

Iris Metals Limited

ABN 61 646 787 135

**Annual Report for the period from 23 December 2020 to 31
March 2021**

Iris Metals Limited
Directors' report
31 March 2021

The directors present their report, together with the financial statements, on the consolidated entity consisting of Iris Metals Limited (referred to hereafter as 'Iris', or the 'Company' or 'Parent Entity') and the entities it controlled for the period from 23 December 2020 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 (Appointed 23 December 2020)
Simon Richard Lill (Appointed 29 December 2020)
Tal Paneth (Appointed 1 February 2021)
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 financial period.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,800,023.

Iris Metals Pty Ltd was incorporated on 23 December 2020.

On 23 December 2020, Iris Metals acquired Lofasz Pty Ltd (Lofasz) via a Scrip for Scrip rollover. All 10 shares in Lofasz were purchased in exchange for 30 million initial and founding shares in Iris Metals.

On 23 December 2020, Peter Marks and Simon Lill were appointed as directors of Lofasz.

On 29 December 2020, both Peter Marks and Simon Lill were each issued with 2,200,000 and 3,500,000 shares respectively. The cost base of these shares were \$0.0031 per share which was based on an independent geo's VALMIN valuation at that point in time.

On 2 March 2021, 12,500,000 shares were allotted to seed investors at a deemed price of 10 cents.

On 3 March 2021, 3,500,000 vendor shares were issued, which are subject to the exercise of an option agreement - the deemed price being 15 cents to represent an uplift in value from the original seed round.

On 24 March 2021, Iris Metals converted its company structure from proprietary limited company to a public company.

Significant changes in the state of affairs

There were no 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 2 April 2021, Christopher Connell was appointed director. Prior to 31 March 2021 Mr. Connell was granted 250,000 shares that were issued as a result of work performed prior to his appointment.

No other matter or circumstance has arisen since 31 March 2021 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 2021, the Company intends to continue to progress its Kookynie and Leonora mineral projects in Western Australia. This is planned to be funded through an initial public offering of shares to raise \$7 million and list on the ASX.

Once funds are raised, the Company will continue to focus on further exploration for its Projects. The Company will also continue to look for other complementary opportunities that will create value for its shareholders.

Environmental regulation

The consolidated entity is subject to significant environmental legal regulations in respect to its exploration and evaluation activities in Australia where it holds its tenements. There have been no known breaches of these regulations and principles.

Information on directors

Name:	Peter Ashley Marks (Appointed 23 December 2020)
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 specialized in capital raising IPOs, cross border, M&A transactions, corporate underwriting and venture capital transactions for companies in Australia, the US 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, Elsieht Limited
Former directorships (last 3 years):	Fluence Corporation Limited
Interests in shares:	2,500,000 ordinary shares
Name:	Simon Richard Lill (Appointed 29 December 2020)
Title:	Non-Executive Director
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., Purifloh Limited, Purifloh Limited
Former directorships (last 3 years):	Nil
Interests in shares:	4,000,000 ordinary shares
Name:	Tal Paneth (Appointed 1 February 2021)
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
Name:	Christopher Alan David Connell (Appointed 2 April 2021)
Title:	Non-Executive Director
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
Interests in options:	1,250,000 options exercisable at \$0.30 each expiring 30 April 2024

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

'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.

Meetings of directors

There were no meetings of directors held during the period ended 31 March 2021.

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
28/2/2021	30/4/2024	\$0.30	1,250,000
28/2/2021 *		\$0.15	37,500
			<u>1,287,500</u>

* The shares were granted to Christopher Connell previous the end of the year. They were issued on 2 April 2021 once Christopher was appointed as 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 2021 and up to the date of this report.

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.

During the financial period, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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

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.

Iris Metals Limited
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Auditor

William Buck (Vic) Pty Ltd was appointed 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

A handwritten signature in black ink, appearing to read 'Tal Paneth', is written over a horizontal line.

Tal Paneth
Director

15 July 2021

**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 period ended 31 March 2021 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.

A handwritten signature in blue ink that reads "William Buck".

William Buck Audit (Vic) Pty Ltd

ABN: 59 116 151 136

A handwritten signature in blue ink, appearing to be "J. C. Luckins".

J. C. Luckins

Director

Melbourne, 15 July 2021

ACCOUNTANTS & ADVISORS

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williambuck.com

Iris Metals Limited
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General information

These financial statements are the first full audited financial statements of the consolidated entity consisting of Iris and the entities it controlled, being from the date of incorporation at 23 December 2020 through to 31 March 2021. 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 21 May 2021. 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 2021

	Note	Consolidated From 23 December to 31 March 2021 \$
Expenses		
Administration		(597)
Consultancy fees		(5,500)
Other expenses		(47,516)
Employee benefits expense		(304,450)
Exploration and Evaluation costs		<u>(1,441,960)</u>
Loss before income tax expense		(1,800,023)
Income tax expense		<u>-</u>
Loss after income tax expense for the period attributable to the owners of Iris Metals Limited		(1,800,023)
Other comprehensive income for the period, net of tax		<u>-</u>
Total comprehensive income for the period attributable to the owners of Iris Metals Limited		<u>(1,800,023)</u>
		Cents
Basic earnings per share	13	(4.48)
Diluted earnings per share	13	(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 2021

