



S K Y M E T A L S

SKY METALS LIMITED
and its controlled entities

A.B.N. 46 098 952 035

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2023**

**SKY METALS LIMITED
AND ITS CONTROLLED ENTITIES**

CONTENTS

	Page
Directors' Report	1
Lead Auditor's Independence Declaration	3
Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income	4
Condensed Consolidated Interim Statement of Financial Position	5
Condensed Consolidated Interim Statement of Changes in Equity	6
Condensed Consolidated Interim Statement of Cash Flows	7
Notes to the Condensed Consolidated Interim Financial Statements	8
Directors' Declaration	16
Independent Auditor's Review Report to the Members of Sky Metals Limited	17
Corporate Directory	19

SKY METALS LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

The Directors of Sky Metals Limited (the 'Company' or 'Sky') present their report together with the condensed consolidated interim financial report and the auditor's review report thereon for the half-year ended 31 December 2023.

Directors

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

Norman 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, and Executive 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.

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), Clara Resources Limited (ASX:C7A), Orpheus Uranium Limited (ASX:ORP), MedTEC Holdings Ltd, and Unity Housing Company Ltd; and Company Secretary of a number of ASX Listed Companies.

**SKY METALS LIMITED
AND ITS CONTROLLED ENTITIES**

DIRECTORS' REPORT

Operating and financial review

The activities of Sky Metals Limited and its controlled entities (the 'Group') during the half-year ended 31 December 2023 include the following:

- Drilling to expand the maiden MRE at the Tallebung Tin Project.
- Metallurgical studies which successfully confirmed and improved on the first metallurgical work to produce a saleable tin concentrate from the Tallebung tin mineralisation.
- Drilling at the new Narriah Project which successfully intercepted strong tin and tungsten mineralisation in all holes and demonstrated the potential for a large scale tin deposit at the Narriah Project.
- Exercised the option to acquire 100% of the share capital of Balmain Minerals Pty Ltd, the holder of the Iron Duke Project EL6064.

These activities have substantially progressed the Tallebung Tin Project towards potential development and demonstrated exceptional exploration potential for discovery of large-scale tin systems at the Narriah Project.

Financial Position and Performance

- The Group recognised a loss for the half year period ended 31 December 2023 of \$949,986 (31 December 2022: Loss \$724,840). The net assets of the Group at 31 December 2023 were \$13,807,548 (30 June 2023: \$14,496,711) including cash of \$1,120,941 (30 June 2023: \$3,835,460).
- During the period the Group used a total of \$2,646,394 (31 December 2022: \$2,520,904) of cash in operating activities and exploration and evaluation activities.

Subsequent Events

There has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 3 and forms part of the Director's Report for the six months ended 31 December 2023.

Signed at Orange this 12th day of March 2024 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 review of Sky Metals Limited for the half-year ended 31 December 2023 there have been:

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

A handwritten version of the KPMG logo in blue ink, showing the letters 'KPMG' in a cursive, slightly slanted font.

KPMG

A handwritten signature in blue ink, appearing to read 'Adam Twemlow', written in a cursive style.

Adam Twemlow
Partner

Brisbane
12th March 2024

**SKY METALS LIMITED
AND ITS CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023**

	Notes	31 December 2023 \$	31 December 2022 \$
Revenue			
Other income		6,000	6,000
Expenses			
Consultancy and administration expenses		(266,805)	(211,665)
Depreciation and amortisation expense		(72,650)	(71,716)
Employee and director expenses		(544,466)	(392,233)
Other expenses		(88,664)	(49,715)
Operating loss before finance income		(966,585)	(719,329)
Finance income		36,242	13,097
Finance expense		(19,643)	(18,608)
Net finance income/(expense)		16,599	(5,511)
Loss before tax		(949,986)	(724,840)
Income tax expense		-	-
Loss for the period		(949,986)	(724,840)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(949,986)	(724,840)
Total comprehensive loss attributable to:			
Owners of the Company		(949,986)	(724,840)
Non-controlling interest		-	-
Total comprehensive loss for the period		(949,986)	(724,840)
Earnings per share			
Basic and diluted loss per share (cents)		(0.21)	(0.22)

