

Monday, 31 January 2022

FALCON METALS DECEMBER QUARTER ACTIVITIES REPORT

For the three-month period ending 31 December 2021

- **Completed \$30 million initial public offering (IPO), officially listing on the Australian Securities Exchange (ASX) on 22 December:**
 - Issued 60 million shares at \$0.50 per share in the IPO in addition to the 117 million shares distributed in specie to Chalice Mining Limited (ASX: CHN) shareholders upon demerger
 - \$30M IPO allows Falcon to rapidly advance systematic exploration of its portfolio, with initial focus on following up promising early-stage results at the Pyramid Hill Project near Bendigo, Victoria
 - Board and management includes one of Australia's most decorated explorers Dr Mark Bennett as Chairman, experienced mining and investment executive Tim Markwell as Managing Director and Chalice's Alex Dorsch as Non-Executive Director
- **Post quarter, drilling commenced at Pyramid Hill's Karri Prospect, with initial holes planned to follow up previous high-grade intercept**
- **Granted Exploration Licence EL07320, a highly prospective 434km² exploration permit adjacent to existing Falcon tenure and in a similar structural position to the Ironbark Prospect**

CORPORATE

Finance

Falcon Metals Ltd (ASX:FAL) (**Falcon**, the **Company**), commenced trading on the ASX on 22 December following the successful completion of its IPO, which raised \$30 million (before costs). The formation of Falcon is the result of Chalice Mining Limited (ASX: CHN) demerging its gold assets in Victoria and Western Australia, including the Pyramid Hill Project, Viking Project and the Mount Jackson Project.

The Company issued 60 million shares at \$0.50 per share in its IPO in addition to the 117 million shares distributed in specie to Chalice shareholders upon demerger, giving it an indicative market capitalisation of \$88.5 million upon listing.

Falcon has one of the largest exploration licence holdings (>5,000km²) in the Bendigo Zone of Victoria, which hosts the world-class Fosterville Gold Mine (>8Moz Au)¹ and historic Bendigo Goldfield (>22Moz Au)². It is focused on the advancement of its project portfolio, particularly the large Pyramid Hill Project, which is in the Bendigo Zone, situated north of Fosterville.

¹ 'Resources and Reserves' Kirkland Lake Gold, www.kl.gold

² 'History of gold mining in Victoria' Earth Resources Victoria, www.earthresources.vic.gov.au



In WA, its Viking Project comprises a large zone of high-grade supergene gold discovered in 2011 by AngloGold, while the Mount Jackson Project is in an underexplored part of the Southern Cross belt, featuring a large untested gold-in-soil anomaly.

Management Team

Chairman Dr Mark Bennett is an industry veteran, with 30-plus years' experience in gold and base metal exploration. His previous roles include founding Managing Director and CEO of Sirius Resources where he discovered the world-class Nova-Bollinger nickel-copper mine in 2012. Mark is a two-time winner of the AMEC award, having previously also been recognised for the Thunderbox gold and Waterloo nickel discoveries in 2002 during his time as a key member of the senior leadership team of LionOre Mining International. He is currently Executive Chairman of S2 Resources and Non-Executive Director of Todd River Resources.

Managing Director & CEO Tim Markwell has more than 25 years' experience in gold and base metal exploration with expertise in geology, fund management and mining. He was Investment Manager of the African Lion funds at Lion Selection Group for 14 years, was a Non-Executive Director of Predictive Discovery (ASX: PDI) and Anax Metals (ASX: ANX) and CEO and Non-Executive Director of Celamin Holdings (ASX: CNL), now known as PhosCo (ASX:PHO).

Chalice Managing Director Alex Dorsch is a Non-Executive Director, bringing his diverse experience in the resources sector in a variety of management, advisory and consultancy roles. Alex was instrumental in the initial staking and securing of Chalice's licence holding at the Pyramid Hill Project. Since his appointment as Chalice Managing Director, Alex has led the company through an exceptional period of growth following the world-class Julimar nickel-copper-PGE discovery and was recognised as 'New/Emerging Leader of the Year' by Mining News and 'CEO of the Year' by Kitco in 2020.

