



ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2021



S K Y M E T A L S

SKY METALS LIMITED
AND ITS CONTROLLED ENTITIES

A.B.N. 46 098 952 035

SKY METALS LIMITED

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SKY METALS LIMITED

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

2021 was another very active year for the Company with a busy exploration program running throughout the year on the Company's projects. We have been fortunate that COVID did not materially affect the ability of the Company to progress our exploration strategy.

Early in the year the Company completed the Farm In expenditure on the Cullarin & Kangiara Gold Projects in NSW, meeting the required expenditure of more than \$2.0M to earn 80% of both projects. SKY has continued an aggressive exploration program to advance the Cullarin, Caledonian & Kangiara Projects with significant drilling undertaken, results have been encouraging to date, and further work is planned.

In August 2020 the Company entered into an option agreement to purchase the Galwadgere Copper-Gold project in NSW. Finalisation of the acquisition was completed in June with SKY now owning 100% of the project. Since the end of the financial year SKY announced the Galwadgere maiden JORC-2012 Inferred Resource of 3.6Mt at 0.82% Cu & 0.27g/t Au.

SKY's maiden RC drilling program of the high-grade copper-gold mineralisation at Iron Duke was undertaken late in the year and intercepted strong copper-gold mineralisation. Results significantly extended the known strike and depth of high-grade copper-gold mineralisation which remains open along strike and down plunge. Further work is underway.

Activity at the exciting Doradilla Copper-Tin-Silver-Indium project has recently been a focus for the Company's exploration work with assay results eagerly anticipated amid a backdrop of high commodity prices

Your Board continues to be encouraged 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, and Exploration Manager Mr Davies for the exceptional work that has been conducted in 2021.

Yours sincerely



Norman A. Seckold
Chairman

SKY METALS LIMITED

REVIEW OF OPERATIONS

Corporate Activities

- On 4 August 2020 the Company completed the Farm In Expenditure on the Cullarin & Kangiara Gold Projects in NSW with the expenditure of more than \$2.0M to earn 80% of both Heron JV projects.
- On 24 August 2020 the Company entered into an Option agreement to purchase the Galwadgere Copper-Gold project in NSW. To exercise the Option, SKY must spend \$250,000 on in-ground expenditure within 18 months. On election to exercise the option, SKY may purchase 100% equity interest in EL6320 by issuing 6,000,000 fully paid ordinary shares in the capital of SKY to Alkane Resources Limited.
- On 29 October 2020 3,250,000 Employee Performance Rights were issued.
- On 5 March 2021 300,000 Employee Performance Rights lapsed.
- On 9 April 2021 Rigi Investments Pty Ltd became a substantial shareholder of the Company with 21,609,192 shares.
- On 30 April 2021 Mark Arundell ceased his role as CEO of the Company and his Performance Rights lapsed. Mr Oliver Davies was appointed Exploration Manager.
- On 14 May 2021 2 million Employee Options were issued to Mr Oliver Davies.
- On 14 May 2021 1 million Employee Performance Rights lapsed.
- On 30 June 2021 6 million shares were issued to Alkane Resources Limited as consideration for the acquisition of the Galwadgere Project upon receipt of NSW Government approval of the transfer of the tenement.

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.

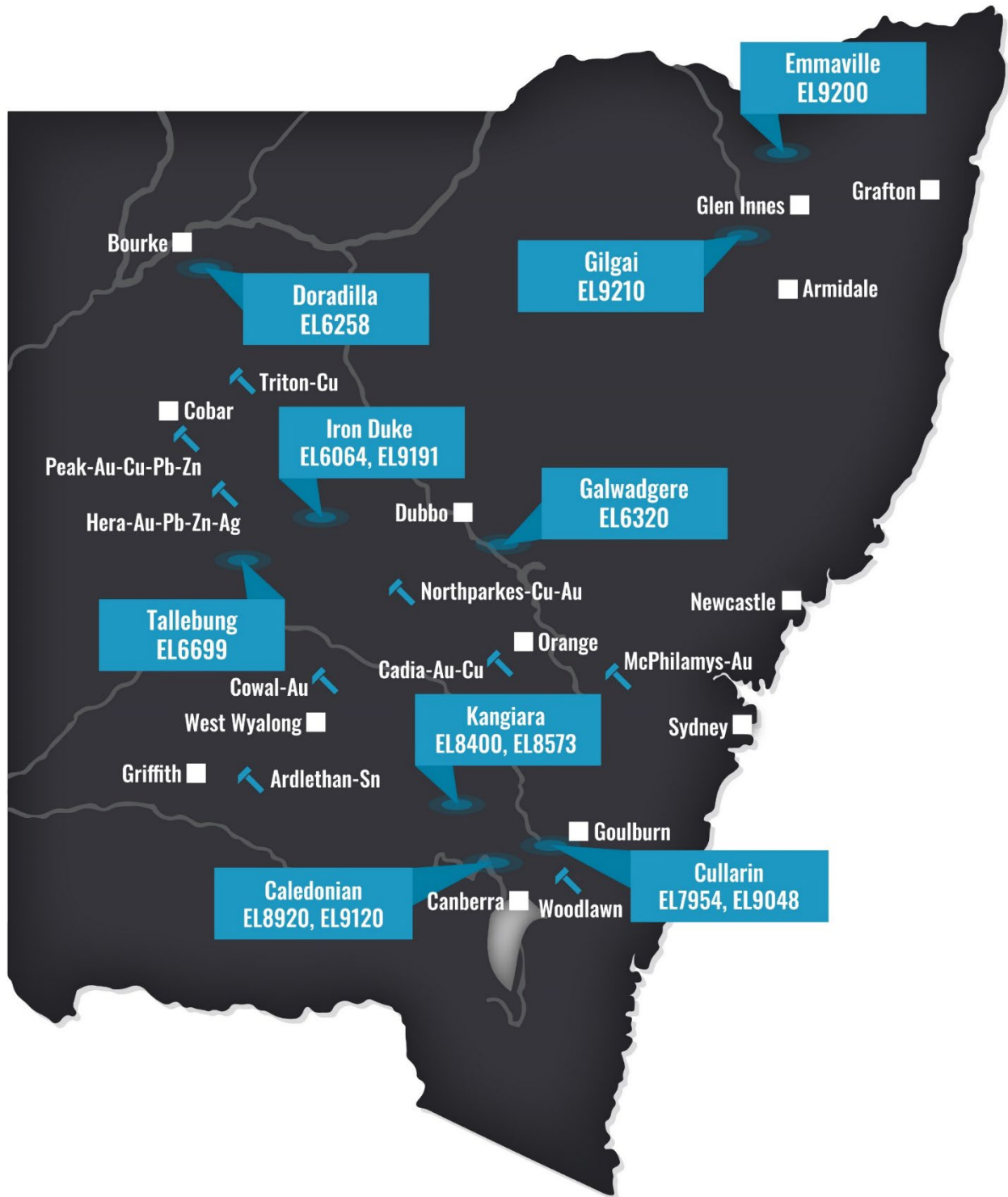


Figure 1: SKY Metals - Project Location Map

SKY METALS LIMITED

REVIEW OF OPERATIONS

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

HUME TARGET – DIAMOND DRILLING

Over the past year SKY has continued an aggressive exploration program to advance the Hume Target with diamond drilling to further assess the high-grade Gold-Lead-Zinc-Copper intercepts of the prior year's work. A review of the previous drilling by SKY's geologists has identified the Hume Structure, which is a control on high-grade Gold-Lead-Zinc-Copper mineralisation at the Hume target. Drilling orientation was adjusted to target this structure, successfully intercepting consistent high-grade mineralisation. These results are shown below in **Table 1**.

Following up the success of targeting the high-grade Hume Structure, **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 deeper down plunge than any previous drilling at Hume. These results further indicate that the mineralisation at Hume appears zoned, trending from a gold-rich zone with minor base metals into a deeper base metal-rich zone. Assays received from **HUD031** show broad intervals of base metal mineralisation at depth (Figure 1). 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

HUME WEST TARGET - DIAMOND DRILLING

Previous drilling on the southern strike extent of the Hume Target intercepted an increase in gold grades seen in **HUD008** (SKY ASX announcement 24th July 2020):

HUD008: 6.7m @ 2.46g/t Au from 75.7m

This was followed up with a soil sampling program to the southwest of **HUD008** which identified a coherent multielement anomaly striking south-southwest to the west of **HUD008** for over 400m. Four diamond holes were drilled, **HUD026-29**, to test the down dip and along strike continuation of the mineralisation intercepted in **HUD008** and the multielement soil anomaly. These holes intercepted a number of zones of Gold-Lead-Zinc-Copper mineralisation and represent encouraging results for follow-up drilling to further target high-grade mineralisation and extension to the Hume Target, results are listed in **Table 3**.

MURRAY'S TARGET – DIAMOND DRILLING

A diamond drilling program was completed at the Murray's Target (previously Breadalbane Iron Mine/B1) where historic drilling resampled by SKY at the NSW Mines Department core library and soil sampling highlighted a Copper-Gold target (SKY ASX announcement 26th October 2020). SKY has drilled three diamond holes at Murray's, **MUD001**, **MUD002** and **MUD003**. **MUD001** and **MUD002** intercepted moderate-minor sulphide stringer mineralisation and alteration. **MUD003** intercepted encouraging mineralisation associated with magnetite-chlorite alteration and these results are encouraging for follow up work to be completed to drill the main target zone which remains untested, results are listed in **Table 2**. Due to steep terrain, locations suitable for further drilling will require earthwork to build suitable drill pads to target high-grade copper-gold mineralisation.

HUME NORTH TARGET - DIAMOND DRILLING

The **Hume North** soil anomaly occurs over a ~1,200m strike extent and is located approximately 1.5km north of the Hume Target (**Figure 3**). The combination of the potassium (K) radiometric signature together with a pronounced magnetic low, and gold and multi-element pathfinder anomaly in the soil results, describe a high ranking 'McPhillamys style' target at Hume North. A program of RC drillholes was initiated in the September 2020 quarter as a test of the soil anomaly but the program was suspended due to wet ground conditions. Drill testing of the northern part of the soil anomaly was completed with a single diamond drillhole (**HND001**) which intersected minor base metal sulphide mineralisation. However, current drilling of this anomaly has not yet identified the source of the anomalism identified and further work is required to successfully target this prospective anomaly.

HAMILTON TARGET - RC PERCUSSION & DIAMOND DRILLING

The **Hamilton Target** is located approximately 5km north of the Hume Target. Soil sampling delineated a coherent gold and multi-element pathfinder anomaly with a strike length of +400m and a width of up to 300m. The gold soil anomaly is co-incident with a distinctive radiometric anomaly and a pronounced magnetic low – key criteria for the identification of McPhillamys style gold targets.

RC percussion and diamond drill testing of this target was completed. Four RC percussion holes (**HAR001, 003-005**) were completed with encouraging mineralisation and alteration intersected. The RC program was hampered by difficult drilling conditions with only one hole reaching planned depth. As a result, a diamond drilling rig was mobilised to site to complete the drilling program. Three diamond drillholes (**HAD001-003**) were completed to test the main part of the soil gold target. Drillholes intersected a package of interbedded felsic volcanics and volcaniclastics with intervals of strong disseminated and vein pyrite mineralisation and lesser sphalerite. Results from the drill testing did not identify the source of the gold and multi-element soil anomaly, further drilling may be required to fully test the source of this anomaly if it is deemed to be warranted.