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

**SKY METALS LIMITED
AND ITS CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023**

	Notes	31 December 2023 \$	30 June 2022 \$
Current assets			
Cash and cash equivalents		1,120,941	3,835,460
Trade and other receivables		11,546	24,271
Total current assets		1,132,487	3,859,731
Non-current assets			
Investments		232	231
Exploration and evaluation expenditure	5	12,548,867	10,783,490
Property, plant and equipment	4	500,310	575,358
Other non-current assets		310,981	295,901
Total non-current assets		13,360,390	11,654,980
Total assets		14,492,877	15,514,711
Current liabilities			
Trade and other payables		216,707	527,747
Lease liability		59,576	64,787
Employee benefits payable		82,263	72,037
Total current liabilities		358,546	664,571
Non-current liabilities			
Lease liability		326,783	353,429
Total non-current liabilities		326,783	353,429
Total liabilities		685,329	1,018,000
Net assets		13,807,548	14,496,711
Equity			
Issued capital	6	77,545,864	77,238,006
Fair value reserve	7	231	231
Option premium reserves	7	816,454	614,083
Accumulated losses		(64,555,001)	(63,373,829)
Total equity attributable to equity holders of the Company		13,807,548	14,478,491
Non-controlling interest		-	18,220
Total equity		13,807,548	14,496,711

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

**SKY METALS LIMITED
AND ITS CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023**

	Notes	Issued capital \$	Fair value & option reserve \$	Accumulated losses \$	Total \$	Non- controlling interest \$	Total equity \$
Balance at 1 July 2022		74,056,357	1,470,079	(54,986,194)	20,540,242	18,220	20,558,462
Total comprehensive income for the period							
Loss for the period		-	-	(724,840)	(724,840)	-	(724,840)
Total comprehensive loss for the period		-	-	(724,840)	(724,840)	-	(724,840)
Transactions with owners recorded directly in equity							
Share issue	6	-	-	-	-	-	-
Share issue costs	6	-	-	-	-	-	-
Expired options	7	-	(368,754)	368,754	-	-	-
Share options – share based payments	7	-	143,850	-	143,850	-	143,850
Balance at 31 December 2022		74,056,357	1,245,175	(55,342,280)	19,959,252	18,220	19,977,472
Balance at 1 July 2023		77,238,006	614,314	(63,373,829)	14,478,491	18,220	14,496,711
Total comprehensive income for the period							
Loss for the period		-	-	(949,986)	(949,986)	-	(949,986)
Total comprehensive loss for the period		-	-	(949,986)	(949,986)	-	(949,986)
Transactions with owners recorded directly in equity							
Share issue	6	307,858	-	-	307,858	-	307,858
Options issued	7	-	10,998	-	10,998	-	10,998
Expired options	7	-	(69,450)	69,450	-	-	-
Share options – share based payments	7	-	260,823	-	260,823	-	260,823
Acquisition of remaining non-controlling interest	10	-	-	(300,636)	(300,636)	(18,220)	(318,856)
Balance at 31 December 2023		77,545,864	816,685	(64,555,001)	13,807,548	-	13,807,548

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

**SKY METALS LIMITED
AND ITS CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023**

	31 December 2023 \$	31 December 2022 \$
Cash flows from operating activities		
Cash receipts in the course of operations	6,000	6,000
Cash payments in the course of operations	<u>(745,730)</u>	<u>(656,231)</u>
Cash used in operations	<u>(739,730)</u>	<u>(650,231)</u>
Interest received	36,242	13,097
Interest paid	<u>(19,643)</u>	<u>(18,608)</u>
Net cash used in operating activities	<u>(723,131)</u>	<u>(655,742)</u>
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(1,923,263)	(1,865,162)
Payments for plant and equipment	(1,545)	(4,292)
Payments for investments in security deposits	<u>(15,080)</u>	<u>(3,880)</u>
Net cash used in investing activities	<u>(1,939,888)</u>	<u>(1,873,334)</u>
Cash flows from financing activities		
Lease Payments	<u>(51,500)</u>	<u>(50,000)</u>
Net cash used in financing activities	<u>(51,500)</u>	<u>(50,000)</u>
Net decrease in cash and cash equivalents	(2,714,519)	(2,579,076)
Cash and cash equivalents at the beginning of the financial period	<u>3,835,460</u>	<u>4,597,338</u>
Cash and cash equivalents at the end of the financial period	<u>1,120,941</u>	<u>2,018,262</u>

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

**SKY METALS LIMITED
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023**

NOTE 1 - REPORTING ENTITY

Sky Metals Limited ("Sky" or the 'Company') is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the half-year ended 31 December 2023 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.

