

Interim Financial Report

31 December 2022

FALCON METALS LTD

ACN 651 893 097

Table of contents

Corporate Directory	1
Directors' Report	2
Consolidated Statement of Profit or Loss and Other Comprehensive Income	9
Consolidated Statement of Financial Position	10
Consolidated Statement of Changes in Equity	11
Consolidated Statement of Cash Flows	12
Notes to the Consolidated Financial Statements	13
Directors' Declaration	20
Auditor's Independence Declaration	21
Independent Auditor's Review Report	22

Corporate Directory

Directors

Mark Bennett
Timothy Markwell
Alexander Dorsch

Non-Executive Chairman
Managing Director and Chief Executive Officer
Non-Executive Director

Company Secretaries

Pradeep Subramaniam
Andrea Betti

Registered and Principal Office

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Email: info@falconmetals.com.au

Website: www.falconmetals.com.au

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street Abbotsford VIC 3067

Securities Exchange Listing

Australian Securities Exchange (ASX)
Code: FAL

Auditor

HLB Mann Judd (WA Partnership)
Level 4, 130 Stirling Street
Perth WA 6000

Bankers

National Australia Bank
100 St Georges Terrace
Perth WA 6000

ABN: 87 651 893 097

Directors' Report

Your directors present their report, together with the half-year financial report on the consolidated entity (referred to hereafter as the 'Group') consisting of Falcon Metals Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of or during the period.

DIRECTORS

The names of directors in office at any time during or since the end of the period are listed below. Directors have been in office since incorporation to the date of this report unless otherwise stated.

Mark Bennett	Non-Executive Chairman
Timothy Markwell	Managing Director and Chief Executive Officer
Alexander Dorsch	Non-Executive Director

PRINCIPAL ACTIVITIES

During the financial period, the principal activities of the Company consisted of mineral exploration.

REVIEW OF OPERATIONS

Operating Result

The loss from continuing operations for the period amounted to \$2,679,062 (31 December 2021: \$59,656,213).

During the half year ended 31 December 2022, the Company continued exploration activities at its flagship Pyramid Hill Gold Project and the Viking Gold Project. Expenses incurred on the Pyramid Hill Gold Project amounted to \$679,289 which primarily consisted of completion of the air core and diamond drilling program in the prior financial year, soil sampling and an aircore drilling program which commenced in December 2022. The program which commenced in December 2022 is a major aircore drilling program with approximately 50,000 metres expected to be drilled during the field season ending in April/May 2023. Expenses incurred at the Viking Gold Project near Norseman were primarily from a heritage study, an RC drilling program and a diamond drilling program. Subsequent to the end of the year, the Company exceeded the minimum earn-in requirements of its agreement with Metal Hawk Limited, and consequently earned a 51% interest in the Viking Gold Project. The Company subsequently also exercised its option to earn-in to 70% of the project by spending a further \$1.75 million by September 2025. In the comparative period, exploration expenditure was primarily the non-cash acquisition costs of the projects from Chalice Mining Limited (ASX: CHN). As consideration for these projects, shareholders of Chalice Mining Limited received 116,999,999 fully paid ordinary shares in the Company at an issue price of \$0.50 being fair value at the date control of the projects was obtained. The acquisition of these projects is accounted for as an asset acquisition under AASB 2, measured at fair value and expensed in accordance with the Company's accounting policies.

Employee benefits expenses of \$342,867 were incurred in the current period as the Company proceeded with building a team to support its exploration activities following its listing on the ASX in December 2021. Share-based payments were \$723,159 representing the amortisation over the vesting period of share options issued to directors and management. Administrative expenses of \$274,985 were lower than the comparative period (\$661,188) as the comparative period included costs incurred in the set-up of the company and preparation for listing. Current period costs were primarily related to routine listing and compliance costs (\$96,481), insurances (\$52,477), third party consulting fees (\$50,581) and investor relations (\$46,390).

At 31 December 2022, the Company had \$22,979,410 (30 June 2022: \$25,016,277) in cash and cash equivalents. Net cash outflow from operating activities was \$1,953,620, net cash outflow from financing activities was \$61,359 and net cash outflow from investing activities was \$21,888. At balance date, the Company had net assets of \$23,092,054 and net current assets of \$22,899,212.

Exploration

Pyramid Hill Gold Project

The 100%-owned Pyramid Hill Gold Project was initially staked in late 2017 and now covers an area of >6,000 km² in central Victoria. The project covers the three key geological structural zones of Bendigo, Melbourne and Stawell (*Figure 1*). All three zones are highly prospective for high-grade orogenic gold deposits. Falcon's main area of focus is on the underexplored areas beneath cover within the Bendigo zone. The exposed part of this zone has produced over 60Moz of gold since the 1850's at an average grade of ~15g/ Au with 90% of historical mines having a recovered grade of >8.5g/t Au. The 'Gold Undercover' initiative by the Victorian Government in 2006-2009 estimated a potential ~32Moz (P50 mid-case) of undiscovered gold beneath Murray Basin cover in the Northern Bendigo Zone. The estimate was made prior to the epizonal high-grade gold discovery at Fosterville, and was limited to a depth of 1km (Refer to *Falcon Prospectus dated 3 November 2021*).

Most of the tenements are covered by Cenozoic Murray Basin sediments of variable thickness (maximum 150m where drilled) which overlie the prospective Castlemaine Group sedimentary basement, the host succession to all significant primary gold deposits in the Central Victorian goldfields.