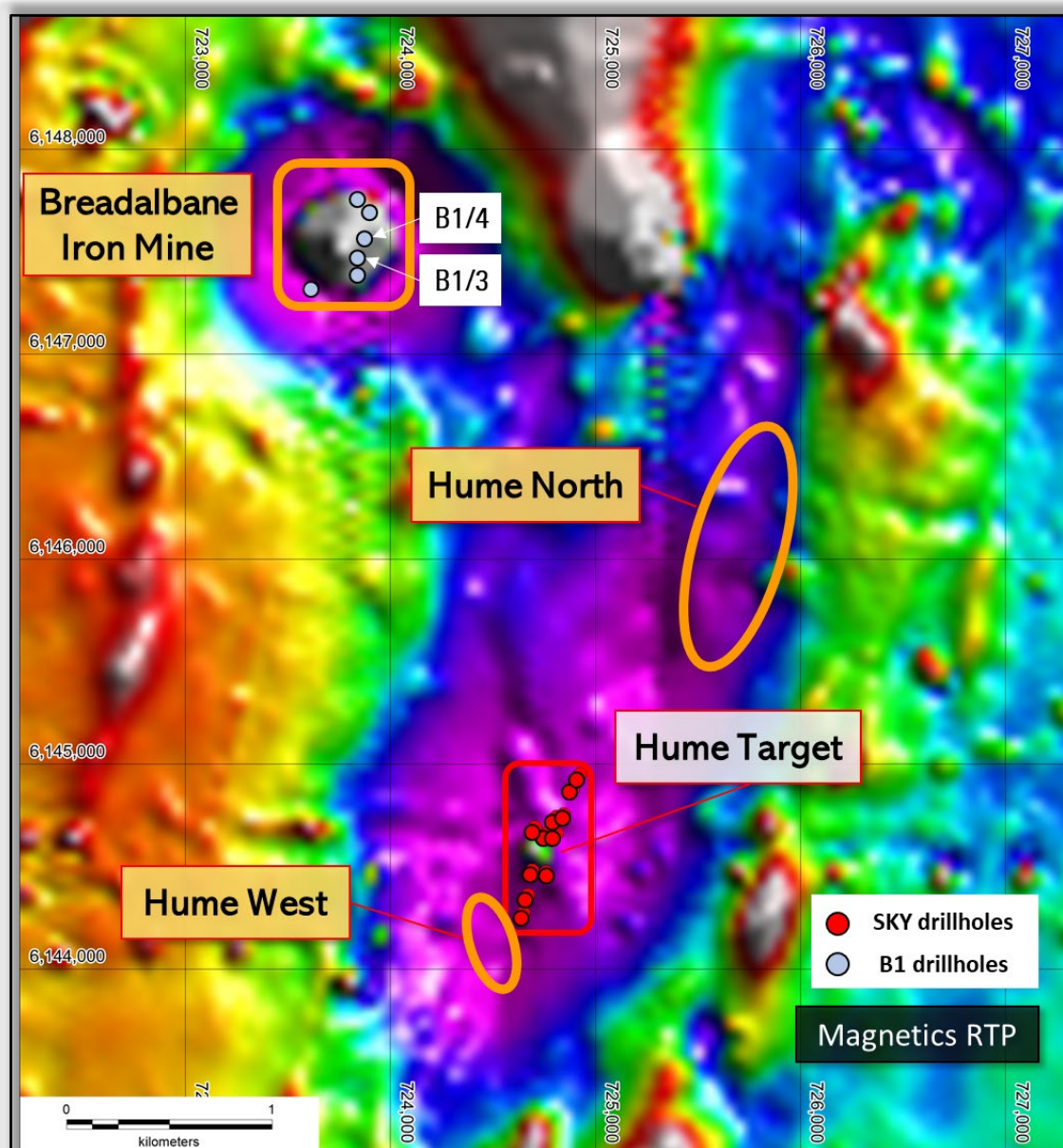


Figure 2 – Cullarin Gold Project - Hume Area– Drill targets

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REVIEW OF OPERATIONS

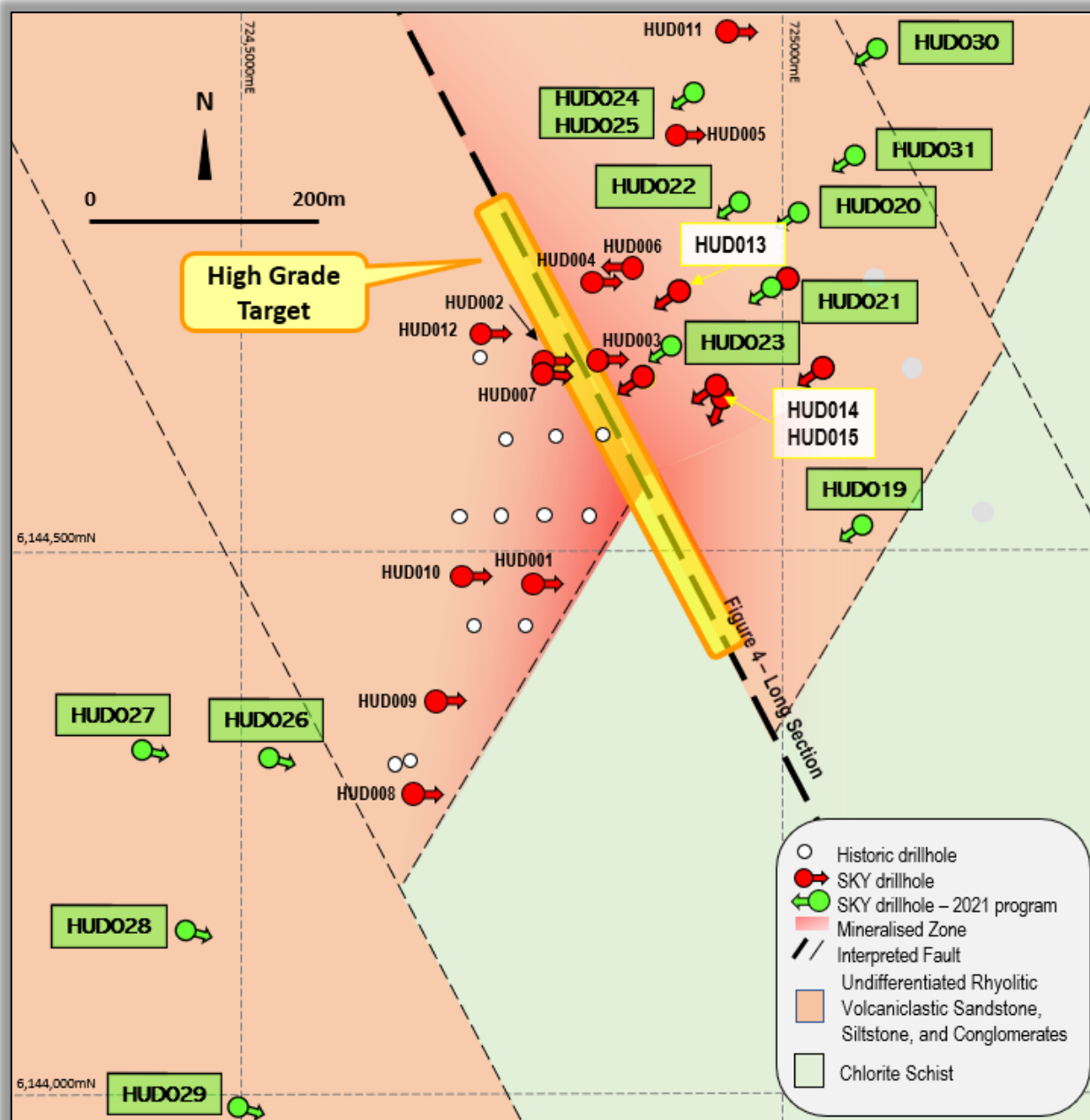


Figure 3 – Cullarin Gold-Lead-Zinc-Copper Project - Hume Target – Drillhole Locations

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REVIEW OF OPERATIONS

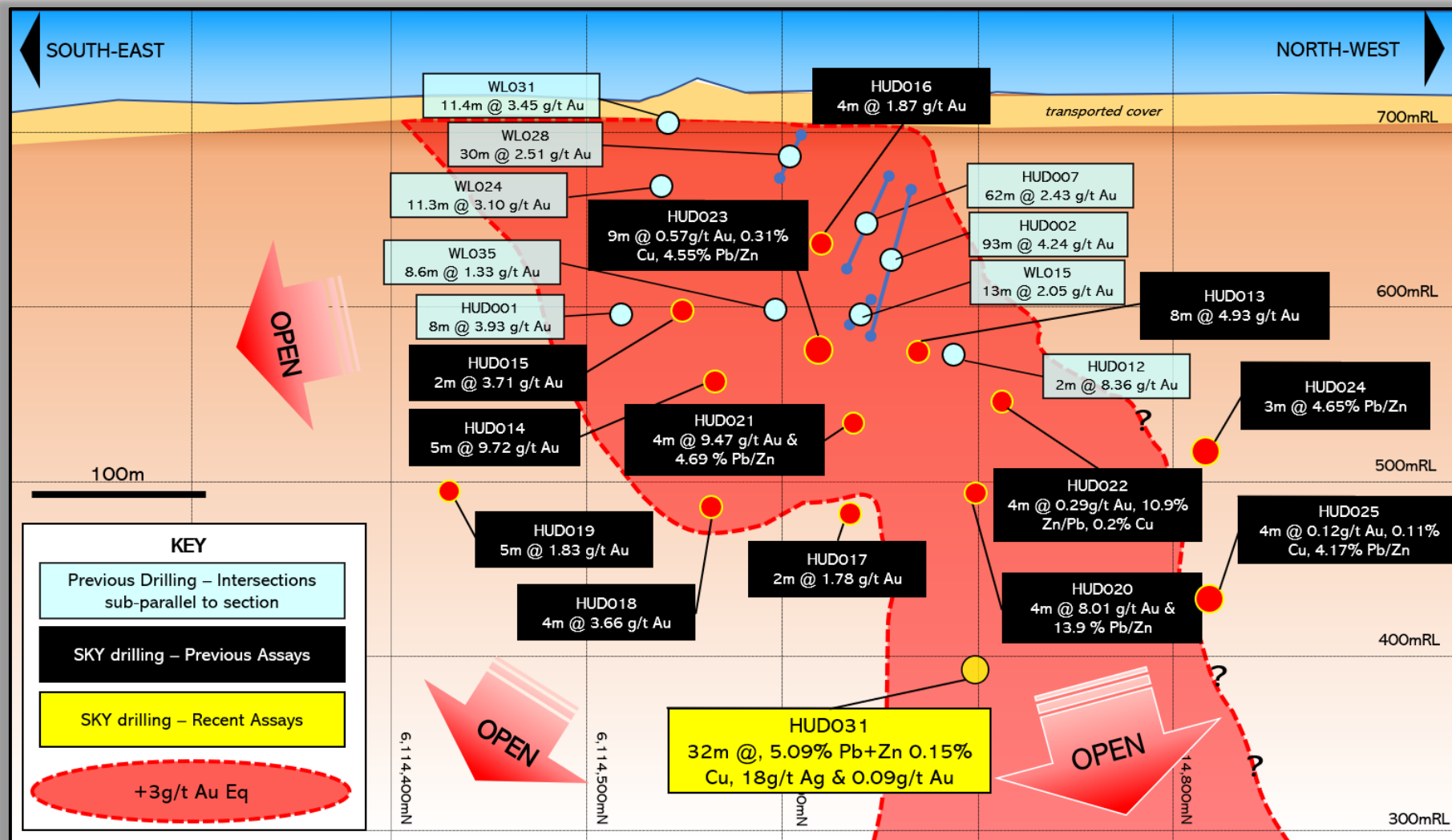


Figure 4 - Hume Target – Long Section (schematic). Significant Intersections

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REVIEW OF OPERATIONS

Table 1: Cullarín Gold-Lead-Zinc-Copper Project, Hume Target. Significant drillhole intersections

Hole ID	From	To	Interval	Au	Cu	Pb	Zn	Ag	Comment
	(m)	(m)	(m)	g/t	%	%	%	g/t	
HUD012	172	184	12	1.49	0.07	0.68	1.12	4	Hume structure
inc	172	174	2	8.36	0.17	1.47	2.39	9	
&	197	206	9	1.42	0.11	1.11	1.97	5	
inc	198	201	3	3.93	0.29	2.48	4.79	12	
HUD013	112	114	2	2.79	0.07	0.71	1.70	10	
	161	180	19	3.04	0.10	2.51	2.26	12	Hume structure
incl.	172	180	8	4.93	0.18	4.33	3.32	19	
HUD014	92	96.9	4.9	8.13	0.04	0.16	0.35	7	
and	150	154	4	1.09	-	-	-	2	
and	233	238	5	9.72	0.06	0.94	1.03	6	Hume structure
and	184	186	2	1.94	-	0.13	0.17	-	
HUD016	97	101	4	1.87	-	0.38	1.73	-	Hume structure
HUD017	55	57	2	3.94	-	0.19	0.24	7	
and	363	365	2	1.78	0.11	0.26	0.35	9	Hume structure
HUD018A	166	171	5	1.38	-	0.11	0.17	12	
and	293	295	2	5.56	-	0.15	0.16	-	Hume structure
and	301	305	4	3.66	-	0.35	0.68	5	
and	317	319	2	3.28	0.14	0.44	0.68	6	
HUD019	324	329	5	1.83	-	-	-	10	Hume structure
HUD020	284	296	12	2.73	0.12	2.44	4.44	10	Hume structure
inc.	284	288	4	8.01	0.20	5.43	8.51	22	
HUD021	81	84	3	4.50	-	0.30	0.85	-	
and	295	301	6	6.62	0.15	3.68	3.72	18	Hume structure
HUD023	136	145	9	0.57	0.31	1.39	3.17	-	Hume Structure
	193	197	4	0.29	-	1.42	3.94	-	
	209	215	6	0.11	-	1.86	4.5	-	
HUD024	289	292	3	-	-	1.17	3.48	-	Hume Structure
HUD025	61	65	4	0.12	0.11	1.16	3.01	-	
	331	334	3	-	0.15	0.89	3.88	-	Hume Structure

SKY METALS LIMITED

REVIEW OF OPERATIONS

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

Hole ID	From	To	Interval	Au	Cu	Comment
	(m)	(m)	(m)	g/t	%	
MUD001	279	280	1	0.11	0.44	
MUD003	92	93	1	0.25	-	
	111	121	10	-	0.21	

Table 3: Cullarin Gold-Lead-Zinc-Copper Project, Hume West Target. Significant drillhole intersections

Hole ID	From	To	Interval	Au	Cu	Pb	Zn	Ag	Comment
	(m)	(m)	(m)	g/t	%	%	%	g/t	
HUD026	226	235	9	0.30	0.10	0.71	1.48	6.13	
including	230	235	5	0.44	0.16	1.05	1.95	7.75	
HUD027	249.5	251.5	2	0.04	0.41	1.44	0.50	12.5	
HUD028	217	218	1	0.06	0.05	0.52	1.31	5.46	
HUD029	160	169	9	0.37	-	-	-	-	
and	200	201	1	0.51	0.10	0.07	0.22	10.3	

IRON DUKE PROJECT: COPPER-GOLD (EL 6064, BALMAIN OPTION; EL 9191, SKY 100%)

IRON DUKE TARGET – RC DRILLING

SKY's maiden RC drilling program of the high-grade copper-gold mineralisation at Iron Duke intercepted strong copper-gold mineralisation. A total of 9 RC holes (**IDRC001-IDRC009**) have been drilled for 1,650m to extend the known mineralisation. **IDRC001-IDRC004** were drilled along strike to the north of the Iron Duke mine and intercepted broad zones of disseminated sulphide mineralisation. **IDRC005** and **IDRC007** were abandoned due to excessive hole deviation before reaching target depth. **IDRC006** intercepted strong chalcopyrite (copper sulphide) mineralisation. **IDRC008** intercepted encouraging copper-gold mineralisation. **IDRC009** was drilled a further 100m along strike from IDRC008 and intercepted abundant sulphides with only minor mineralisation present, results are listed in **Table 4**.