Andrea Betti is the Company's Chief Financial Officer and Company Secretary, with more than 20 years' experience in accounting, corporate governance, finance and corporate banking.

EXPLORATION

Drilling programs

Falcon has drill programs planned at all three projects in 2022, with a diamond program having already commenced at Pyramid Hill post quarter. The first diamond drill rig mobilised at the Karri Prospect at Pyramid Hill following up on the previously announced high-grade results including of 5.1m @ 14g/t Au including 2.2m @ 32.1g/t Au³. A second diamond rig arrived a week later and has also commenced drilling at Karri. Falcon has a program of more than 5,500m of diamond drilling planned across the Karri and Ironbark Prospects, which will run until April 2022.

Karri is one of the advanced prospects at Pyramid Hill and is a four-kilometre-long gold anomaly under Murray Basin cover that was previously defined by aircore drilling (See Figure 1). Prior diamond drilling at Karri has intersected several zones of mineralisation along interpreted upright anticlinal fold hinges like those known to host high-grade gold mineralisation in the Bendigo zone. Falcon's planned drilling is targeting possible down-plunge, along strike extensions and fold repetitions to these intercepts based on structural models from the region.

³ Refer Falcon Prospectus dated 3 November 2021



First assays from the diamond drilling program are expected by the end of Q1 2022. An aircore drill rig is also planned to be mobilised to site to generate additional targets for subsequent testing with diamond drilling.

In WA reverse circulation drilling at Viking is scheduled to follow in Q2 and AC drilling is planned for Mount Jackson later this year.