Ironbark Prospect

Several previous phases of work at Ironbark indicated the potential for gold mineralisation associated with the contact between Castlemaine Group Sediments and intrusive diorites, with some mineralisation hosted within the diorites (*see Figure 2 for location of the Ironbark Prospect*). This geological setting was seen as a positive 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). (Refer to *Falcon Prospectus dated 3 November 2021*).

Drilling in 2021 at Ironbark East was particularly significant with aircore hole PA953 intersecting 13m @ 1.52 g/t from 113m ending in mineralisation, and hole PA918, located 200 metres to the west, intersecting 9m @ 0.91 g/t from 61m (Refer to *Falcon Prospectus dated 3 November 2021*). The initial drilling program commenced in March 2022 and was completed in May 2022 with 37 aircore holes reaching blade refusal.

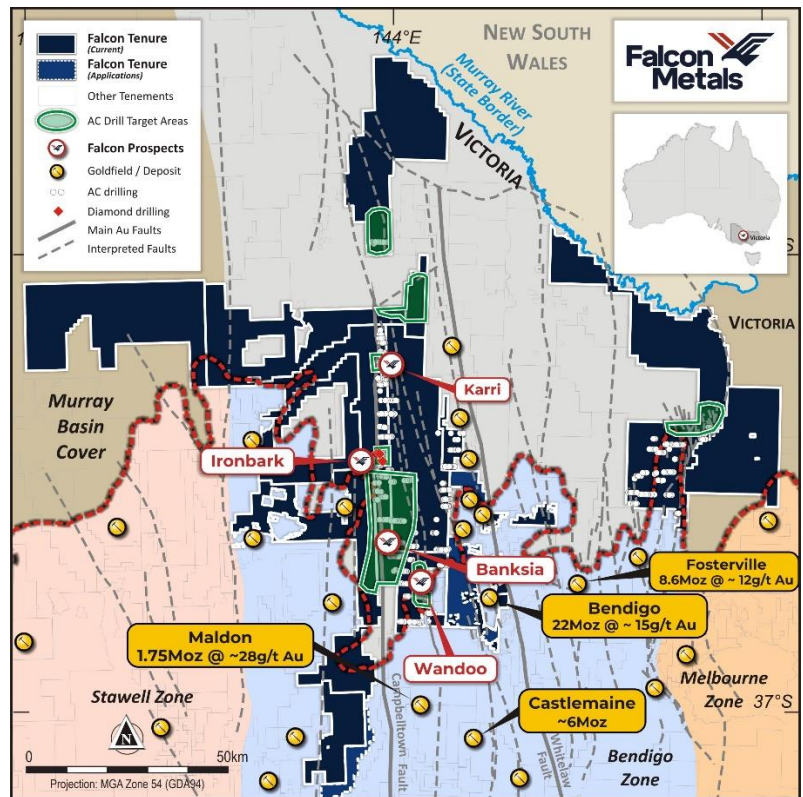


Figure 1 Pyramid Hill Gold Project

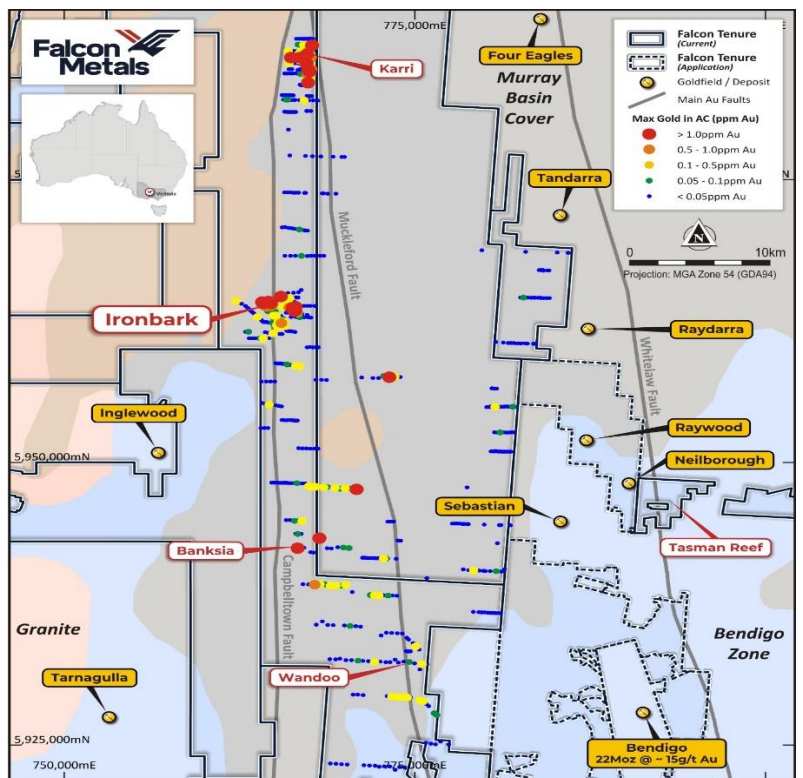


Figure 2 Location of the Ironbark Prospect

Highlights from the Ironbark drilling (refer to ASX Announcement dated 15 July 2022) include:

- **PHAC1030:** 40m @ 2.81g/t Au from 50m; including
 - 26m @ 4.20g/t Au from 51m, that includes
 - 2m @ 15.42g/t Au from 51m;
 - 1m @ 17.06g/t Au from 62m;
 - 1m @ 10.07g/t from 70m; and
 - 1m @ 11.95g/t from 76m
- **PHIRDD005:** 8m @ 1.70g/t Au from 301m
 - Including 3.6m @ 3.74g/t Au from 305.6m
- **PHIRDD006:** 1m @ 1.11g/t Au from 96m
 1m @ 1.07g/t Au from 143m
 0.4m @ 5.91g/t Au from 162.9m
 0.66m @ 1.05g/t Au from 174.34m
 0.7m @ 1.31g/t Au from 338.5m

The infill drilling intersected more mineralisation with aircore hole PHAC1030 returning 40m @ 2.8g/t Au from 50m, including several 1m metre intercepts above 10g/t Au (refer to ASX Announcement dated 15 July 2022). Although this hole intersected 2m of potentially transported and/or supergene quartz gravel and sulphide at the top of the interval, there was evidence of primary mineralisation in weathered diorite further down the hole. It is also believed that the gold in the quartz gravel is proximal to the source.

Subsequent to the end of the year, Falcon commenced a major infill aircore program and drilled a total of 57 holes for 5,245m at Ironbark East in January 2023. All results have now been received and these have confirmed the presence of high-grade gold mineralisation over 400m along a NNW-SSE trend within weathered diorite (See Figure 3).

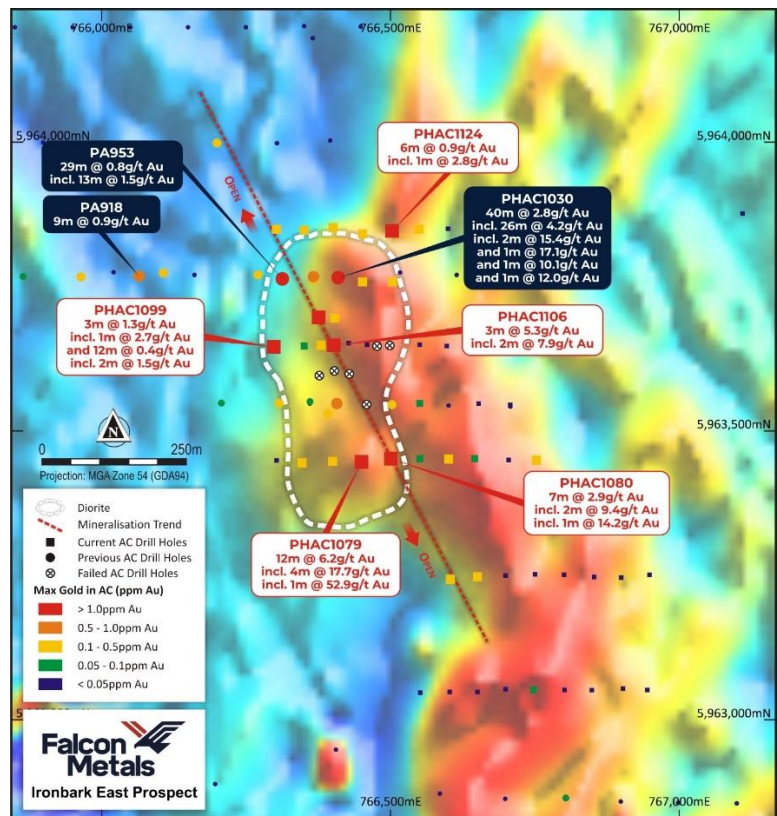


Figure 3 Ironbark East showing outline of interpreted diorite and gold mineralisation trend (open along strike)

Highlights of this program (refer to ASX Announcement dated 14 February 2023) include:

- **PHAC1079:** 12m @ 6.18 g/t Au from 74m
 - Including 4m @ 17.7 g/t Au from 77m, that also includes
 - 1m @ 52.9 g/t Au from 77m
- **PHAC1080:** 7m @ 2.93 g/t Au from 60m
 - Including 2m @ 9.39 g/t Au from 61m, that also includes
 - 1m @ 14.2 g/t Au from 61m
- **PHAC1106:** 3m @ 5.34 g/t Au from 69m
 - Including 2m @ 7.90 g/t Au from 69m

