



Falcon Metals Ltd

Interim Financial Report

31 December 2023

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Corporate Directory

Directors

Mark Bennett
Timothy Markwell
Alexander Dorsch
Katina Law

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

Company Secretary

Pradeep Subramaniam

Registered and Principal Office

Suite 6, Level 6, 350 Collins Street
Melbourne VIC 3000

Phone: +61 3 8648 6684

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

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 year.

DIRECTORS

The names of directors in office at any time during or since the end of the year are listed below. Directors have been in office since the beginning of the financial year 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
Katina Law	Non-Executive Director (appointed on 1 October 2023)

PRINCIPAL ACTIVITIES

During the financial year, 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 \$2,035,409 (31 December 2022: \$2,679,062).

During the half year ended 31 December 2023, the Company continued exploration activities at its flagship Pyramid Hill Project as well as early-stage exploration at the Mt Jackson Project in Western Australia. Exploration expenditure incurred was \$1,440,627 (31 December 2022: \$1,599,344) divided into \$1,190,282 on the Pyramid Hill Project, \$196,048 on the Mt Jackson Project and the remaining \$54,297 on other projects. Expenditure on the Pyramid Hill Project in the current period consisted primarily of the regional reconnaissance drilling for gold, as well as a small mineral sands exploration drilling program. Expenditure at the Mt Jackson Project was primarily related to two phases of soil sampling which identified anomalous results in gold, copper, nickel and lithium. Expenditure at Viking reduced significantly with no drilling completed in the current financial year.

Employee benefits expenses of \$383,090 (31 December 2022: \$342,867) were slightly higher taking into account the appointment of a new non-executive director. Share-based payments were \$350,643 (31 December 2022: \$723,159) representing the amortisation over the vesting period of share options issued to directors and management. There was a significant reduction in share-based payment expense as the first and second tranches of the pre-IPO options vested in June 2023 and December 2023 respectively. Furthermore, share options issued during the period had a lower value in line with the lower share price. Administrative expenses of \$255,137 (31 December 2022: \$274,985) were marginally lower than the comparative in line with the unmarketable parcel share sale facility which was completed in the comparative period. All other expenses were broadly in line with the comparative period.

At 31 December 2023, the Company had \$15,086,340 (30 June 2023: \$17,305,205) in cash and cash equivalents. Net cash outflow from operating activities was \$1,813,724 (31 December 2022: \$1,953,620), net cash outflow from financing activities was \$22,691 (31 December 2022: \$21,888) and net cash outflow from investing activities was \$382,450 (31 December 2022: \$61,359). The net cash outflow from investing activities primarily related to additional tenement bonds for Falcon's large ground holding as well as an investment in a listed entity.

At balance date, the Company had net assets of \$15,515,936 (30 June 2023: \$17,200,702) and net current assets of \$15,016,350 (30 June 2023: \$17,020,865).

Exploration

Pyramid Hill Gold Project

The 100%-owned Pyramid Hill Gold Project was initially staked in late 2017 and now covers an area of >7,000 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 which overlie the prospective Castlemaine Group sedimentary basement, the host succession to all significant primary gold deposits in the Central Victorian goldfields.

