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IRIS Metals Limited

ABN 61 646 787 135

Interim Report - 30 September 2022

**IRIS Metals Limited
Corporate directory
30 September 2022**

Directors

Simon Richard Lill
Christopher Alan David Connell
Peter Ashley Marks
Tal Paneth

Company secretary

David Franks

Registered office

Level 5, 126 Phillip Street
Sydney NSW 2000

Share register

Automic Pty Ltd
Level 5, 126 Phillip Street
Sydney NSW 2000

Auditor

William Buck
Level 20, 181 William Street
Melbourne Vic 3000

Stock exchange listing

IRIS Metals Limited shares are listed on the Australian Securities Exchange (ASX
code: IR1)

Website

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

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Operations report

IRIS Metals Limited ('IRIS' or the 'company') is a resources and exploration company with highly prospective projects located in South Dakota and Western Australia. Since the commencement of the new financial year in April 2022, IRIS has progressed its exploration and related activities on a number of fronts. Highlights for the period include:

Completion of the South Dakota Acquisition

On 15 June 2022, the company announced the completion of the acquisition of its South Dakota project, making IRIS one of only two ASX listed companies exploring for hard rock lithium in the United States, following the highly successful Piedmont Lithium (ASX:PLL).

Growth of South Dakota portfolio

Upon conducting a review of regional geology, the company identified additional and complementary areas of interest. On 18 August 2022, the company announced it had increased its BLM claim portfolio by 290% to 2,056 claims in total.

In addition, the company also reported that it was in negotiations to acquire various strategic patented claims, which the company has made good progress and anticipates a conclusion to these strategic acquisitions in the near term.

Mining permits granted over claims

On 4 April 2022, the company reported that mining permits had been granted covering 2 properties which IRIS has access, exploration, and mining rights over at its Beecher project, namely the Black Diamond and Beecher Extended patented properties.

The granted mining permits enable IRIS to fast track all exploration and mining activities inclusive of the right to explore and mine lithium bearing pegmatites.

Appointment of Technical Executive Director and various consultants and advisers

On 12 July 2022, Christopher Connell, former Non-Executive Director transitioned into becoming Technical Executive Director at IRIS. Ledger Holdings Pty Ltd, an entity associated with Mr Levi Mochkin, a founding director of Piedmont Lithium Inc, was appointed as Business Development Manager to assist the company in achieving and executing its North American strategy.

On 15 August 2022, Jason Ward was appointed Technical Geological Consultant and Jagen Business Services Pty Ltd, as Capital Advisory Consultant.

Further consolidation at Kookynie and geochemical interpretation

On 28 July 2022, the company announced it had acquired another 5 prospecting leases at its Northern Kookynie project. Included was the historic Standard mine, which according to historic records, contains production of 1,783 tons at an average of 15.26 g/t au.

Subsequently, an interpretation of existing aeromagnetic data (already flown by the company) was undertaken, revealing an additional 2 aeromagnetic targets for drill testing.

IRIS Metals Limited
Directors' report
30 September 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 period ended 30 September 2022.

Directors

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

Simon Richard Lill	Non-Executive Chairman
Christopher Alan David Connell	Executive Director
Peter Ashley Marks	Executive Director
Tal Paneth	Executive Director

Principal activities

The principal activities during the half-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 and the White Rick projects in the Tier-1 Jurisdiction of South Dakota, USA.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$11,534,542 (half-year ended 30 September 2021: \$1,409,126).

On 2 June 2022, the company issued 5,025,000 fully paid ordinary shares at \$0.40 to raise \$2,010,000 as part of a share placement to fund operations prior to an acquisition of assets (see below).

On 15 June 2022, the consolidated entity acquired 100% of highly prospective and strategic hard rock lithium projects through the acquisition of White Rock, L.L.C. ('White Rock') in the Tier-1 Jurisdiction of South Dakota, USA (the 'acquisition'). White Rock now forms part of the consolidated entity through 100% ownership by BH Exploration Pty Ltd, a wholly owned subsidiary of IRIS Metals Limited.

The total consideration transferred for the acquisition is as follows:

- USD\$100,000 cash consideration.
- Up to USD\$300,000 of cash reimbursements, based on the provision of approved receipts.
- 4,000,000 fully paid ordinary shares at a fair value of \$0.63 per share, which are escrowed for 2-years from the date of issue.
- Net smelter return (NSR) royalty of 1.25%.