IRON DUKE TARGET – DIAMOND DRILLING AND DHEM

Diamond drilling of 4 holes for a total of 1174.6m were drilled to follow up the RC drilling at the Iron Duke Target. These holes were drilled to test deeper mineralisation as down dip extension of the mineralisation. In addition to this, Downhole Electromagnetics (DHEM) was completed on two of the diamond holes from the first phase of diamond drilling (**IDD003** and **IDD004**). **IDD003** and **IDD004** were drilled on the southwestern and north-eastern margins of the Iron Duke mineralisation, respectively. This style of mineralisation, hosted in massive sulphide and sulphide matrix breccia is well suited to being delineated with DHEM as evidenced by other explorers in the region, namely Peel Mining Limited at its Wirlong prospect and Aeris Resources Limited at the Constellation prospect (PEX:ASX Announcement 17th May 2017, AIS:ASX Announcement 20th December 2020).

CHRISTMAS GIFT MINES TARGET - ROCK CHIP SAMPLING

As part of initial reconnaissance of the Iron Duke Project, rock sampling was conducted at the Christmas Gift & Monarch mines, which have not been previously drill tested and are located approximately 2.5km south along strike from the Iron Duke Mine. Copper carbonates (malachite & azurite) in quartz breccias were noted at both mines, similar to the style of the Iron Duke mineralisation. Chalcocite was also noted at the Monarch mine. Both workings present as "walk up and drill" targets, which has been confirmed by the high-grade copper rock chip results. Of the 21 rock chip samples collected at the Christmas Gift Mine and Monarch Mine, over half of the samples assayed >1% Copper, including maximum results of **26.1% Cu** and **11.0% Cu**. SKY planning an RC drilling program to follow up these strongly encouraging results.

CHRISTMAS GIFT MINES TARGET – RC DRILLING

The Christmas Gift Mines Target includes the historic Christmas Gift, Monarch, Mount Pleasant and Silver Lining copper mines which have **not previously been drill tested (Figure 5)**. Surrounding the old workings are abundant copper carbonates, including malachite and azurite, which demonstrate the potential of high-grade oxide copper mineralisation at the Christmas Gift Mines Target. Drilling approvals have been received and a drill rig secured. Drilling is imminent subject to weather access.

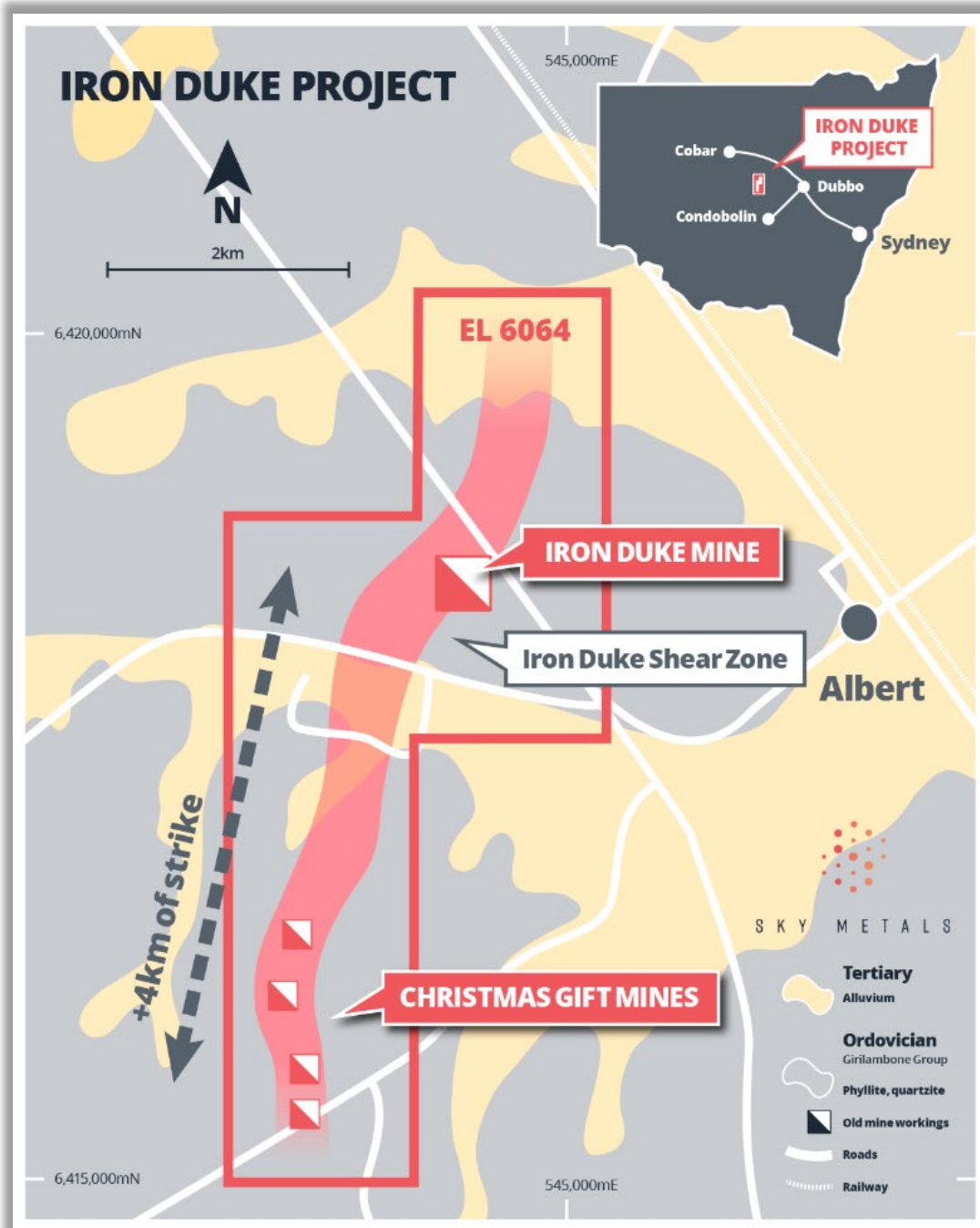


Figure 5 – Above - Iron Duke Project – Schematic of tenement showing the Iron Duke Shear Zone through the centre of the tenement with over 4km of strike between the Christmas Gift Mines to the Iron Duke Mine.

SKY METALS LIMITED

REVIEW OF OPERATIONS

Table 4 – Iron Duke Project, Iron Duke Target. Significant drillhole intersections.

Hole ID	From	To	Interval	Cu	Au	Co	Comment
	(m)	(m)	(m)	%	g/t	%	
IDRC006	104	109	5	1.11	1.19	0.07	
IDRC008	232	237	5	0.55	0.31	0.08	
IDRC009	210	211	1	0.39	0.01	-	
IDD001	175	184	9	0.38	0.30	0.06	
including	175	179	4	0.56	0.47	0.08	
and	256	257	1	0.20	4.83	-	narrow high-grade gold
IDD002	189	190	1	2.54	0.04	0.01	

DORADILLA PROJECT: COPPER-TIN-SILVER-INDIUM (EL 6258, SKY 100%)

3KEL TARGET – RC AND DIAMOND DRILLING

In late 2019, SKY completed 4 RC holes for a total of 486m to validate and test beneath historic results and produce a multi-element assay suite on the skarn mineralisation at Doradilla. The 3KEL Target is at the north-eastern end of the Doradilla-Midway-KEL or 'DMK' which is a 16km long skarn that has been the focus of extensive exploration for tin and tungsten, particularly during the 1970s and 1980s.

SKY's 2019 results identified a **high-grade copper-tin-indium** target at the 3KEL section on the DMK line. Results from the 2019 SKY drilling program included:

3KRC002: 6m @ 1.48% Cu, 1.11% Sn, 44g/t Ag & 65g/t In from 105m and;
3KRC001: 14m @ 0.84% Cu, 1.58% Sn, 0.38% Zn, 74.3g/t In from 39m

SKY has since inspected the historic drill core from the 3KEL target stored at the W B Clarke Geoscience Centre (NSW Core Library at Londonderry NSW). Abundant copper sulphides were observed in many intervals of the drill core inspected, including bornite and chalcopyrite. Due to only quarter core remaining for these intervals, no resampling was able to be completed and, in many holes, only the tin results have been reported. However, the bornite and chalcopyrite observed in these holes were intergrown with magnetite and many of the sections of core containing copper sulphides were found to be strongly magnetic (**Figure 6 and 7**).

SKY completed a detailed magnetic survey with 40m line spacing over the entire 16km strike of the DMK line in August 2020. This survey was extremely effective at clearly delineating the DMK line, including showing strong magnetic anomalies at the 3KEL Target (**Figure 6 and 7**). Given the observed association of the copper sulphide mineralisation with magnetite, this magnetic survey has provided SKY with an invaluable tool for targeting additional high-grade copper-tin-silver-indium mineralisation at the 3KEL Target.

A combination of RC and diamond drilling has been completed to target these anomalies at 3KEL – Assays are pending.

SKY METALS LIMITED

REVIEW OF OPERATIONS

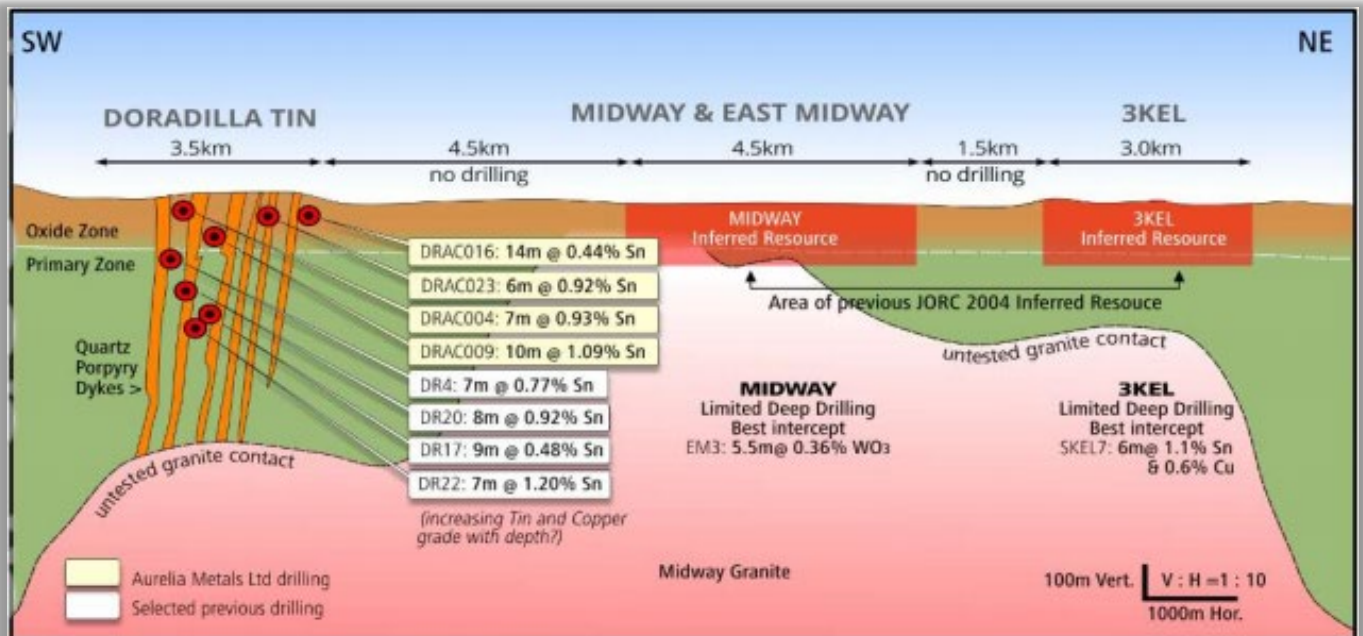
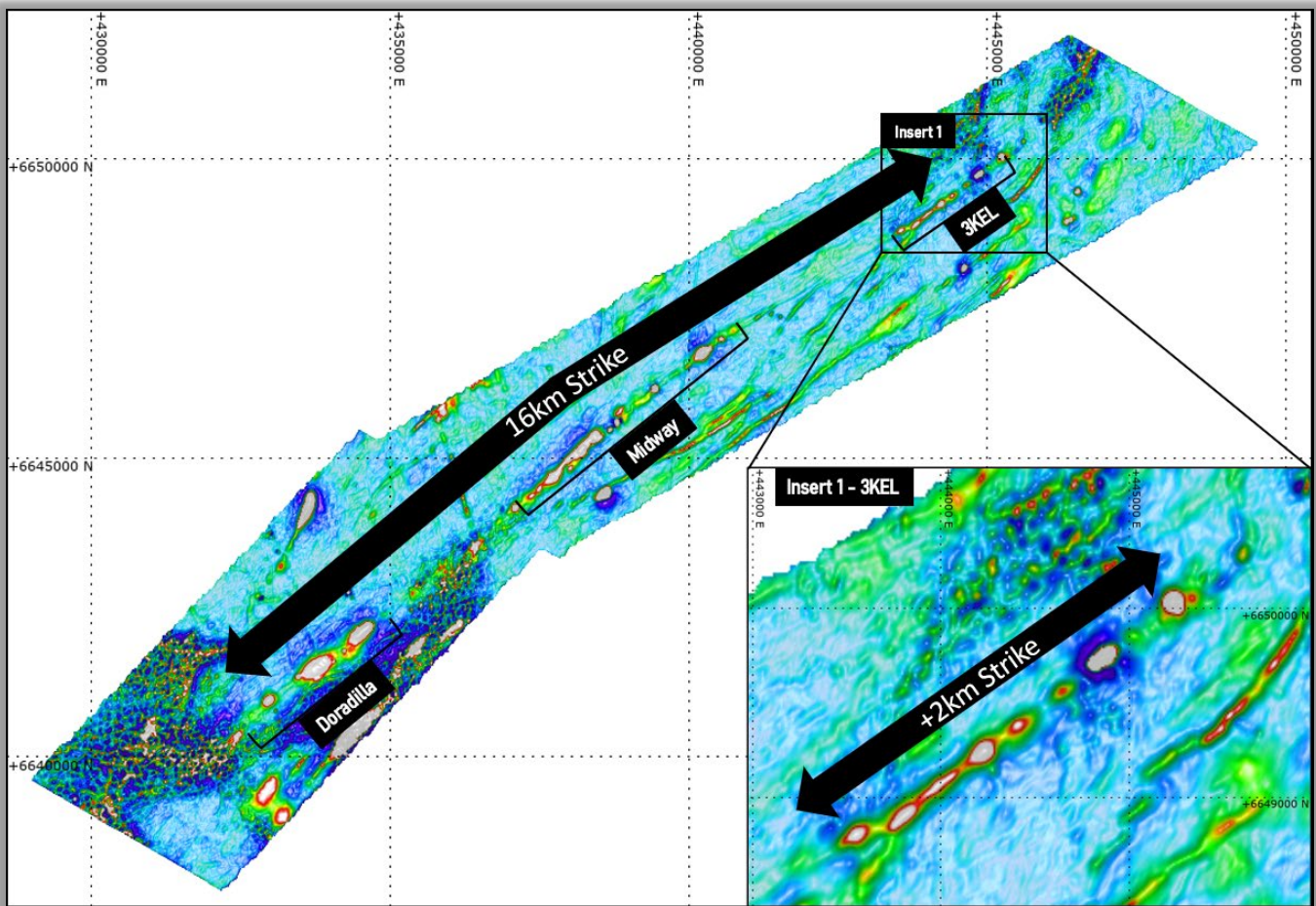