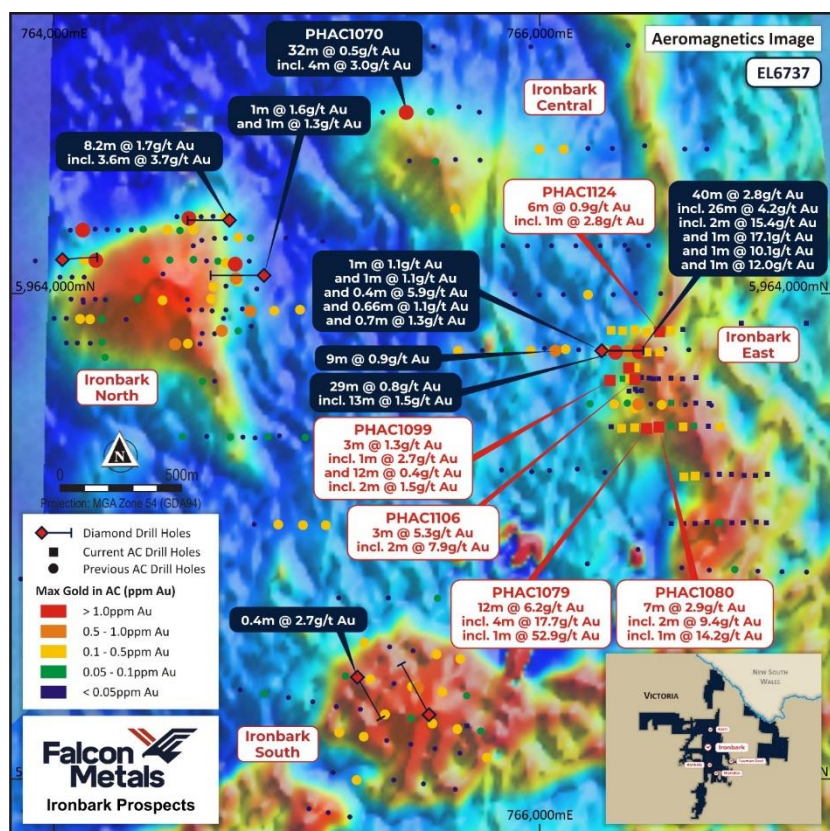


Figure 4 Ironbark Prospects with latest results

Anomalous gold (>0.1g/t Au) has been intersected along the interpreted mineralised trend in the surrounding Castlemaine Group sediments, and in the contact zone around the margins of the diorite. Additional aircore drilling is presently underway to test the strike extent of the interpreted mineralised trend. There is also the potential for this structure to link up with Ironbark Central where Falcon announced the discovery of a new mineralised zone in diorite (*refer to ASX Announcement dated 1 February 2023*), with infill drilling at this prospect completed in February 2023.

Viking Gold Project

The Viking project is located approximately 30 km east of the regional township of Norseman within the high-metamorphic grade Albany-Fraser Province.

The Albany-Fraser Province is host to the world-class Tropicana Gold Mine which has produced over 3Moz since 2013. At Viking, a significant amount of systematic surface geochemistry and drilling has been completed across the Beaker (1, 2, 3 and 4) prospects, by both AngloGold and Genesis Minerals.

The project consists of one granted exploration licence (E63/1963) and one exploration licence application (E63/1994) which collectively total 307.6 km². Falcon's commitment with ASX-listed Metal Hawk is to spend a minimum of A\$200k within two years as part of a A\$1M earn-in for an initial 51% interest in E63/1963. On achieving 51% Falcon has the right but not the obligation to earn a further 19% (70% total) by funding an additional \$1.75M over 30 months.

Falcon completed ten RC drill holes for 1,691m at Viking at the Beaker 1 and 2 Prospects, with 5 RC holes drilled at each prospect (*See Figure 5 and Figure 6*). Drilling targeted the down-dip and potential down-plunge extensions to historical drill intercepts. High-grade results were received for three of the intercepts at Beaker 2, and the mineralised structure was intersected at Beaker 1 over a strike length of 600m.

PHAC1079 and PHAC1080 are associated with quartz veining with a trace of pyrite and arsenopyrite. These holes occur on the same E-W traverse and are 50m apart. It is unclear at this stage whether the mineralised zones in each hole represent a shallow westerly dipping structure or if they are two separate structures. Mineralisation is open to the south and is presently being followed up with additional 50m E-W by 100m N-S spaced aircore drilling.

At PHAC1106 the mineralisation is associated with quartz veins and significantly more sulphide with arsenopyrite stringer veins. Six holes within the interpreted diorite, near PHAC1106, failed to reach the basement due to blade refusal at a silcrete unit at the base of the Murray Basin. These are located along the mineralised trend and areas below this will be tested by diamond drilling. It is also noted that the highest grades generally occur at the top of intervals with the possibility that some grade smearing might have occurred.

See Figure 4 for the results of drilling the Ironbark Prospects.

Mineralisation is associated with shallow south-easterly dipping shear zones within relatively undeformed granodiorites and diorites. These shear zones generally consist of muscovite-chlorite-biotite schists with varying amounts of quartz veining and sulphides.

Highlights from the Viking drilling (refer to ASX Announcement dated 21 November 2022) include:

- **VKB1RC002** **3m @ 1.00 g/t Au from 85m**
- **VKB1RC003** **4m @ 1.87 g/t Au from 124m**
 - Including **1m @ 5.08 g/t Au from 124m**
- **VKB2RC001** **3m @ 6.07 g/t Au from 43m**
 - Including **1m @ 13.4 g/t Au from 45m**
- **VKB2RC004** **6m @ 1.02 g/t Au from 93m**
 - Including **1m @ 5.01 g/t Au from 93m; and**
 - 6m @ 5.11g/t Au from 141m**
 - Including **1m @ 28.5 g/t Au from 141m**

