

IRIS Metals Limited

ABN 61 646 787 135

Annual Report - 31 March 2022

Chairman's Letter

It was very pleasing to the Board and shareholders that the Company listed on the ASX on 23 September 2021, having commenced the process at the start of 2021 and having raised \$7.0M to support the IPO process. The listing marked a seminal point in the Company's development, providing capital for IRIS to commence exploration on its Kookynie and Leonora tenements as well as to start examining other development opportunities in the minerals industry.

On behalf of all shareholders I would like to thank my fellow directors, most specifically Tal Paneth and Peter Marks, who did most of the Prospectus work, together with Taurus Capital who acted as lead broker to the listing. We have also been fortunate to have Chris Connell, an experienced geologist, join the Board to assist the IPO process.

The Company was buoyed through its listing process by the significant activity in the Kookynie and Leonora regions, accompanied by some outstanding results and some consolidation activity. IRIS hit the ground running in a market difficult to access staff, drilling rigs and all other assets and equipment generally required for a successful exploration program. The Company commenced an aeromagnetic survey, its interpretation and multiple drill programs.

The drill program did achieve some high grade results, which is typical of the Kookynie gold fields. The Company is assessing its next step forward with its tenement package and continues to assess results from within the region. We continue to believe in the prospectivity of this tenement package.

In parallel to exploring our Western Australian suite of assets, and as disclosed in our listing Prospectus, an objective of the board was its intent to assess and evaluate further resource based opportunities and to that end, we have considered a number of projects in different commodities and regions, settling on a hard rock lithium project in the Black Hills region of South Dakota. The Black Hills can be described as a Tier One mining jurisdiction. The tenements acquired show an abundance of mapped pegmatites including historical lithium bearing mines with Lithium being high on the US's strategic metals index and whose utility will be required for many years to come. We look forward to commencing our exploration program, led by fellow Director Chris Connell, who has already established key regional relationships to progress exploration efforts.

It is an exciting time to be involved in a fledgling exploration Company at the start of a regional exploration program where there is every reasonable expectation to achieve positive results. Consequently, I believe that the coming year holds much promise and excitement for IRIS and its shareholders. We look forward to sharing this with you.

Yours sincerely,

Simon Lill

Non-Executive Chairman

IRIS Metals Limited
Directors' report
31 March 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of IRIS Metals Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 March 2022. The consolidated entity was incorporated on 23 December 2020 therefore, the comparative period is from incorporation date to 31 March 2021.

Directors

The following persons were directors of IRIS Metals Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Peter Ashley Marks
Simon Richard Lill
Tal Paneth
Christopher Alan David Connell (appointed 2 April 2021)

Principal activities

The principal activities during the year of entities within the consolidated entity were the exploration and evaluation of mining tenements that make up the Kookynie and Leonora projects in Western Australia, Australia.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial period.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$3,236,744 (31 March 2021: \$1,800,023).

On 2 April 2021, Christopher Connell was appointed Director. Prior to 31 March 2021, Mr. Connell was granted 250,000 shares that were issued on 27 April 2021 as a result of work performed prior to his appointment.

On 15 September 2021, the company issued 35,000,000 fully paid ordinary shares at \$0.20 following the successful completion of a \$7,000,000 Initial Public Offering ('IPO'). The company also issued 100,000 fully paid ordinary shares to vendor Jamie Douglas Jones pursuant to the Jones Sale and Purchase Agreement and 200,000 fully paid ordinary shares in aggregate to vendors Ryan James Curnow, Kelly Anne Moses and Craig Dixon pursuant to the Curnow, Moses and Dixon Sale and Purchase Agreement.

On 15 September 2021, the company issued 2,500,000 unlisted options with an exercisable price of \$0.30 expiring 3 years from the issue date, to its Lead Manager.

On 23 September 2021, the company announced its listing on the Australian Securities Exchange ('ASX').

On 23 September 2021, the company announced the commencement of its maiden drill program at Kookynie and on 28 October 2021, the company announced the completion of this program.

On 15 October 2021, the company announced the appointment of Andrew Wood as Exploration Manager. Mr. Wood was issued 1,000,000 unlisted options exercisable at \$0.30 with an expiry date of 15 October 2024. The options vest as follows:

- (a) 500,000 vesting after 6 months of service; and
- (b) 500,000 vesting after 12 months of service.

On 22 October 2021 and 7 January 2022, the company announced results and analysis from its aeromagnetic surveys at Kookynie and Leonora respectively.

On 23 December 2021, the company announced the adoption of the Equity Incentive Plan after shareholders' approval in Extraordinary General Meeting held on the same date.

On 6 and 10 January 2022 respectively, the company requested a trading halt then voluntary suspension from Official Quotation in accordance with Listing Rule 17.2 due to a potential material acquisition. On 24 January 2022, the company announced the securities will remain suspended until it has either complied with Chapters 1 and 2 of the Listing Rules under Listing Rule 11.1.3, or provided the ASX with sufficient information to satisfy the ASX that it should not exercise its discretion under Listing Rule 11.1.2 to require the transaction to be conditional on approval by company's ordinary security holders, and under Listing Rule 11.1.3 to require the company to re-comply with Chapters 1 and 2 of the Listing Rules.

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On 21 February 2022, the company announced high grade gold intercepts from the maiden drill program at Kookynie.

On 2 March 2022, the company announced the release from voluntary escrow of 9,350,001 fully paid ordinary shares that were classified as restricted up until 2 March 2022 on the basis of mandatory disposal restrictions imposed by the ASX.

Significant changes in the state of affairs

On 21 September 2021, the company was admitted to the Official List of the ASX. The company raised \$7,000,000 from the issue of 35,000,000 shares at an issue price of \$0.20 per share in the IPO.

On 23 November 2021, IRIS Metals Limited incorporated a new company, BH Exploration Pty Ltd, in the State of Victoria, Australia.

There were no other significant changes in the state of affairs of the consolidated entity during the financial period.

Matters subsequent to the end of the financial period

On 13 April 2022, IRIS Metals Limited incorporated a new company Lotus Minerals L.L.C. in the State of South Dakota, United States.

On 29 April 2022, the company announced that the potential material acquisition leading to the voluntary suspension as outlined in the review of operations had been discontinued. The securities remained in suspension due to ongoing negotiations in respect of another material acquisition as outlined below.