Figure 6 – Above- Plan View of the Doradilla-Midway-KEL (DMK) line magnetics; **Bottom-** Schematic long section of the DMK line.

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REVIEW OF OPERATIONS

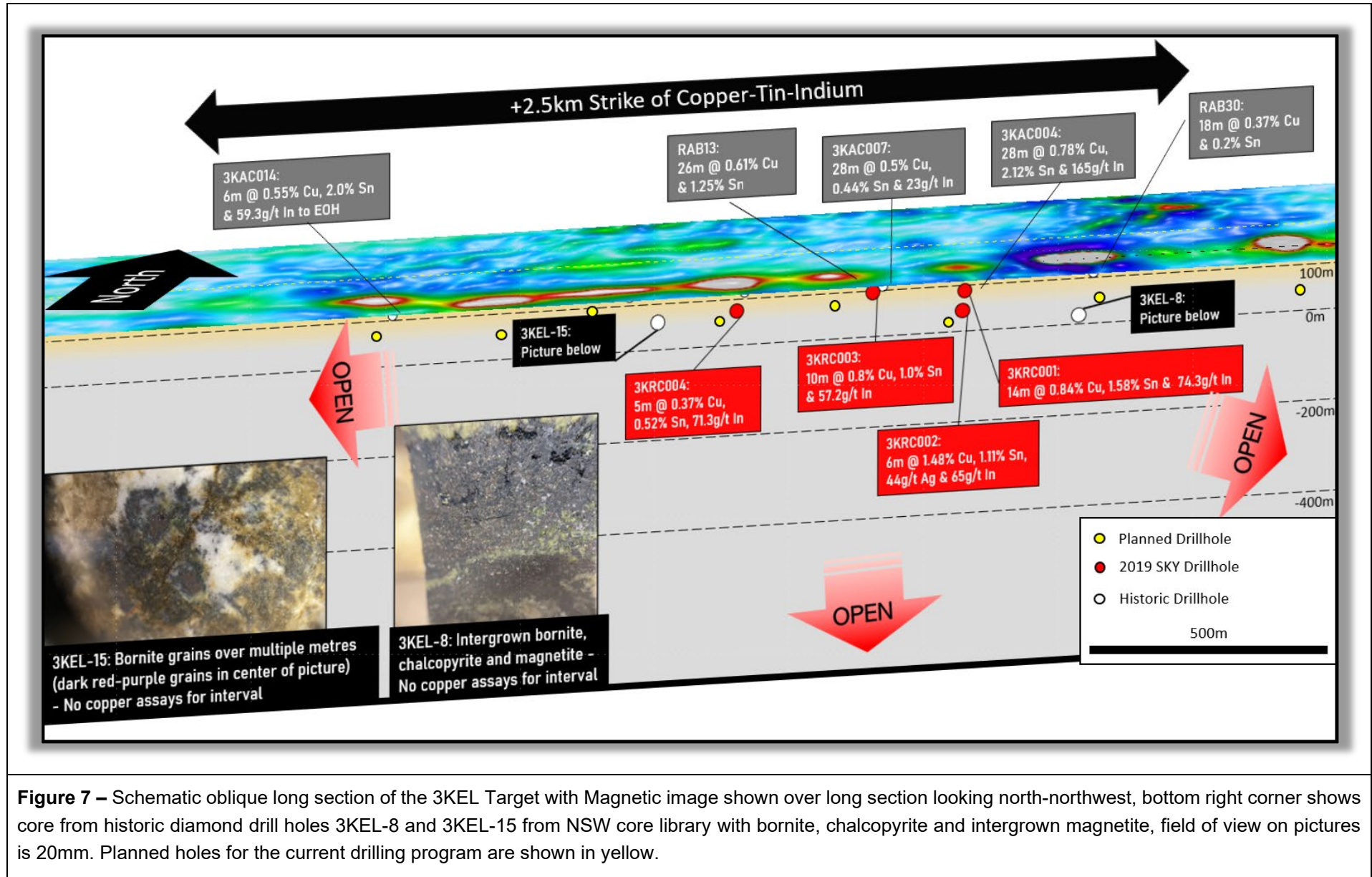


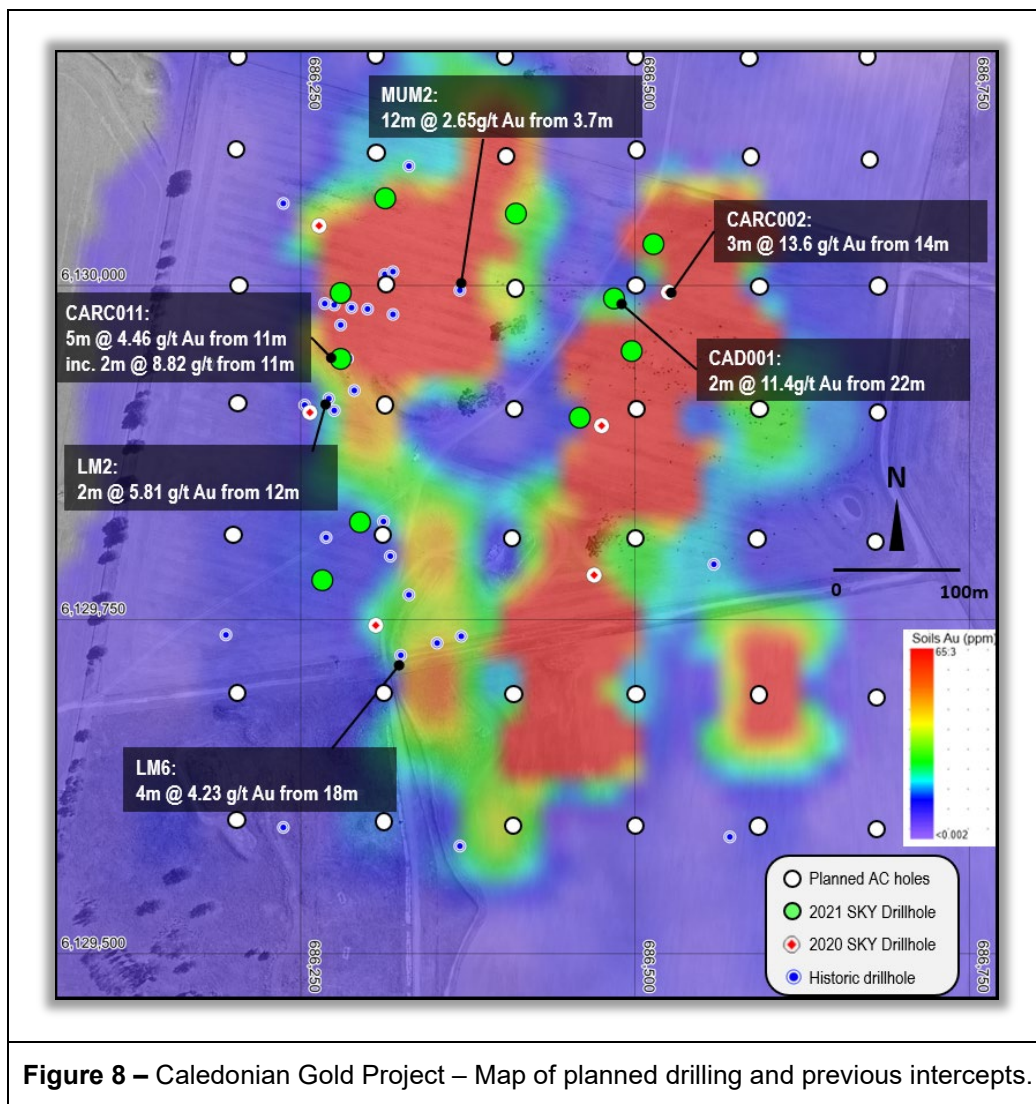
Figure 7 – Schematic oblique long section of the 3KEL Target with Magnetic image shown over long section looking north-northwest, bottom right corner shows core from historic diamond drill holes 3KEL-8 and 3KEL-15 from NSW core library with bornite, chalcopyrite and intergrown magnetite, field of view on pictures is 20mm. Planned holes for the current drilling program are shown in yellow.

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 delineated shallow high-grade gold mineralisation over a 700m x 500m area and are presented in **Table 5**. A review of SKY's results and historic results indicates the Caledonian gold mineralisation likely represents a **shallow, sub-horizontal blanket of oxide and supergene gold mineralisation developed over an oxidised skarn**. SKY considers this a compelling target, that can be readily tested with shallow aircore drilling.

An aircore (AC) drilling program was completed drilling 37 shallow holes on an offset 100m x 100m grid over the area. Assays are pending.



SKY METALS LIMITED

REVIEW OF OPERATIONS

Table 5: Caledonian Project. Significant drillhole intersections

Hole ID	From	To	Interval	Au	Comment
	(m)	(m)	(m)	g/t	
CARC002	10	23	13	3.24	
inc.	14	17	3	13.6	
inc.	15	16	1	38.4	
CARC005	36	40	4	1.17	
CARC003	43	60	17	0.29	
incl.	56	59	3	0.96	
CAD001	22	24	2	11.4	
inc.	23	24	1	21.9	
CAD002	71	73	2	1.92	
CARC011	11	16	5	4.46	
inc.	11	13	2	8.82	
and	59	62	3	1.68	
CARC012	33	34	1	2.18	
CARC013	54	55	1	2.52	

GALWADGERE PROJECT: COPPER-GOLD (EL 6320, SKY 100%)

RC PERCUSSION & DIAMOND DRILLING

SKY has enacted a program of RC percussion and diamond drilling to test the strike and depth extent of the Galwadgere copper-gold deposit. Seven holes have been completed to date. Drillholes have intersected very encouraging widths of copper sulphide mineralisation (chalcopyrite), pyrite, quartz veining and associated alteration. Drillhole **GARC001** did not reach the planned target depth of 200m due to excessive drillhole deviation. **GAD001** was drilled from the same pad as GARC001 to reach the target designed for GARC001. This hole intercepted encouraging alteration, however only minor mineralisation. **GARC002** intersected a zone of copper sulphide (chalcopyrite), pyrite and quartz veining between 140 and 190m. Two zones in GARC002 (140-150m & 180-190m) of very strong chalcopyrite/pyrite and quartz veining reported high-grade copper-gold intervals. **GARC004D** and **GARC005D** were drilled as RC pre-collars for diamond tails to test deeper targets at depth and along strike from historic drilling. These holes deviated in the pre-collars and as such tested deeper than the intended target positions. This drilling was validated and bolstered the historic drill database for the Galwadgere Target and enable SKY to proceed to build a database to be used in the maiden JORC-2012 Resource calculation.

GALWADGERE TARGET – MAIDEN JORC-2012 RESOURCE

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 resource using the drilling completed by SKY and previous drilling completed by Alkane Resources (ALK) and other past explorers. This data was compiled into a database and subsequently validated with several reviews including inspection and resampling of the historic drill core at the W B Clarke Geoscience Centre (NSW Core Library) in western Sydney. This provides SKY with a strong platform to build on at the Galwadgere project. It is intended to conduct further exploration to increase the resource at the Galwadgere Target and develop satellite targets to build the Galwadgere resource to a large enough critical mass to warrant mining.

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REVIEW OF OPERATIONS

Table 6 – Galwadgere MRE showing the two cut-offs used, total tonnage, grade and contained metals for each cut-off.