The acquisition from an accounting perspective has been treated as a share-based payment under *AASB 2: Share-based payment* recorded as exploration and evaluation costs, rather than a business combination under *AASB 3: Business combinations*. White Rock contained no substantive processes, as the value was substantially derived from the tenements held. There were no firm contracts with either suppliers or customers in place on the acquisition date.

Prior to the date of the acquisition, the consolidated entity made cash payments to the White Rock vendor as reimbursements for costs incurred prior to the acquisition. The amount and nature of these reimbursements were agreed as part of the share sale agreement and related primarily to staking activities in South Dakota.

On 26 September 2022, the company completed the acquisition of highly prospective tenure at Kookynie, Western Australia. The transaction involved cash consideration of \$42,000 and the issue of 60,000 fully paid ordinary shares at \$0.30 per share.

Significant changes in the state of affairs

Refer above Review of operations for details on the acquisition of White Rock, L.L.C.

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

**IRIS Metals Limited
Directors' report
30 September 2022**

Matters subsequent to the end of the financial half-year

On 5 October 2022, the following capital transactions occurred, as approved at the Annual General Meeting:

- 4,000,000 Options were issued to SA Capital Pty Ltd or its Nominees for providing brokerage services to the consolidated entity.
- 5,000,000 Zero Priced Options were issued to CPS Capital Pty Ltd or its Nominees for providing advisory services to the consolidated entity.
- were issued to Ledger Holdings Pty Ltd or its nominees for providing Business Development Services to the consolidated entity.
- 3,000,000 Zero Priced Options, 6,000,000 unlisted options and 1,500,000 fully paid ordinary shares were issued to Ledger Holdings Pty Ltd or its nominees for providing Business Development Services to the consolidated entity.

As the vesting period for these transactions commenced prior to period end, they have been recorded in the consolidated statement of profit or loss during the period. Refer to note 11.

No other matter or circumstance has arisen since 30 September 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.

Environmental impact

The exploration undertaken on the consolidated entity's combined tenements in Western Australia and South Dakota to date has not created significant environmental issues. However, environmental issues will arise as and when the 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 environmental 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.

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.

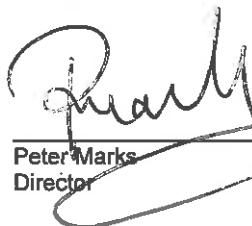
This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Tal Paneth
Director

14 December 2022



Peter Marks
Director

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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 half-year ended 30 September 2022 there have been:

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

William Buck

William Buck Audit (Vic) Pty Ltd

ABN: 59 116 151 136



N. S. Benbow

Director

Melbourne, 14th December 2022

IRIS Metals Limited
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30 September 2022

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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') at the end of, or during, the period. 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 5, 126 Phillip Street
Sydney NSW 2000 Australia

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 6 December 2022.

IRIS Metals Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 30 September 2022

		Consolidated	
		30	30
	Note	September	September
		2022	2021
		\$	\$
Expenses			
Exploration and evaluation costs	3	(7,092,058)	(379,676)
Corporate and administrative costs	2	(4,437,213)	(587,962)
Depreciation expense		(5,271)	(340)
IPO transaction costs		-	(441,148)
		<u> </u>	<u> </u>
Loss before income tax expense		(11,534,542)	(1,409,126)
Income tax expense		-	-
		<u> </u>	<u> </u>
Loss after income tax expense for the half-year attributable to the owners of IRIS Metals Limited		(11,534,542)	(1,409,126)
Other comprehensive income for the half-year, net of tax		-	-
		<u> </u>	<u> </u>
Total comprehensive income for the half-year attributable to the owners of IRIS Metals Limited		<u>(11,534,542)</u>	<u>(1,409,126)</u>
		Cents	Cents
Basic loss per share	10	(12.37)	(2.56)
Diluted loss per share	10	(12.37)	(2.56)

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

IRIS Metals Limited
Statement of financial position
As at 30 September 2022

	Consolidated	
	30	
Note	September	31 March
	2022	2022
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	1,516,243	4,190,042
GST credits receivable	55,527	29,896
Prepayments	203,687	135,982
Total current assets	<u>1,775,457</u>	<u>4,355,920</u>
Non-current assets		
Property, plant and equipment	44,550	49,822
Intangibles	29,713	-
Total non-current assets	<u>74,263</u>	<u>49,822</u>
Total assets	<u>1,849,720</u>	<u>4,405,742</u>
Liabilities		
Current liabilities		
Trade and other payables	425,814	155,553
Employee benefits	5,441	13,661
Provisions	30,000	30,000
Total current liabilities	<u>461,255</u>	<u>199,214</u>
Total liabilities	<u>461,255</u>	<u>199,214</u>
Net assets	<u>1,388,465</u>	<u>4,206,528</u>
Equity		
Issued capital	5 12,821,572	8,563,117
Share-based payment reserve	6 5,138,202	680,178
Accumulated losses	(16,571,309)	(5,036,767)
Total equity	<u>1,388,465</u>	<u>4,206,528</u>