The consolidated financial statements of the Group as at and for the year ended 30 June 2023 are available upon request from the Company's registered office at 2 Hawthorn Place, Orange, NSW, 2800 or at www.skymetals.com.au

NOTE 2 - BASIS OF PREPARATION

(a) Statement of compliance

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

The condensed consolidated interim financial statements do not include full disclosures of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report as at and for the year ended 30 June 2023 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

These condensed consolidated interim financial statements were approved by the Board of Directors on 12 March 2024.

(b) Going concern

The condensed consolidated interim 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 recognised a loss for the half year period ended 31 December 2023 of \$949,986 (31 December 2022: Loss \$724,840). The net assets of the Group at 31 December 2023 were \$13,807,548 (30 June 2023: \$14,496,711) including cash of \$1,120,941 (30 June 2023: \$3,835,460). During the period the Group used a total of \$2,646,394 (31 December 2022: \$2,520,904). of cash in operating activities and exploration and evaluation activities.

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 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 the Group reducing expenditure in line with available funding.

In the event that the Group does not obtain additional funding and 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 interim financial report. No allowance for such circumstances has been made in the financial report.

**SKY METALS LIMITED
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023**

NOTE 2 - BASIS OF PREPARATION (CONT'D)

(c) Use of estimates and judgements

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, 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:

- Note 2(b) - Going concern
- Note 5 - Exploration and evaluation expenditure
- Note 7 – Share based payments

NOTE 3 - MATERIAL ACCOUNTING POLICIES

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year-ended 30 June 2023.

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

	31 December 2023 \$	30 June 2023 \$
Motor vehicles	62,370	81,874
Office equipment	18,350	21,734
Plant and equipment	61,872	73,536
Right of use asset	357,718	398,214
Net book value	<u>500,310</u>	<u>575,358</u>
Motor Vehicles		
Carrying amount at beginning of period	81,874	122,138
Disposals	(491)	-
Depreciation	(19,013)	(40,264)
Net book value	<u>62,370</u>	<u>81,874</u>
Office Equipment		
Carrying amount at beginning of period	21,734	23,324
Additions	1,544	5,804
Depreciation	(4,928)	(7,394)
Net book value	<u>18,350</u>	<u>21,734</u>
Plant & Equipment		
Carrying amount at beginning of period	73,536	65,925
Additions	-	23,472
Disposals	(11,055)	-
Depreciation	(609)	(15,861)
Net book value	<u>61,872</u>	<u>73,536</u>

**SKY METALS LIMITED
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023**

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	31 December 2023 \$	30 June 2023 \$
Right of use asset		
Carrying amount at beginning of period	398,214	479,207
Depreciation	(40,496)	(80,993)
Net book value	<u>357,718</u>	<u>398,214</u>

NOTE 5 - EXPLORATION AND EVALUATION EXPENDITURE

EL 6699 Tallebung	5,185,978	3,775,792
EL 6258 Doradilla	5,394,802	5,296,678
EL 9524 Narriah	257,954	12,834
EL 6320 Galwadgere	600,000	600,000
EL 7954 Cullarin	-	-
EL 8400 & EL 8573 Kangiara	-	-
EL 8920 Caledonian	-	-
EL 6064 Iron Duke	1,069,246	1,062,003
EL9048 Tirrana	-	-
EL 9120 Murrum	-	-
EL 9191 Albert	40,887	36,183
EL 9200 Emmaville	-	-
EL9210 Gilgai	-	-
Net book value	<u>12,548,867</u>	<u>10,783,490</u>