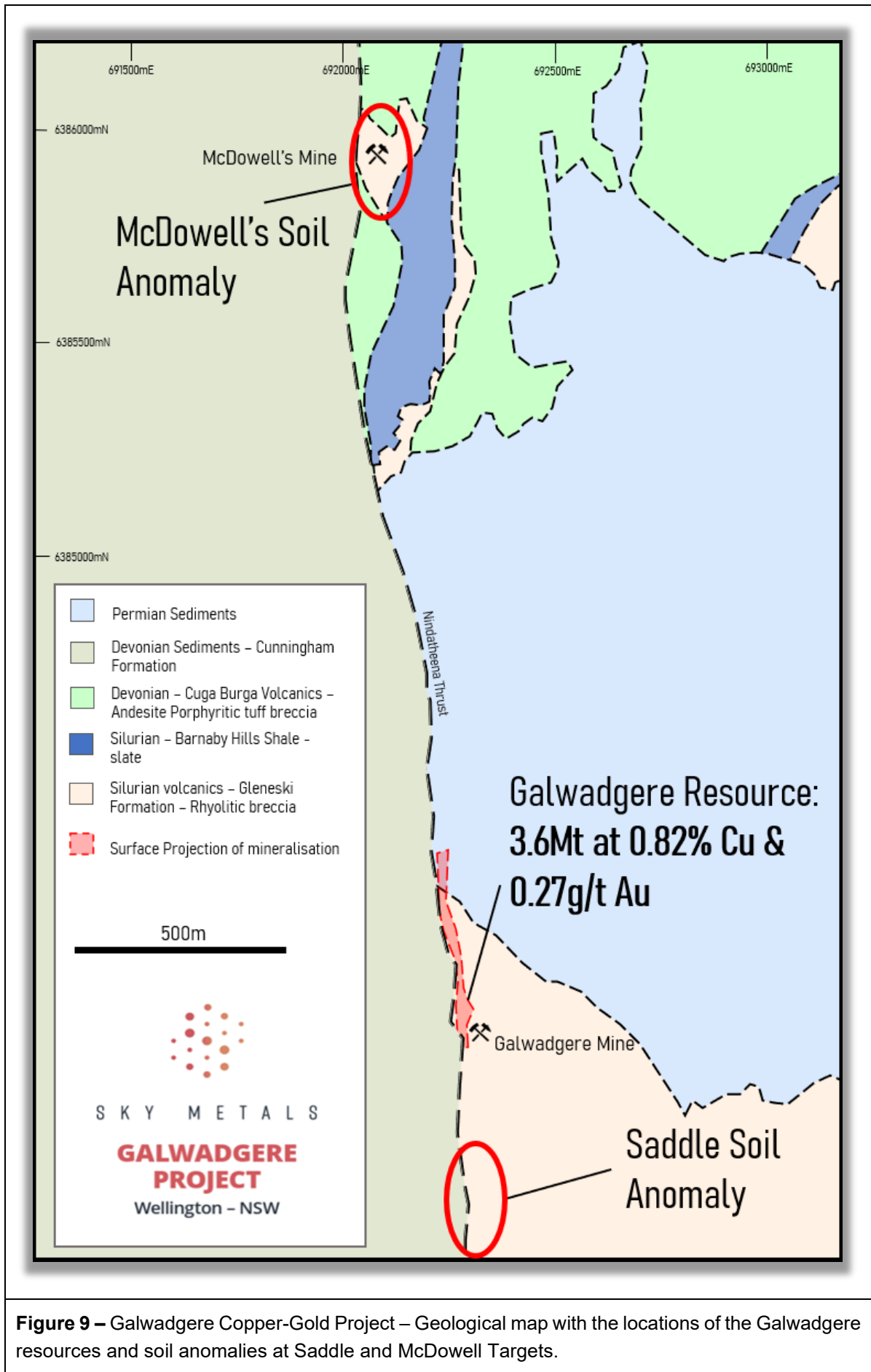
Cut-off	Tonnage (Mt)	Grade		Contained Metal	
		Cu (%)	Au (g/t)	Cu (kt)	Au (koz)
0.5% Cu	3.6	0.82	0.27	29	31
0.7% Cu	1.9	1.02	0.29	20	18

SADDLE AND MCDOWELLS TARGET – SOIL SAMPLING

Soil sampling undertaken along strike from the Galwadgere resource has identified two copper-gold, multielement pathfinder soil anomalies. The northern soil sampling program over the McDowell's mine and line of workings has delineated a 200m x 100m adjacent soil anomaly which is coincident with several historic mine shafts with 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 along strike exploration. These are priority drill targets to be tested.

Table 7: Galwadgere Project. Significant drillhole intersections

Hole ID	From	To	Interval	Cu	Au	Comment
	(m)	(m)	(m)	%	g/t	
GARC002	142	195	53	0.55	0.75	
inc.	142	148	6	1.04	2.15	
and	183	188	5	1.98	3.91	
GARC004D	302	305	3	0.59	0.11	
and	326	332	6	0.31	0.86	Mineralisation in Nindatheena Thrust



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REVIEW OF OPERATIONS

KANGIARA PROJECT: GOLD (EL8400, EL8573. SKY 80%; HRR JV)

The Kangiara Project (EL8400, EL8573) is located 30km northwest of Yass in the Southern Tablelands of New South Wales (**Figure 1**). 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.

Evaluation of the regional potential of the Kangiara Project identified a number of discrete colour anomalies in Sentinel-2 satellite data. These colour anomalies are interpreted to represent areas of outcropping alteration. Field investigation of these areas is planned for the September quarter.

TIRRANA PROJECT: GOLD (EL 9048, SKY 100%)

As part of a regional review of the Cullarin area for McPhillamys-style gold mineralisation, SKY identified an area on open ground to the south-east of the Cullarin project that satisfied a number of the key McPhillamys criteria. (**Figure 1**).

A detailed desktop review of previous exploration covering Tirrana has been completed. This review identified two areas for follow up. This work is planned to be completed in the next year.

TALLEBUNG PROJECT: TIN (EL 6699, SKY 100%)

The Tallebung Project is located approximately 70km north-west of Condobolin in central NSW (**Figure 1**). The project encompasses the historic Tallebung Tin Mining Field at the northern extent of the Wagga Tin Belt within the central Lachlan Orogen and is considered prospective for lode-style tin - tungsten mineralisation. Outcropping mineralisation is developed over two kilometres as sheeted/stockwork quartz-cassiterite-wolframite sulphide veins above a mineralising granite.

A review of the potential of the Tallebung Project to host intrusion related gold (IRG) has been completed. This review identified the potential of the Theirman Tin & Whytes Wolfram Mines to host IRG mineralisation and it was recommended to complete a program of surface sampling (soil and/or lag) to test their gold potential. This work is currently planned for the next year.

NEW ENGLAND PROJECT: TIN (EL9200, EL9210. SKY 100%)

The New England project comprises two licences near Emmaville and Tingha, both locations of significant historical tin production and are referred to as the Emmaville & Gilgai projects respectively. These areas were selected as they were considered to have considerable potential to host hardrock tin resource and limited modern day exploration has been conducted.

SKY METALS LIMITED

REVIEW OF OPERATIONS

Table 8: Sky Metals - Tenement Summary

Holder	Equity	Licence ID	Grant Date	Expiry Date	Units	Area	Comment
Tarago Exploration Pty Ltd (HRR sub)	80%	EL7954	19-6-2012	19-6-2022	51	144 km ²	Cullarin Project, SKY Heron JV
Ochre Resources Pty Ltd (HRR sub)	80%	EL8400	20-10-2015	20-10-2024	52	147 km ²	Kangiarra Project, SKY Heron JV
Ochre Resources Pty Ltd (HRR sub)	80%	EL8573	23-5-2017	23-5-2023	17	48 km ²	Kangiarra Project, SKY Heron JV
Aurum Metals Pty Ltd (SKY sub)	100%	EL8920	5-12-2019	5-12-2025	65	183 km ²	Caledonian Project
Aurum Metals Pty Ltd (SKY sub)	100%	EL9120	30-3-2021	30-3-2027	50	141 km ²	Caledonian Project – Murrum granted
Aurum Metals Pty Ltd (SKY sub)	100%	EL9048	15-2-2021	15-2-2026	52	147 km ²	Tirrana Project - granted
Gradient Energy Pty Ltd (SKY sub)	100%	EL6320	12-10-2004	12-10-2026	14	41 km ²	Galwadgere Project – Transferred ownership from Alkane Resources Ltd to Sky Metals Ltd
Balmain Minerals Pty Ltd	Option to Purchase 100%	EL6064	21-3-2003	20-3-2022	5	15 km ²	Iron Duke Project
Gradient Energy Pty Ltd (SKY sub)	100%	EL9191	8-6-2021	8-6-2021	60	174 km ²	Iron Duke Project – Albert Granted
Stannum Pty Ltd (SKY sub)	100%	EL6258	21-6-2004	21-6-2026	38	110 km ²	Doradilla Project
Stannum Pty Ltd (SKY sub)	100%	EL6699	10-1-2007	10-1-2027	14	41 km ²	Tallebung Project
Stannum Pty Ltd (SKY sub)	100%	EL9200	21-6-2021	21-6-2027	74	221 km ²	Emmaville Project - Granted
Stannum Pty Ltd (SKY sub)	100%	EL9210	1-7-2021	1-7-2027	82	244 km ²	Gilgai Project – Granted

SKY METALS LIMITED

REVIEW OF OPERATIONS

COVID-19 Impact

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.

The Board does not consider the present level of COVID-19 restrictions will impact on it effectively carrying out its activities going forward in the foreseeable future.

The Company did not receive any JobKeeper payments during the financial year.

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 2021 Corporate Governance Statement was approved by the Board on 30 September 2021 and reflects the corporate governance practices throughout the 2021 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

DIRECTOR'S 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 2021 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 Alpha HPA Limited, a minerals exploration and development company operating in Australia and Indonesia, Santana Minerals Limited, a precious metals exploration company, and Deputy Chairman and Executive Director of Nickel Mines Limited a nickel mining and development 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

DIRECTOR'S 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), 8IP Emerging Companies Limited (ASX:8EC), Unity Housing Company Ltd and Variety SA; 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	4	4
Rimas Kairaitis	4	4
Richard G.M. Hill	4	4

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	15,061,623	-	-	2,250,000	SKY Share Price achieving a 30 day VWAP of \$0.67 at any time up to 5 June 2022
Rimas Kairaitis	8,630,830	2,300,000	\$0.08 at any time up to 24 June 2023	2,000,000	SKY Share Price achieving a 30 day VWAP of \$0.67 at any time up to 5 June 2022
Richard Hill	6,900,000	1,900,000	\$0.08 at any time up to 24 June 2023	2,000,000	SKY Share Price achieving a 30 day VWAP of \$0.67 at any time up to 5 June 2022

SKY METALS LIMITED

DIRECTOR'S 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
10,000,000	\$0.15	2 October 2021
1,500,000	\$0.12	24 October 2023
2,000,000	\$0.12	31 January 2023
2,000,000	\$0.16	31 January 2023
2,000,000	\$0.20	31 January 2023
128,205	\$0.39	24 June 2022
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
6,250,000	\$0.67	5 June 2022
1,950,000	\$0.35	27 October 2022

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 2021 was \$2,352,292 (six months to 30 June 2020 - \$828,983 loss).

Review of Operations

A review of operations of the consolidated entity during the year ended 30 June 2021 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 2021. No dividends have been paid or declared during the period (2020 - \$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

DIRECTOR'S REPORT

Likely Developments

The Group's focus over the next financial year will be on its key projects, Cullarin, Iron Duke, Galwadgere, Kangiara, Caledonian, Tirrana, Doradilla and Tallebung. Further commentary on planned activities in these projects over the forthcoming 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

DIRECTOR'S 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 Exploration Manager. 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 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 2021 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 in general meeting to be apportioned among them in such manner as the Directors agree and, in default of agreement, equally. 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 2021 is detailed in this Remuneration Report

Executive Service Agreement

Mr Oliver Davies became the Exploration Manager of the Group on 1 April 2021. Mr Davies receives an annual remuneration of \$170,000 (plus superannuation) and is entitled to use a Company motor vehicle. The Company, or Mr Davies may terminate the employment by giving one month written notice.

SKY METALS LIMITED

DIRECTOR'S REPORT

Remuneration Report - Audited (Cont.)

Mr Mark Arundell commenced as the Chief Executive Officer on 28 January 2020 and resigned 30 April 2021. Mr Arundell was paid a consulting fee of \$25,000 per month (exclusive of GST).

Details of Directors & Executives

The following table provides details of the members of key management personnel of the entity as at 30 June 2021:

Directors and Executives	Position held
Norman Seckold	Chairman
Rimas Kairaitis	Non-Executive Director
Richard Hill	Non- Executive Director
Oliver Davies	Exploration manager – from 1 April 2021
Mark Arundell	Chief Executive Officer – to 30 April 2021

Details of remuneration for the year ended 30 June 2021 - 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							
Mark Arundell ⁽⁵⁾	2021 ⁽¹⁾	250,000	127,698 ⁽³⁾	-	-	377,698	-
	2020 ⁽²⁾	125,000	206,826 ⁽³⁾	-	-	331,826	62.3
Oliver Davies ⁽⁶⁾	2021 ⁽¹⁾	42,500	202,471 ⁽⁷⁾	4,037	7,931	256,939	5.4
	2020 ⁽²⁾	-	-	-	-	-	-
Peter Duerden ⁽⁵⁾	2021 ⁽¹⁾	-	-	-	-	-	-
	2020 ⁽²⁾	53,947	-	5,383	-	59,330	-
Non-executive Directors							
Norman Seckold (Chairman)	2021 ⁽¹⁾	50,000	273,375 ⁽⁴⁾	-	-	323,375	84.5
	2020 ⁽²⁾	25,000	18,695 ⁽⁴⁾	-	-	43,695	42.8
Rimas Kairaitis	2021 ⁽¹⁾	40,000	243,000 ⁽⁴⁾	-	-	283,000	85.9
	2020 ⁽²⁾	26,000	16,618 ⁽⁴⁾	-	-	42,618	39.0
Richard Hill	2021 ⁽¹⁾	69,600	243,000 ⁽⁴⁾	-	-	312,600	77.7
	2020 ⁽²⁾	76,700	16,618 ⁽⁴⁾	-	-	93,318	17.8
Total all specified Directors & Executives	2021 ⁽¹⁾	452,100	1,089,544	4,037	7,931	1,553,612	58.7
	2020 ⁽²⁾	306,647	258,757	5,383	-	570,787	50.6

(1) Year ended 30 June 2021.