On 23 May 2022, the company announced its intention to acquire a 100% interest in a Lithium Project in a strategically located, Tier-1, historical mining jurisdiction of South Dakota, USA (the 'South Dakota Project'). Key highlights announced were as follows:

- Within the greater South Dakota Project, there are 2 sub-projects, being Dewy project and Custer project.
- The 2 projects represent combined total land holdings of approximately 10,846 Acres (approximately 4,400 Ha), across 525 Claims.
- An experienced South Dakota-based in-country mining consultant, RRL Consulting, has been appointed to assist with the ongoing US-based mining and related activities.
- A \$2.0 million placement has been completed to support the acquisition and provide working capital to be directed to the new project.

On 23 May 2022, the ASX announced the reinstatement to quotation for the securities of IRIS Metals Limited, following the announcement of the South Dakota Project and associated capital raise. From 24 May 2022 the company had been reinstated for quotation on the ASX and is no longer in suspension.

On 15 June 2022, the company announced the issue of 4,000,000 fully paid ordinary shares as part of the final consideration for the vendor of White Rock, L.L.C. On the same date, the company announced the completion of the acquisition of White Rock, L.L.C. and associated 100% owned South Dakota Lithium Project (Dewy and Custer), positioning the company as the second ASX-listed US hard rock lithium explorer. The company also reported that based on a review of regional geology and the identification of additional areas of interest, that staking opportunities were underway.

No other matter or circumstance has arisen since 31 March 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

In 2022, the Company intends to continue to progress its Kookynie and Leonora mineral projects in Western Australia. This is planned to be funded through funds raised via the Company's initial public offering in 2021, where the company raised \$7 million.

The Company will also continue to look for other complementary opportunities that will create value for its shareholders.

Environmental impact

The exploration undertaken on the consolidated entity's combined tenements in Western Australia to date has not created significant environment issues. However, environmental issues will arise as and when the project moves into development and production and these issues will be thoroughly assessed at the time any mining authority is sought. Measures are undertaken pre and post drilling to ensure that the environment impact is minimised. The work undertaken to date has produced minimal impact on the environment. No issues regarding compliance were encountered during the reporting period.

Information on directors

Name: Peter Ashley Marks
Title: Executive Director
Qualifications: MBA, Bachelor of Economics, Bachelor of Law, and Grad Dip in Commercial Law
Experience and expertise: Peter has over 35 years' experience in corporate advisory and investment banking. Over the course of his long career, he has specialised in capital raisings, IPOs, cross border, M&A transactions, corporate underwriting and venture capital transactions for companies in Australia, the United States and Israel. He has been involved in a broad range of transactions with a special focus in the life sciences, biotechnology, medical technology and high tech segments. Peter has served as both an Executive and Non-Executive Director of a number of different entities which have been listed on the ASX, NASDAQ, and AIM markets.

Other current directorships: Alterity Therapeutics Limited, Noxopharm Limited, Nyrada Inc
Former directorships (last 3 years): Fluence Corporation Limited, Elsie Limited
Interests in shares: 2,500,000 ordinary shares (of which 2,350,000 are escrowed 24 months from quotation)

Name: Simon Richard Lill
Title: Non-Executive Chair
Experience and expertise: Simon has extensive experience since the 1980's with ASX listed companies, spanning small cap companies to larger concerns, involving restructuring, corporate, compliance, marketing, company secretarial and management activities. Current Chairman of De Grey Mining Ltd., an ASX 300 gold exploration/development company with 100% ownership of one of Western Australia's largest greenfields discoveries, Hemi, in the Pilbara region of Western Australia.

Other current directorships: De Grey Mining Ltd., Puriflo Limited, Nimy Resources Limited
Former directorships (last 3 years): Finexia Financial Group Limited
Interests in shares: 4,250,000 ordinary shares (of which 3,750,000 are escrowed 24 months from quotation)

Name: Tal Paneth
Title: Executive Director
Experience and expertise: Tal has over a decade of multidisciplinary capital, debt and property market experience. Tal was predominantly responsible for the identification, negotiation, strategising and pegging of the IRIS tenement packages in Kookynie and Leonora.

Other current directorships: Nil
Former directorships (last 3 years): Nil
Interests in shares: 30,000,000 ordinary shares (of which 30,000,000 are escrowed 24 months from quotation)

Name: Christopher Alan David Connell
Title: Non-Executive Director (appointed 2 April 2021)
Experience and expertise: Chris is Regional Exploration Manager of SolGold Plc and has a successful track record in discovering economic deposits both in Australia and worldwide. He leads the exploration team that recently discovered the large copper-gold Porvenir project in southern Ecuador.

Other current directorships: Nil
Former directorships (last 3 years): Nil
Interests in shares: 250,000 ordinary shares (of which 250,000 are escrowed 24 months from quotation)
Interests in options: 1,250,000 options exercisable at \$0.30 each, expiring 15 September 2024

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

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Directors' report
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'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

David Franks from the Automic Group (appointed 7 April 2021).

David Franks is a Principal at the Automic Group. He is a Chartered Accountant, Fellow of the Financial Services Institute of Australia, Fellow of the Governance Institute of Australia, Justice of the Peace, Registered Tax Agent and holds a Bachelor of Economics (Finance and Accounting) from Macquarie University. With over 20 years' experience in finance, governance and accounting, Mr Franks has been CFO, Company Secretary and/or Director for numerous ASX listed and unlisted public and private companies, in a range of industries covering energy retailing, transport, financial services, mineral exploration, technology, automotive, software development and healthcare. Mr Franks is currently the Company Secretary for the following ASX Listed entities: Applyflow Limited, COG Financial Services Limited, Cogstate Limited, Exopharm Limited, IXUP Limited, JCurve Solutions Limited, Noxopharm Limited, Nyrada Inc, White Energy Company Limited and ZIP Co Limited. He was also a Non-Executive Director of JCurve Solutions Limited from 2014 to 2021.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the period ended 31 March 2022, and the number of meetings attended by each director were:

| | Full Board Attended | Held |
|--------------------------------|------------------------|------|
| Peter Ashley Marks | 2 | 2 |
| Simon Richard Lill | 2 | 2 |
| Tal Paneth | 2 | 2 |
| Christopher Alan David Connell | 2 | 2 |

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- focusing on sustained growth in shareholder wealth, consisting of growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

In accordance with the Constitution, the total maximum remuneration of non-executive Directors is initially set by the Board and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum is made by the Board having regard to the inputs and value to the company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$250,000 per annum.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has three components:

- base pay and non-monetary benefits
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or others where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

Use of remuneration consultants

During the current and prior financial period, the company did not employ the services of a remuneration consultant.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of IRIS Metals Limited:

- Peter Ashley Marks
- Simon Richard Lill
- Tal Paneth
- Christopher Alan David Connell (appointed 2 April 2021)

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| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | |
|---------------------------------|----------------------|------------|--------------|--------------------------|--------------------|----------------------|---------|
| | Cash salary and fees | Cash bonus | Non-monetary | Super-annuation | Long service leave | Equity-settled | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 2022 | | | | | | | |
| <i>Non-Executive Directors:</i> | | | | | | | |
| Simon Richard Lill | 60,000 | - | - | 6,075 | - | - | 66,075 |
| Christopher Alan David Connell* | 159,800 | - | - | - | - | - | 159,800 |
| <i>Executive Directors:</i> | | | | | | | |
| Tal Paneth | 150,000 | - | - | 15,188 | - | - | 165,188 |
| Peter Ashley Marks** | 205,000 | - | - | 17,688 | - | - | 222,688 |
| | 574,800 | - | - | 38,951 | - | - | 613,751 |

* Includes fee paid for Geological consulting, Geophysical interpretation and Geochem Program planning for Leonora and Kookynie projects.

** Includes \$25,000 of director fees for the month of November 2020 and December 2020 accounted for in the current financial year. Mr. Marks was also paid additional \$30,000 for consultancy services completed pre-IPO.

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | |
|--|----------------------|------------|--------------|--------------------------|--------------------|----------------------|---------|
| | Cash salary and fees | Cash bonus | Non-monetary | Super-annuation | Long service leave | Equity-settled | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| From 23 December to 31 March 2021 | | | | | | | |
| <i>Non-Executive Directors:</i> | | | | | | | |
| Simon Lill | 15,000 | - | - | 1,425 | - | - | 16,425 |
| Christopher Alan David Connell* | - | - | - | - | - | 177,700 | 177,700 |
| <i>Executive Directors:</i> | | | | | | | |
| Tal Paneth ** | 97,500 | - | - | 9,262 | - | - | 106,762 |
| Peter Marks | 37,500 | - | - | 3,562 | - | - | 41,062 |
| | 150,000 | - | - | 14,249 | - | 177,700 | 341,949 |

* 250,000 shares valued \$37,500 and 1,250,000 options valued \$140,200 were granted on 28 February 2021 but issued on the 27 April 2021 when Mr. Connell was appointed as Non-Executive Director. The expense was reflected in the statement of profit or loss in period ended 31 March 2021.

** Includes \$65,700 fees paid for consultancy services provided from September to December 2020.

IRIS Metals Limited
Directors' report
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The proportion of remuneration linked to performance and the fixed proportion are as follows:

| Name | Fixed remuneration | | At risk - STI | | At risk - LTI | |
|---------------------------------|--------------------|-----------------------------------|---------------|-----------------------------------|---------------|-----------------------------------|
| | 2022 | From 23 December to 31 March 2021 | 2022 | From 23 December to 31 March 2021 | 2022 | From 23 December to 31 March 2021 |
| <i>Non-Executive Directors:</i> | | | | | | |
| Simon Lill | 100% | 100% | - | - | - | - |
| Christopher Alan David Connell | 100% | - | - | - | - | 100% |
| <i>Executive Directors:</i> | | | | | | |
| Tal Paneth | 100% | 100% | - | - | - | - |
| Peter Ashley Marks | 100% | 100% | - | - | - | - |

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Peter Ashley Marks
Title: Executive Director
Agreement commenced: 23 December 2020
Details: \$150,000 per annum plus superannuation. 3 months' termination notice.

Name: Simon Richard Lill
Title: Non-Executive Director
Agreement commenced: 29 December 2020
Details: \$60,000 per annum plus GST. No termination notice.

Name: Tal Paneth
Title: Executive Director
Agreement commenced: 1 February 2021
Details: \$150,000 per annum plus superannuation. 3 months' termination notice.

Name: Christopher Alan David Connell
Title: Non-Executive Director
Agreement commenced: 2 April 2021
Details: \$48,000 per annum plus GST. No termination notice.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the period ended 31 March 2022 are set out below:

| Name | Issue Date | Shares | Issue price | \$ |
|---------------------------------|---------------|---------|-------------|--------|
| Christopher Alan David Connell* | 27 April 2021 | 250,000 | \$0.15 | 37,500 |

* These shares were granted on 28 February 2021 but issued on the 27 April 2021. The expense was reflected in the statement of profit or loss in period ended 31 March 2021. These shares are subject to 24 months of escrow from the date of quotation.

IRIS Metals Limited
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Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial period or future reporting years are as follows:

| Name | Number of options granted | Grant date | Vesting date and exercisable date | Expiry date | Exercise price | Fair value per option at grant date |
|---------------------------------|---------------------------|------------------|-----------------------------------|-------------------|----------------|-------------------------------------|
| Christopher Alan David Connell* | 1,250,000 | 28 February 2021 | 28 February 2021 | 15 September 2024 | \$0.30 | \$0.112 |

Options granted carry no dividend or voting rights.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the period ended 31 March 2022.

Additional information

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

| | 2022 |
|--|--------|
| Share price at financial year end (\$) | 0.63 |
| Basic earnings per share (cents per share) | (4.55) |
| Diluted earnings per share (cents per share) | (4.55) |

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial period by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the period | Received as part of remuneration | Additions | Disposals/ other | Balance at the end of the period |
|---------------------------------|------------------------------------|----------------------------------|-----------|------------------|----------------------------------|
| <i>Ordinary shares</i> | | | | | |
| Peter Ashley Marks | 2,500,000 | - | - | - | 2,500,000 |
| Simon Richard Lill | 4,000,000 | - | 250,000 | - | 4,250,000 |
| Tal Paneth | 30,000,000 | - | - | - | 30,000,000 |
| Christopher Alan David Connell* | 250,000 | - | - | - | 250,000 |
| | 36,750,000 | - | 250,000 | - | 37,000,000 |

* The 250,000 of additions were granted on 28 February 2021, but were issued on 27 April 2021 as part of his appointment as Non-Executive Director. Therefore, these have been disclosed as amounts received as part of remuneration during the prior financial year.

Option holding

The number of options over ordinary shares in the company held during the financial period by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the period | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the period |
|-------------------------------------|------------------------------------|---------|-----------|---------------------------|----------------------------------|
| <i>Options over ordinary shares</i> | | | | | |
| Christopher Alan David Connell* | 1,250,000 | - | - | - | 1,250,000 |
| | 1,250,000 | - | - | - | 1,250,000 |

* The options vested at the grant date.