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

IRIS Metals Limited
Statement of changes in equity
For the half-year ended 30 September 2022

Consolidated	Issued capital \$	Share-based payment reserve \$	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 half-year	-	-	(1,409,126)	(1,409,126)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,409,126)	(1,409,126)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	6,714,042	-	-	6,714,042
Issue of shares previously vested to the share-based payment reserve (note 5)	97,500	(97,500)	-	-
Share-based payment issue of options to brokers (note 11)	-	382,777	-	382,777
Balance at 30 September 2021	<u>8,570,407</u>	<u>522,977</u>	<u>(3,209,149)</u>	<u>5,884,235</u>

Consolidated	Issued capital \$	Share-based payment reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 April 2022	8,563,117	680,178	(5,036,767)	4,206,528
Loss after income tax expense for the half-year	-	-	(11,534,542)	(11,534,542)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(11,534,542)	(11,534,542)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 5)	5,190,772	-	-	5,190,772
Vesting of options and performance rights issued (note 6)	-	3,578,012	-	3,578,012
Reversal of share-based payment due to forfeiture of performance rights (note 6)	-	(52,305)	-	(52,305)
Share-based payment issue of options to brokers (note 6)	(932,317)	932,317	-	-
Balance at 30 September 2022	<u>12,821,572</u>	<u>5,138,202</u>	<u>(16,571,309)</u>	<u>1,388,465</u>

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

IRIS Metals Limited
Statement of cash flows
For the half-year ended 30 September 2022

Note	Consolidated	
	30 September 2022 \$	30 September 2021 \$
Cash flows from operating activities		
	(862,025)	(468,149)
	(3,766,832)	(290,803)
	-	(110,000)
	<u>(4,628,857)</u>	<u>(868,952)</u>
Cash flows from investing activities		
	-	(4,753)
	(29,714)	-
	<u>(29,714)</u>	<u>(4,753)</u>
Cash flows from financing activities		
5	2,010,000	7,000,000
	(25,228)	(600,809)
	<u>1,984,772</u>	<u>6,399,191</u>
	(2,673,799)	5,525,486
	<u>4,190,042</u>	<u>496,418</u>
	<u>1,516,243</u>	<u>6,021,904</u>

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

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Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 September 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 March 2022 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, 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.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business. During the period ended 30 September 2022, the consolidated entity incurred a net loss before tax of \$11,534,542 and had a net cash outflow from operating activities of \$4,628,857.

The cash flow forecast prepared for the assessment of going concern factors in a number of estimates and assumptions in relation to the timing and quantum of planned expenditure. The planned expenditure foresees the need to raise capital during the forecast period in order to execute the consolidated entity's stated aim of progressing its operations, particularly in the South Dakota region.

The above matters give rise to a material uncertainty that may cast significant doubt over the ability of the consolidated entity to continue as a going concern.

The Directors regularly monitor the consolidated entity's cash position and have demonstrated a successful track record of raising capital when required. As noted in the recent 5B, the company and its advisers CPS Capital and Jett Capital have been in detailed ongoing discussions regarding the company's immediate and longer term capital requirements. As a result of these discussions the company does not foresee any particular difficulties in achieving the planned outcomes.

Should the consolidated entity be unable to execute the forecasted strategy, it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they fall due.

IRIS Metals Limited
Notes to the financial statements
30 September 2022

Note 2. Corporate and administrative costs

	Consolidated	
	30 September 2022	30 September 2021
	\$	\$
Administration expenses	251,219	37,240
Consultancy fees	1,986,206	333
Employee benefits expense	371,132	241,450
Marketing and promotion expenses	18,000	5,150
Professional fees	126,764	-
Share-based payment	1,480,642	227,911
Other expenses	203,250	75,878
	<u>4,437,213</u>	<u>587,962</u>

Note 3. Exploration and evaluation costs

	Consolidated 30 September 2022 \$
Equity consideration transferred on acquisition of White Rock L.L.C. (note 8)	2,520,000
Cash consideration transferred on acquisition of White Rock L.L.C. (note 8)	139,055
Cash reimbursements on acquisition of White Rock L.L.C. up to USD\$300,000 (note 8)	442,634
South Dakota exploration and evaluation costs	1,333,385
Australia exploration and evaluation costs	2,537,758
Share-based payment (note 11)	119,226
	<u>7,092,058</u>