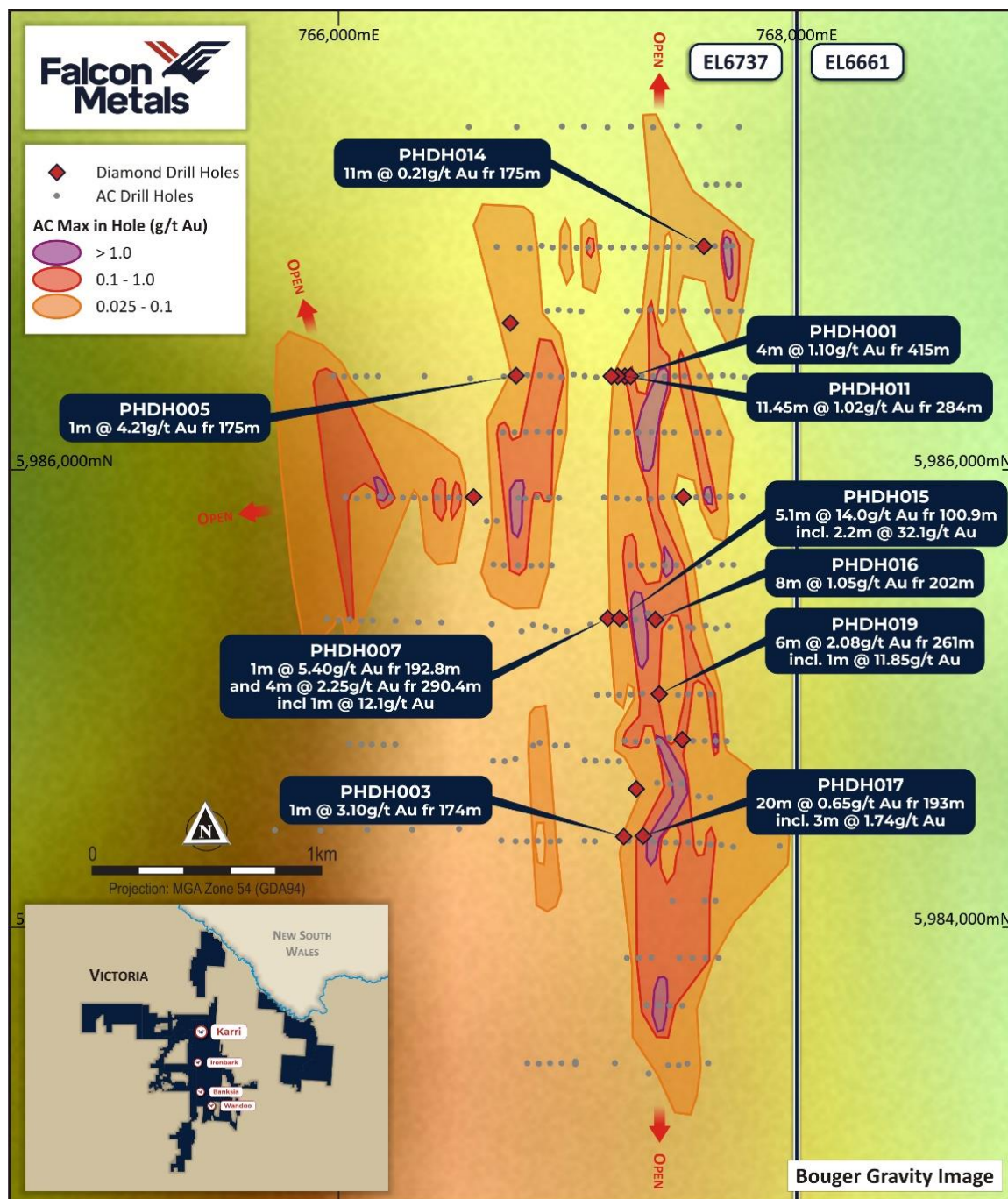


Figure 1 Map showing the Karri prospect with aircore anomaly and significant diamond drilling results



Figure 2 Photo of the two diamond rigs at the Karri Prospect at Pyramid Hill (the second rig is to the left of the trees on the right side of the image)

Victorian Permit Granted

Exploration licence EL07320 was awarded to Falcon Metals after being assessed against two competing applicants. This highly prospective tenement expands Falcon's footprint to the west of the Campbelltown Fault, which is the second most gold endowed structure in Victoria (refer ASX Announcement *Falcon commences drilling at Pyramid Hill's Karri Prospect*, dated 17 January 2022). The Campbelltown Fault and the important splay structures associated with it have seen limited exploration for primary gold mineralisation because they are mostly undercover.

In the north and in the vicinity of EL07320, the fault is covered by Murray Basin sediments. To the south of the tenement, the fault is covered by scoria cones and basalt flows of the Newer Volcanics. Creswick and Ballarat are notable gold centres in a similar structural position to the west of the

Campbelltown Fault that are located south of EL07320. Both goldfields were discovered because windows of the older Bendigo Zone sediments are exposed at surface.

The tenement also extends westward covering prospective geology to both the north and south of Inglewood, a section of the Tarnagulla Fault and the northern extension of the Wehla Goldfield.

Falcon will commence community engagement and reconnaissance work, with the intent of commencing AC drilling in the next field season. The objective of the AC drilling will be to define future targets for diamond drilling.

In addition to the granting of EL07320, five tenement applications were submitted in December in areas surrounding the Bendigo, Raywood, Wedderburn and Wehla goldfields. Three of these have competing applicants. Further detail on applications will be provided if they are awarded to Falcon.