IRIS Metals Limited
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Other transactions with key management personnel and their related parties

During the year ended 31 March 2022 the following related party transactions occurred:

- Newburyport Partners Pty Ltd, a related entity of Peter Ashley Marks, was paid \$10,450 (including GST) for office rent costs and contribution of office fit out. The rental agreement is at current market terms and it is deemed at arm's length.
- Victoria Lill, a related party of Simon Lill, was paid \$12,000 (including GST) for field work during the period. The work performed was at current market terms and it is deemed at arm's length.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of IRIS Metals Limited under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|-------------------|-------------------|----------------|---------------------|
| 28 February 2021* | 15 September 2024 | \$0.30 | 1,250,000 |
| 15 September 2021 | 15 September 2024 | \$0.30 | 2,500,000 |
| 15 October 2021 | 15 October 2024 | \$0.30 | 1,000,000 |
| | | | <u>4,750,000</u> |

* The options were issued on appointment as Non-Executive Director.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of IRIS Metals Limited issued on the exercise of options during the period ended 31 March 2022 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial period, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial period, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial period by the auditor.

Officers of the company who are former partners of William Buck (Vic) Pty Ltd.

There are no officers of the company who are former partners of William Buck (Vic) Pty Ltd.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

William Buck (Vic) Pty Ltd continues in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Tal Paneth
Director

16 June 2022



Peter Ashley Marks
Director

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF IRIS METALS LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 31 March 2022 there have been:

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

William Buck
William Buck Audit (Vic) Pty Ltd
ABN: 59 116 151 136



N. S. Benbow
Director

Melbourne, 16 June 2022

ACCOUNTANTS & ADVISORS

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williambuck.com

IRIS Metals Limited

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General information

The financial statements cover IRIS Metals Limited as a consolidated entity consisting of IRIS Metals Limited ('the company' or 'parent entity') and the entities it controlled ('the consolidated entity'), throughout and as at the year ended 31 March 2022. The financial statements are presented in Australian dollars, which is IRIS Metals Limited's functional and presentation currency.

IRIS Metals Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Level 6, 400 Collins Street Melbourne VIC 3000

Principal place of business

Level 6, 400 Collins Street Melbourne VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 16 June 2022. The directors have the power to amend and reissue the financial statements.

IRIS Metals Limited
Consolidated statement of profit or loss and other comprehensive income
For the period ended 31 March 2022

| | | Consolidated | From 23 |
|---|-------------|---------------------|--------------------|
| | | | December to |
| | | | 31 March |
| | Note | 2022 | 2021 |
| | | \$ | \$ |
| Expenses | | | |
| Exploration and evaluation costs | | (1,391,773) | (1,441,960) |
| Corporate and administrative costs | 3 | (1,371,473) | (358,063) |
| IPO transaction costs | | (469,072) | - |
| Depreciation expense | | (4,426) | - |
| | | <u>(3,236,744)</u> | <u>(1,800,023)</u> |
| Loss before income tax expense | | (3,236,744) | (1,800,023) |
| Income tax expense | | - | - |
| | | <u>-</u> | <u>-</u> |
| Loss after income tax expense for the period attributable to the owners of IRIS Metals Limited | | (3,236,744) | (1,800,023) |
| Other comprehensive income for the period, net of tax | | - | - |
| | | <u>-</u> | <u>-</u> |
| Total comprehensive income for the period attributable to the owners of IRIS Metals Limited | | <u>(3,236,744)</u> | <u>(1,800,023)</u> |
| | | Cents | Cents |
| Basic earnings per share | 20 | (4.55) | (4.48) |
| Diluted earnings per share | 20 | (4.55) | (4.48) |

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

IRIS Metals Limited
Consolidated statement of financial position
As at 31 March 2022

| | Note | Consolidated 2022 \$ | 2021 \$ |
|-------------------------------|------|----------------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 4,190,042 | 496,418 |
| Other receivables | | 29,896 | 2,681 |
| Other assets | 4 | 135,982 | 3,000 |
| Total current assets | | <u>4,355,920</u> | <u>502,099</u> |
| Non-current assets | | | |
| Property, plant and equipment | | 49,822 | - |
| Total non-current assets | | <u>49,822</u> | <u>-</u> |
| Total assets | | <u>4,405,742</u> | <u>502,099</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 5 | 155,553 | 165,557 |
| Employee benefits | | 13,661 | - |
| Provisions | 7 | 30,000 | 140,000 |
| Total current liabilities | | <u>199,214</u> | <u>305,557</u> |
| Total liabilities | | <u>199,214</u> | <u>305,557</u> |
| Net assets | | <u>4,206,528</u> | <u>196,542</u> |
| Equity | | | |
| Issued capital | 8 | 8,563,117 | 1,758,865 |
| Reserves | 9 | 680,178 | 237,700 |
| Accumulated losses | | <u>(5,036,767)</u> | <u>(1,800,023)</u> |
| Total equity | | <u>4,206,528</u> | <u>196,542</u> |

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

IRIS Metals Limited
Consolidated statement of changes in equity
For the period ended 31 March 2022

| Consolidated | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
|--|------------------------------|------------------------|----------------------------------|----------------------------|
| Balance at 23 December 2020 | - | - | - | - |
| Loss after income tax expense for the period | - | - | (1,800,023) | (1,800,023) |
| Other comprehensive income for the period, net of tax | - | - | - | - |
| Total comprehensive income for the period | - | - | (1,800,023) | (1,800,023) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs (note 8) | 1,758,865 | - | - | 1,758,865 |
| Share-based payments (note 21) | - | 237,700 | - | 237,700 |
| Balance at 31 March 2021 | <u>1,758,865</u> | <u>237,700</u> | <u>(1,800,023)</u> | <u>196,542</u> |
| Consolidated | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
| Balance at 1 April 2021 | 1,758,865 | 237,700 | (1,800,023) | 196,542 |
| Loss after income tax expense for the period | - | - | (3,236,744) | (3,236,744) |
| Other comprehensive income for the period, net of tax | - | - | - | - |
| Total comprehensive income for the period | - | - | (3,236,744) | (3,236,744) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs (note 8) | 6,706,752 | - | - | 6,706,752 |
| Issue of shares previously vested to the share-based payment reserve | 97,500 | (97,500) | - | - |
| Share-based payment expense issue of options to brokers (note 21) | - | 227,911 | - | 227,911 |
| Issue of options to brokers as part of capital raising costs (note 21) | - | 154,866 | - | 154,866 |
| Vesting of options issued during the period (note 21) | - | 157,201 | - | 157,201 |
| Balance at 31 March 2022 | <u>8,563,117</u> | <u>680,178</u> | <u>(5,036,767)</u> | <u>4,206,528</u> |

