	19 June 2023	\$0.08	\$0.0274	17,398,437
Incentive Plan	25 October 2019	25 October 2019	25 October 2023	\$0.12	\$0.0463	1,500,000
Incentive Plan	16 January 2020	16 January 2020	31 January 2023	\$0.12	\$0.0657	2,000,000
Incentive Plan	16 January 2020	16 January 2021	31 January 2023	\$0.16	\$0.0610	2,000,000
Incentive Plan	16 January 2020	16 January 2022	31 January 2023	\$0.20	\$0.0571	2,000,000
Incentive Plan	27 October 2020	27 October 2020	27 October 2022	\$Nil	\$0.1864	1,950,000
Incentive Plan	21 March 2021	21 March 2021	31 January 2024	\$0.25	\$0.0942	2,000,000
Incentive Plan	17 February 2022 & 16 May 2022	17 February 2022 & 16 May 2022	17 December 2024	\$Nil	\$0.082	6,000,000

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

Movement of options & performance rights during the year ended 30 June 2022.

Grant Date	Outstanding at the beginning of the period	Granted during the period	Cancelled during the period	Exercised during the period	Expired / Lapsed during the period	Outstanding at the end of the period	Exercisable at the end of the period
20 June 2019	17,398,437	-	-	-	-	17,398,437	17,398,437
24 October 2019	10,000,000	-	-	-	(10,000,000)	-	-
25 October 2019	1,500,000	-	-	-	-	1,500,000	1,500,000
16 January 2020	2,000,000	-	-	-	-	2,000,000	2,000,000
16 January 2020	2,000,000	-	-	-	-	2,000,000	2,000,000
16 January 2020	2,000,000	-	-	-	-	2,000,000	2,000,000
5 June 2020	6,250,000	-	-	-	(6,250,000)	-	-
24 June 2020	128,205	-	-	-	(128,205)	-	-
27 October 2020	1,950,000	-	-	-	-	1,950,000	-
21 March 2021	2,000,000	-	-	-	-	2,000,000	2,000,000
17 February 2022 & 16 May 2022	-	6,000,000	-	-	-	6,000,000	-
	45,226,642	6,000,000	-	-	(16,378,205)	34,848,437	26,898,437

Weighted average exercise of options and performance rights

Year	Outstanding at the beginning of the period	Granted during the period	Forfeited during the period	Exercised during the period	Expired during the period	Outstanding at the end of the period	Exercisable at the end of the period
2022	\$0.101	\$Nil	-	-	\$0.92	\$0.087	\$0.113

The weighted average remaining contractual life of share options and performance rights outstanding at the end of the period was 1.14 years (2021: 1.51 years).

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

19. Share Based Payments (Cont.)

Fair Value of Options & Performance Rights

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

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

The fair value of 6,000,000 performance rights granted on 17 February 2022 & 16 May 2022 which will convert to shares upon the Company's share price on ASX achieving \$0.82 and the Board of Directors being satisfied that SKY's environmental, social and corporate governance 'ESG' performance is satisfactory, was \$492,000. The rights include a service condition that the employee must remain in the employ of Sky Metals at the time of achieving the above criteria. The performance rights were valued using a Monte Carlo simulation model. The model inputs were the Company's share price of \$0.092 at the grant date, a volatility factor of 108% based on historical share price performance and a risk-free interest rate of 1.49% based on the 5-year government bond rate.

The fair value of 2,000,000 options granted on 21 March 2021 with an exercise price of \$0.25 which will convert to shares upon the Company's share price on ASX achieving \$0.82 and the Board of Directors being satisfied that SKY's environmental, social and corporate governance 'ESG' performance is satisfactory, was \$188,530. The rights include a service condition that the employee must remain in the employ of Sky Metals at the time of achieving the above criteria. The Black-Scholes formula model inputs were the Company's share price of \$0.16 at the grant date, a volatility factor of 114.26% based on historical share price performance and a risk-free interest rate of 0.11% based on the 5-year government bond rate.

The fair value of 3,250,000 performance rights granted on 27 October 2020 which will convert to shares upon the Company's share price on ASX achieving \$0.35 was \$605,800. The performance rights were valued using a Monte Carlo simulation model. The model inputs were the Company's share price of \$0.215 at the grant date, a volatility factor of 100% based on historical share price performance and a risk-free interest rate of 1% based on the 5-year government bond rate.

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

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

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

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

During the period ended 30 June 2022, share based payment expense of \$970,310 was recorded in the profit and loss (2021 - \$1,198,072).