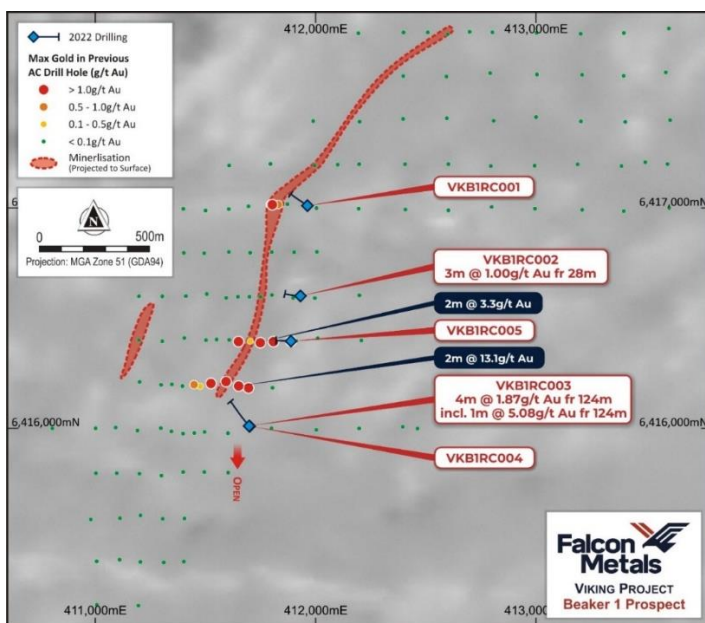


Figure 5 Drilling results from the recently completed program at the Beaker 1 Prospect

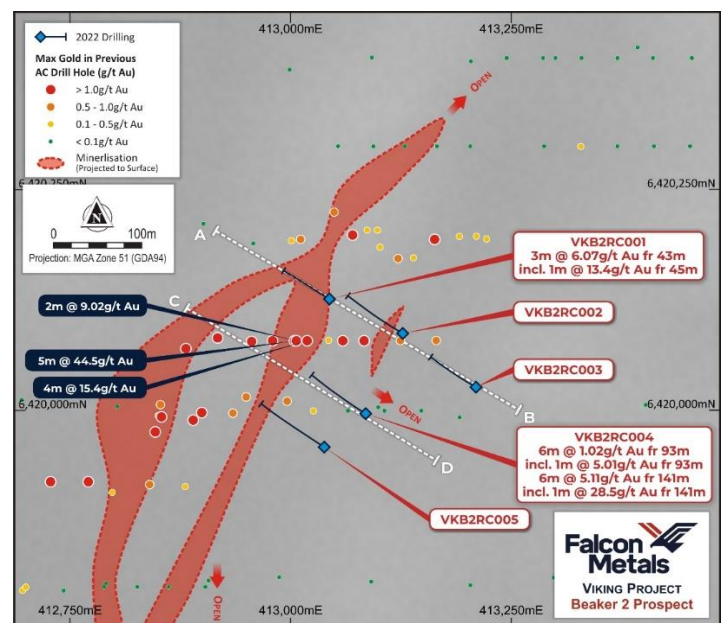


Figure 6 Drilling results from the recently completed program at the Beaker 2 Prospect

The shear zones were successfully targeted with the drilling, however due to some challenging ground conditions, several holes did not reach target depth. Although these mineralised shear zones are quite continuous and predictable, the continuity of grade within these prospective zones is highly variable and required further investigation.

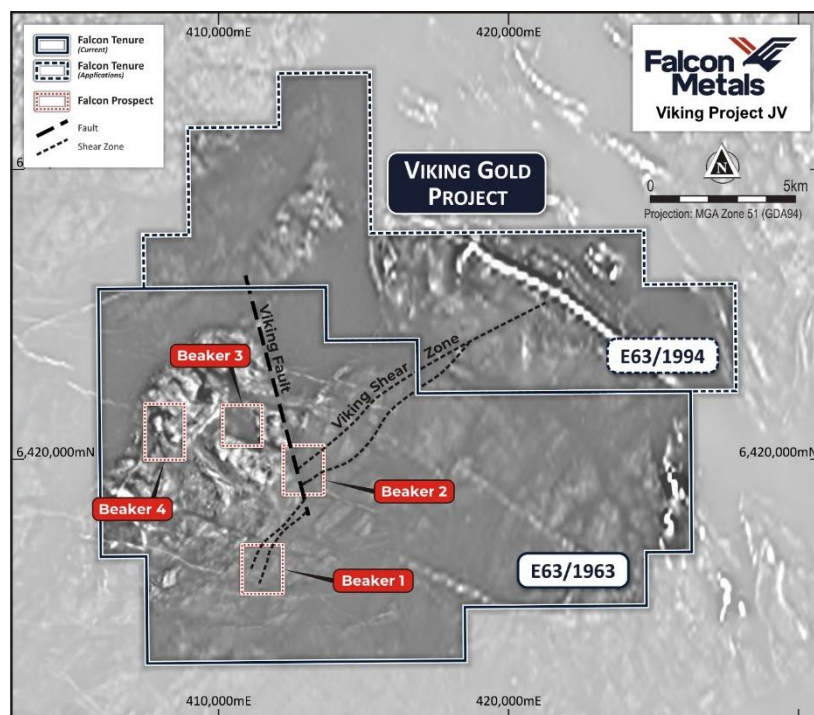


Figure 7 Viking Project showing the Viking Shear which will be the focus of the next stage of exploration

Falcon completed a four-hole diamond drill program in December 2022 at Viking, following up on the high-grade gold RC drill results from October 2022 at the Beaker 2 Prospect. Although all four diamond holes intersected the targeted structures at Beaker 2, they did not intersect any significant gold mineralisation. As such the exploration strategy for the project will now focus on the Viking Shear to the northeast of Beaker 2 that is interpreted to continue into Falcon's 100% application (E63/1994). This structure is considered to be prospective and yet to be adequately tested by historical exploration.