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

IRIS Metals Limited
Consolidated statement of cash flows
For the period ended 31 March 2022

| | | Consolidated | From 23 |
|--|-------------|-------------------------|-----------------------|
| | | | December to |
| | | | 31 March |
| | Note | 2022 | 2021 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Payments to suppliers and employees (inclusive of GST) | | (1,135,683) | (57,987) |
| Payments for exploration and evaluation | | (1,383,740) | (679,460) |
| Payment of contingent consideration | | (110,000) | - |
| Net cash used in operating activities | 19 | <u>(2,629,423)</u> | <u>(737,447)</u> |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (54,248) | - |
| Net cash used in investing activities | | <u>(54,248)</u> | <u>-</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 8 | 7,000,000 | 1,267,870 |
| Cost of issue of shares | | (622,705) | (34,005) |
| Net cash from financing activities | | <u>6,377,295</u> | <u>1,233,865</u> |
| Net increase in cash and cash equivalents | | 3,693,624 | 496,418 |
| Cash and cash equivalents at the beginning of the financial period | | <u>496,418</u> | <u>-</u> |
| Cash and cash equivalents at the end of the financial period | | <u><u>4,190,042</u></u> | <u><u>496,418</u></u> |

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 16.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of IRIS Metals Limited ('company' or 'parent entity') as at 31 March 2022 and the results of all subsidiaries for the period then ended. IRIS Metals Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Note 1. Significant accounting policies (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Other receivables

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis for office and computer equipment and diminishing value for motor vehicles to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

| | |
|--------------------|-----------|
| Computer equipment | 2-3 years |
| Office equipment | 2-3 years |
| Motor vehicles | 6-8 years |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Note 1. Significant accounting policies (continued)

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Share-based payments

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees, directors and/or brokers in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 1. Significant accounting policies (continued)

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of IRIS Metals Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Exploration and evaluation expenditure

Exploration and evaluation costs are expensed as incurred. Acquisition costs are accumulated in respect of each separate area of interest.

Exploration and evaluation expenditures will be recognised as assets when the activities have 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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 March 2022. The directors have assessed that none of these new Standards or Interpretations are unlikely to materially impact the consolidated entity in future financial reporting periods.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and carry-forward losses only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Presently the consolidated entity has incurred losses from its operations in all tax jurisdictions that may be potentially available to be applied against assessable income in the future. Given the uncertainty as to when or if this occurs, the directors have decided not to recognise any deferred tax assets that may be represented by those losses.

Contingent consideration

A provision has been made for the cash consideration agreed on the sale and purchase of the Mining Property Agreements subscribed with the vendors. The cash consideration is contingent upon the conditions established in each Agreement being met (see note 7).

Mine rehabilitation provision

The consolidated entity has considered whether a provision for rehabilitation of any tenements is required. The directors do not consider that such a provision is necessary due to the fact that rehabilitation is being undertaken on a progressive basis. Whilst the consolidated entity is in exploration phase it cannot reliably estimate the scope and costs of rehabilitation work that will need to be undertaken.

Initial Public Offering ('IPO') Costs

In connection with the IPO, the consolidated entity incurred costs, which are treated as follows:

- Incremental costs that are directly attributable to issuing new shares are deducted from equity (net of any income tax benefit).
- Costs that relate to the ASX listing, or are otherwise not incremental and directly attributable to issuing new shares, are recorded as an expense in the consolidated statement of profit or loss and other comprehensive income.
- Costs that relate to both share issuance and listing are allocated between those functions based on the proportion of new shares issued to the total number of new and existing shares listed.

Note 3. Corporate and administrative costs

| | Consolidated | |
|----------------------------------|---------------------|--|
| | 2022 | From 23 December to 31 March 2021 |
| | \$ | \$ |
| Administration expenses | 144,876 | 597 |
| Employee benefits expense | 582,924 | 164,250 |
| Marketing and promotion expenses | 26,750 | - |
| Professional fees | 204,566 | 51,766 |
| Share-based payment | 385,112 | 140,200 |
| Other expenses | 27,245 | 1,250 |
| | <u>1,371,473</u> | <u>358,063</u> |

The comparative period had total share-based payment expenses of \$237,700. This comprises \$140,200 allocated to Corporate and administrative costs and \$97,500 allocated to Exploration and evaluation costs.

Note 4. Other assets

| | Consolidated | |
|-----------------------|---------------------|--------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Current assets</i> | | |
| Prepayments | 135,982 | - |
| Deposits | - | 3,000 |
| | <u>135,982</u> | <u>3,000</u> |

Note 5. Trade and other payables

| | Consolidated | |
|----------------------------|---------------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Trade payables | 96,043 | 165 |
| Accrued expenses | 59,510 | 165,392 |
| | <u>155,553</u> | <u>165,557</u> |

Refer to note 11 for further information on financial instruments.

Note 6. Employee benefits

| | Consolidated | |
|----------------------------|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Annual leave | 13,661 | - |

Note 7. Provisions

| | Consolidated 2022 \$ | 2021 \$ |
|----------------------------|----------------------------|----------------|
| <i>Current liabilities</i> | | |
| Contingent consideration | <u>30,000</u> | <u>140,000</u> |

Contingent consideration

The provision represents the obligation to pay contingent consideration following the acquisition of assets. It is measured at the present value of the estimated liability.

As part of the sale and purchase of the Mining Property Agreements subscribed with the vendors in the previous year, IRIS have paid \$105,000 upon conditions met during the financial year. \$30,000 remains contingent upon the conditions established in the agreement being met.

| Vendor name | Condition in agreement | Deferred cash |
|-------------|---|---------------|
| Jamie Jones | The conditional cash consideration will be paid upon a successful conversion to a Mining Licence (ML) | \$30,000 |

Note 8. Issued capital

| | 2022 Shares | Consolidated 2021 Shares | 2022 \$ | 2021 \$ |
|------------------------------|-------------------|--------------------------------|------------------|------------------|
| Ordinary shares - fully paid | <u>87,250,000</u> | <u>51,700,000</u> | <u>8,563,117</u> | <u>1,758,865</u> |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|---------------------------------|-------------------|-------------------|-------------|------------------|
| Balance | 1 April 2021 | 51,700,000 | | 1,758,865 |
| Shares issued to Chris Connell | 27 April 2021 | 250,000 | \$0.15 | 37,500 |
| Shares issued on IPO | 15 September 2021 | 35,000,000 | \$0.20 | 7,000,000 |
| Shares issued on IPO to vendors | 15 September 2021 | 300,000 | \$0.20 | 60,000 |
| Costs of capital raise | | - | \$0.00 | (293,248) |
| Balance | 31 March 2022 | <u>87,250,000</u> | | <u>8,563,117</u> |

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Note 8. Issued capital (continued)

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may return capital to shareholders, issue new shares or sell assets to achieve this.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

Note 9. Reserves

| | Consolidated | |
|------------------------|---------------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Equity-settled reserve | <u>680,178</u> | <u>237,700</u> |

Refer to Consolidated statement of changes in equity for further information.