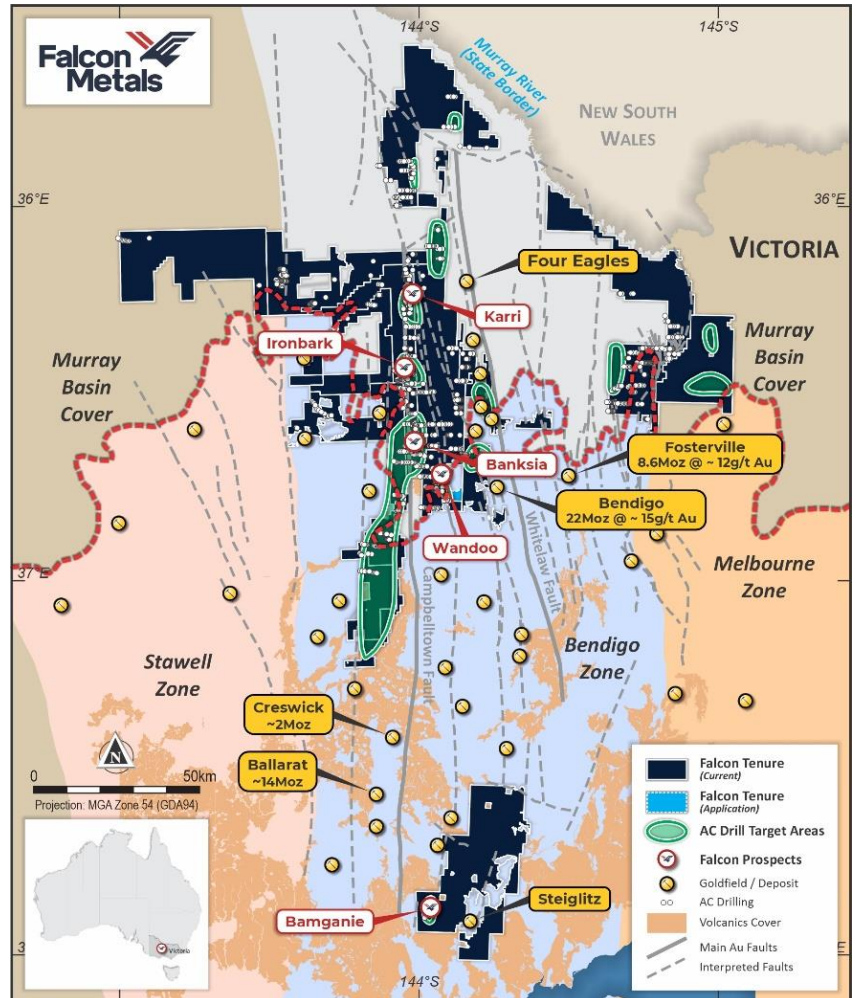


Figure 1 Pyramid Hill Gold Project

The Pyramid Hill Project has generated multiple prospective gold targets since Falcon drilling commenced in 2021. In previous financial reports, the anomalous results from the Karri, Ironbark and Wandoo prospects were highlighted and continue to be areas of interest. However, the Company was also focussed on undertaking regional reconnaissance drilling to identify the additional targets, so they can be prioritised before infill drilling to vector in on higher-grade zones.

In September 2023, Falcon announced the final assay results for all aircore holes completed during the 2023 drilling program at the Pyramid Hill Project. Highlights from these results included highly anomalous results from the southernmost reconnaissance aircore line in EL006960 including 3m @0.59 g/t Au from 69m, which included 1m @ 0.42 g/t Au from 68m in PHAC1654 and 2m @ 0.42 g/t Au from 100m to EOH in PHAC1659 (refer to ASX Announcement dated 14 September 2023 "Exploration Update – Pyramid Hill and Mt Jackson").

Several targets generated from Falcon's ongoing regional reconnaissance program were prioritised for infill drilling during the period, including six holes on EL006669 (near Kerang), ten holes on EL006960 (near Eddington) and eight holes on EL006737 at the Wandoo Prospect.

Results were received from the one line of six holes of infill drilling completed in EL006669, near the town of Kerang. These six holes were drilled on 140m spacing E-W, 830m south of anomalous holes PHAC1390 (3m @ 0.39g/t Au from 85m) and PHAC1396 (5m @ 0.54g/t Au from 118m). Drillhole PHAC1826 returned 2m @ 0.46g/t Au from 105m and 3m @ 0.44g/t Au from 127m, extending the mineralised trend on this permit with the trend remaining open to the north and south (see ASX Announcement dated 11 January 2024 "First Ever Drilling at the Bamganie Gold Prospect Confirms 1KM Long Trend"). This area will be a focus for further infill and extensional drilling.

The regional reconnaissance program is continuing with programs near Cohuna, Pyramid Hill and Maryborough.

