

27 April 2022

## FALCON METALS MARCH QUARTER ACTIVITIES REPORT

For the three-month period ending 31 March 2022

- **Diamond drilling commenced at the Karri and Ironbark gold prospects**
- **Assay results returned for the first 4 Karri diamond holes with highlights including:**
  - **PHKADD018: 2m @ 3.32 g/t Au from 108m including 1m @ 6.51 g/t Au from 109m**
  - **PHKADD021: 8m @ 1.09 g/t Au from 287m including 1m @ 7.31 g/t Au from 294m**
- **Results demonstrate a possible strengthening of alteration and mineralisation in central Karri which is presently being followed up with an additional step-out hole to the north targeting the mineralised east-dipping limb 100m down plunge**
- **Aircore drilling underway at the Ironbark East Prospect:**
  - **Initial holes planned along strike and adjacent to previous intercepts from wide-spaced reconnaissance drilling including 13m @ 1.52 g/t Au (ending in mineralisation)**
- **One Victorian Exploration Licence granted**
- **Exploration programs initiated at WA projects**
- **Falcon remains exceptionally well-funded with >\$26 million in cash**

### CORPORATE

#### Finance

During the quarter Falcon Metals Ltd (ASX:FAL) (Falcon, the Company) spent \$2.11 million on operating activities, including

- \$1.36million on exploration and evaluation costs,
- \$0.72 million on corporate costs, overheads and payments for fixed assets, and
- \$0.04 million on staff costs.

The expenditure was higher than normal this quarter due to the repayment of historical costs to Chalice Mining for all Falcon Metals expenses accrued from 1 July 2021 to 31 December 2021 as a part of the demerger, plus residual IPO costs that were paid during the March 2022 quarter.

At the end of the March 2022 quarter Falcon retained \$26.47 million cash.

#### Capital Structure

There was no change in the capital structure during the quarter with 117 million shares on issue.



## EXPLORATION

### Pyramid Hill (100% FAL)

*Falcon has >5,000km<sup>2</sup> of granted permits in Victoria, north of the high-grade historic >22Moz Bendigo goldfield and the ~9Moz Fosterville Gold Mine owned by Agnico Eagle (NYSE:AEM).*

#### Karri Prospect

Drilling commenced in mid-January at the Karri prospect within the Pyramid Hill Gold Project, north of Bendigo in Victoria in the first month of its ASX listing. Karri is one of the advanced prospects at Pyramid Hill and is a 4km-long gold anomaly under Murray Basin cover that was previously defined by aircore drilling.

The mineralisation at Karri is hosted in Castlemaine Group stratigraphy, the main host unit for all gold deposits in the Bendigo Zone which hosts >60Moz of historical gold production from outcropping areas. The target structures are upright anticlines and the fold hinges, with several interpreted to run north-south through the 4km long Karri gold anomaly. Stratigraphic and structural correlation across the prospect has defined four major upright anticlinal fold hinges which are the focus of the planned drilling.

By the end of the quarter, Falcon had completed 7 diamond holes for 2,832m (see Figure 1). Assays for the first 4 holes have been received with the better results as below:

- **PHKADD018** 2m @ 3.32 g/t Au from 108m  
**including 1m @ 6.51 g/t Au from 109m**
- **PHKADD020** 1m @ 1.65 g/t Au from 190m  
0.86m @ 1.26 g/t Au from 232.14m
- **PHKADD021** 1m @ 1.19 g/t Au from 232m  
8m @ 1.08 g/t Au from 287m  
**including 1m @ 7.31 g/t Au from 294m**  
0.8m @ 1.15 g/t Au from 302.11m  
1m @ 1.32 g/t Au from 308m  
2m @ 2.01 g/t Au from 347m

Mineralisation in PHKADD018 was in the oxide zone and appears to be related to weathered sulphides in a sandstone with no quartz veining. It is in the western limb of an anticline, close to the hinge. This is in a similar position to the anomalous zone intersected previously in PHDH015 (5.1m @ 13.96 g/t Au from 100.9m, including 2.2m @ 32.10 g/t Au) that was also associated with iron oxides.