Note 4. Current liabilities - provisions

	Consolidated	
	30 September 2022 \$	31 March 2022 \$
Contingent consideration	<u>30,000</u>	<u>30,000</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, the consolidated entity have paid \$105,000 upon conditions met during previous financial years. \$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

IRIS Metals Limited
Notes to the financial statements
30 September 2022

Note 5. Equity - issued capital

	Consolidated			
	30 September 2022 Shares	31 March 2022 Shares	30 September 2022 \$	31 March 2022 \$
Ordinary shares - fully paid	97,580,000	87,250,000	12,821,572	8,563,117

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 April 2022	87,250,000		8,563,117
Issue of shares - placement	2 June 2022	5,025,000	\$0.40	2,010,000
Issue of shares - acquisition of assets (note 8)	15 June 2022	4,000,000	\$0.63	2,520,000
Issue of shares in accordance with equity incentive plan	11 August 2022	245,000	\$0.40	98,000
Issue of shares as payment for geologist services	15 August 2022	1,000,000	\$0.57	570,000
Issue of shares as part payment for acquisition of assets	26 September 2022	60,000	\$0.30	18,000
Costs of capital		-	\$0.00	(957,545)
Balance	30 September 2022	<u>97,580,000</u>		<u>12,821,572</u>

* Costs of capital raising includes the fair value of 4,000,000 options issued to brokers. Refer note 6.

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.

Note 6. Equity - share-based payment reserve

	Consolidated	
	30 September 2022 \$	31 March 2022 \$
Share-based payments reserve	<u>5,138,202</u>	<u>680,178</u>

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

IRIS Metals Limited
Notes to the financial statements
30 September 2022

Note 6. Equity - share-based payment reserve (continued)

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	\$	Total \$
Balance at 1 April 2022	680,178	680,178
Director options issued	1,475,197	1,475,197
Options issued as payment for consultancy services	1,925,838	1,925,838
Options issued to broker as costs of capital raising	932,317	932,317
Options issued as payment for exploration and evaluation costs	119,226	119,226
Performance rights issued as payment for exploration and evaluation costs	57,751	57,751
Reversal of share-based payment due to forfeiture of performance rights	<u>(52,305)</u>	<u>(52,305)</u>
Balance at 30 September 2022	<u>5,138,202</u>	<u>5,138,202</u>

Note 7. Commitments and contingencies

As per note 8, the acquisition of White Rock, L.L.C. included a contingent liability through a Net smelter return (NSR) royalty of 1.25% payable to the vendor.

There are no further contractual commitments or contingent liabilities at 30 September 2022 (31 March 2022: none).

Note 8. Acquisition of subsidiary

On 15 June 2022, the consolidated entity acquired 100% of highly prospective and strategic hard rock lithium projects through the acquisition of White Rock, L.L.C. ('White Rock') in the Tier-1 Jurisdiction of South Dakota, USA (the 'acquisition'). White Rock now forms part of the consolidated entity through 100% ownership by BH Exploration Pty Ltd, a wholly owned subsidiary of IRIS Metals Limited.

The total consideration transferred for the acquisition is as follows:

- USD\$100,000 cash consideration.
- Up to USD\$300,000 of cash reimbursements, based on the provision of approved receipts.
- 4,000,000 fully paid ordinary shares at a fair value of \$0.63 per share, which are escrowed for 2-years from the date of issue.
- Net smelter return (NSR) royalty of 1.25%.

The equity consideration transferred relating to the acquisition has been treated as a share-based payment under *AASB 2: Share-based payment*, recorded as exploration and evaluation costs and the cash consideration transferred has been treated as exploration and evaluation costs. This is not considered a business combination under *AASB 3: Business combinations*. White Rock contained no substantive processes, as the value was substantially derived from the tenements held. There were no firm contracts with either suppliers or customers in place on the acquisition date.

Prior to the date of the acquisition, the consolidated entity made cash payments to the White Rock vendor as reimbursements for costs incurred prior to the acquisition. The amount and nature of these reimbursements were agreed as part of the share sale agreement and related primarily to staking activities in South Dakota and has been treated as exploration and evaluation costs.