EL 6699 Tallebung		
Carrying amount at beginning of period	3,775,792	2,640,904
Additions	1,410,186	1,134,888
Net book value	<u>5,185,978</u>	<u>3,775,792</u>

EL 6258 Doradilla		
Carrying amount at beginning of period	5,296,678	3,923,338
Additions	98,124	1,373,340
Net book value	<u>5,394,802</u>	<u>5,296,678</u>

EL 9524 Narriah		
Carrying amount at beginning of period	12,834	-
Additions	245,120	12,834
Net book value	<u>257,954</u>	<u>12,834</u>

EL 6320 Galwadgere		
Carrying amount at beginning of period	600,000	1,881,784
Additions	213	8,593
Write Down	(213)	(1,290,377)
Net book value	<u>600,000</u>	<u>600,000</u>

**SKY METALS LIMITED
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023**

NOTE 5 - EXPLORATION AND EVALUATION EXPENDITURE (CONT'D)

	31 December 2023 \$	30 June 2023 \$
EL 7954 Cullarin		
Carrying amount at beginning of period	-	5,768,440
Additions	7,211	219,767
Write Down	(7,211)	(5,988,207)
Net book value	-	-
EL 8400 & EL 8573 Kangiara		
Carrying amount at beginning of period	-	168,646
Additions	942	9,623
Write Down	(942)	(178,269)
Net book value	-	-
EL 8920 Caledonian		
Carrying amount at beginning of period	-	519,194
Additions	18,752	30,404
Write Down	(18,752)	(549,598)
Net book value	-	-
EL 6064 Iron Duke		
Carrying amount at beginning of period	1,062,003	1,026,812
Additions	7,243	35,191
Net book value	1,069,246	1,062,003
EL9048 Tirrana		
Carrying amount at beginning of period	-	-
Additions	-	3,270
Written Off	-	(3,270)
Net book value	-	-
EL 9120 Murrum		
Carrying amount at beginning of period	-	-
Additions	-	6,612
Written Off	-	(6,612)
Net book value	-	-
EL 9191 Albert		
Carrying amount at beginning of period	36,183	28,231
Additions	4,704	7,952
Net book value	40,887	36,183

**SKY METALS LIMITED
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023**

NOTE 5 - EXPLORATION AND EVALUATION EXPENDITURE (CONT'D)

	31 December 2023 \$	30 June 2023 \$
EL 9200 Emmaville		
Carrying amount at beginning of period	-	15,361
Additions	-	9,514
Write Down	-	(24,875)
Net book value	-	-
EL 9210 Gilgai		
Carrying amount at beginning of period	-	7,214
Additions	-	7,482
Write Down	-	(14,696)
Net book value	-	-

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.

NOTE 6 - ISSUED CAPITAL

	6 Months to 31 December 2023		6 Months to 31 December 2022	
	Number	\$	Number	\$
Ordinary shares, fully paid at start of period	454,556,796	77,238,006	376,783,470	74,056,357
Acquisition of remaining NCI	6,841,294	307,858	-	-
Less cost of issue	-	-	-	-
Balance at end of period	461,398,090	77,545,864	376,783,470	74,056,357

On 22 September 2023, the Company issued 6,841,294 shares as consideration for the acquisition of 100% of the share capital of Balmain Minerals Pty Ltd. Refer Note 10.

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

**SKY METALS LIMITED
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023**

NOTE 7 - RESERVES

	31 December 2023 \$	30 June 2023 \$
Fair value reserve		
Balance at start of period	231	231
Net change in fair value of financial assets	-	-
Balance at end of the period	<u>231</u>	<u>231</u>
Option premium reserve		
Balance at start of period	614,083	1,469,848
Vesting of Employee Performance Rights	226,772	273,943
Vesting of Director Performance Rights	34,051	-
Vesting of Options issued to Diversified Minerals Pty Ltd (Note 10)	10,998	-
Vesting of Broker Options	-	83,402
Lapsed Performance Rights	-	(363,480)
Lapsed Options	(69,450)	(844,356)
Forfeiture of Performance Rights	-	(5,274)
Balance at end of the period	<u>816,454</u>	<u>614,083</u>

The option premium reserve is used to recognise the grant date fair value of options issued but not exercised separately within equity.