Bamganie Gold Prospect

The Company also completed the first ever drilling at the Bamganie Gold Prospect, which confirmed a 1KM long trend (see ASX Announcement dated 11 January 2024 "First Ever Drilling at the Bamganie Gold Prospect Confirms 1KM Long Trend"), with highlights including:

- BAA0032* 8m @ 6.22 g/t Au from 29m; including
 - 5m @ 9.77 g/t Au from 32m; that also includes
 - 2m @ 20.02 g/t Au from 32m
- *Hole terminated in historical mine workings at 37m*
- BAA0007 25m @ 0.29 g/t Au from 98m to end of hole; including
 - 1m @ 1.45 g/t Au from 120m
 - BAA0033 13m @ 0.56 g/t Au from 99m; including
 - 1m @ 1.93 g/t Au from 99m, and
 - 3m @ 1.34 g/t Au from 107m
 - BAA0036 2m @ 2.66 g/t Au from 16m; including
 - 1m @ 5.14 g/t Au from 16m
 - BAA0044 13m @ 0.42 g/t Au from 45m; including
 - 2m @ 1.59 g/t Au from 51m
- 13m @ 0.51 g/t Au from 95m; including
- 3m @ 1.73 g/t Au from 95m

Bamganie is a historical goldfield that was mined in the early 1900's, with workings extending over 2.5km of strike length. No drilling had ever been completed at the prospect prior to this program.

Falcon completed 56 holes for 3,452m of AC drilling at Bamganie targeting an area of historical gold workings and a north-south striking gold-in-soil anomaly that had been defined by an extensive soil sampling program completed in the 1990's by previous explorers. The Falcon drilling successfully defined a mineralised corridor of abundant quartz veining and sulphides across a strike length of over 1km that is open to the north and south (Figure 2). An additional trend to the east of the main mineralised zone was also detected in several drillholes which highlights the potential for parallel structures.