	Note	Consolidated 31 March 2021 \$
Assets		
Current assets		
Cash and cash equivalents		496,418
Trade and other receivables		2,681
Other deposits		3,000
Total current assets		<u>502,099</u>
Total assets		<u>502,099</u>
Liabilities		
Current liabilities		
Trade and other payables		165,557
Provisions	3	<u>140,000</u>
Total current liabilities		<u>305,557</u>
Total liabilities		<u>305,557</u>
Net assets		<u><u>196,542</u></u>
Equity		
Issued capital	4	1,758,865
Reserves	5	237,700
Accumulated losses		<u>(1,800,023)</u>
Total equity		<u><u>196,542</u></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 2021

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 4)	1,758,865	-	-	1,758,865
Vesting of share-based payments (note 14)	-	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>

Iris Metals Limited
Consolidated statement of cash flows
For the period ended 31 March 2021

		Consolidated From 23 December to 31 March 2021 \$
	Note	
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)		<u>(737,447)</u>
Net cash used in operating activities	12	<u>(737,447)</u>
Cash flows from financing activities		
Proceeds from issue of shares	4	1,267,870
Cost of issue of shares		<u>(34,005)</u>
Net cash from financing activities		<u>1,233,865</u>
Net increase in cash and cash equivalents		496,418
Cash and cash equivalents at the beginning of the financial period		<u>-</u>
Cash and cash equivalents at the end of the financial period		<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.

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 10.

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 2021 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.

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.

Note 1. Significant accounting policies (continued)

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.

Trade and other receivables

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

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

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

Note 1. Significant accounting policies (continued)

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.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

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.

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.

Note 1. Significant accounting policies (continued)

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 2021. 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.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

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.

Deferred 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 3)

Note 3. Current liabilities - provisions

	Consolidated 31 March 2021 \$
Deferred consideration	<u>140,000</u>

Deferred 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, Iris have agreed to pay a deferred cash consideration of \$140,000 contingent upon the conditions established in each agreement being met.

Vendor name	Condition in agreement	Deferred cash
Ross Crew	The conditional cash consideration will be paid upon Iris Metal being admitted to the official list of the ASX	\$75,000.00
Ryan Curnow	The conditional cash consideration will be paid upon the grant of the tenement to the Estate Bank Account	\$35,000.00
Jamie Jones	The conditional cash consideration will be paid upon a successful conversion to a Mining Licence (ML)	\$30,000.00

Note 4. Equity - issued capital

	Consolidated	
	31 March	31 March
	2021	2021
	Shares	\$
Ordinary shares - fully paid	<u>51,700,000</u>	<u>1,758,865</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 March 2020	-		-
Acquisition of Lofasz - treated as Founder Shares	23 December 2020	30,000,000	\$0.00	-
Issue of Founder Shares (Simon Lill and Peter Marks) *	29 December 2020	5,700,000	\$0.00	17,870
Pre-IPO raise	03 March 2021	12,500,000	\$0.10	1,250,000
Pre-IPO raise vendor shares - exercise price of 15 cents (in escrow until paid) - payable to Ross Crew **	03 March 2021	3,500,000	\$0.15	525,000
Costs of capital raise		-	\$0.00	(34,005)
Balance	31 March 2021	<u>51,700,000</u>		<u>1,758,865</u>

(*) The issue price is \$0.00314 per share

(**) If Iris Metals has not both issued the Equity Consideration to the Owners and been admitted to the official list of the ASX by 31 December 2021 (or such later date as agreed between the Parties) then:

a) Iris Metals must immediately transfer the Mining Property to the Owner's (at the cost and expense of the owners, including any stamp duty) for consideration of \$100; and

b) the Owners must sell to Iris Metals, by way of selective buy-back, the Equity Consideration for an aggregate consideration of \$1 (and each Party shall do all things necessary to implement that buy-back, including the execution of documents, in a timely manner).

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.

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 adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 4. Equity - issued capital (continued)

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.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial period.

Note 5. Equity - reserves

	Consolidated 31 March 2021 \$
Equity-settled reserve	<u>237,700</u>

Equity-settled reserve

On 3 February 2021 Iris signed sales and purchase deed with Jamie Douglas Jones. Subject to the terms of the deed, there is share consideration of 100,000 fully paid ordinary shares in Iris Metals at a deemed issue price of \$0.20 per share.

On 19 February 2021 Iris signed sales and purchase deed with Ryan Curnow. Subject to the terms of the deed, there is share consideration of 200,000 fully paid ordinary shares in Iris Metals at a deemed issue price of \$0.20 per share.

Christopher Connell was issued 250,000 fully paid ordinary shares as part of his appointment as director.

Options reserve

Christopher Connell was issued 1,250,000 options as part of remuneration for services provided during the IPO process.

Note 6. Equity - dividends

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

Note 7. Financial instruments

Financial risk management objectives

The consolidated entity's finance function provides services to the business, co-ordinates access to banking facilities, and monitors and manages the financial risks relating to the operations of the Group 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.