(2) Six months ended 30 June 2020.

SKY METALS LIMITED

DIRECTOR'S REPORT

Remuneration Report - Audited (Cont.)

- (3) During the six months to 30 June 2020, 6,000,000 unlisted options were issued to Mark Arundell. During the year ended 30 June 2021 1,000,000 employee performance rights were issued to Mark Arundell which lapsed upon his departure from the Company.
- (4) 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.
- (5) Appointed as CEO on 28 January 2020, ceased 30 April 2021.
- (6) Appointed as Exploration manager on 1 April 2021.
- (7) 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.

Options granted as compensation

On 14 May 2021 2,000,000 options were issued to the Company's Exploration manager Mr Oliver Davies.

Director / Executive	Grant Date	Number of Options Granted	Vesting Date	Fair Value at Grant Date	Options Terms (Exercise Price and Term)
Mark Arundell	16 January 2020	(1) 2,000,000	16 January 2020	\$0.0660	\$0.12 before 31 January 2023
Mark Arundell	16 January 2020	(1) 2,000,000	16 January 2021	\$0.0610	\$0.16 before 31 January 2023
Mark Arundell	16 January 2020	(1) 2,000,000	16 January 2022	\$0.0570	\$0.20 before 31 January 2023
Oliver Davies	21 March 2021	(2) 2,000,000	14 May 2021	\$0.0942	\$0.25 before 31 January 2024

- (1) The fair value of the options at grant date was determined based on Black-Scholes formula. The model inputs of the options issued were the Company's share price of \$0.09 at the grant date, a volatility factor of 115.19% based on historical share price, a risk-free rate of 0.69% based on the 5-year government bond rate and no dividend paid.
- (2) The fair value of the options at grant date was determined based on Black-Scholes formula. The model inputs of the options issued were the Company's share price of \$0.16 at the grant date, a volatility factor of 114.26% based on historical share price, a risk-free rate of 0.11% based on the 5-year government bond rate and no dividend paid.

There were no other options over ordinary shares granted to Directors or Executives as remuneration during the year ended 30 June 2021. No options granted as compensation vested during the year ended 30 June 2021, except as outlined above (2020: nil).

Performance Rights granted as compensation

On 27 October 2020 3,250,000 performance rights were issued to the Company's employees, including Executives.

The performance rights will convert into shares at no cost upon the Company's share price achieving 200% of the 30 day VWAP prior to the issue of the performance rights is approved, within 24 months of issue. 200% of the 30 Day VWAP prior to shareholder approval is \$0.35.

SKY METALS LIMITED

DIRECTOR'S REPORT

Remuneration Report - Audited (Cont.)

Director / Key Management Personnel	Grant Date	Number of Performance Rights Granted	Fair Value at Grant Date
Norman Seckold	5 June 2020	⁽¹⁾ 2,250,000	\$0.2430
Rimas Kairaitis	5 June 2020	⁽¹⁾ 2,000,000	\$0.2430
Richard Hill	5 June 2020	⁽¹⁾ 2,000,000	\$0.2430
Mark Arundel	27 October 2020	⁽²⁾ 1,000,000	\$0.1864
Oliver Davies	27 October 2020	⁽²⁾ 600,000	\$0.1864

- (1) The fair value of the performance rights at grant date was determined based on Black-Scholes formula. The model inputs of the options issued were the Company's share price of \$0.305 at the grant date, a volatility factor of 100% based on historical share price, a risk-free rate of 1% based on the 5-year government bond rate and no dividend paid.
- (2) The fair value of the performance rights at grant date was determined based on Black-Scholes formula. The model inputs of the options issued were the Company's share price of \$0.215 at the grant date, a volatility factor of 123% based on historical share price, a risk-free rate of 0.094% based on the 5-year government bond rate and no dividend paid.

The Performance Rights held by Mark Arundel lapsed on his departure from the Company in April 2021.

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 (\$)
Mark Arundel	186,400	-	186,400
Oliver Davies	300,370	-	-

* 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:

SKY METALS LIMITED

DIRECTOR'S REPORT

Remuneration Report - Audited (Cont.)

Key management personnel	Held at 1 July 2020	Share Placement	On Market Purchase	Other / Disposed	Held at 30 June 2021
Norman Seckold	15,061,623	-	-	-	15,061,623
Rimas Kairaitis	8,200,830	-	730,000	-	8,930,830
Richard Hill	6,900,000	-	-	-	6,900,000
Mark Arundell	50,000	-	-	-	50,000*
Oliver Davies	100,000**	-	-	-	100,000**

Key management personnel	Held at 1 January 2020	Share Placement	On Market Purchase	Other / Disposed	Held at 30 June 2020
Norman Seckold	13,061,623	2,000,000	-	-	15,061,623
Rimas Kairaitis	8,200,830	-	-	-	8,200,830
Richard Hill	6,750,000	150,000	-	-	6,900,000
Mark Arundell	-	50,000	-	-	50,000*

* Number of shares held at date of ceasing to be Director / Key Management Personnel

** Number of shares held at date of appointment as Director / Key Management Personnel

Option holdings of key management personnel movement in options - Audited

Key management personnel	Held at 1 July 2020	Granted	Lapsed / Cancelled	Held at 30 June 2021
Rimas Kairaitis	2,300,000	-	-	2,300,000
Richard Hill	1,900,000	-	-	1,900,000
Mark Arundell	6,000,000	-	-	6,000,000*
Oliver Davies	-**	2,000,000	-	2,000,000**

Key management personnel	Held at 1 January 2020	Granted	Lapsed / Cancelled	Held at 30 June 2020
Rimas Kairaitis	2,300,000	-	-	2,300,000
Richard Hill	1,900,000	-	-	1,900,000
Mark Arundell	-	6,000,000	-	6,000,000*

* Number of options held at date of ceasing to be Director / Key Management Personnel

** Number of options held at date of appointment as Director / Key Management Personnel

SKY METALS LIMITED

DIRECTOR'S REPORT

Remuneration Report - Audited (Cont.)

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

Key management personnel	Held at 1 July 2020	Granted	Lapsed / Cancelled	Held at 30 June 2021
Norman Seckold	2,250,000	-	-	2,250,000
Rimas Kairaitis	2,000,000	-	-	2,000,000
Richard Hill	2,000,000	-	-	2,000,000
Mark Arundell	-	1,000,000	(1,000,000)	-*
Oliver Davies	-**	600,000	-	600,000**

Remuneration Report - Audited (Cont.)

Key management personnel	Held at 1 January 2020	Granted	Lapsed / Cancelled	Held at 30 June 2020
Norman Seckold	-	2,250,000	-	2,250,000
Rimas Kairaitis	-	2,000,000	-	2,000,000
Richard Hill	-	2,000,000	-	2,000,000

* Number of performance rights held at date of ceasing to be Director / Key Management Personnel

** Number of performance rights held at date of appointment as Director / Key Management Personnel

Key management personnel transactions - Audited

Other transactions with key management personnel - Audited

During the year ended 30 June 2021, 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 \$917 (six months to 30 June 2020 - \$216) exclusive of GST. At the end of the period the amount outstanding to MIS was \$61 (2020 \$Nil).

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.

	2021 \$	2020 \$	2019 \$	2018 \$	2017 \$
Net (loss)/profit attributable to equity holders of the parent	(2,352,292)	(828,983)	(1,143,790)	(1,766,548)	(753,508)
Dividends paid	-	-	-	-	-
Change in share price	(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

DIRECTOR'S 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.

	12 Months to 30 June 2021	6 Months to 30 June 2020
	\$	\$
Statutory Audit		
- Audit and review of financial reports	109,395	57,975
Non-Audit Services		
- Taxation services	21,528	14,490
	<u>130,923</u>	<u>72,465</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 33 and forms part of the Directors' Report for the period ended 30 June 2021.

Signed at Sydney this 30th day of September 2021
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 2021 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.

The KPMG logo, consisting of the letters 'KPMG' in a blue, handwritten-style font, enclosed in a thin blue rectangular border.

KPMG

A blue ink signature, appearing to read 'Adam Twemlow', written over a faint, circular, textured background.

Adam Twemlow

Partner

Brisbane

30 September 2021

SKY METALS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	Notes	12 Months to 30 June 2021 \$	6 Months to 30 June 2020 \$
Other income			
Other income	4	59,953	55,509
Gain on disposal of property, plant and equipment		24,655	-
Expenses			
Consultants' and administration expenses		(579,292)	(293,821)
Depreciation and amortisation expense		(88,809)	(53,384)
Employee and director expenses		(1,593,172)	(412,956)
Other expenses	4	(206,458)	(135,118)
Operating (loss) before finance income		(2,383,123)	(839,770)
Finance income	4	32,408	13,666
Finance expense	4	(1,577)	(2,879)
Net finance income / (expense)		30,831	10,787
Loss before tax		(2,352,292)	(828,983)
Income tax expense	5	-	-
Total comprehensive (loss) for the period		(2,352,292)	(828,983)
Total comprehensive (loss) attributable to:			
Owners of the Company		(2,352,292)	(828,983)
Non-controlling interest		-	-
Total comprehensive (loss) for the period		(2,352,292)	(828,983)
Earnings per share			
Basic and diluted loss per share (cents)	15	(0.77)	(0.30)

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 2021

	Notes	30 June 2021 \$	30 June 2020 \$
Current assets			
Cash and cash equivalents	16	3,528,190	8,307,265
Trade and other receivables	6	61,508	36,193
Other current assets	7	10,000	2,000,000
Total current assets		3,599,698	10,343,458
Non-current assets			
Investments	8	231	231
Exploration and evaluation expenditure	9	13,242,721	6,407,940
Property plant and equipment	10	284,225	194,911
Other non-current assets	7	157,621	67,500
Total non-current assets		13,684,798	6,670,582
Total assets		17,284,496	17,014,040
Current liabilities			
Trade and other payables	11	547,662	302,540
Lease liability	12	45,102	42,631
Employee benefits payable		33,726	11,524
Total current liabilities		626,490	356,695
Non-current liabilities			
Lease liability	12	14,881	-
Total non-current liabilities		14,881	-
Total liabilities		641,371	356,695
Net assets		16,643,125	16,657,345
Equity			
Issued capital	13	68,793,175	67,653,175
Fair value reserve	14	231	230
Option premium reserve	14	2,265,005	1,066,934
Accumulated losses		(54,433,506)	(52,081,214)
Total equity attributable to equity holders of the Company		16,624,905	16,639,125
Non-controlling interest	24	18,220	18,220
Total equity		16,643,125	16,657,345

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 2021

	Notes	Issued capital \$	Fair value & Option reserve \$	Accumulated losses \$	Total	Non- controlling Interest \$	Total equity \$
Balance at 1 January 2020		57,448,596	879,690	(51,323,514)	7,004,772	-	7,004,772
Total comprehensive income for the period							
Loss for the period		-	-	(828,983)	(828,983)	-	(828,983)
Total comprehensive income/(loss) for the period		-	-	(828,983)	(828,983)	-	(828,983)
Transactions with owners recorded directly in equity							
Ordinary shares issued							
Share Placement	13	10,472,860	-	-	10,472,860	-	10,472,860
Exercise of options	13	208,119	(71,283)	71,283	208,119	-	208,119
Transaction costs on issue of shares	13	(476,400)	-	-	(476,400)	-	(476,400)
Share options – share based payments	19	-	258,757	-	258,757	-	258,757
Non-controlling interest	24	-	-	-	-	18,220	18,220
Balance at 30 June 2020		67,653,175	1,067,164	(52,081,214)	16,639,125	18,220	16,657,345
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

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 2021

	Notes	12 Months to 30 June 2021 \$	6 Months to 30 June 2020 \$
Cash flows from operating activities			
Cash receipts in the course of operations		9,954	5,509
Government assistance received		50,000	50,000
Cash payments in the course of operations		(926,923)	(632,659)
Cash generated from operations		(866,969)	(577,150)
Interest received		32,407	13,666
Interest paid		(1,577)	(2,879)
Net cash used in operating activities	16	(836,139)	(566,363)
Cash flows from investing activities			
Payments for exploration and development expenditure		(5,705,123)	(1,482,205)
Proceeds from / (payments for) investments in term / security deposits		1,899,880	(2,000,000)
Payments for plant and equipment		(154,485)	(11,363)
Proceeds from sale of plant and equipment		72,000	-
Net cash used in investing activities		(3,887,728)	(3,493,568)
Cash flows from financing activities			
Proceeds from share issues and exercise of options		-	10,680,979
Share issue expenses		-	(476,400)
Lease payments		(55,208)	(22,000)
Net cash from / (used in) financing activities		(55,208)	10,182,579
Net increase / (decrease) in cash and cash equivalents		(4,779,075)	6,122,648
Cash and cash equivalents at 1 July		8,307,265	2,184,617
Cash and cash equivalents at the end of the financial period	16	3,528,190	8,307,265

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 2021

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 2021 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 2021.