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

20. Financial risk management and financial instruments disclosures

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

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

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

Liquidity risk

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

The Group monitors rolling forecasts of liquidity on the basis of commitments, expected fund raisings, trade payables and other obligations for the ongoing operation of the Group. At balance date, the Group has available funds of \$4,597,338.

Contractual maturities of financial liabilities are:

Financial liabilities	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 5 years	More than 5 years
	\$	\$	\$	\$	\$	\$
Trade and other payables	399,206	(399,206)	(399,206)	-	-	-
Lease liability	505,791	(630,174)	(41,667)	(50,250)	(538,257)	-
30 June 2022	904,997	(1,029,380)	(440,873)	(50,250)	(538,257)	-
Trade and other payables	547,662	(547,662)	(547,662)	-	-	-
Lease liability	59,983	(59,983)	(27,363)	(17,739)	(14,881)	-
30 June 2021	607,645	(607,645)	(575,025)	(17,739)	(14,881)	-

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of the Group's financial assets represents the maximum credit risk exposure as follows:

	30 June 2022	30 June 2021
	\$	\$
Cash and cash equivalents	4,597,338	3,528,190
Other asset / term deposit	-	10,000
Trade and other receivables	880	61,508
Tenement bond deposit	272,020	167,620
Investments	231	231
	4,870,469	3,767,549

Cash and cash equivalents

At 30 June 2022, the Group held cash and cash equivalents of \$4,597,338 (30 June 2021 - \$3,528,190), which represents its maximum credit exposure on these assets. The balances are held with a major Australian bank.

Tenement bond deposits

At 30 June 2022, the Group held \$272,020 (30 June 2021 - \$167,620) in tenement bond deposits with government departments.

Market risk

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

Interest rate risk

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

Variable rate instruments

	30 June 2022	30 June 2021
	\$	\$
Cash and cash equivalents	4,597,338	3,528,190
Other asset / term deposit	-	10,000
Lease Liabilities	505,791	59,983
	5,103,129	3,598,173

At 30 June 2022, the Group held fixed term deposits totalling \$Nil (2021 - \$Nil).

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

Sensitivity analysis

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

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

	51,021	35,982
--	--------	--------

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

Currency risk

At 30 June 2022, the Group does not hold bank accounts in denominations other than the functional currency.

Price risk

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

As at 30 June 2022, the Group's investments in financial assets consist of an investment in Pilot Energy Limited (refer Note 8). A 10% increase/(decrease) in the price of this investment would result in an immaterial increase/(decrease) in the operating profit or loss of the Group.

Capital management

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

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

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

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

Estimation of fair values

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

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	\$	\$	\$	\$
30 June 2022				
Financial assets	<u>231</u>	-	-	<u>231</u>
30 June 2021				
Financial assets	<u>231</u>	-	-	<u>231</u>

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

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

21. Operating segments

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

- Exploration – exploration and evaluation activities

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

	Exploration	Total Segments	Unallocated	Total
	\$	\$	\$	\$
30 June 2022				
Revenue and other income				
Interest income	-	-	2	2
Other Income	-	-	15,765	15,765
Operating loss before income tax	(26,686)	(26,686)	(2,291,469)	(2,318,155)
Assets				
Segment assets	16,251,944	16,251,944	5,289,044	21,540,988
Liabilities				
Segment liabilities	(193,621)	(193,621)	(788,905)	(982,526)
30 June 2021				
Revenue and other income				
Interest income	-	-	32,407	32,407
Other Income	-	-	84,608	84,608
Operating loss before income tax	(45,482)	(45,482)	(2,306,810)	(2,352,292)
Assets				
Segment assets	13,577,852	13,577,852	3,706,644	17,284,496
Liabilities				
Segment liabilities	(262,899)	(262,899)	(378,472)	(641,371)

	30 June 2022	30 June 2021
	\$	\$
Reconciliations of reportable segment revenues and profit or loss		
Revenue		
Total revenue for reportable segments	-	-
Other income	15,765	84,608
Consolidated income	15,765	84,608
Profit or loss		
Total loss for reportable segments	(26,686)	(45,482)
Unallocated amounts:		
- interest income	2	32,407
- other income	15,765	84,608
- net other corporate expenses	(2,323,001)	(2,469,308)
Consolidated loss before tax	(2,318,155)	(2,352,292)

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

21. Operating segments (Cont.)

	30 June 2022	30 June 2021
	\$	\$
Reconciliations of reportable segment assets and liabilities		
Assets		
Total assets for reportable segments	16,251,944	13,577,852
Unallocated corporate assets	5,289,044	3,706,644
Consolidated total assets	<u>21,540,988</u>	<u>17,284,496</u>
Liabilities		
Total liabilities for reportable segments	193,621	262,899
Unallocated corporate liabilities	788,905	378,472
Consolidated total liabilities	<u>982,526</u>	<u>641,371</u>

Geographical information

All of the Company's activities are in Australia.