Details of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	<u>1,000</u>
Net assets acquired	<u>1,000</u>

IRIS Metals Limited
Notes to the financial statements
30 September 2022

Note 8. Acquisition of subsidiary (continued)

Acquisition-date fair value of the total consideration transferred:

Ordinary shares in IRIS Metals Limited, recorded as an exploration and evaluation cost	2,520,000
Cash consideration paid, recorded as an exploration and evaluation cost (translated from USD)	<u>139,055</u>
Total consideration transferred	<u><u>2,659,055</u></u>

Note 9. Events after the reporting period

On 5 October 2022, the following capital transactions occurred, as approved at the Annual General Meeting:

- 4,000,000 Options were issued to SA Capital Pty Ltd or its Nominees for providing brokerage services to the consolidated entity.
- 5,000,000 Zero Priced Options were issued to CPS Capital Pty Ltd or its Nominees for providing advisory services to the consolidated entity.
- were issued to Ledger Holdings Pty Ltd or its nominees for providing Business Development Services to the consolidated entity.
- 3,000,000 Zero Priced Options, 6,000,000 unlisted options and 1,500,000 fully paid ordinary shares were issued to Ledger Holdings Pty Ltd or its nominees for providing Business Development Services to the consolidated entity.

As the vesting period for these transactions commenced prior to period end, they have been recorded in the consolidated statement of profit or loss during the period. Refer to note 11.

No other matter or circumstance has arisen since 30 September 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 10. Loss per share

	Consolidated	
	30	30
	September	September
	2022	2021
	\$	\$
Loss after income tax attributable to the owners of IRIS Metals Limited	<u>(11,534,542)</u>	<u>(1,409,126)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	<u>93,227,283</u>	<u>54,995,355</u>
Weighted average number of ordinary shares used in calculating diluted loss per share	<u>93,227,283</u>	<u>54,995,355</u>
	Cents	Cents
Basic loss per share	(12.37)	(2.56)
Diluted loss per share	(12.37)	(2.56)

Share options have a dilutive effect only when the average market price of ordinary shares during the period exceeds the exercise price of the options. Given the exercise price of options issued in note 11 exceed the average market price of shares issued (see note 5), the options are deemed antidilutive and therefore, diluted loss per share has not been adjusted. Further, the consolidated entity is in a net loss position and therefore, these are antidilutive in nature and are not considered in the diluted earnings per share calculation.

IRIS Metals Limited
Notes to the financial statements
30 September 2022

Note 11. Share-based payments

During the period, the following unquoted securities were issued:

- On 13/05/2022, 1,000,000 performance rights were granted as share-based payment expenses with an exercisable price of \$nil, expiring 5 years from the issue date. The performance rights will vest within 10 business days of the company announcing a drilling intercept on any of the tenements held by White Rock L.L.C. of not less than 10m at 1.25% Li2O within 5 years from the completion date of the issue date.
- On 15/08/2022, 2,000,000 options were granted as exploration and evaluation costs with an exercisable price of \$nil, expiring on 15/09/2024. The options will vest in 2 equal tranches upon 1 and 2 years continuous service from grant date.
- On 15/08/2022, 1,500,000 options were granted as consultancy fees with an exercisable price of \$0.40, expiring on 31/07/2025. The options will vest in 2 equal tranches upon signing the consulting agreement and 6 months of continuous service.
- On 2/06/2022, 4,000,000 options were granted as costs of capital raising with an exercisable price of \$0.40, expiring on 31/07/2025. The options vested in connection with the successful placement of shares on 2/06/2022 - refer note 5.
- On 15/08/2022, 5,000,000 options were granted as consultancy fees with an exercisable price of \$0.40, expiring on 31/07/2025. The options vest over the 12-month period from grant date, during which consultancy services are provided.
- On 11/07/2022, 6,000,000 options were granted as consultancy fees with an exercisable price of \$0.40, expiring on 31/07/2025. The options vest over the minimum termination period of 3 months from grant date.
- On 11/07/2022, 3,000,000 options were granted as consultancy fees with an exercisable price of \$nil, expiring on 31/07/2025. The options will vest in 2 equal tranches upon 1 and 2 years continuous service from grant date.
- On 30/08/2022, 2,000,000 options were granted as share-based payment expenses with an exercisable price of \$0.40, expiring on 31/07/2025. The options will vest in 2 equal tranches, upon issue and upon 12 months of continuous service.
- On 30/08/2022, 5,000,000 options were granted as share-based payment expenses with an exercisable price of \$nil, expiring on 31/07/2025. The options will vest in 3 equal tranches, upon continuous service from grant date until 12/07/2023, 12/07/2024 and 12/07/2025.