Mineralisation in PHKADD020 occurred in the west limb of the same anticline. It was associated with sericite alteration, disseminated pyrite and minor arsenopyrite.

The mineralised zones identified in PHKADD021 are of particular importance because they have extended the mineralisation in the eastern limb of this same anticline a further 100m to the north of mineralised structures intersected in PHDH007 (1m @ 5.40g/t Au from 192.8m) and PHDH015 (8m @ 1.05 g/t Au from 202m, including 1m @ 5.33 g/t Au). Mineralisation is associated with quartz veining, intermittent sericite alteration, and disseminated pyrite & arsenopyrite. In addition to the higher grades including 1m @ 7.31 g/t Au, broad zones of low-level Au mineralisation were also present

within this zone including 16.2m @ 0.27 g/t Au from 299.8m and 27m @ 0.33 g/t Au from 341m (see Figure 2). Based on the encouraging results in PHKADD021, an additional hole, PHKADD025, has commenced. This is planned to test this mineralised target zone a further 100m north in the eastern limb of the mineralised anticline. At this preliminary stage this anticline, eastern fold limb and syncline are all considered prospective.

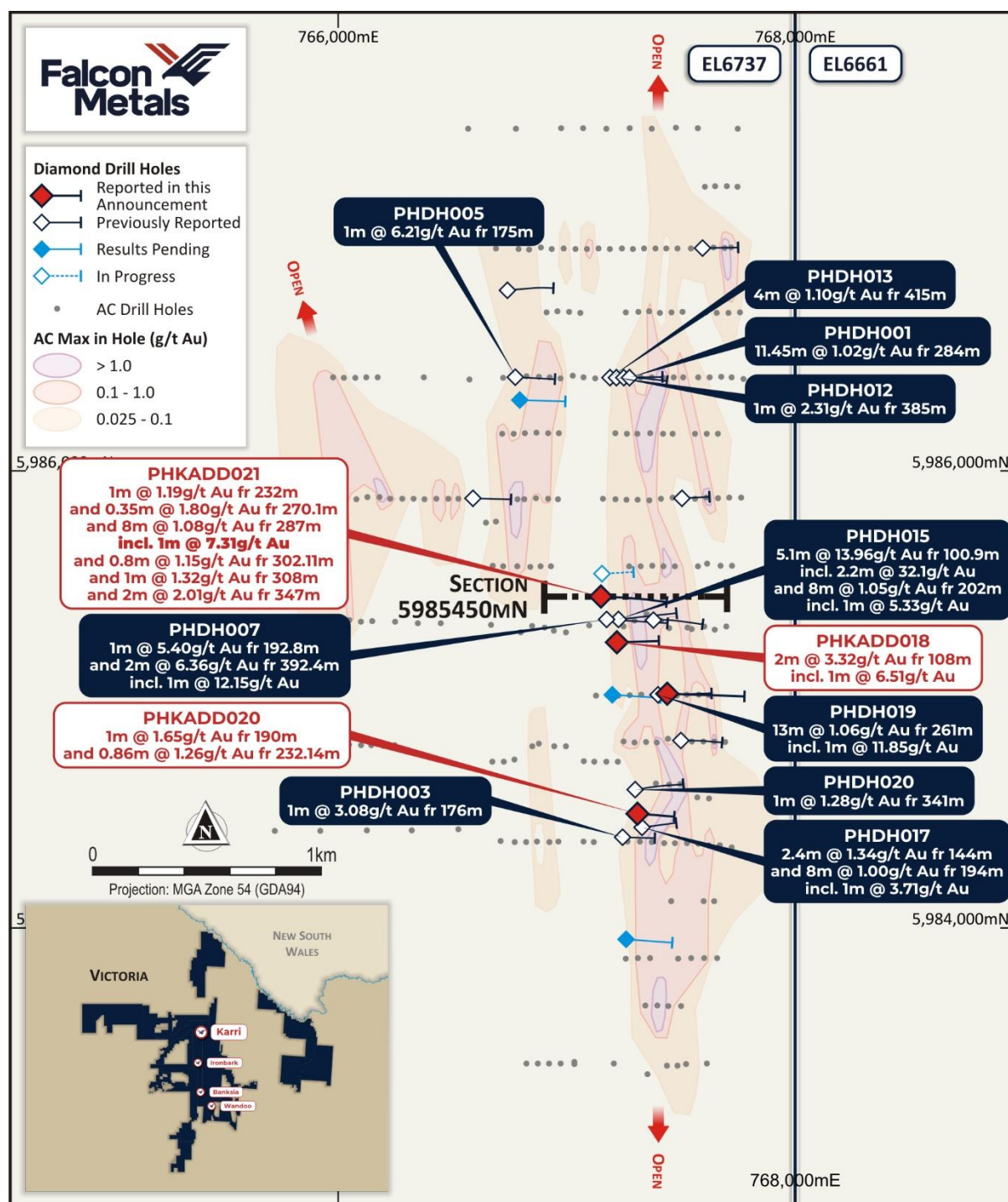
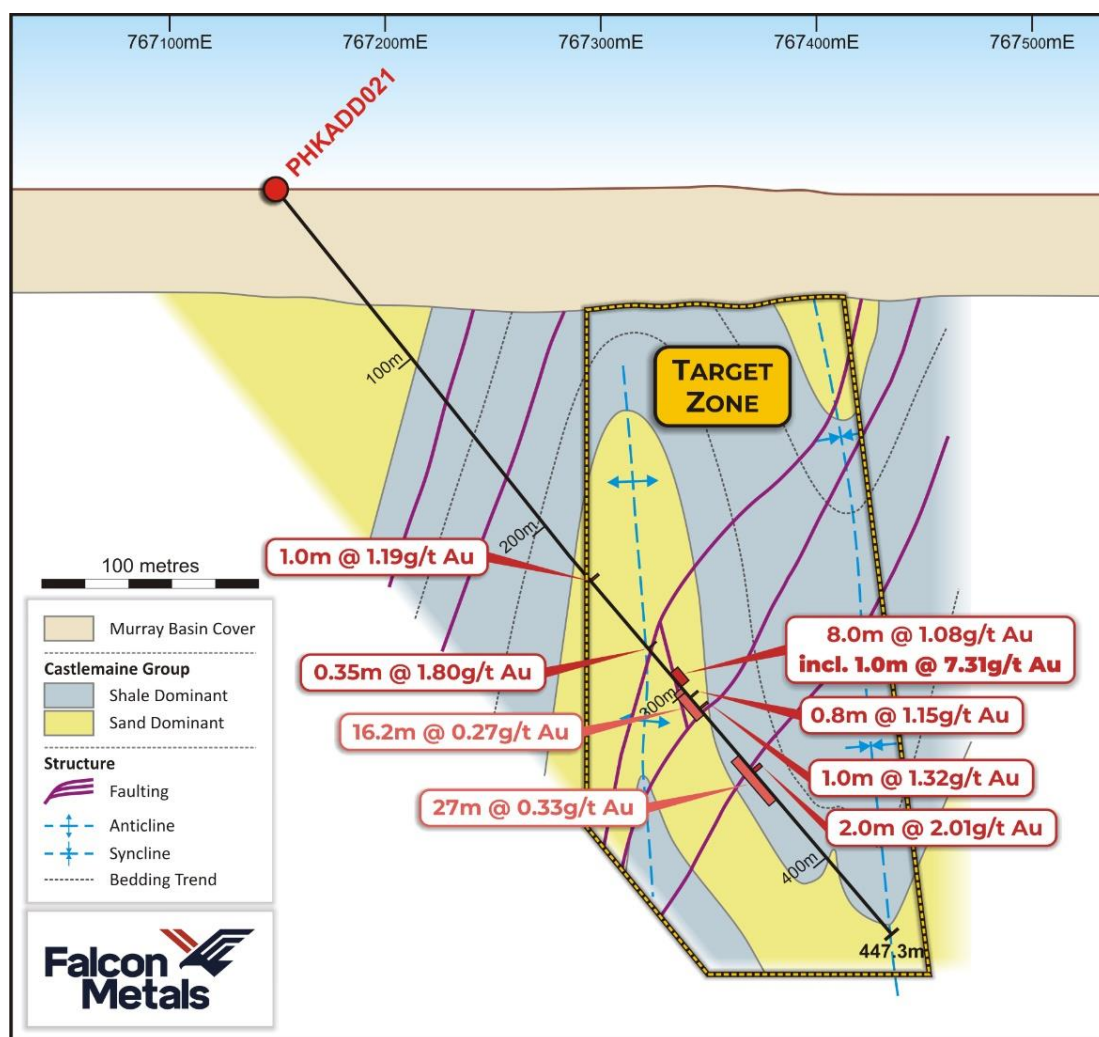