Concentration of revenue and other income

Other income is ATO Cashflow boost, gain on sale of a motor vehicle, and rent from sub-lease of office in Orange, NSW. Interest income is earned on cash held at financial institutions.

22. Subsequent events

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

23. Controlled entities

Parent entity

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

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

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

24. Parent entity disclosures

As at 30 June 2022 the parent entity of the Group was Sky Metals Limited.

	Company	
	30 June 2022	30 June 2021
	\$	\$
Result of the parent entity		
Net loss	2,318,155	2,352,292
Other comprehensive loss	-	-
Total comprehensive loss	<u>2,318,155</u>	<u>2,352,292</u>
Financial position of the parent entity at period end		
Current assets	4,598,218	3,555,803
Non-current assets	<u>16,942,770</u>	<u>13,684,798</u>
Total assets	<u>21,563,466</u>	<u>17,284,496</u>
Current liabilities	538,680	626,490
Non-current liabilities	<u>443,846</u>	<u>14,881</u>
Total liabilities	<u>982,526</u>	<u>641,371</u>
Net assets / (liabilities)	20,558,462	16,643,125
	30 June 2022	30 June 2021
Equity	\$	\$
Share capital	74,056,357	68,793,175
Reserves	1,470,079	2,265,235
Accumulated losses	<u>(54,986,194)</u>	<u>(54,433,506)</u>
Total equity attributable to equity holders of the Company	20,540,242	16,624,905
Non-Controlling Interest	<u>18,220</u>	<u>18,220</u>
Total equity	<u>20,558,462</u>	<u>16,643,125</u>

25. Contingencies

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

The Company had no capital commitments at the balance date.

SKY METALS LIMITED

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Sky Metals Limited:
 - (a) the consolidated financial statements and notes thereto, set out on pages 36 to 64, and the Remuneration Report as set out on pages 28 to 33 of the Directors' Report are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Group as at 30 June 2022 and of its performance, for the year ended on that date;
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required under section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the period ended 30 June 2022.
3. The Directors draw attention to note 2(a) of the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed at Sydney this 30th day of September 2022 in accordance with a resolution of the Board of Directors:



Norman A. Seckold
Chairman



Independent Auditor's Report

To the shareholders of Sky Metals Limited

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the **Group's** financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2022
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of Sky Metals Limited (the Company) and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

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

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

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 3(d), "Going Concern" in the financial report. The conditions disclosed in Note 3(d), indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.



In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern. This included:

- Analysing the cash flow projections by:
 - Evaluating the underlying data used to generate the projections for consistency with other information tested by us, our understanding of the Group's intentions, and past results and practices;
 - Assessing the planned levels of operating and capital expenditures for consistency of relationships and trends to the Group's historical results since year end, and our understanding of the business industry and economic conditions of the Group;
- Assessing significant non-routine forecast cash inflows and outflows including the expected impact of planned capital raisings for feasibility, quantum and timing. We used our knowledge of the client, its industry and current status of those initiatives to assess the level of associated uncertainty;
- Considering the Group's planned exploration program and assessing the level of additional shareholder funds required to execute the exploration program, including the level of associated uncertainty in raising additional shareholder funds;
- Evaluating the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements. We specifically focused on the principle matters giving rise to the material uncertainty.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the Key Audit Matter.

Capitalised exploration and evaluation expenditure - \$15,979,924	
Refer to Note 3(b) and Note 9 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>Capitalised exploration and evaluation expenditure (E&E) is a key audit matter due to:</p> <ul style="list-style-type: none"> ● the significance of E&E activities to the Group's business and the balance of capitalised E&E expenditure (being 74% of total assets); and ● the greater level of audit effort required to evaluate the Group's application of the requirements of the industry specific accounting standard AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> (AASB 6), in particular the conditions allowing capitalisation of relevant expenditure and the presence of impairment indicators. The presence of impairment indicators would necessitate a detailed 	<p>Our procedures included:</p> <ul style="list-style-type: none"> ● Assessing the Group's accounting policy for capitalised exploration and evaluation expenditure against the requirements of AASB 6; ● Assessing the Group's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the licenses in which the Group holds an interest and the exploration programmes planned for those for consistency with documentation such as license related technical conditions, joint venture agreements and planned work programmes; ● Assessing the Group's current rights to tenure for

analysis by the Group of the value of E&E, therefore given the criticality of this to the scope and depth of our work, we involved senior team members to challenge the Group's assessment of impairment indicators and the impairment recorded by the Group in the year.