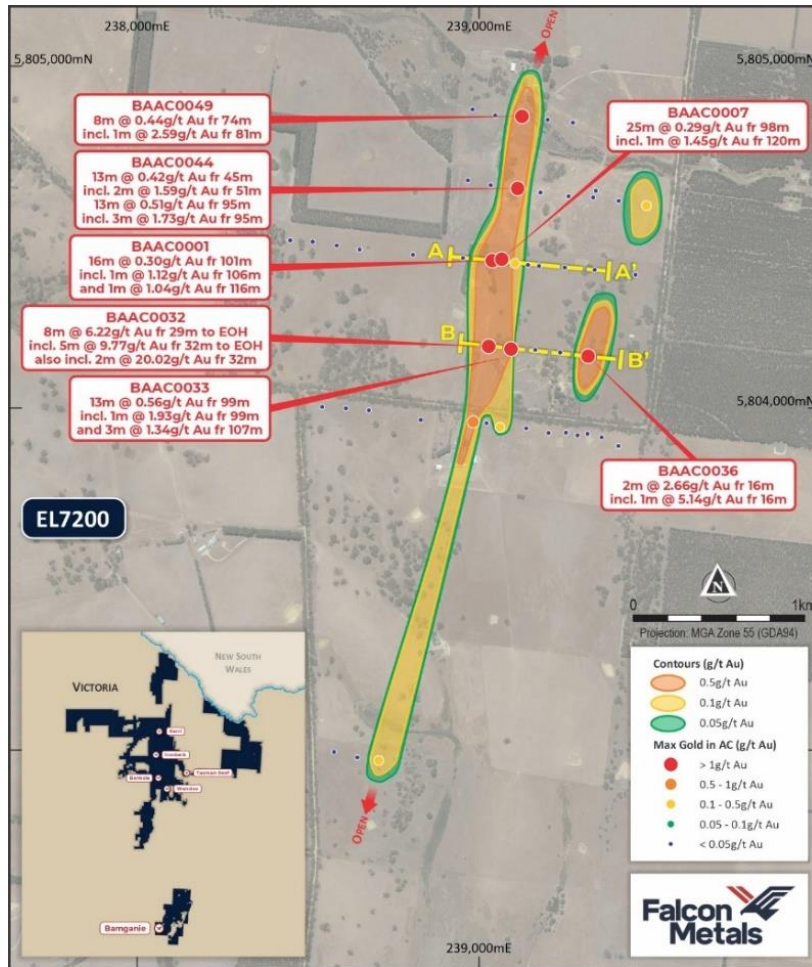


Figure 2 Plan map showing Bamganie aircore drilling results

Of particular interest was BAAC001 and BAAC007 that both ended in mineralised zones and the best result from the current program was from BAAC0032, located closest to the Duke of Wellington shaft that was the most productive mine on the goldfield. This was mined from 1901-1909 and official production figures were 17,945 oz at a grade of 12.1g/t Au. BAAC0032 intersected a high-grade zone prior to entering a void from historical underground mine workings at 37m as shown in Figure 4.

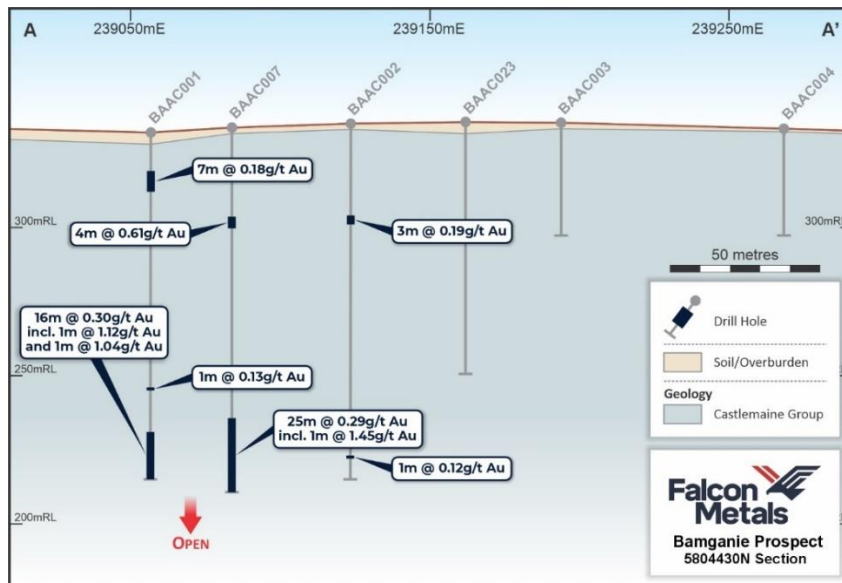


Figure 1 Cross-section A-A' through Bamganie

In the section 250m north of BAAC0032, broad mineralised zones were intersected at the base of BAAC0001 and BAAC0007 (Figure 4) with both holes ending in mineralisation.

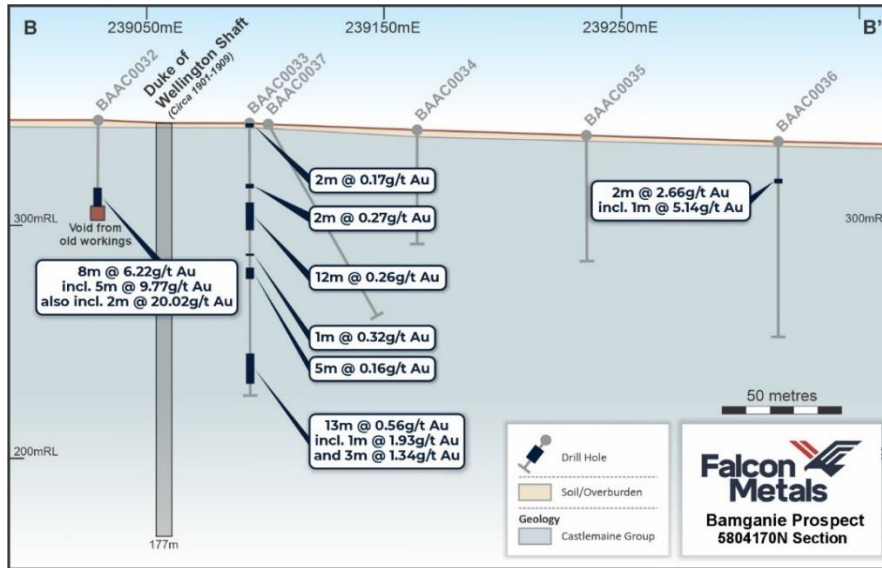


Figure 2 Cross-section B-B' through Bamganie

Interpretation is ongoing along with planning for additional aircore drilling to better define the mineralised zones and additional testing along strike to the north and south, which remain open. Once this is completed it is likely that diamond drilling will be required to gain a better understanding on the controls of mineralisation and to test the prospect at depth.