Subsequent to the end of the period, expenditure from this program has resulted in Falcon meeting the earn-in milestone for a 51% interest in the project from Metal Hawk by spending at least \$1M on the project over two years. Falcon has also exercised its option to earn an additional 19% in the Viking Gold Project for a total interest of 70% by incurring a further \$1.75M by September 2025. Pursuant to the terms of the agreement, Falcon has the option to discontinue the earn in at any time, in which case its interest would remain at 51% and a joint venture will be formed with Metal Hawk.

Mount Jackson Project

The Mount Jackson project is located approximately 350 km northeast of Perth and 110 km north-northwest of the regional township of Southern Cross. The project 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 (>1.5 Moz).

Mount Jackson is an under explored greenstone belt with surface and pathfinder geochemical responses.

Previous soil sampling by Chalice Mining Limited over the interpreted mafic/ultramafic stratigraphy identified a low-level but coincidental gold + arsenic + antimony surface geochemical anomaly. Falcon plans to conduct an infill soil sampling program to better define this target. If this is successful it will be followed by an initial aircore drilling program.

MATTERS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Exploration

On 1 February 2023, the Company announced it had intersected a mineralised zone through aircore drilling within a new diorite intrusion at Ironbark Central returning 4m @ 3.03 g/t Au from 100m within a broader intercept of 32m @ 0.52 g/t Au from 100m to end of hole.

On 1 February 2023, the Company announced that it has met the earn in requirements for a 51% interest in the Viking Gold Project by spending more than \$1 million and has exercised its option to increase to 70% with additional \$1.75M expenditure by September 2025.

On 14 February 2023, the Company announced that it had intersected a bedrock gold mineralised zones through aircore drilling over a strike length of >400m at Ironbark East. The results included the highest-grade gold intercept to date at Pyramid Hill in hole PHAC1079 (12m @ 6.18g/t Au).

On 24 February 2023, the Company announced the commencement of a diamond drilling program at its Ironbark Prospects.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included within this half-year financial report.

This directors' report is signed in accordance with a resolution of the Board of Directors.



Timothy Markwell
Managing Director

Date: 6 March 2023
Melbourne

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2022

	Notes	31 December 2022 \$	For the period 12 July 2021 to 31 December 2021 \$
Other income		302,954	707
Exploration expenditure	2	(1,599,344)	(58,939,278)
Employee benefits expenses		(342,867)	-
Share-based payments	10	(723,159)	(56,426)
Administration expenses		(274,985)	(661,188)
Depreciation expense		(32,971)	(28)
Finance costs	8	(8,690)	-
Loss before income tax		(2,679,062)	(59,656,213)
Income tax expense		-	-
Loss for the period		(2,679,062)	(59,656,213)
Other comprehensive income		-	-
Total comprehensive loss for the period		(2,679,062)	(59,656,213)
Loss per share			
Basic and diluted loss per share (cents)	14	(2)	(364)

The accompanying notes form part of this interim financial report.

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	31 December 2022 \$	30 June 2022 \$
ASSETS			
Current assets			
Cash and cash equivalents	3	22,979,410	25,016,277
Trade and other receivables	4	363,317	215,286
Total current assets		23,342,727	25,231,563
Non-current assets			
Other receivables	4	28,240	28,240
Plant and equipment	5	146,849	141,428
Right-of-use asset	6	162,395	182,315
Total non-current assets		337,484	351,983
Total assets		23,680,211	25,583,546
LIABILITIES			
Current liabilities			
Trade and other payables	7	359,461	290,067
Lease liabilities	8	29,735	27,570
Provisions		54,319	56,258
Total current liabilities		443,515	373,895
Non-current liabilities			
Lease liabilities	8	144,149	159,512
Provisions		494	2,183
Total non-current liabilities		144,643	161,695
Total liabilities		588,158	535,590
Net assets		23,092,053	25,047,956
EQUITY			
Issued capital	9	87,451,842	87,451,842
Reserves	11	1,417,904	694,745
Accumulated losses		(65,777,693)	(63,098,631)
Total equity		23,092,053	25,047,956

The accompanying notes form part of this financial report.

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2022

	Issued Capital \$	Share based payment reserve \$	Accumulated Losses \$	Total \$
Balance at 12 July 2021	1	-	-	1
Loss for the period	-	-	(59,656,213)	(59,656,213)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(59,656,213)	(59,656,212)
Transactions with owners in their capacity as owners				
Share issue	88,500,000	-	-	88,500,000
Share issue costs	(1,048,159)	-	-	(1,048,159)
Share-based payments	-	56,426	-	56,426
Balance at 31 December 2021	87,451,842	56,426	(59,656,213)	27,852,055
Balance at 1 July 2022	87,451,842	694,745	(63,098,631)	25,047,956
Loss for the period	-	-	(2,679,062)	(2,679,062)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(2,679,062)	(2,679,062)
Transactions with owners in their capacity as owners				
Share-based payments	-	723,159	-	723,159
Balance at 31 December 2022	87,451,842	1,417,904	(65,777,693)	23,092,054

The accompanying notes form part of this financial report.