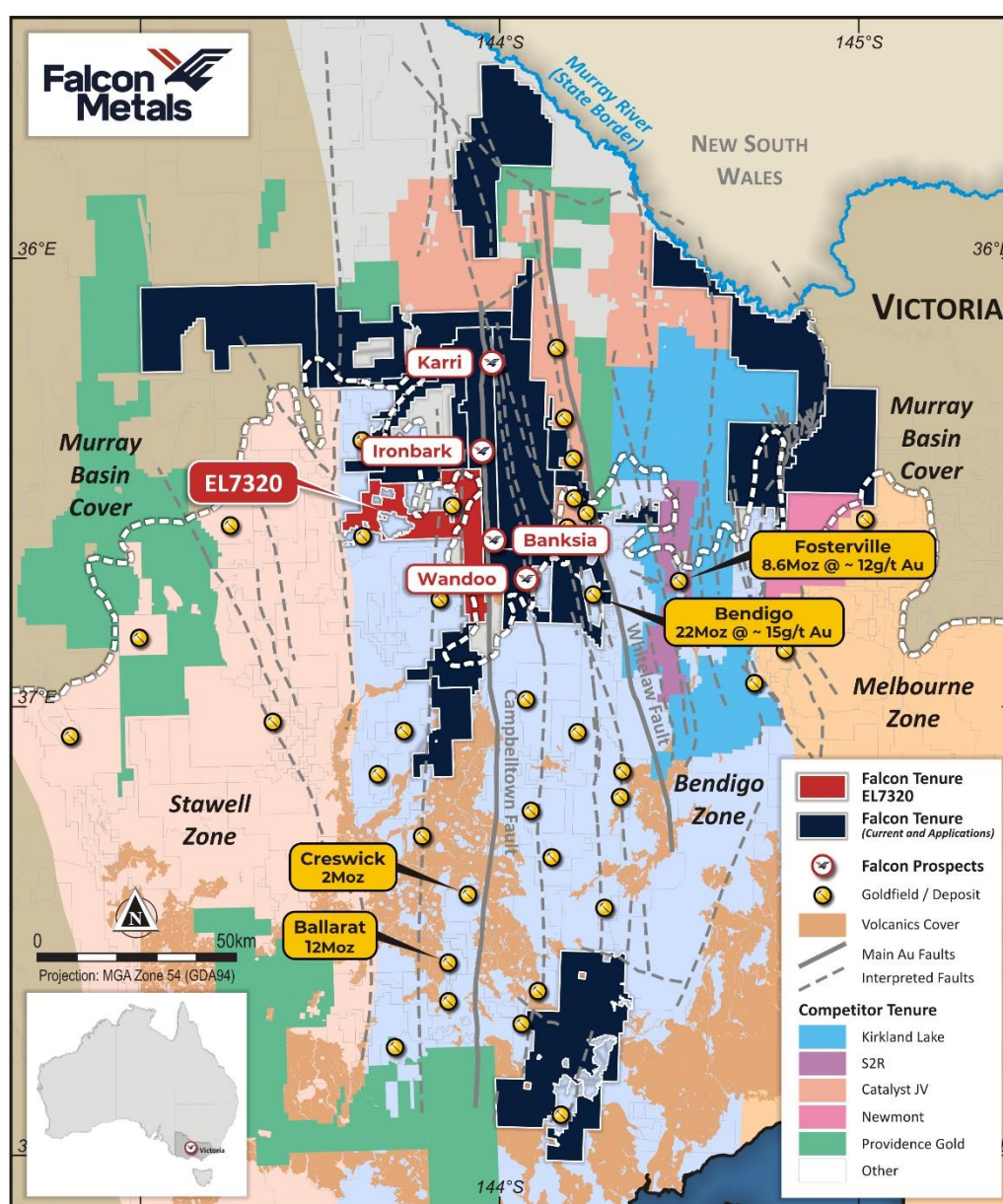


Figure 3 Regional permit map showing EL07320 in relation to the existing Falcon permits and the prospective geological features like the Campbelltown Fault



ASX ADDITIONAL INFORMATION

As per ASX Listing Rule 5.3.1: Exploration and Evaluation Expenditure during the Quarter was \$18,332. Full details of exploration activity during the Quarter are set out in this report.

As per ASX Listing Rule 5.3.2: There were no substantive mining production and development activities during the Quarter.

As per ASX Listing Rule 5.3.5: There were payments of \$17,690 to related parties of the Company and their associates during the Quarter.

As per ASX Listing Rule 5.3.4 the following expenditures have occurred since listing:

Item	Current Quarter	Year-to-Date	As per IPO Prospectus dated 3 November 2021**
Exploration - Pyramid Hill	\$14,917	\$14,917	\$15,350,000
Exploration - Viking Gold	\$1,708	\$1,708	\$2,500,000
Exploration - Mt Jackson	\$1,708	\$1,708	\$250,000
Working Capital	\$3,293	\$3,293	\$8,350,000
Corporate Costs	\$112,985	\$112,985	\$2,100,000
Costs of the Offer	\$1,059,113	\$1,059,113	\$1,450,000

***Expenditure is over a two-year period*

This announcement has been approved for release by the Board of Falcon Metals.