Note 10. Dividends

There were no dividends paid, recommended or declared during the current or previous financial period.

Note 11. Financial instruments

Financial risk management objectives

The consolidated entity's finance function provides services to the business and monitors and manages the financial risks relating to the operations of the consolidated entity in accordance with the decisions of the directors.

In the reporting period, the consolidated entity was not exposed to material financial risks of changes in foreign currency exchange rates.

Accordingly, the consolidated entity did not employ derivative financial instruments to hedge currency risk exposures. There also was no material exposure to any interest rate or price risk or credit risk.

| | Consolidated | |
|------------------------------|---------------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Financial assets | | |
| Cash and cash equivalents | 4,190,042 | 496,418 |
| Trade and other receivables | 29,896 | 2,681 |
| | <u>4,219,938</u> | <u>499,099</u> |
| Financial liabilities | | |
| Trade and other payables | <u>155,553</u> | <u>165,557</u> |

Liquidity risk

Liquidity risk is the risk that the consolidated entity is unable to meet its financial obligations as they fall due.

All financial liabilities were payable within 30 day terms or less with the exception of the payment profile of the provision (see note 7)

Note 11. Financial instruments (continued)

Ultimate responsibility for liquidity risk management rests with the board of directors, which periodically reviews the consolidate entities short, medium and long-term funding and liquidity management requirements. The consolidated entity manages liquidity risk by maintaining reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities where possible.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 12. Key management personnel disclosures

Directors

The following persons were directors of IRIS Metals Limited during the financial period:

Peter Marks
 Simon Lill
 Tal Paneth
 Christopher Connell (Appointed 2 April 2021)

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | Consolidated | |
|------------------------------|---------------------|----------------|
| | From 23 | |
| | December to | |
| | 31 March | |
| | 2022 | 2021 |
| | \$ | \$ |
| Short-term employee benefits | 574,800 | 150,000 |
| Post-employment benefits | 38,951 | 14,249 |
| Share-based payments | - | 177,700 |
| | <u>613,751</u> | <u>341,949</u> |

Note 13. Remuneration of auditors

During the financial period the following fees were paid or payable for services provided by , the auditor of the company:

| | Consolidated | |
|---|---------------------|---------------|
| | From 23 | |
| | December to | |
| | 31 March | |
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Audit services -</i> | | |
| Audit or review of the financial statements | <u>32,000</u> | <u>21,700</u> |

Note 14. Commitments and contingencies

There are no contractual commitments or contingent liabilities at 31 March 2022 (2021: none).

Note 15. Related party transactions

Parent entity

IRIS Metals Limited is the parent entity.

Note 15. Related party transactions (continued)

Subsidiaries

Interests in subsidiaries are set out in note 17.

Key management personnel

Disclosures relating to key management personnel are set out in note 12 and the remuneration report included in the directors' report.

Transactions with related parties

During the year ended 31 March 2022 the following related party transactions occurred:

- Newburyport Partners Pty Ltd, a related entity of Peter Ashley Marks, was paid \$10,450 (including GST) for office rent costs and contribution of office fit out. The rental agreement is at current market terms and it is deemed at arm's length.
- Victoria Lill, a related party of Simon Lill, was paid \$12,000 (including GST) for field work during the period. The work performed was at current market terms and it is deemed at arm's length.

Receivable from and payable to related parties

As at 31 March 2022 the trade payables to related parties are as follows:

- Newburyport Partners Pty Ltd, a related entity of Peter Ashley Marks, was owed \$5,775 (including GST) for office rent costs. The rental agreement is at current market terms and it is deemed at arm's length.

There were no other trade receivables from or trade payables to related parties at the reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 16. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

| | Parent | From 23 December to 31 March |
|----------------------------|---------------|---|
| | 2022 | 2021 |
| | \$ | \$ |
| Loss after income tax | (3,227,826) | (1,707,724) |
| Total comprehensive income | (3,227,826) | (1,707,724) |

Statement of financial position

| | Parent | 2021 |
|---------------------------|---------------|-------------|
| | 2022 | \$ |
| | \$ | \$ |
| Total current assets | 4,355,920 | 594,398 |
| Total assets | 4,405,742 | 597,398 |
| Total current liabilities | 199,214 | 305,557 |
| Total liabilities | 199,214 | 305,557 |
| Equity | | |
| Issued capital | 8,563,117 | 1,761,865 |
| Equity-settled reserve | 680,178 | 237,700 |
| Accumulated losses | (5,036,767) | (1,707,724) |
| Total equity | 4,206,528 | 291,841 |

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 March 2022 (31 March 2021: none).

Contingent liabilities

The parent entity had no contingent liabilities as at 31 March 2022 (31 March 2021: none).

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 March 2022 (31 March 2021: none).

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 17. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|------------------------|---|--------------------|-----------|
| | | 2022 % | 2021 % |
| Lofasz Pty Ltd | Australia | 100.00% | 100.00% |
| BH Exploration Pty Ltd | Australia | 100.00% | - |

Note 18. Events after the reporting period

On 13 April 2022, IRIS Metals Limited incorporated a new company Lotus Minerals L.L.C. in the State of South Dakota, United States.

On 29 April 2022, the company announced that the potential material acquisition leading to the voluntary suspension as outlined in the review of operations had been discontinued. The securities remained in suspension due to ongoing negotiations in respect of another material acquisition as outlined below.

On 23 May 2022, the company announced its intention to acquire a 100% interest in a Lithium Project in a strategically located, Tier-1, historical mining jurisdiction of South Dakota, USA (the 'South Dakota Project'). Key highlights announced were as follows:

- Within the greater South Dakota Project, there are 2 sub-projects, being Dewy project and Custer project.
- The 2 projects represent combined total land holdings of approximately 10,846 Acres (approximately 4,400 Ha), across 525 Claims.
- An experienced South Dakota-based in-country mining consultant, RRL Consulting, has been appointed to assist with the ongoing US-based mining and related activities.
- A \$2.0 million placement has been completed to support the acquisition and provide working capital to be directed to the new project.