Figure 1 Plan map of Karri drilling



**Figure 2** Schematic cross section of 5,985,450 N looking north showing the target zone covering the anticline, eastern limb and syncline

### Ironbark Prospect

Previous work at Ironbark highlighted the association of gold mineralisation with the contact between Castlemaine Group Sediments and intrusive diorites, with some mineralisation hosted within the diorites. The successful reconnaissance aircore drilling program at Ironbark East during the 2021 field season significantly increased the priority of this prospect, especially given there are several analogous high-grade diorite-associated gold deposits in Eastern Victoria (Walhalla-Woods Point Goldfields) including Cohen's Reef (~1.5Moz @ 32 g/t Au)<sup>1</sup>.

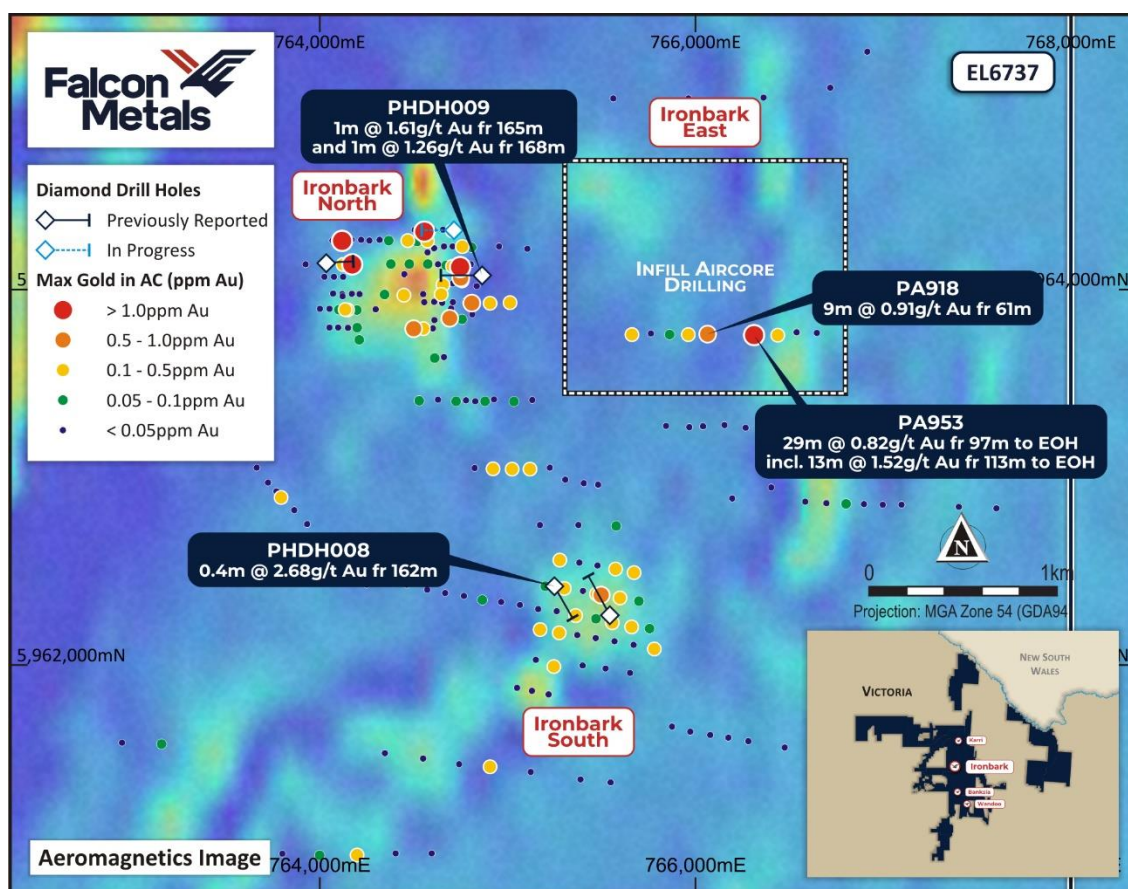
The previous results at Ironbark East are considered by Falcon to be exceptional given they are on a wide-spaced reconnaissance line (Figure 3). Hole PA953 is particularly exciting given the intercept of 13m @ 1.52 g/t from 113m and ended in mineralisation. The next hole on this line, PA918, intersected 9m @ 0.91 g/t from 61m and is 200m west of PA953.