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2022

	31 December 2022 \$	For the period 12 July 2021 to 31 December 2021 \$
Cash flows from operating activities		
Interest received	225,423	707
Payments to suppliers and employees	(571,959)	(112,986)
Payments for exploration and evaluation	(1,607,084)	(18,332)
Net cash outflow from operating activities	(1,953,620)	(130,611)
Cash flows from investing activities		
Payments for property, plant and equipment	(19,592)	-
Payments for security deposits	(41,767)	(4,000)
Net cash outflow from financing activities	(61,359)	(4,000)
Cash flows from financing activities		
Proceeds from issue of shares	-	30,000,000
Share issue costs paid	-	(1,059,112)
Repayment of lease liabilities	(21,888)	-
Net cash (outflow)/inflow from financing activities	(21,888)	28,940,888
Net (decrease)/increase in cash held	(2,036,867)	28,806,277
Cash at the beginning of the financial period	25,016,277	-
Cash at the end of the financial period	22,979,410	28,806,277

The accompanying notes form part of this financial report.

1. Summary of significant accounting policies

Basis of Preparation

The half-year financial report is a general purpose financial report that has been prepared for the period 1 July 2022 to 31 December 2022 in accordance with *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year financial report does not include full disclosures of the type normally included in an annual financial report. It is recommended that this half-year financial report be read in conjunction with any public announcements made by Falcon Metals Limited (the "Company" or "Parent Entity") during the period in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The Company was registered on 12 July 2021 and is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise indicated.

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Going concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business.

The Company incurred a loss before income tax of \$2,679,062 (31 December 2021: \$63,098,631) and had cash outflows from operating activities of \$1,953,620 (31 December 2021: \$130,611) for the period ended 31 December 2022. As at that date, the Company had net current assets of \$22,899,212 (30 June 2022: \$24,857,668), including \$22,979,410 in cash and cash equivalents.

The directors believe that there are reasonable grounds to believe that the Company will continue as a going concern, after taking into consideration its planned activities for the next 12 months and forecast cash flows over that period.

Accordingly, the Directors believe that the Company will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

New and Revised Accounting Standards and Interpretations

The Company has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the Company's accounting policies. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the Company.

	31 December 2022	For the period 12 July 2021 to 31 December 2021
	\$	\$
2. Exploration Expenditure		
Acquisitions during the period	-	58,500,000
Expenditure incurred during the period	1,599,344	439,278
	1,599,344	58,939,278

The Company currently holds three projects. Pyramid Hill Project located in Victoria and the Viking and Mount Jackson Projects located in Western Australia. In the comparative period, the Company entered into agreements to acquire the Projects from Chalice Mining Limited (ASX: CHN). As consideration for these projects, shareholders of Chalice Mining Ltd received 116,999,999 fully paid ordinary shares in the Company at an issue price of \$0.50 being fair value at the date control of the projects was obtained. The acquisition of these projects is accounted for as an asset acquisition under AASB 2, measured at fair value and expensed in accordance with the Company's accounting policies.

	31 December 2022	30 June 2022
	\$	\$
3. Cash and Cash Equivalents		
Cash at bank and on hand	22,979,410	25,016,277
	22,979,410	25,016,277

4. Trade and other receivables

Current

Interest receivable	110,605	33,074
GST receivable	67,064	15,382
Prepayments (a)	79,880	102,829
Security deposits	105,767	64,000
Other debtors	1	1
	363,317	215,286

Non-current

Security deposits	28,240	28,240
	28,240	28,240

(a) Prepayments relate to insurance premiums paid in advance for the period of cover.

5. Property, plant and equipment

	31 December 2022 \$	30 June 2022 \$
Plant & equipment – at cost	131,537	115,523
Less: Accumulated depreciation	(13,745)	(5,523)
	117,792	110,000
Computer equipment – at cost	26,091	23,632
Less: Accumulated depreciation	(6,094)	(2,000)
	19,997	21,632
Office equipment – at cost	5,684	5,684
Less: Accumulated depreciation	(593)	(152)
	5,091	5,532
Motor vehicles – at cost	4,532	4,532
Less: Accumulated depreciation	(563)	(268)
	3,969	4,264
Property, plant and equipment – at cost	167,844	149,371
Less: Accumulated depreciation	(20,995)	(7,943)
	146,849	141,428

Reconciliations of the written down values at the beginning and end of the current financial period is set out below:

	Plant and equipment \$	Computer equipment \$	Office equipment \$	Motor vehicles \$	Total \$
Opening balance – 12 July 2021	-	-	-	-	-
Additions	115,523	23,632	5,684	4,532	149,371
Depreciation	(5,523)	(2,000)	(152)	(268)	(7,943)
Balance at 30 June 2022	110,000	21,632	5,532	4,264	141,428
Opening balance – 1 July 2022	110,000	21,632	5,532	4,264	141,428
Additions	16,014	2,459	-	-	18,473
Depreciation	(8,222)	(4,094)	(441)	(295)	(13,052)
Balance at 31 December 2022	117,792	19,997	5,091	3,969	146,849

6. Right of use assets

	31 December 2022 \$	30 June 2022 \$
Office lease – Right of use	189,366	189,366
Less: Accumulated depreciation	(31,561)	(12,624)
	157,805	176,742
Plant and equipment – Right of use	5,901	5,901
Less: Accumulated depreciation	(1,311)	(328)
	4,590	5,573
Right of use assets	195,267	195,267
Less: Accumulated depreciation	(32,872)	(12,952)
	162,395	182,315

Additions to the right-of-use assets during the period were nil (30 June 2022: \$195,267).