On 23 May 2022, the ASX announced the reinstatement to quotation for the securities of IRIS Metals Limited, following the announcement of the South Dakota Project and associated capital raise. From 24 May 2022 the company had been reinstated for quotation on the ASX and is no longer in suspension.

On 15 June 2022, the company announced the issue of 4,000,000 fully paid ordinary shares as part of the final consideration for the vendor of White Rock, L.L.C. On the same date, the company announced the completion of the acquisition of White Rock, L.L.C. and associated 100% owned South Dakota Lithium Project (Dewy and Custer), positioning the company as the second ASX-listed US hard rock lithium explorer. The company also reported that based on a review of regional geology and the identification of additional areas of interest, that staking opportunities were underway.

No other matter or circumstance has arisen since 31 March 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 19. Reconciliation of loss after income tax to net cash used in operating activities

| | Consolidated | |
|--|---------------------|------------------|
| | From 23 | |
| | December to | |
| | 31 March | |
| | 2022 | 2021 |
| | \$ | \$ |
| Loss after income tax expense for the period | (3,236,744) | (1,800,023) |
| Adjustments for: | | |
| Depreciation and amortisation | 4,426 | - |
| Share-based payments | 385,112 | 40,000 |
| Shares issued for the acquisition of tenements | - | 722,700 |
| Issue of equity - transaction costs | 469,072 | - |
| Change in operating assets and liabilities: | | |
| Increase in other receivables | (36,964) | - |
| Increase in other assets | (132,982) | (3,000) |
| Increase in trade and other payables | 14,996 | 162,876 |
| Increase in employee benefits | 13,661 | - |
| Increase/(decrease) in other provisions | (110,000) | 140,000 |
| Net cash used in operating activities | <u>(2,629,423)</u> | <u>(737,447)</u> |

Note 20. Earnings per share

| | Consolidated | From 23 |
|---|---------------------|--------------------|
| | 2022 | December to |
| | \$ | 31 March |
| | 2021 | 2021 |
| | \$ | \$ |
| Loss after income tax attributable to the owners of IRIS Metals Limited | <u>(3,236,744)</u> | <u>(1,800,023)</u> |
| | Cents | Cents |
| Basic earnings per share | (4.55) | (4.48) |
| Diluted earnings per share | (4.55) | (4.48) |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>71,098,356</u> | <u>40,167,677</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>71,098,356</u> | <u>40,167,677</u> |

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Potential ordinary shares are treated as dilutive only when their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. Options held over ordinary shares would decrease the loss per share reported above and hence, have been treated as antidilutive.

Note 21. Share-based payments

Unlisted options

On 15 September 2021, 2,500,000 options were issued to brokers as part of remuneration for services provided during the IPO process.

\$227,911 was reflected as a share-based payment expense for the year ended 31 March 2022.

\$154,866 was reflected in the statement of changes in equity for the year ended 31 March 2022 as costs of capital raise.

On 15 October 2021, Andrew Wood, Exploration Manager, was issued 1,000,000 unlisted options that vest as follows:

- (a) 500,000 vesting after 6 months of service, and
- (b) 500,000 vesting after 12 months of service.

\$157,201 was reflected as a share-based payment expense for the year ended 31 March 2022.

Set out below are summaries of options on issue as at 31 March 2022:

| 2022 | | | | | | | |
|---------------------------------|-------------|----------------|------------------------------------|------------------|-----------|---------------------------|----------------------------------|
| Grant date | Expiry date | Exercise price | Balance at the start of the period | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the period |
| 28/02/2021 | 30/04/2024 | \$0.30 | 1,250,000 | - | - | - | 1,250,000 |
| 15/09/2021 | 15/09/2024 | \$0.30 | - | 2,500,000 | - | - | 2,500,000 |
| 15/10/2021 | 15/10/2024 | \$0.30 | - | 1,000,000 | - | - | 1,000,000 |
| | | | <u>1,250,000</u> | <u>3,500,000</u> | <u>-</u> | <u>-</u> | <u>4,750,000</u> |
| Weighted average exercise price | | | \$0.30 | \$0.30 | \$0.00 | \$0.00 | \$0.30 |

Note 21. Share-based payments (continued)

2021

| Grant date | Expiry date | Exercise price | Balance at the start of the period | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the period |
|---------------------------------|-------------|----------------|------------------------------------|-----------|-----------|---------------------------|----------------------------------|
| 28/02/2021 | 30/04/2024 | \$0.30 | - | 1,250,000 | - | - | 1,250,000 |
| | | | - | 1,250,000 | - | - | 1,250,000 |
| Weighted average exercise price | | | \$0.00 | \$0.30 | \$0.00 | \$0.00 | \$0.30 |

The weighted average remaining contractual life of options outstanding at the end of the financial period was 2.6 years (2021: 2 years).

\$385,112 (2021: \$237,700) was recognised as share-based payments expense in the consolidated statement of profit or loss for the year ended 31 March 2022 in relation to options noted above, and \$154,866 (2021: nil) was recognised as costs of capital raising.

For the options granted during the current financial period, the valuation model (Black-Scholes model) inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|------------|-------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| 15/09/2021 | 15/09/2024 | \$0.20 | \$0.30 | 150.00% | - | 0.40% | \$0.153 |
| 15/10/2021 | 15/10/2024 | \$0.29 | \$0.30 | 150.00% | - | 0.40% | \$0.228 |

IRIS Metals Limited
Directors' declaration
31 March 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 March 2022 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Tal Paneth
Director

16 June 2022



Peter Ashley Marks
Director

IRIS Metals Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of IRIS Metals Limited (the Company) and its controlled entities (together, the Group), which comprises the consolidated statement of financial position as at 31 March 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 March 2022 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 year. 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.