Mineral Sands Exploration

A review of the Falcon land position in Victoria for critical minerals identified several areas with known mineral sands and related Rare Earth Elements (REE) potential in the Murray Basin cover in EL006864 and EL007120. Victoria is a known mineral sands province with several large projects currently in the development phase. In the Victorian Murray Basin, there are at least five known mineral sands deposits with published JORC Resources. These are noted below in table, with three of the nearby deposits shown in Figure 5.

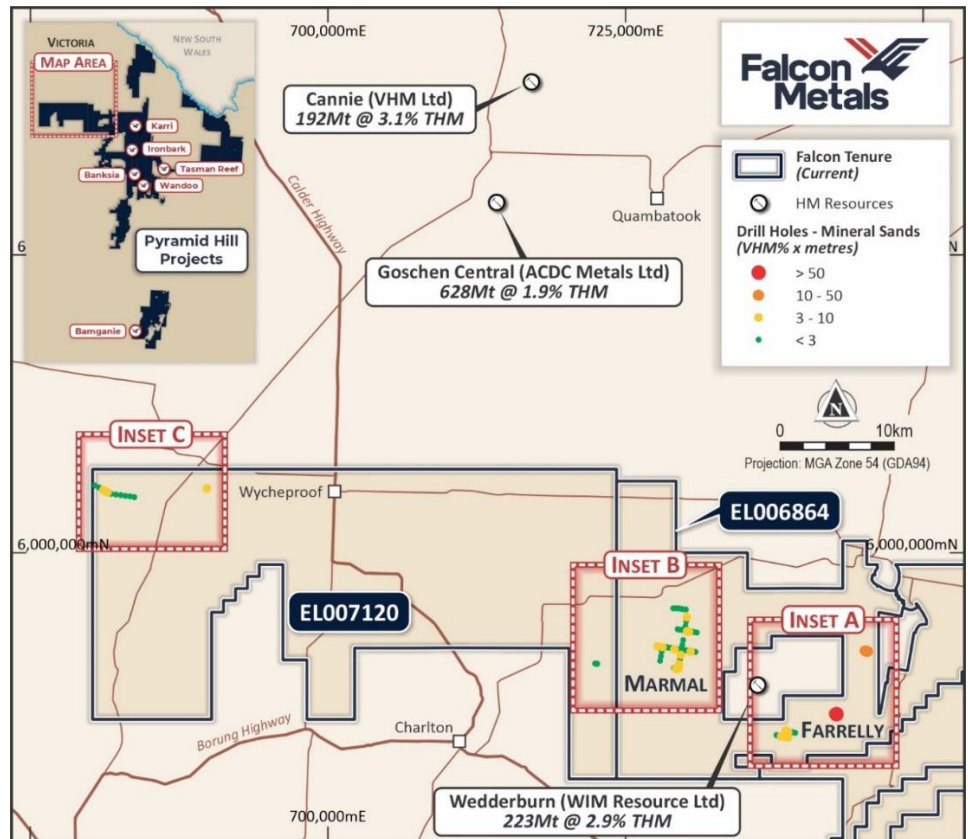


Figure 5 Location map of the mineral sands drilling at Pyramid Hill

Company - Deposit	Mt	THM%	Zircon	Rutile	Leucoxene	Ilmenite	Monazite	Xenotime	VHM% ⁶	In Situ VHM% ⁷
ACDC Metals ¹ - Goschen Central	628	1.9%	24%	9%	12%	23%	4%	0.5%	73%	1.4%
Astron – Donald ²	2,634	4.6%	18%	8%	18%	31%	2%	-	77%	3.5%
Iluka – WIM ³	1,380	5.0%	16%	5%	6%	33%	2%	0.4%	62%	3.1%
VHM Ltd – Goschen ⁴	837	3.0%	21%	11%	12%	18%	3%	0.7%	67%	2.0%
Wim Resources - Wedderburn ⁵	223	2.9%	21%	14%	17%	33%	2%	-	87%	2.5%