In assessing the conditions allowing capitalisation of relevant expenditure, we focused on:

- Documentation available regarding rights to tenure, via licensing, and compliance with relevant conditions to maintain current rights to an area of interest;
- The Group's determination of the areas of interest (areas);
- The Group's intention and capacity to continue the relevant E&E activities;
- The Group's determination of whether the capitalised E&E meets the carry forward conditions of AASB 6, including whether the E&E is expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale.

In assessing the presence of impairment indicators, we focused on those that may draw into question the commercial continuation of E&E activities for areas of interest where significant capitalised E&E exists, and where E&E was impaired by the Group. In addition to the assessments above, and given the financial position of the Group we paid particular attention to:

- The ability of the Group to fund the continuation of activities in each area of interest; and
- Results from latest activities regarding the existence or otherwise of economically recoverable reserves for each area of interest.

each area of interest by corroborating the ownership of the relevant licence to government registers and evaluating agreements in place with other parties. We also tested for compliance with licence conditions, such as minimum expenditure requirements on a sample of licenses;

- Selecting a statistical sample of the Group's additions to capitalised exploration and evaluation expenditure for the year and checking the amount recorded for consistency to underlying records, the capitalisation requirements of the Group's accounting policy and the requirements of the accounting standard;
- Evaluating Group documents, such as minutes of Directors' meetings and the Group's cash flow projections, for consistency with their stated intentions for continuing exploration and evaluation activities in certain areas. We corroborated this through interviews with key operational and finance personnel and checked for consistency with amounts impaired;
- Analysing the Group's determination of recoupment through successful development and exploitation of the area or by its sale by evaluating the Group's documentation of planned future/continuing activities including work programmes and project and corporate budgets for each area.
- Obtaining project and corporate budgets identifying areas with existing funding and those requiring alternate funding sources. We compared this for consistency with areas with E&E, for evidence of the ability to fund continued activities. We identified those areas relying on alternate funding sources and evaluated the capacity of the Group to secure such funding.
- Comparing the results from latest activities regarding the potential existence of reserves and resources for consistency to the treatment of E&E and the requirements of the accounting standard.
- Recalculating the impairment charge against the recorded amount disclosed;
- Assessing the disclosures in the financial report, using our understanding of the matter obtained from our testing and against the requirements of the accounting standards.

Other Information

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

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

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Sky Metals Limited for the year ended 30 June 2022, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 28 to 33 of the Directors' report for the year ended 30 June 2022.

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



KPMG



Adam Twemlow

Partner

Brisbane

30 September 2022

SKY METALS LIMITED

ASX ADDITIONAL INFORMATION

Additional information as at 1 September 2022 required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report.

Home Exchange

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

Class of Shares and Voting Rights

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

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

Distribution of Shareholders

As at 1 September 2022, the total distribution of fully paid shareholders, being the only class of equity, was as follows:

Range	Total Holders	Number of shares	%
1 - 1,000	86	19,311	0.01
1,001 - 5,000	133	382,474	0.10
5,001 - 10,000	122	982,229	0.26
10,001 - 100,000	504	21,286,523	5.65
100,001 and over	323	354,112,933	93.98
Total	1,168	376,783,470	100.00

As at 1 September 2022, 293 shareholders held less than marketable parcels of 9,260 shares.

On Market Buy Back

There is no on market buy-back.

Substantial Holders

Holdings of substantial shareholders are set out below.

Ordinary Shares	Quantity
Rigi Investments Pty Ltd	21,609,192
Aurelia Metals Ltd	17,500,000
Archimedes Securities Pty Ltd <Golden Valley S/F A/C>	13,061,623

SKY METALS LIMITED

ASX ADDITIONAL INFORMATION

Twenty Largest Shareholders

As at 1 September 2022 the twenty largest quoted shareholders held 48.55% of the fully paid ordinary shares as follows:

Name	Quantity	%
1 RIGI INVESTMENTS PTY LIMITED <THE CAPE A/C>	36,547,882	9.70
2 CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	18,452,371	4.90
3 AUERELIA METALS LIMITED	18,410,000	4.89
4 PALMER BOOKMAKING PTY LIMITED	16,625,268	4.41
5 OBI-WAN INVESTMENTS PTY LTD	10,350,000	2.75
6 ADRIATIC PTY LTD <MGS A/C>	8,870,312	2.35
7 SMIFF PTY LTD	8,050,000	2.14
8 ALKANE RESOURCES LIMITED	7,271,530	1.93
9 ARCHIMEDES SECURITIES PTY LTD <GOLDEN VALLEY S/F A/C>	7,224,748	1.92
10 SILVERPEAK NOMINEES PTY LTD <THE RGM HILL A/C>	6,700,000	1.78
11 TOPAZ PTY LTD	6,000,000	1.59
12 ROSIGNOL PTY LTD <NIGHTINGALE FAMILY A/C>	5,333,317	1.42
13 BT PORTFOLIO SERVICES LIMITED <WARRELL HOLDINGS S/F A/C>	4,775,000	1.27
14 MR ROBERT SIMEON LORD	4,500,000	1.19
15 D&J REDELMAN PTY LTD <DAVID&JUDI REDELMAN SUP A/C>	4,335,000	1.15
16 ALWAYS HOLDINGS PTY LTD <BUHAGIAR SUPER FUND A/C>	4,115,000	1.09
17 PERMGOLD PTY LTD <THE SECKOLD FAMILY S/F A/C>	4,083,750	1.08
18 NEWBALL PTY LIMITED	3,900,000	1.04
19 COMSERV (NO 461) PTY LTD <NO 2 INV A/C>	3,718,741	0.99
20 ALTINOVA NOMINEES PTY LTD	3,669,467	0.97
Top 20 holders of FULLY PAID ORDINARY SHARES (Total)	182,932,386	48.55
Total Remaining Holders Balance	193,851,084	51.45

Tenements Held

As at 1 September 2022 the Company held the following interests in mineral exploration tenements,

Holder	Equity	Licence ID	Grant Date	Expiry Date	Units	Area km2	Project Name / Comment
Tarago Exploration Pty Ltd (DVP sub)	80%	EL7954	19/06/2012	19/06/2028	51	144	Cullarin Project earning up to 80%, DVP:ASX JV, earned 80% 04/08/2020
Ochre Resources Pty Ltd (DVP sub)	80%	EL8400	20/10/2015	20/10/2024	52	147	Kangiarra Project 1 earning up to 80% DVP:ASX JV, earned 80% 04/08/2020
Ochre Resources Pty Ltd (DVP sub)	80%	EL8573	23/05/2017	23/05/2023	17	48	Kangiarra Project 2 earning up to 80% DVP:ASX, earned 80% 04/08/2020
Aurum Metals Pty Ltd (ACN 145 468 408)	100%	EL8920	5/12/2019	5/12/2025	65	183	Caledonian
Aurum Metals Pty Ltd (ACN 145 468 408)	100%	EL9048	15/02/2021	15/02/2026	52	146.6	Tirrana
Aurum Metals Pty Ltd (ACN 145 468 408)	100%	EL8915	18/11/2019	18/11/2024	29	82	Relinquished December 2020
Stannum Pty Ltd (ABN 33 121 771 695)	100%	EL6258	21/06/2020	21/06/2026	38	110	Doradilla
Stannum Pty Ltd (ABN 33 121 771 695)	100%	EL6699	10/01/2007	10/01/2027	14	41	Tallebung
Balmain Minerals Pty Limited	Option to Purchase	EL6064	21/03/2003	20/03/2028	5	14.5	Iron Duke
Cuprum Aurum Pty Ltd (ACN 128 437 507)	100%	EL6320	12/04/2004	11/10/2026	14	40	Galwadgere
Aurum Metals Pty Ltd	100%	EL9120	30/03/2021	30/03/2027	50	141	Murrum
Cuprum Aurum Pty Ltd	100%	EL9191	8/06/2021	8/06/2027	60	146	Albert
Stannum Pty Ltd	100%	EL9200	21/06/2021	21/06/2027	74	222	Emmaville
Stannum Pty Ltd	100%	EL9210	1/07/2021	1/07/2027	82	244	Gilgai
Stannum Pty Ltd	100%	ELA6486	-	-	92	262	Narriah – Application Pending Grant

Use of funds

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

SKY METALS LIMITED

CORPORATE DIRECTORY

Directors:

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

Company Secretary:

Mr Richard Willson

Principal Place of Business and Registered Office:

2 Hawthorn Place
ORANGE NSW 2800
Phone: +61 2 6360 1587

Auditor's:

KPMG
Level 16, Riparian Plaza
71 Eagle Street
BRISBANE QLD 4000

Solicitors:

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Share Registrars:

Computershare Investor Services Pty Limited
Level 4
60 Carrington Street
Sydney NSW 2000
Phone: 1300 787 272
Overseas Callers +61 3 9415 4000
Facsimile: +61 3 9473 2500