Set out below are summaries of options on issue as at 30 September 2022:

30 September
2022

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
28/02/2021	15/09/2024	\$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	-	-	(500,000)	500,000
13/05/2022	12/05/2027	\$0.00	-	1,000,000	-	-	1,000,000
15/08/2022	15/09/2024	\$0.00	-	2,000,000	-	-	2,000,000
15/08/2022	31/07/2025	\$0.40	-	1,500,000	-	-	1,500,000
02/06/2022	31/07/2025	\$0.40	-	4,000,000	-	-	4,000,000
15/08/2022	31/07/2025	\$0.40	-	5,000,000	-	-	5,000,000
11/07/2022	31/07/2025	\$0.40	-	6,000,000	-	-	6,000,000
11/07/2022	31/07/2025	\$0.00	-	3,000,000	-	-	3,000,000
30/08/2022	31/07/2025	\$0.40	-	2,000,000	-	-	2,000,000
30/08/2022	31/07/2025	\$0.00	-	5,000,000	-	-	5,000,000
			4,750,000	29,500,000	-	(500,000)	33,750,000
Weighted average exercise price			\$0.30	\$0.25	\$0.00	\$0.30	\$0.26

* Note that options disclosed above with a grant date of 2/06/2022, 15/08/2022 and 11/07/2022 commenced their vesting periods on each respective date. However, as disclosed in note 9 these were issued/allotted subsequent to the period end date.

The weighted average remaining contractual life of options outstanding at the end of the financial half-year was 2.73 years (30 September 2021: 2.96 years).

IRIS Metals Limited
Notes to the financial statements
30 September 2022

Note 11. Share-based payments (continued)

Share-based payments in relation to unlisted securities during the period ended 30 September 2022 were recognised as follows:

- \$1,480,642 was recognised as share-based payment expense in the statement of profit or loss;
- \$932,317 was recognised as costs of capital raising in the statement of changes in equity;
- \$119,226 was recognised as exploration and evaluation costs in the statement of profit or loss; and
- \$1,925,838 was recognised as consultancy fees in the statement of profit or loss.

Share-based payments in relation to unlisted securities during the period ended 30 September 2021 were recognised as follows:

- \$227,911 was recognised as share-based payment expense in the statement of profit or loss; and
- \$154,866 was recognised as costs of capital raising in the statement of changes in equity.

For the unlisted securities granted during the current financial half-year, the valuation 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
13/05/2022	12/05/2027	\$0.63	\$0.00	127.57%	-	3.39%	\$0.630
15/08/2022	15/09/2024	\$0.65	\$0.00	127.57%	-	3.39%	\$0.645
15/08/2022	31/07/2025	\$0.65	\$0.40	127.57%	-	3.39%	\$0.516
02/06/2022	31/07/2025	\$0.32	\$0.40	127.57%	-	3.39%	\$0.233
15/08/2022	31/07/2025	\$0.65	\$0.40	127.57%	-	3.39%	\$0.516
11/07/2022	31/07/2025	\$0.27	\$0.40	127.57%	-	3.39%	\$0.188
11/07/2022	31/07/2025	\$0.27	\$0.00	127.57%	-	3.39%	\$0.270
30/08/2022	31/07/2025	\$1.23	\$0.40	127.57%	-	3.39%	\$1.061
30/08/2022	31/07/2025	\$1.23	\$0.00	127.57%	-	3.39%	\$1.230

**IRIS Metals Limited
Directors' declaration
30 September 2022**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 September 2022 and of its performance for the financial half-year 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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Tal Paneth
Director

14 December 2022



Peter Marks
Director

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IRIS Metals Limited
Independent auditor's review report

REPORT ON THE REVIEW OF THE HALF-YEAR FINANCIAL REPORT

Conclusion

We have reviewed the accompanying half-year financial report of IRIS Metals Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated group), which comprises the consolidated statement of financial position as at 30 September 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of IRIS Metals Limited is not in accordance with the *Corporations Act 2001* including:

- a. giving a true and fair view of the consolidated entity's financial position as at 30 September 2022 and of its performance for the half year ended on that date; and
- b. complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the consolidated entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial report, which indicates that the consolidated entity incurred a net loss of \$11,534,542 and had net cash outflows used in operations of \$4,628,857 for the half-year ended 30 September 2022. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of Management for the Financial Report

The directors of IRIS Metals Limited are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 30 September 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

William Buck

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



N. S. Benbow

Director

Melbourne, 14th December 2022

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