<sup>1</sup> 2006, Vandenberg et al., Walhalla-Woods Point-Tallangalook, Special map area geological report, Geoscience Victoria, Ch 8 -Economic Geology, page 231]



The aircore drilling at Ironbark East commenced in late March, later than planned due to the contracted drilling company having initial delays due to the impact from COVID-19, followed by equipment issues that are still preventing them from mobilising to site.

Falcon has contracted a second drilling company that was in the process of commissioning an AC rig. Drilling rates have been slower than normal during the commissioning phase but as this is now completed, they are expected to improve throughout the rest of April. Drilling at Ironbark East will continue until cropping season commences in early May. Aircore drilling of other targets within the Pyramid Hill Project will be deferred until the commencement of the next drilling season in late Spring.



**Figure 3** Map showing the proposed aircore drilling at Ironbark

### Soil Sampling

During the quarter 212 soil samples and 3 rock chip samples were collected from EL6960 to further refine a soil anomaly that was previously generated by Chalice Mining. This will be further discussed once results are available.

### New Victorian Permit Granted

Falcon was granted Exploration licence EL007200, an 872km<sup>2</sup> area within the highly prospective Bendigo Zone that has seen very limited modern-day exploration for gold. It is in a similar structural position to the Castlemaine (~6Moz) and Daylesford (~1.3Moz) goldfields.

Falcon will commence community engagement and planning with the intent of soil sampling programs later in the year. The initial focus will be on areas with outcropping Castlemaine Group sediments. It is expected this will lead to subsequent aircore drilling in 2023.