The Company entered into a lease agreement for its office in May 2022 and also lease a photocopier. The lease term of the office is three years plus an option to extend a further two years; and the term for the photocopier is three years. The leases are reflected in the Statement of Financial Position as right-of use assets and lease liabilities assuming duration of 5 years and 3 years respectively.

	31 December 2022 \$	30 June 2022 \$
7. Trade and Other Payables		
Trade creditors	165,043	139,096
Accrued expenses	38,833	19,000
Other creditors	155,585	131,971
	359,461	290,067
8. Lease Liabilities		
Current	29,735	27,570
Non-current	144,149	159,512
	173,884	187,082

Notes to the Consolidated Financial Statements

Changes in liabilities arising from financing activities

	31 December 2022	30 June 2022
	\$	\$
Lease Liabilities		
Balance at the start of the period	187,082	-
Net cash used in financing activities	(21,888)	(14,224)
Non-cash interest expense	8,690	6,039
Acquisition of leases	-	195,267
Balance at the end of the period	173,884	187,082

9. Issued Capital

Movement in ordinary shares on issue:

Date	No. of shares	Issue Price	\$
At the beginning of the reporting period - 1 July 2022	177,000,000		87,451,842
At the end of the reporting period – 31 December 2022	177,000,000		87,451,842

	31 December 2022	For the period 12 July 2021 to 31 December 2021
	\$	\$

10. Share-based Payment Transactions

Options – recognised as a Share-based Payment Expense	723,159	56,426
	723,159	56,426

For the options issued during the current period, a Black-Scholes option pricing model was used with the valuation model inputs used to determine the fair value at the grant date as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Number of Options	Value per Option	Total Value
		\$	\$	%	%		\$	\$
15/12/2021	15/12/2024	0.500	0.75	80	-	5,841,000	0.2085	1,217,848
15/12/2021	15/12/2025	0.500	0.75	80	-	5,841,000	0.2472	1,443,896
8/08/2022	31/07/2025	0.225	0.36	80	-	762,500	0.0938	71,523
8/08/2022	31/07/2026	0.225	0.36	80	-	762,500	0.1123	85,629
29/11/2022	31/07/2025	0.214	0.36	80	-	650,000	0.0810	52,650
29/11/2022	31/07/2026	0.214	0.36	80	-	650,000	0.1001	65,065
9/12/2022	30/11/2025	0.239	0.33	80	-	62,500	0.1087	6,794
9/12/2022	30/11/2026	0.239	0.33	80	-	62,500	0.1274	7,963

31 December
2022

30 June 2022

\$

\$

11. Share-based Payment Transactions

Share-based Payments Reserve

1,417,904

694,745

1,417,904

694,745

Movements

Balance at beginning of period

694,745

-

Share-based payments expense for the period

723,159

694,745

Balance at end of period

1,417,904

694,745

12. Related Party Transactions

1,300,000 options were issued to key management personnel on 29 November 2022 (Refer to Note 10).

13. Commitments for Expenditure

Exploration and Evaluation

The Company is required to maintain current rights of tenure to tenements, which require outlays of expenditure in future financial periods. Under certain circumstances, these commitments are subject to the possibility of adjustment to the amount and/or timing of such obligations, however they are expected to be fulfilled in the normal course of operations.

The company has tenement rental and expenditure commitments payable of:

- Not later than 12 months	2,624,750
- Between 12 months and 5 years	7,915,600
	10,540,350

14. Loss per share

Loss after income tax

(2,679,062)

Number

Weighted average number of ordinary shares used in calculating basic loss per share

177,000,000

Basic and diluted earnings/(loss) per share (cents)

(2)

15. Events after the Reporting Date

Exploration

On 1 February 2023, the Company announced it had intersected a mineralised zone through aircore drilling within a new diorite intrusion at Ironbark Central returning 4m @ 3.03 g/t Au from 100m within a broader intercept of 32m @ 0.52 g/t Au from 100m to end of hole.

On 1 February 2023, the Company announced that it has met the earn in requirements for a 51% interest in the Viking Gold Project by spending more than \$1 million and has exercised its option to increase to 70% with additional \$1.75M expenditure by September 2025.

On 14 February 2023, the Company announced that it had intersected a bedrock gold mineralised zones through aircore drilling over a strike length of >400m at Ironbark East. The results included the highest-grade gold intercept to date at Pyramid Hill in hole PHAC1079 (12m @ 6.18g/t Au).

On 24 February 2023, the Company announced the commencement of a diamond drilling program at its Ironbark Prospects.

16. Contingent Liabilities

The Company had no contingent liabilities as at 31 December 2022.

17. Operating Segments

The Company is organised into one operating segment, being mining exploration operations. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers) in assessing performance and in determining the allocation of resources.

18. Financial Instruments

The Group has a number of financial assets and liabilities which are not measured at fair value on a recurring basis whose carrying amounts approximate their fair values.

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2022 and of its performance for the 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.

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

On behalf of the directors



Timothy Markwell
Managing Director

Date: 6 March 2023

Melbourne

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Falcon Metals Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
6 March 2023



M R Ohm
Partner

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Falcon Metals Limited

Report on the Half-Year Financial Report*Conclusion*

We have reviewed the accompanying half-year financial report of Falcon Metals Limited ("the company") which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its

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performance for the interim ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
6 March 2023



M R Ohm
Partner