¹ "ACDC Metals RIU Conference Presentation" released to ASX 14 February 2024

² "Astron 2023 Annual Report" released to ASX on 29 September 2023

³ "Iluka Revised Announcement - Wimmera Development Progress" released to ASX 22 February 2024

⁴ "VHM 1H FY24 Results Presentation" released to ASX 28 February 2024

⁵ <https://wimresource.com.au/project/wedderburn-hms/>

⁶ VHM% is calculated by adding Zircon, Rutile, Leucoxene and Ilmenite (Note: This preliminary scanning does not include Monazite or Xenotime)

⁷ In Situ VHM% is calculated by THM% multiplied by VHM%

In October 2023 Falcon completed 77 reconnaissance aircore holes for 3,461m across EL006864 and EL007120 on the most prospective areas of these permits (see ASX Announcement dated 4 March 2024 "High-grade Mineral Sands Intersected at Pyramid Hill"). Select samples were sent to Diamantina Laboratories in Western Australia for Heavy Media Separation (HMS) test work to determine the Total Heavy Mineral (THM) content of the samples. Given anomalous results were returned, a second phase of work was conducted to determine the mineral suite to check on the Valuable Heavy Mineral (VHM) content which is critical in determining the significance of the results. This was a two-step process with detailed grain counting completed on a small subset of the results (ten samples), and the results used to complete a faster sachet scanning process to provide a high-level gauge on the broader mineral sands suite. All samples that returned >1 THM% were sent for sachet scanning. This level of work is considered sufficient to provide Falcon with enough information to determine next steps for any areas considered prospective. On the plan maps showing the mineral sands results, <3 VHM% x metres is considered to have low potential.

Farrelly Prospect

Several high-grade results were returned from the Farrelly Prospect (see Figures 5 and 6) with holes PHAC1803 and PHAC1804 returning the best results from the program. These holes were drilled on an east-west roadside, 200m apart, and were the only holes drilled in this area by Falcon.

Over 5km north-northeast of these results, Falcon drilled a further three holes 200m apart which also returned anomalous results.

Although it is too early to determine if both lines of drilling are part of the same mineralised zone, it provides a compelling target for exploration given the shallow high-grade mineralisation. Falcon is well advanced with planning for infill and extensional drilling to investigate the extent and geometry of the high-grade mineralisation at the Farrelly Prospect. It is expected that this drilling will commence in the coming week.