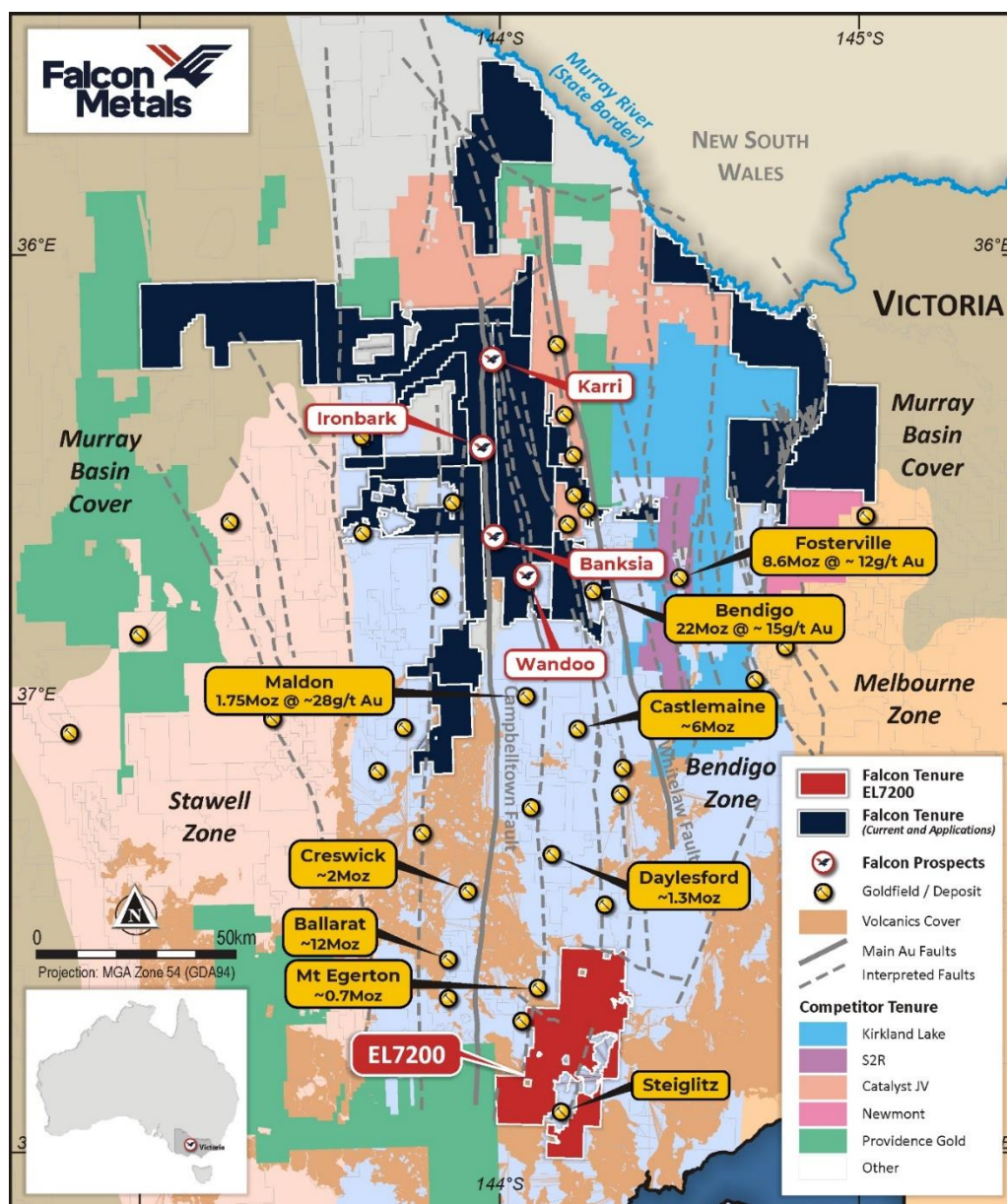


Figure 4 Regional permit map showing EL07200 in relation to the existing Falcon permits<sup>2</sup>

<sup>2</sup> All gold numbers represent historic production and can be sourced here:

- 2003, Bierlein et al., A comparison of orogenic gold mineralisation in central Victoria (AUS), western South Island (NZ) and Nova Scotia (CAN): implications for variations in the endowment of Palaeozoic metamorphic terrains
- Kirkland Lake website – Resource and Reserve Statement and Fosterville Gold Mine, Victoria, Australia Updated NI 43-101 Technical Report – Apr 1, 2019
- Kaiser Reef (ASX:KAU) Prospectus 2/12/2020
- Red Rock Resources – Orotek Mining Solutions, Tenement Review and Exploration Strategy- EL007330 Daylesford
- Red Rock Resources – Orotek Mining Solutions, Tenement Review and Exploration Strategy- EL007282 Dunnstown - Yandoit



## **Viking (E62/1963 - FAL earning up to 70% & application E63/1994 - 100% FAL)**

*The project is located approximately 30 km east of the regional township of Norseman within the high-grade metamorphic Albany-Fraser Province, host of the Tropicana Gold Mine operated by AngloGold Ashanti, that has produced over 3Moz since 2013.*

During the quarter Falcon completed a reconnaissance trip at the Viking permit to consider access and clearing requirements for the planned RC drilling program. Falcon also completed a 3D-inversion model of the existing aeromagnetic data to improve the understanding of the location of the mineralised prospects in relation to a buried intrusion. This will assist with further target generation work in this area.