During the period to 31 December 2023, share based payment expense of \$260,824 was recorded in the profit and loss. The expense includes vesting of director and employee performance rights during the period ended 31 December 2023 and vesting of share based payments issued in prior reporting periods.

On 22 September 2023, the Company issued 980,392 options as consideration for the acquisition of 100% of the share capital of Balmain Minerals Pty Ltd. Refer Note 10.

On 11 October 2023, the Company issued 18.6 million performance rights to employees. The Performance Rights convert to ordinary fully paid shares in SKY at no cost when the following performance criteria are met;

- 6.85 million performance rights vest upon the achievement of various non-market conditions that relates to operational KPIs within various timeframes, up to 1 June 2025, and
- 3.85 million performance rights vest upon the achievement of a market condition that relates to SKY's 5 day VWAP share price reaching 6 cents before 1 December 2025 (tranche 1), and
- 3.95 million performance rights vest upon the achievement of a market condition that relates to SKY's 5 day VWAP share price reaching 9 cents before 1 December 2026 (tranche 2), and
- 3.95 million performance rights vest upon the achievement of a market condition that relates to SKY's 5 day VWAP share price reaching 12 cents before 1 December 2025 (tranche 2).

The fair value of the non-market based performance rights was \$267,150. The performance rights were valued using the Company's share price of \$0.039 at the grant date 11 October 2023.

The fair value of the market based performance rights was \$361,810. The performance rights were valued using a Monte Carlo simulation model. The model inputs were the Company's share price of \$0.039 at the grant date 11 October 2023, a volatility factor of 85% based on historical share price performance and a risk-free interest rate of 4.04% for tranche 1 and 3.99% for tranche 2 and tranche 3, based on the 2 year government bond rate for tranche 1 and 2 year government bond rate for tranche 2 and tranche 3.

The recipient of the above performance rights must remain in SKY employ or under SKY contract at the time of achieving the above performance criteria.

**SKY METALS LIMITED
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023**

NOTE 7 – RESERVES (CONT'D)

On 9 November 2023, the Company issued 10.8 million performance rights to directors, as approved by shareholders at the 2023 AGM. The Performance Rights convert to ordinary fully paid shares in SKY at no cost when the following performance criteria are met;

- 3.6 million performance rights vest upon SKY's 5 day VWAP share price reaching 6 cents before 1 December 2025 (tranche 1), and
- 3.6 million performance rights vest upon SKY's 5 day VWAP share price reaching 9 cents before 1 December 2026 (tranche 2), and
- 3.6 million performance rights vest upon SKY's 5 day VWAP share price reaching 12 cents before 1 December 2025 (tranche 3).

The fair value of the market based performance rights was \$361,810. The performance rights were valued using a Monte Carlo simulation model. The model inputs were the Company's share price of \$0.042 at the grant date 30 October 2023, a volatility factor of 83% based on historical share price performance and a risk-free interest rate of 4.46% for tranche 1 and 4.44% for tranche 2 and tranche 3, based on the 2 year government bond rate for tranche 1 and 2 year government bond rate for tranche 2 and tranche 3.

The recipient of the above performance rights must remain in SKY employ or under SKY contract at the time of achieving the above performance criteria.

NOTE 8 - SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

NOTE 9 - OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (the chief operating decision makers) in assessing performance and determining the allocation of resources. The Group is managed primarily on a geographical basis which involves the exploration of minerals in New South Wales, Australia. Operating segments are determined on the basis of financial information reported to the board which is at the consolidated entity level.

Accordingly, management currently identifies the Group as having only one operating segment, being mineral exploration. The financial results from this segment are equivalent to the financial statements of the consolidated Group as a whole.

**SKY METALS LIMITED
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023**

NOTE 10 – ACQUISITION OF REMAINING NON-CONTROLLING INTEREST

While the Group controlled Balmain Minerals Pty Ltd since June 2020, it held 0% of the equity and accordingly net assets of \$18,220 was assigned to non-controlling interests.