(b) Change of financial year end

In May 2020 the financial year of the Company changed from 31 December to 30 June to align the reporting schedule of the Company with Australia's normal reporting calendar and to synchronise the financial years of SKY's consolidated group entities. Accordingly, the financial period reported in these financial statements covers the twelve month period from 1 July 2020 to 30 June 2021. Comparative figures for these financial statements cover the six month period from 1 January 2020 to 30 June 2020. The results for the current period are therefore not directly comparable with the results for the prior period.

(c) 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.

(d) Functional and presentation currency

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

(e) 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 2021

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 2021

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 \$2,352,292 (2020: \$828,983) for the year ended 30 June 2021. At 30 June 2021 the Group had cash and cash equivalents of \$3,528,190 (2020: \$8,307,265) and net assets of \$16,643,125 (2020: \$16,657,345).

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 director's 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.

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, the going concern basis of accounting may not be appropriate and the Group may have to realise its assets and extinguish its liabilities in the ordinary course of business and at amounts different from those 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 2021

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 2021

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 2021

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 2021

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 Executives Directors, 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 Executive Directors 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 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 2021

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, 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 2021

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 2020 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.

	12 Months to 30 June 2021	6 Months to 30 June 2020
	\$	\$
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	50,000
- Other	9,953	5,509
	59,953	55,509
Other expenses		
- Pre-license costs	(34,773)	(38,006)
- Legal fees	(2,094)	(22,127)
- Auditor's remuneration – audit & review of financial reports	(109,395)	(57,975)
- Other	(60,196)	(17,010)
	(206,458)	(135,118)
Financial income and expense		
Interest revenue	32,408	13,666
Finance lease expense	(1,577)	(2,879)
5. Income tax expense		
Current tax expense		
Current period	(346,266)	(171,955)
Adjustments for prior year	-	-
Tax (profit)/losses not recognised	346,266	171,955
	-	-
<i>Numerical reconciliation of income tax expense to prima facie tax payable:</i>		
Loss before tax	(2,352,292)	(828,983)
Prima facie income tax benefit at the Australian tax rate of 30% (2019 - 30%)	(705,687)	(248,695)
Adjustments to prima facie tax due to:		
- non-deductible expenses	359,421	76,739
- effect of DTAs on tax losses not brought to account	1,855,646	1,142,785
- effect of DTAs on temporary differences not brought to account	(1,509,380)	(970,830)
Tax expense	-	-

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	12 Months to 30 June 2021	6 Months to 30 June 2020
	\$	\$
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	11,880,616	9,973,817
Net deductible temporary differences	(2,452,197)	(944,622)
Potential tax benefit at 30% (2020 - 30%)	<u>9,428,419</u>	<u>9,209,195</u>

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.

6. Trade and other receivables	30 June 2021	30 June 2020
	\$	\$
GST	60,628	35,303
Other	880	890
	<u>61,508</u>	<u>36,193</u>

7. Other assets

Current

Tenement bond deposit	10,000	-
Term Deposit	-	2,000,000
	<u>10,000</u>	<u>2,000,000</u>

Non-current

Tenement bond deposit	157,621	67,500
	<u>157,621</u>	<u>67,500</u>

8. Investments

Investments - fair value through other comprehensive income	<u>231</u>	<u>231</u>
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The Company holds 10,950 Ordinary Shares in Pilot Energy Limited. At 30 June 2021, the Directors compared the carrying value of the investment to market value and recorded a nil movement in fair value (2020 – \$Nil).

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	30 June 2021	30 June 2020
	\$	\$
9. Exploration and evaluation expenditure		
EL 6699 Tallebung	1,902,414	1,885,736
EL 6258 Doradilla	2,630,886	2,553,998
EL 6320 Galwadgere	1,834,118	-
EL 7954 Cullarin	5,461,459	1,765,150
EL 8400 & EL 8573 Kangiara	161,991	148,865
EL8915 Mylora	-	10,708
EL 8920 Caledonian	354,949	20,773
EL 6064 Iron Duke	855,981	22,710
EL 9048 Tirrana	8,265	-
EL 9120 Murrum	2,400	-
EL 9191 Albert	18,257	-
EL 9200 Emmaville	12,001	-
Net book value	13,242,721	6,407,940
EL 6699 Tallebung		
Carrying amount at beginning of period	1,885,736	1,854,799
Additions	16,678	30,937
Net book value	1,902,414	1,885,736
EL 6258 Doradilla		
Carrying amount at beginning of period	2,553,998	2,439,754
Additions	76,888	114,244
Net book value	2,630,886	2,553,998
EL 6320 Galwadgere		
Carrying amount at beginning of period	-	-
Additions	1,834,118	-
Net book value	1,834,118	-
EL 7954 Cullarin		
Carrying amount at beginning of period	1,765,150	478,604
Additions	3,696,309	1,286,546
Net book value	5,461,459	1,765,150
EL 8400 & EL 8573 Kangiara 1 & 2		
Carrying amount at beginning of period	148,865	134,716
Additions	13,126	14,149
Net book value	161,991	148,865
EL 8915 Mylora		
Carrying amount at beginning of period	10,708	-
Additions	-	10,708
Written Off	(10,708)	-
Net book value	-	10,708

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	30 June 2021	30 June 2020
	\$	\$
9. Exploration and evaluation expenditure (Cont.)		
EL 8920 Caledonian		
Carrying amount at beginning of period	20,773	-
Additions	334,176	20,773
Net book value	354,949	20,773
EL 6064 Iron Duke		
Carrying amount at beginning of period	22,710	-
Additions	833,271	22,710
Net book value	855,981	22,710
EL 9048 Tirrana		
Carrying amount at beginning of period	-	-
Additions	8,265	-
Net book value	8,265	-
EL 9120 Murrum		
Carrying amount at beginning of period	-	-
Additions	2,400	-
Net book value	2,400	-
EL 9191 Albert		
Carrying amount at beginning of period	-	-
Additions	18,257	-
Net book value	18,257	-
EL 9200 Emmaville		
Carrying amount at beginning of period	-	-
Additions	12,001	-
Net book value	12,001	-

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 2021, the Group assessed its exploration and evaluation expenditure assets for impairment and recorded a full impairment of \$10,708 for the Mylora tenement which was surrendered during the year.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

10. Property plant and equipment	30 June 2021 \$	30 June 2020 \$
Motor vehicles	163,778	116,172
Office equipment	30,718	31,184
Plant and equipment	18,746	10,695
Right of use asset	70,983	36,860
Net book value	284,225	194,911
Motor vehicles	205,377	157,788
Depreciation	(41,599)	(41,616)
Net book value	163,778	116,172
Office Equipment	51,043	39,416
Depreciation	(20,325)	(8,232)
Net book value	30,718	31,184
Plant and Equipment	23,859	12,803
Depreciation	(5,113)	(2,108)
Net book value	18,746	10,695
Right of use asset	151,405	80,422
Depreciation	(80,422)	(43,562)
Net book value	70,983	38,860

Right of Use Assets

Right-of-use assets related to the leased exploration office and shed at Goulburn and are presented as property, plant & equipment. The Company leases its head office in Orange NSW on a short-term lease. The lease of the Goulburn property is for a period of fourteen months commencing on 1 July 2021. The annual lease cost is \$60,000 excluding GST.

As at 30 June 2021 the Company recognised \$151,405 of right-to-use asset, \$80,422 of accumulated depreciation and \$59,983 of lease liabilities of which \$45,102 is recognised as a current liability.

During the year ended 30 June 2021, the Company recognised \$36,422 of depreciation charges and \$1,577 of interest costs from the lease.

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

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	30 June 2021 \$	30 June 2020 \$
10. Property plant and equipment (Cont.)		
Motor Vehicles		
Carrying amount at beginning of period	116,172	132,664
Additions	131,803	6,565
Disposals	(84,215)	-
Write back accumulated depreciation on disposals	34,941	-
Depreciation	(34,923)	(23,057)
Net book value at end of period	<u>163,778</u>	<u>116,172</u>
Office Equipment		
Carrying amount at beginning of period	31,184	32,555
Additions	11,627	6,861
Depreciation	(12,093)	(8,232)
Net book value at end of period	<u>30,718</u>	<u>31,184</u>
Plant & Equipment		
Carrying amount at beginning of period	10,695	11,310
Additions	11,056	1,493
Depreciation	(3,005)	(2,108)
Net book value at end of period	<u>18,746</u>	<u>10,695</u>
Right of use asset		
Carrying amount at beginning of period	36,860	60,316
Additions	70,983	-
Depreciation	(36,860)	(23,456)
Net book value at end of period	<u>70,983</u>	<u>36,860</u>
11. Trade and other payables		
Current liabilities		
Trade and other payables	470,252	207,652
Accruals	55,000	67,227
Payroll payables	22,410	27,661
	<u>547,662</u>	<u>302,540</u>
12. Lease liability		
Current liabilities		
Property rental	<u>45,102</u>	<u>42,631</u>
Non-current liabilities		
Property rental	<u>14,881</u>	<u>-</u>
	<u>59,983</u>	<u>42,631</u>

Payments under the lease arrangements attributable to the repayment of lease liability is included under financing cash flows. During the year ended 30 June 2021, payments totalling \$55,208 has been recognised as cash outflows from lease repayments.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

		12 Months to 30 June 2021	6 Months to 30 June 2020	
	No.	\$	No.	\$
13. Issued capital				
Ordinary shares, fully paid at 1 July	304,901,115	67,653,175	254,695,645	57,448,596
Exercise of Vendor Options	-	-	2,601,563	208,119
Share Placement for \$0.22 (two tranches)	-	-	47,603,907	10,472,860
Issued ordinary shares on 30 June 2021 for EL6320 acquisition at \$0.19	6,000,000	1,140,000		
Less cost of issue	-	-	-	(476,400)
Balance at end of year	310,901,115	68,793,175	304,901,115	67,653,175

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.

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 2021	30 June 2020
	\$	\$
14. Reserves		
Fair value reserve		
Opening balance	231	231
Net change in fair value of financial assets	-	-
Closing balance	231	231

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	1,066,934	879,230
Vesting of CEO options	127,698	207,036
Vesting of Employee Performance Rights	144,044	-
Exercise of Options	-	(71,283)
Vesting of Director Performance Rights	759,375	51,951
Issue of Exploration Manager Options	188,530	-
Cancellation of Performance Rights	(21,576)	-
Closing balance	2,265,005	1,066,934

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 2021

	12 Months to 30 June 2021 \$	6 Months to 30 June 2020 \$
15. Loss per share		
	Total	Total
Basic and diluted loss per share:		
Net loss for the period attributable to equity holders of the parent	(2,352,292)	(828,983)
	30 June 2021 N°	30 June 2020 N°
Weighted average number of ordinary shares (basic and diluted)		
Issued ordinary shares at the beginning of the period	304,901,115	254,695,645
Effect of shares issued (note 13)	16,438	25,537,778
Weighted average number of ordinary shares at the end of the period	<u>304,917,553</u>	<u>280,233,423</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.

	12 months to 30 June 2021 \$	6 months to 30 June 2020 \$
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	(2,352,292)	(828,983)
Non-cash items		
Amortisation and depreciation	88,809	53,384
Impairment of exploration tenements	10,708	-
Gain on sale of PPE	(24,655)	-
Interest payable	1,577	2,783
Share based payment	1,198,072	258,757
Changes in assets and liabilities		
Trade and other receivables	(25,315)	(2,238)
Trade and other payables	244,756	(50,118)
Employee provisions	22,201	52
Net cash used in operating activities	<u>(836,139)</u>	<u>(566,363)</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>3,528,190</u>	<u>8,307,265</u>
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SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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 2021, 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 \$917 (six months to 30 June 2020 - \$216) exclusive of GST. At the end of the period the amount outstanding to MIS was \$61 (2020 \$Nil). At the end of the period the amount outstanding to Key Management Personnel and Directors was \$11,583 (2020 \$12,375). These services were invoiced monthly and payable within 30 days.

	2021	2020
	\$	\$
Total amounts owing at balance date		
Directors fees	11,583	12,375
Mining Services Trust	61	-
	11,638	12,375

18. Key management personnel disclosures

	12 Months to 30 June 2021	6 Months to 30 June 2020
	\$	\$
Key management personnel compensation		
Primary fees/salary/Consulting Fees	452,100	306,647
Share based payments - Shares & Options	1,089,544	258,757
Short term benefits	7,931	-
Post – employment benefits Superannuation	4,037	5,383
	1,553,612	570,787

At 30 June 2021, \$11,583 inclusive of GST was payable to key management personnel (30 June 2020, \$12,375 inclusive of GST). There were no loans made to key management personnel or their related parties during the year ended 30 June 2021 and the six months ended 30 June 2020.

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 2021

19. Share Based Payments (Cont.)

Options & Performance Rights Issues

During the period the Company issued options and performance rights under the Company's Incentive Plan, and options as part consideration in relation to the acquisition of assets.

The following options and performance rights were on issue at 30 June 2021.

Type / Description	Grant Date	Vesting Date	Expiry Date	Exercise Price	Fair Value of Options 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
Heron Resources**	24 October 2019	24 October 2019	2 October 2021	\$0.15	\$0.0262	10,000,000
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	5 June 2020	5 June 2020	5 June 2022	\$Nil	\$0.243	6,250,000
Diversified Minerals***	24 June 2020	24 June 2020	24 June 2022	\$0.39	\$0.1421	128,205
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

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

** The Company issued 10,000,000 unlisted options pursuant to the Farm-in JV agreement with Heron Resources Limited

*** The Company issued 128,205 unlisted options pursuant to the Balmain Minerals Option agreement with Diversified Minerals Limited

Movement of options & performance rights during the year ended 30 June 2021.