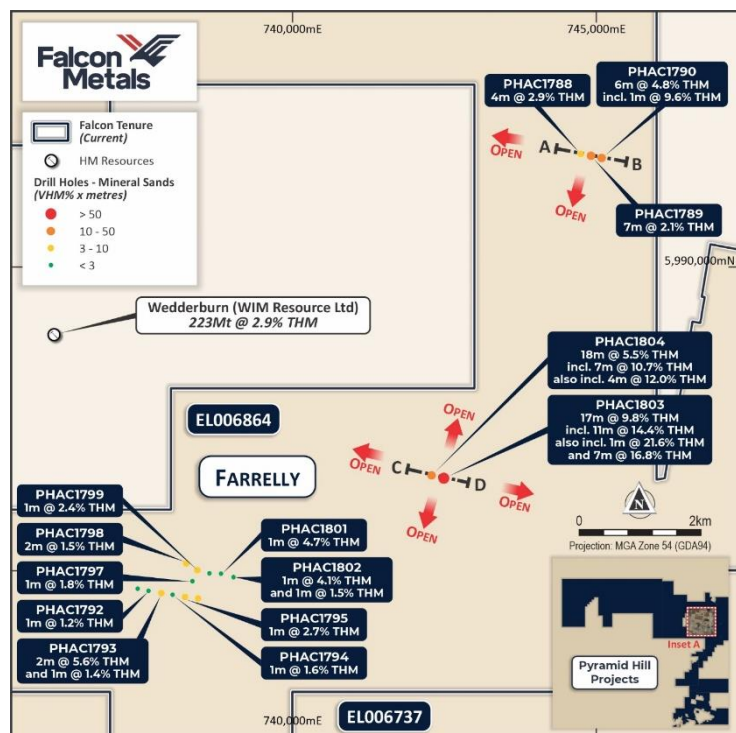


Figure 5 Location of Farrelly Prospect

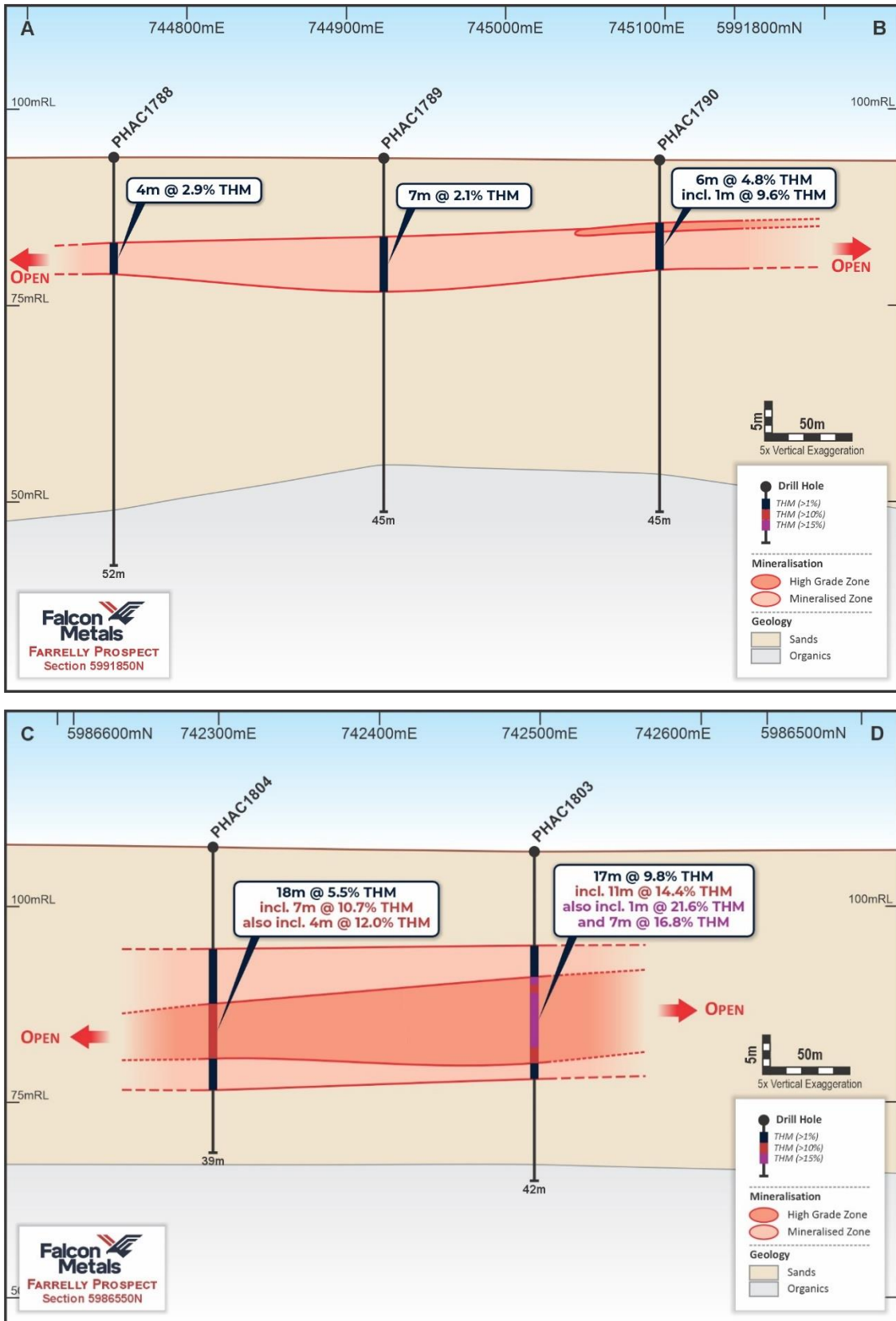


Figure 6 Cross-sections A-B and C-D through the Farrelly Prospect

The sachet scanning of samples from the Farrelly Prospect confirmed that a suite of VHM is present in the high-grade areas. Some of the insitu VHM% grades are encouraging, particularly PHAC1803 with 17m @ 9.8% VHM from 12m. Given the high-grade of the Farrelly Prospect, the heavy mineral content is potentially significant with zircon ranging from 14% to 25%, rutile 5% to 13% and ilmenite 20% to 36%.

Hole ID	From	To	Interval	THM%	Zircon	Rutile	Leucoxene	Ilmenite	VHM% ¹	In Situ VHM% ²
PHAC1788	11	15	4	2.9%	29%	10%	5%	31%	75%	2.2%
PHAC1789	10	17	7	2.1%	22%	13%	11%	36%	82%	1.7%
PHAC1790	8	14	6	4.8%	17%	5%	5%	18%	45%	2.2%
PHAC1803	12	29	17	9.8%	17%	7%	5%	26%	55%	5.4%
incl.	16	27	11	14.4%	20%	7%	5%	27%	59%	8.5%
that also incl.	16	17	1	21.6%	25%	10%	5%	20%	60%	13.0%
and	19	26	7	16.8%	20%	6%	5%	29%	60%	10.1%
PHAC1804	13	31	18	5.5%	14%	9%	5%	22%	50%	2.8%
incl.	20	27	7	10.7%	15%	11%	5%	24%	55%	5.9%
that also incl.	22	26	4	12.0%	15%	10%	5%	24%	54%	6.5%

¹VHM% is calculated by adding Zircon, Rutile, Leucoxene and Ilmenite (Note: This preliminary scanning does not include Monazite or Xenotime)

²In Situ VHM% is calculated by THM% multiplied by VHM%

Grain counting was completed for five one-metre intervals from the Farrelly Prospect and this confirmed the presence of monazite (a REE bearing mineral, of which REE's are considered critical metals for clean energy technologies), with values varying from 0.5% to 