On 8 September 2023, the Group exercised the option to purchase all fully paid ordinary shares in the capital of Balmain Minerals Pty Limited as per the Binding Terms Sheet dated 9 June 2020 between Sky Metals Limited and Diversified Minerals Pty Ltd. The Group have met the exercise conditions as defined in the Binding Terms Sheet by incurring exploration expenditure in excess of \$150,000 on the Iron Duke tenement EL6064.

On 22 September 2023, to satisfy the exercise of the option in accordance with the Terms Sheet, the Group has:

- issued 6,841,294 of fully paid ordinary shares in the capital of SKY to Diversified Minerals Pty Ltd for the Balmain Minerals Pty Ltd shares, at a deemed issue price equal to the 5-day volume weighted average price of the SKY Shares over the 5 days in which trading in SKY shares occurs on ASX prior to the Settlement Date.
- issued Diversified Minerals Pty Ltd options in SKY exercisable into fully paid ordinary shares in SKY. The number of Consideration Options was calculated by dividing \$50,000 by the exercise price \$0.0639. The options have an expiry date 2 years from the issue date. The number of options issued was 781,862.

The fair value of the consideration issued as ordinary shares was measured with reference to the fair value of the equity instruments granted, being the Company's share price of \$0.045 at 22 September 2023.

The fair value of the options issued was \$10,998. The options were valued using a Black Scholes model. The model inputs were the Company's share price of \$0.042 at the grant date 8 September 2023, a volatility factor of 80% based on historical share price performance and a risk-free interest rate of 3.42% based on the 2 year government bond rate.

As a result of the above transaction the Group has acquired 100% interest in Balmain Minerals Pty Ltd from 22 September 2023. The carrying amount of Balmain Minerals Pty Ltd 's net assets on the date of acquisition was \$18,220.

Carrying amount of NCI Acquired	\$ 18,220
Fair value of consideration paid to NCI	
- ordinary shares	\$ 307,858
- options	\$ 10,998
<hr/> Total fair value of consideration paid to NCI	<hr/> \$ 318,856

A decrease in equity attributable to owners of the Company (\$ 300,636)

**SKY METALS LIMITED
AND ITS CONTROLLED ENTITIES**

DIRECTORS' DECLARATION

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

- (1) the condensed consolidated interim financial statements and notes set out on pages 4 to 15, are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed at Orange this 12th day of March 2024
in accordance with a resolution of the Board of Directors:



Norman A. Seckold
Chairman



Independent Auditor's Review Report

To the shareholders of Sky Metals Limited

Conclusion

We have reviewed the accompanying **Condensed Half-year Financial Report** of Sky Metals Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Condensed Half-year Financial Report of Sky Metals Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2023 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Condensed Half-year Financial Report** comprises:

- Condensed Consolidated statement of financial position as at 31 December 2023
- Condensed Consolidated statement of profit or loss and other comprehensive income, Condensed Consolidated statement of changes in equity and Condensed Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 10 including selected explanatory notes
- The Directors' Declaration.

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

Basis for Conclusion

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

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

KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Liability limited by a scheme approved under Professional Standards Legislation.

Material uncertainty related to going concern

We draw attention to Note 2(b), "Going Concern" in the Condensed Half-year Financial Report. The events or conditions disclosed in Note 2(b), 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 Condensed Half-year Financial Report. Our conclusion is not modified in respect of this matter.

Responsibilities of the Directors for the Condensed Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Condensed Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Condensed Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Condensed Half-year Financial Report

Our responsibility is to express a conclusion on the Condensed Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Condensed Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



KPMG



Adam Twemlow
Partner

Brisbane
12 March 2023

**SKY METALS LIMITED
AND ITS CONTROLLED ENTITIES**

CORPORATE DIRECTORY

Directors:

Mr Norman A. Seckold (Chairman)

Mr Rimas A. Kairaitis

Mr Richard G.M. Hill

Company Secretary:

Mr Richard W.C. Willson

Principal Place of Business and Registered Office:

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

Auditor's:

KPMG
Level 11 Heritage Lanes
80 Ann 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