Note 7. Financial instruments (continued)

	Consolidated 31 March 2021 \$
Finance assets	
Cash and cash equivalents	496,418
Trade and other receivables	2,681
	<u>499,099</u>
Financial liabilities	
Trade and other payables	<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 60 day terms or less with the exception of the payment profile of the provision (see note 3)

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 8. Key management personnel disclosures

Directors

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

Peter Marks (Appointed 23 December 2020)
 Simon Lill (Appointed 29 December 2020)
 Tal Paneth (Appointed 1 February 2021)
 Christopher Connell (Appointed 2 April 2021)

Note 9. Related party transactions

Parent entity

Iris Metals Limited is the parent entity.

Key management personnel

Disclosures relating to key management personnel are set out in note 8 and the remuneration report included in the directors' report.

Transactions with related parties

On 23 December 2020, Iris issued 30,000,000 shares to Tal Paneth on incorporation as a scrip for scrip rollover for the exchange of 10 shares in Lofasz Pty Ltd for an amount of \$3,000.

Receivable from and payable to related parties

During the period, Tal Paneth paid a number of expenses on behalf of Iris Metals and Lofasz (\$5,632 and \$84,546 respectively) that were reimbursed during the period.

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

Note 9. Related party transactions (continued)

Loans to/from related parties

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

Note 10. 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 2021 \$
Loss after income tax	(1,707,725)
Total comprehensive income	(1,707,725)

Statement of financial position

	Parent 31 March 2021 \$
Total current assets	594,397
Total assets	597,397
Total current liabilities	305,557
Total liabilities	305,557
Equity	
Issued capital	1,761,865
Equity-settled reserve	97,750
Options reserve	140,200
Accumulated losses	(1,707,725)
Total equity	291,840

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 2021.

Contingent liabilities

As part of the sale and purchase of the Mining Property Agreements subscribed with the vendors, Iris have agreed to pay a deferred cash consideration of \$140,000 contingent upon the conditions established in each agreement being met. (see note 3)

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 March 2021.

Note 10. Parent entity information (continued)

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 11. Events after the reporting period

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

No other matter or circumstance has arisen since 31 March 2021 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 12. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated From 23 December to 31 March 2021 \$
Loss after income tax expense for the period	(1,800,023)
Adjustments for:	
Share-based payments	40,000
Deferred cash consideration	140,000
Shares issued for the acquisition of tenements	722,700
Change in operating assets and liabilities:	
Decrease in prepayments, deposits and other assets	(3,000)
Increase in trade and other payables	162,876
Net cash used in operating activities	<u>(737,447)</u>

Note 13. Earnings per share

	Consolidated From 23 December to 31 March 2021 \$
Loss after income tax attributable to the owners of Iris Metals Limited	<u>(1,800,023)</u>
	Cents
Basic earnings per share	(4.48)
Diluted earnings per share	(4.48)

Note 13. Earnings per share (continued)

	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>40,167,677</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u><u>40,167,677</u></u>

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 14 exceed the average market price of shares issued (see note 4), the options are deemed antidilutive and therefore, diluted earnings per share has not been adjusted.

Note 14. Share-based payments

During the period ended 31 March 2021 Iris issued 1,250,000 options to Christopher Connell as part of remuneration for his services during the IPO process with an exercise price of 30 cents and an expiry date of 30 April 2023. Vesting occurred at grant date. The options have been valued using the Black Scholes Model with independent advice. The calculated Black Scholes Valuation is \$0.11216 per option which is \$140,200 recognised during the period ended 31 March 2021 as part of Share-based payment.

Additionally, 250,000 shares at a granted price of 15 cents will be issued on the date of his appointment as director of Iris Metals. Those shares were recognised as part of the share-based payment expenses for an amount of \$37,500 during the period ended 31 March 2021.

Set out below are summaries of options on issue as at 31 March 2021:

31 March 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

The weighted average share price during the financial period was \$0.30.

The weighted average remaining contractual life of options outstanding at the end of the financial period was 2 years.

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
28/02/2021	30/04/2024	\$0.15	\$0.30	150.00%	-	0.40%	\$0.112

Total share-based payment expense recorded in the profit or loss for the period ended 31 March 2021 amounted to \$237,700.

Iris Metals Limited
Directors' declaration
31 March 2021

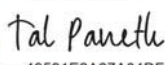
In the directors' opinion:

- 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 2021 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

DocuSigned by:

40501E2A27A04DF...
Tal Paneth
Director

15 July 2021

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 subsidiaries (the Group), which comprises the consolidated statement of financial position from incorporation to 31 March 2021, the consolidated statement of 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 2021 and of its financial performance for the period 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.

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.

ACCOUNTANTS & ADVISORS

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Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

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.

A handwritten signature in blue ink that reads 'William Buck'.

William Buck Audit (Vic) Pty Ltd

ABN: 59 116 151 136

A handwritten signature in blue ink, appearing to be 'J. C. Luckins'.

J. C. Luckins

Director

Melbourne, 15 July 2021