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	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	-
5 June 2020	6,250,000	-	-	-	-	6,250,000	-
24 June 2020	128,205	-	-	-	-	128,205	128,205
27 October 2020	-	3,250,000	(1,300,000)	-	-	1,950,000	-
21 March 2021	-	2,000,000	-	-	-	2,000,000	2,000,000
	41,276,642	5,250,000	(1,300,000)	-	-	45,226,642	37,026,642

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
2021	\$0.099	\$0.095	-	-	-	\$0.101	\$0.119

The weighted average remaining contractual life of share options and performance rights outstanding at the end of the period was 1.51 years (2020: 2.35 years).

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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 2,000,000 options granted on 21 March 2021 with an exercise price of \$0.25 was \$188,530. 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 128,205 options granted on 24 June 2020 with an exercise price of \$0.39 was \$18,221. The Black-Scholes formula model inputs were the Company's share price of \$0.305 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 2-year government bond rate.

The fair value of 6,250,000 performance rights granted on 5 June 2020 which will convert to shares upon the Company's share price on ASX achieving 200% of the 30 day VWAP prior to the Meeting within 24 Months was \$1,516,376. The performance rights were valued using a Monte Carlo simulation model. The model inputs were the Company's share price of \$0.305 at the grant date, a volatility factor of 125% based on historical share price performance and a risk-free interest rate of 0.24% based on the 2-year government bond rate.

The fair value of 10,000,000 options granted on 24 October 2019 with an exercise price of \$0.15 was \$262,000. 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 0.74% based on the 2-year government bond rate.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

19. Share Based Payments (Cont.)

Fair Value of Options & Performance Rights (Cont.)

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 2021, share based payment expense of \$1,198,072 was recorded in the profit and loss (2020 - \$258,747).

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 \$3,528,190.

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	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)	-
Trade and other payables	302,540	(302,540)	(302,540)	-	-	-
Lease liability	42,631	(42,631)	(20,555)	(22,076)	-	-
30 June 2020	345,171	(345,171)	(323,095)	(22,076)	-	-

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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 2021	30 June 2020
	\$	\$
Cash and cash equivalents	3,528,190	8,307,265
Other asset / term deposit	10,000	2,000,000
Trade and other receivables	61,508	36,183
Tenement bond deposit	167,620	67,500
Investments	231	231
	3,767,549	10,411,179

Cash and cash equivalents

At 30 June 2021, the Group held cash and cash equivalents of \$3,528,190 (30 June 2020 - \$8,307,265), which represents its maximum credit exposure on these assets. These balances are held with a major Australian bank.

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 2021	30 June 2020
	\$	\$
Cash and cash equivalents	3,528,190	8,307,265
Other asset / term deposit	10,000	2,000,000
	3,538,190	10,307,265

At 30 June 2021, the Group held fixed term deposits totalling \$Nil (2020 - \$2,000,000).

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.

- 59,365

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

Currency risk

At 30 June 2021, 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 2021, 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 equity.

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).

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
30 June 2021				
Financial assets	231	-	-	231
30 June 2020				
Financial assets	230	-	-	230

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 2021

20. 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 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	13,410,232	13,410,232	3,874,154	17,284,496
Liabilities				
Segment liabilities	-	-	(641,371)	(641,371)

30 June 2020

Revenue and other income

Interest income	-	-	13,666	13,666
Other Income	-	-	55,509	55,509
Operating loss before income tax	(38,007)	(38,007)	(790,976)	(828,983)

Assets

Segment assets	6,475,440	6,475,440	10,538,600	17,014,040
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Liabilities

Segment liabilities	-	-	(356,695)	(356,695)
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	12 Months to 30 June 2021 \$	6 Months to 30 June 2020 \$
Reconciliations of reportable segment revenues and profit or loss		
Revenue		
Total revenue for reportable segments	-	-
Other income	84,608	55,509
Consolidated income	84,608	55,509
Profit or loss		
Total loss for reportable segments	-	-
Unallocated amounts:		
- interest income	32,408	13,666
- other income	84,608	55,509
- net other corporate expenses	(2,469,308)	(898,158)
Consolidated loss before tax	(2,352,292)	(828,983)

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

21. Operating segments (Cont.)

	30 June 2021 \$	June 2020 \$
Reconciliations of reportable segment assets and liabilities		
Assets		
Total assets for reportable segments	13,242,721	6,407,940
Unallocated corporate assets	4,041,775	10,606,100
Consolidated total assets	<u>17,284,496</u>	<u>17,014,040</u>
Liabilities		
Total liabilities for reportable segments	-	-
Unallocated corporate liabilities	641,371	356,695
Consolidated total liabilities	<u>641,371</u>	<u>356,695</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	
		2021 %	2020 %
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	-	-

24. Acquisition of controlled entity

Balmain Minerals Pty Ltd

During the period ended 30 June 2020, the Company entered into an Option to Purchase Agreement with Diversified Minerals Pty Limited for the acquisition of 100% of the issued capital of Balmain Minerals Pty Ltd, the holder of the Iron Duke Copper-Gold project (EL 6064) in NSW. In consideration for the grant of the Option, SKY issued to Diversified Minerals 128,205 options in SKY exercisable into fully paid ordinary shares in SKY, and will spend \$150,000 on in-ground exploration expenditure within 18 months. On election to exercise the option, SKY may purchase 100% equity interest by payment of \$350,000 in cash and/or shares at SKY's election plus \$50,000 worth of two year options, at 100% above VWAP (average of preceding 5 trading days) at date of election to purchase.

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

24. Acquisition of controlled entity (Cont.)

Upon execution of the Purchase Agreement SKY assumed control of Balmain Minerals Pty Ltd as it is able to direct the relevant activities.

The above transaction has been accounted for as an acquisition of assets rather than a business combination as Balmain has no business operations and its principal asset is its interest in the tenement EL 6064, Iron Duke.

The following summarises the recognised amounts of identifiable assets acquired, and liabilities assumed at the acquisition date determined on a provisional basis:

	Recognised fair value on acquisition at 30 June 2020 \$
Exploration and evaluation assets	18,220
Consideration paid	18,220

The fair value of exploration and evaluation assets has been determined as being the value of the Option Fee Options issued to Diversified Minerals Pty Ltd.

Balmain's operations are subject to specific New South Wales environmental regulations. The Group conducted a preliminary assessment of site restoration provisions arising from these regulations and determined that at the acquisition date no site restoration provisions were required.

While the Group controls Balmain Minerals Pty Ltd, it currently holds 0% of the equity and accordingly net assets of \$18,220 have been assigned to non-controlling interests.

25. Parent entity disclosures

As at 30 June 2021 the parent entity of the Group was Sky Metals Limited.

	Company	
	30 June 2021	30 June 2020
	\$	\$
Result of the parent entity		
Net loss	2,352,292	828,983
Other comprehensive loss	-	-
Total comprehensive loss	2,352,292	828,983
Financial position of the parent entity at period end		
Current assets	3,555,803	10,284,250
Non-current assets	13,751,171	6,716,956
Total assets	17,306,974	17,001,206
Current liabilities	637,808	332,702
Non-current liabilities	3,680,240	3,665,378
Total liabilities	4,318,048	3,998,080
Net assets / (liabilities)	12,988,926	13,003,126

SKY METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

25. Parent entity disclosures (Cont.)

	30 June 2021 \$	30 June 2020 \$
Equity		
Share capital	68,793,175	67,653,175
Reserves	2,265,235	1,067,144
Accumulated losses	(58,087,705)	(55,735,413)
Total equity attributable to equity holders of the Company	12,970,705	12,984,906
Non-Controlling Interest	18,220	18,220
Total equity	12,988,926	13,003,126

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

The Company had no capital commitments at the balance date.

26. Contingencies

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

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 34 to 63, and the Remuneration Report as set out on pages 26 to 31 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 2021 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 2021.
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 2021 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 2021 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 2021;*
- *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; and
- *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 the Code.

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.

This matter was 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 this matter.

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 - \$13,242,721

Refer to 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, with the balance of capitalised E&E expenditure being 76.6% 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 Exploration for and Evaluation of Mineral Resources (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 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 determination that no such indicators existed. <p>In assessing the conditions allowing capitalisation of relevant expenditure, we focused on:</p> <ul style="list-style-type: none"> • 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; • The Group's intention and capacity to continue the relevant E&E activities; and • The Group's determination of whether the capitalised E&E meets the carry forward conditions of AASB 6, including whether it is expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale. <p>Assessing the presence of impairment indicators also requires judgement and given the financial position of the Group specific consideration needs to be given to:</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Assessing the Group's policy for 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; • Assessing the Group's current rights to tenure for each area of interest by corroborating the ownership of the relevant licence to government registers or other supporting documentation 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 items recorded as exploration and evaluation assets and checking the expenditure amount recorded for consistency to invoices from third parties or other underlying documentation; • For the sample identified above, checking the nature of the expenditure for consistency with its classification as exploration and evaluation assets in accordance with the Group's accounting policy and the criteria in the accounting standards; • Testing the completeness of exploration and evaluation expenditure by checking payments recorded since 30 June 2021 for evidence of the timing of the transactions. For this procedure, we selected our sample from the Group's payments since balance date, trade payable schedule and unprocessed invoices post balance date, and the underlying documentation of the transaction; • Evaluating Group documents, such as minutes of Directors' meetings and management'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 personnel; and

<ul style="list-style-type: none"> • The strategic direction of the Group and their intent to continue exploration activities in each area of interest; • 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. 	<ul style="list-style-type: none"> • We assessed the Group's evaluation of the carry forward conditions of AASB 6 including the determination of whether the capitalised E&E is expected to be recouped through successful development and exploitation of the area or by its sale. We did this by analysing the Group's activities in each area of interest and assessing the Group's documentation of planned future activities including work programmes and corporate budgets.
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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 and will 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 2021, 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 26 to 31* of the Directors' report for the year ended 30 June 2021.

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 2021

SKY METALS LIMITED
ASX ADDITIONAL INFORMATION

Additional information as at 8 September 2021 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 8 September 2021, 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	81	20,678	0.01
1,001 - 5,000	144	416,391	0.13
5,001 - 10,000	113	908,090	0.29
10,001 - 100,000	470	19,774,100	6.36
100,001 and over	285	289,781,856	93.21
Total	1,093	310,901,115	100.00

As at 8 September 2021, 42 shareholders held less than marketable parcels of 5,263 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 8 September 2021 the twenty largest quoted shareholders held 40.6% of the fully paid ordinary shares as follows:

Name	Quantity	%
1 RIGI INVESTMENTS PTY LIMITED <THE CAPE A/C>	27,423,012	8.82
2 AUERELIA METALS LIMITED	18,410,000	5.92
3 CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	14,438,262	4.64
4 ADRIATIC PTY LTD <MGS A/C>	8,870,312	2.85
5 SMIFF PTY LTD	8,050,000	2.59
6 ARCHIMEDES SECURITIES PTY LTD <GOLDEN VALLEY S/F A/C>	7,224,748	2.32
7 SILVERPEAK NOMINEES PTY LTD <THE RGM HILL A/C>	6,700,000	2.16
8 ALKANE RESOURCES LIMITED	6,000,000	1.93
8 TOPAZ PTY LTD	6,000,000	1.93
10 CITICORP NOMINEES PTY LIMITED	5,341,926	1.72
11 ROSIGNOL PTY LTD <NIGHTINGALE FAMILY A/C>	5,333,317	1.72
12 PALMER BOOKMAKING PTY LIMITED	5,232,605	1.68
13 GURRAVEMBI INVESTMENTS PTY LTD <SUPER FUND A/C>	4,775,864	1.54
14 D&J REDELMAN PTY LTD <DAVID&JUDI REDELMAN SUP A/C>	4,335,000	1.39
15 PERMGOLD PTY LTD <THE SECKOLD FAMILY S/F A/C>	4,083,750	1.31
16 JEFF TOWLER BUILDING PTY LTD	4,000,000	1.29
17 ALWAYS HOLDINGS PTY LTD <BUHAGIAR SUPER FUND A/C>	3,515,000	1.13
18 MATZO CONSULTING PTY LTD	3,500,000	1.13
19 WOODLANDS ASSET MANAGEMENT PTY LTD <WOODLANDS PARTNERSHIP A/C>	3,400,000	1.09
20 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,290,403	1.06
Top 20 holders of FULLY PAID ORDINARY SHARES (Total)	149,924,199	48.22
Total Remaining Holders Balance	160,976,916	51.78

Tenements Held

As at 8 September 2021 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 (HRR sub)	80%	EL7954	19/06/2012	19/06/2022	51	144	Cullarin Project earning up to 80%, Heron JV, earned 80% 04/08/2020
Ochre Resources Pty Ltd (HRR sub)	80%	EL8400	20/10/2015	20/10/2024	52	147	Kangiarra Project 1 earning up to 80% Heron JV, earned 80% 04/08/2020
Ochre Resources Pty Ltd (HRR sub)	80%	EL8573	23/05/2017	23/05/2023	17	48	Kangiarra Project 2 earning up to 80% Heron JV, 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)		EL9048	15/02/2021	15/02/2026	52	146.6	
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	10/01/2021	14	41	Tallebung
Balmain Minerals Pty Limited	Option to Purchase	EL6064	21/03/2003	20/03/2022	5	14.5	Iron Duke
Gradient Energy Pty Ltd (ACN 128 437 507)	100%	EL6320	12/04/2004	11/10/2020	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		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

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:

207 Byng Street

ORANGE NSW 2800

Phone: +61 0403 525 411

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

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