Discussions on heritage protection arrangements with the native title groups in the Viking area are also ongoing and it is expected to be completed during the current quarter to allow the commencement of on ground activity.

## **Mt Jackson (100% FAL)**

*The project is located approximately 350 km northeast of Perth and 110 km north-northwest of the regional township of Southern Cross. The Mt Jackson project area is located at the very northern end of the Southern Cross Belt where it converges with the regional Koolyanobbing Shear Zone. The Southern Cross Greenstone Belt has a prolonged mining history and hosts multiple significant gold deposits, including Marvel Loch (>1.5Moz).*

During the quarter Falcon commenced an extensive infill soil sampling program at Mt Jackson to better define the soil anomaly ahead of planning an aircore drilling program. The sampling grid was situated 10km from the nearest access track and after 51 samples were collected, it was decided to defer the program until access to the field area is improved to make sample collection more efficient and safer.


## **ATO CLASS RULING ON DEMERGER FROM CHALICE MINING LIMITED**

On 9 February 2022, Chalice Mining Ltd (**Chalice**) (ASX:CHN) announced that Class Ruling 2022/10 had been issued by the Australian Taxation Office (**ATO**) clarifying the Australian income tax implications of the demerger of Falcon Metals Ltd for shareholders of Chalice Mining Limited. The Class Ruling only applies to shareholders that received Falcon shares on 15 December 2021 by way of the in-specie distribution and held their Chalice shares on capital account. The Class Ruling confirmed that Capital Gains Tax (**CGT**) demerger roll-over relief was available. For Chalice shareholders that choose to obtain the available demerger roll-over relief, the cost base of Chalice Shares just before the demerger was 98.56% for Chalice shares and 1.44% for Falcon shares. Full details of the Class Ruling are available on the ATO website at:

<https://www.ato.gov.au/law/view/document?docid=CLR/CR202210/NAT/ATO/00001>

## **ASX ADDITIONAL INFORMATION**

**As per ASX Listing Rule 5.3.1:** Exploration and Evaluation Expenditure during the Quarter was \$1.357m. 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 \$0.08m 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	\$1,255,360	\$1,270,276	\$15,350,000
Exploration - Viking Gold	\$63,605	\$65,313	\$2,500,000
Exploration - Mt Jackson	\$38,323	\$40,031	\$250,000
Working Capital	\$219,200	\$222,492	\$8,350,000
Corporate Costs	\$756,927	\$869,912	\$2,100,000
Costs of the Offer	\$0	\$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](mailto:tmarkwell@falconmetals.com.au)

Media and Investor Queries  
Victoria Humphries  
[victoria@nwrcommunications.com.au](mailto:victoria@nwrcommunications.com.au)





## Tenement Register

Project	Tenement Reference	Location	Interest at 01/1/2022	Acquired / Disposed	Interest at 31/03/2022	Registered Holder / Applicant <sup>^</sup>
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	-*	Acquired	100%	CGM (WA)
	EL007320	Victoria	100%		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.

<sup>^</sup> 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 relates to exploration results based on and fairly represents information compiled and reviewed by Mr Doug Winzar who is a Member of the Australian Institute of Geoscientists. Mr Winzar is a full-time employee of Falcon Metals Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves. Mr Winzar consents to the inclusion in the documents of the matters based on this information in the form and context in which it appears.

### 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 March 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(1,357)	(1,375)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(39)	(63)
	(e) administration and corporate costs	(318)	(407)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	5	5
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (listing/compliance costs, insurance, bank fees and legal)	(400)	(400)
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(2,109)</b>	<b>(2,240)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
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	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(131)	(131)
	(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)	(93)	(97)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(224)</b>	<b>(228)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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)
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>28,941</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	28,806	-
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,109)	(2240)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(224)	(228)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>26,473</b>	<b>26,473</b>

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	26,473	28,806
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>26,473</b>	<b>28,806</b>

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	78
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

<b>7. Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
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		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,109)
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)	(2,109)
8.4 Cash and cash equivalents at quarter end (item 4.6)	26,473
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	26,473
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	12.55
<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	

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

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: 27 April 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.