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

| ACCOUNTING FOR TRANSACTIONS RELATING TO THE INITIAL PUBLIC OFFERING ("IPO") | |
|---|--|
| Area of focus | How our audit addressed it |
| <p>As set out in Note(s) 2, 3, 8, 12, 15, and 21 the Company conducted an IPO transaction during the year. In leading up to this event, the Group conducted the following significant transactions:</p> <ul style="list-style-type: none"> • Raised capital through the issue of ordinary shares; • Issued broker and employee options as part of incentives set out in the IPO Prospectus; • Issued share capital and paid cash to settle deferred amounts owing to vendors of tenements vended into the Group; and • Incurred capital raising costs from its brokers, professional advisors and regulators in-relation to the IPO. <p>These significant transactions were key sources of estimation and judgement uncertainty for these financial statements, namely:</p> <ul style="list-style-type: none"> • Appropriately valuing the options and shares issued for nil cash consideration at their appropriate fair value, vested in the appropriate accounting period; • Ensuring that all related party transactions were completely and accurately disclosed; and • Determining the appropriate apportionment of costs of the IPO between equity, when directly connected to the issue of new share capital, and a charge to the profit or loss, when connected to the quotation of existing share capital. | <p>In addressing these transactional risks we performed the following procedures:</p> <ul style="list-style-type: none"> • We traced through all obligations attached to these IPO costs to supporting documentation; • We recalculated the calculation of the broker and employee options, which were valued using Black-Scholes models and assessed the appropriateness of inputs applied in the model; • We recalculated the vesting charge of those options taken to 31 March 2022; • We recalculated the roll of equity from incorporation through to 31 March 2022, which includes the funds raised from the IPO; and • We assessed the appropriateness of the treatment of the IPO costs, those of which were classified as equity and those charged to the profit or loss depending upon their linkage to the issue of new share equity. <p>We also assessed the appropriateness of disclosures made in-relation to these matters, as described in <i>critical estimates and judgements</i> in a note to the financial statements and also the attaching related party disclosures.</p> |

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 March 2022, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

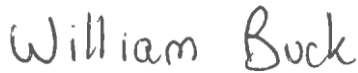
Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 March 2022.

In our opinion, the Remuneration Report of IRIS Metals Limited for the year ended 31 March 2022, complies with section 300A of the *Corporations Act 2001*.

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



William Buck Audit (Vic) Pty Ltd

ABN: 59 116 151 136



N. S. Benbow

Melbourne, 16 June 2022

The shareholder information set out below was applicable as at 15 June 2022.

Corporate Governance Statement

The Company's corporate governance statement is located at the Company's website:

<https://www.irismetals.com/>

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

| | Ordinary shares | | Options over ordinary shares | |
|---------------------------------------|-------------------|--------------------------|------------------------------|--------------------------|
| | Number of holders | % of total shares issued | Number of holders | % of total shares issued |
| 1 to 1,000 | 12 | 0.01 | - | - |
| 1,001 to 5,000 | 70 | 0.21 | - | - |
| 5,001 to 10,000 | 62 | 0.57 | - | - |
| 10,001 to 100,000 | 191 | 9.44 | - | - |
| 100,001 and over | 111 | 89.77 | 3 | 100.00 |
| | 446 | 100.00 | 3 | 100.00 |
| Holding less than a marketable parcel | 25 | - | - | - |

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

| | Ordinary shares Number held | % of total shares issued |
|--|--------------------------------|-----------------------------|
| TAL PANETH | 30,000,000 | 31.16 |
| NASDAQ SECURITIES AUSTRALIA PTY LTD (NASDAQ SECURITIES AUST A/C) | 5,000,000 | 5.19 |
| CODY VINCENT SCHAD | 4,000,000 | 4.15 |
| MR SIMON LILL | 3,750,000 | 3.90 |
| HARDWOOD HOLDINGS PTY LTD | 3,513,290 | 3.65 |
| MR ROSS FREDERICK CREW | 2,251,300 | 2.34 |
| PETER ASHLEY MARKS | 2,200,000 | 2.29 |
| GALLEON CAPITAL PTY LTD | 2,000,000 | 2.08 |
| JOHN W KING NOMINEES PTY LTD | 1,744,000 | 1.81 |
| BL FAMILY NOMINEES (BORI LIBERMAN A/C) | 1,500,000 | 1.56 |
| VINCENT CORP PTY LTD (THE V BARBAGALLO FAMILY A/C) | 1,350,000 | 1.40 |
| MR GREGORY JOHN HOWE & MS TRACIE LEE VELLA (TAG SUPER FUND A/C) | 1,282,000 | 1.33 |
| SANGREAL INVESTMENTS PTY LTD | 1,200,000 | 1.25 |
| TRANSACT CAPITAL PTY LTD | 1,030,004 | 1.07 |
| MR JUSTIN JOHN MCNICOL (JM INVESTMENT A/C) | 1,014,004 | 1.05 |
| MR DOMINIC VIRGARA | 1,000,000 | 1.04 |
| LEAD NATION HOLDINGS LIMITED | 1,000,000 | 1.04 |
| RIMOYNE PTY LTD | 919,363 | 0.95 |
| BLUE BOAT GROUP LIMITED | 855,699 | 0.89 |
| NARRADONG PTY LTD | 800,000 | 0.83 |
| | 66,409,660 | 68.98 |

IRIS Metals Limited
Shareholder information
31 March 2022

Unquoted equity securities

| | Number on issue | Number of holders |
|-------------------------------------|--------------------|----------------------|
| Options over ordinary shares issued | 4,750,000 | 3 |

The following person holds 20% or more of unquoted equity securities:

Unlisted options exercisable at \$0.30 expiring 15 September 2024: 3,750,000 options, held by:

- Christopher Connell: 1,250,000 options (33.33%)
- Taurus Capital Group Pty Ltd: 2,500,000 options (66.67%)

Unlisted options exercisable at \$0.30 expiring 15 October 2024: 1,000,000 options, held by:

- Andrew Wood: 1,000,000 options (100%)

Substantial holders

Substantial holders in the company are set out below:

| | Ordinary shares % of total shares issued |
|--|---|
| Number held | |
| TAL PANETH | 30,000,000 31.16 |
| NASDAQ SECURITIES AUSTRALIA PTY LTD (NASDAQ SECURITIES AUST A/C) | 5,000,000 5.19 |

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of ordinary equity securities.

Restricted securities

Of the 96,275,000 shares on issue:

- 300,000 shares are escrowed until 23 September 2022;
- 36,350,000 shares are escrowed until 23 September 2023; and
- 4,000,000 shares are escrowed until 15 June 2024.

Of the 3,750,000 options on issue:

- 3,750,000 options are escrowed until 23 September 2023.

Of the 1,000,000 options on issue:

- 500,000 options are escrowed until 15 October 2022.

On-Market Buy Back

There is no current on-market buyback.

Use of Funds

Since admission to the ASX on 21 September 2021, the Company has used its cash in a way that is consistent with its business objective.