For more information, please contact:

Tim Markwell
Managing Director
tmarkwell@falconmetals.com.au

Media and Investor Queries
Victoria Humphries
victoria@nwrcommunications.com.au

Tenement Register

Project	Tenement Reference	Location	Interest at 01/10/2021	Acquired / Disposed	Interest at 31/12/2021	Registered Holder / Applicant [^]
Pyramid Hill	EL006738	Victoria	100%		100%	Falcon Metals
	EL006943	Victoria	- *		- *	CGM (WA)
	EL006661	Victoria	100%		100%	Falcon Metals
	EL006669	Victoria	100%		100%	Falcon Metals
	EL006737	Victoria	100%		100%	Falcon Metals
	EL006864	Victoria	100%		100%	Falcon Metals
	EL006898	Victoria	100%		100%	Falcon Metals
	EL006901	Victoria	100%		100%	Falcon Metals
	EL006960	Victoria	100%		100%	Falcon Metals
	EL007121	Victoria	100%		100%	Falcon Metals
	EL007120	Victoria	100%		100%	Falcon Metals
	EL007040	Victoria	100%		100%	CGM (WA)
	EL007200	Victoria	- *		- *	CGM (WA)
	EL007320	Victoria	- *	Acquired	100%	CGM (WA)
	EL007322	Victoria	100%		100%	CGM (WA)
	EL007656	Victoria	- *		- *	CGM (WA)
	EL007838	Victoria			- *	Falcon Metals
	EL007839	Victoria			- *	Falcon Metals
	EL007840	Victoria			- *	Falcon Metals
	EL007844	Victoria			- *	Falcon Metals
	EL007845	Victoria			- *	Falcon Metals
Viking	E63/1963	WA	- #		- #	Metal Hawk
	ELA63/1994	WA	- *		- *	CGM (WA)
Mt Jackson	E77/2577	WA	100%		100%	CGM (WA)

^{*}Applications

[#] E63/1963 subject to earn in agreement with Metals Hawk (MHK) whereby Falcon Metals can earn 51% by spending \$1M and a further 19% by spending an additional \$1.75M.

[^] Tenements registered to CGM (WA) Pty Ltd have an executed deed of transfer to Falcon Metals Ltd

COMPETENT PERSON STATEMENT:

The information contained within this announcement is extracted from the Falcon Metals Ltd Initial Public Offering Prospectus dated 3 November 2021 (Falcon Prospectus). The Falcon Prospectus is available to view on the Company's website or on the ASX website (www.asx.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the Falcon Prospectus and that all material assumptions and technical parameters underpinning the information in the Falcon Prospectus continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not materially modified from the original Falcon Prospectus.

FORWARD LOOKING STATEMENT:

This announcement may contain forward-looking statements, guidance, forecasts, estimates, prospects, projections or statements in relation to future matters that may involve risks or uncertainties and may involve significant items of subjective judgement and assumptions of future events that may or may not eventuate (Forward Statements). Forward Statements can generally be identified by the use of forward looking words such as "anticipate", "estimates", "will", "should", "could", "may", "expects", "plans", "forecast", "target" or similar expressions and may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production and expected costs. Indications of, and guidance on future earnings, cash flows, costs, financial position and performance are also forward looking statements. Forward looking statements, opinions and estimates included in this announcement are based on assumptions and contingencies which are subject to change, without notice, as are statements about market and industry trends, which are based on interpretation of current market conditions. Forward looking statements are provided as a general guide only and should not be relied on as a guarantee of future performance.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

FALCON METALS LTD

ABN

87 651 893 097

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(18)	(18)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(24)	(24)
	(e) administration and corporate costs	(90)	(90)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(131)	(131)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (security deposits paid)	(4)	(4)
2.6	Net cash from / (used in) investing activities	(4)	(4)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	30,000	30,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1,059)	(1,059)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	28,941	28,941

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	-	-
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(131)	(131)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(4)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	28,941	28,941

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	28,806	28,806

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	28,806	28,806
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	28,806	28,806

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	18
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	N/A		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(131)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(131)
8.4	Cash and cash equivalents at quarter end (item 4.6)	28,806
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	28,806
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	219.89
	<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2022

Authorised by: By the Board of Falcon Metals Ltd
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.