2.5% (see table below). It was noted by the mineralogist that accurately quantifying monazite is better suited to other techniques and additional mineralogical test work will provide more confidence in the abundance of monazite and the presence of xenotime throughout the mineral sands in Falcon's tenements.

Hole ID	From	To	Width	THM%	Monazite%	Total VHM%
PHAC1788	12	13	1	3.7	1.0	81
PHAC1789	11	12	1	4.6	2.5	93
PHAC1790	13	14	1	2.4	0.5	55
PHAC1803	20	21	1	9.7	1.0	65
PHAC1804	20	21	1	17.0	0.5	54

Mount Jackson Project

The Mt Jackson Project is located at the convergence of the Southern Cross Greenstone Belt, the major crustal-scale Youanmi Shear Zone and the regional scale Koolyanobbing Shear Zone at the northern end of the belt (See Figure 7). The Southern Cross Greenstone Belt is a well-endowed mineral province and has collectively produced >15Moz of historical gold. In addition, the Forrestania Greenstone Belt forms the southern extension of the Southern Cross Greenstone Belt and has historical nickel production of ~384kt and is also host to the Earl Grey Mt Holland Lithium Project with a pre-production resource of 189mt @ 1.5% Li₂O that is being developed by Covalent Lithium Pty Ltd, a joint venture between Wesfarmers (ASX: WES) and SQM.

The Mt Jackson Project was initially targeted on a 5km long magnetic anomaly in an area of shallow sand cover that was interpreted to be the northern extension of the Southern Cross Greenstone Belt. Earlier wide-spaced soil sampling confirmed the likely presence of mafic and/or ultramafic rocks with several low-level gold anomalies identified.

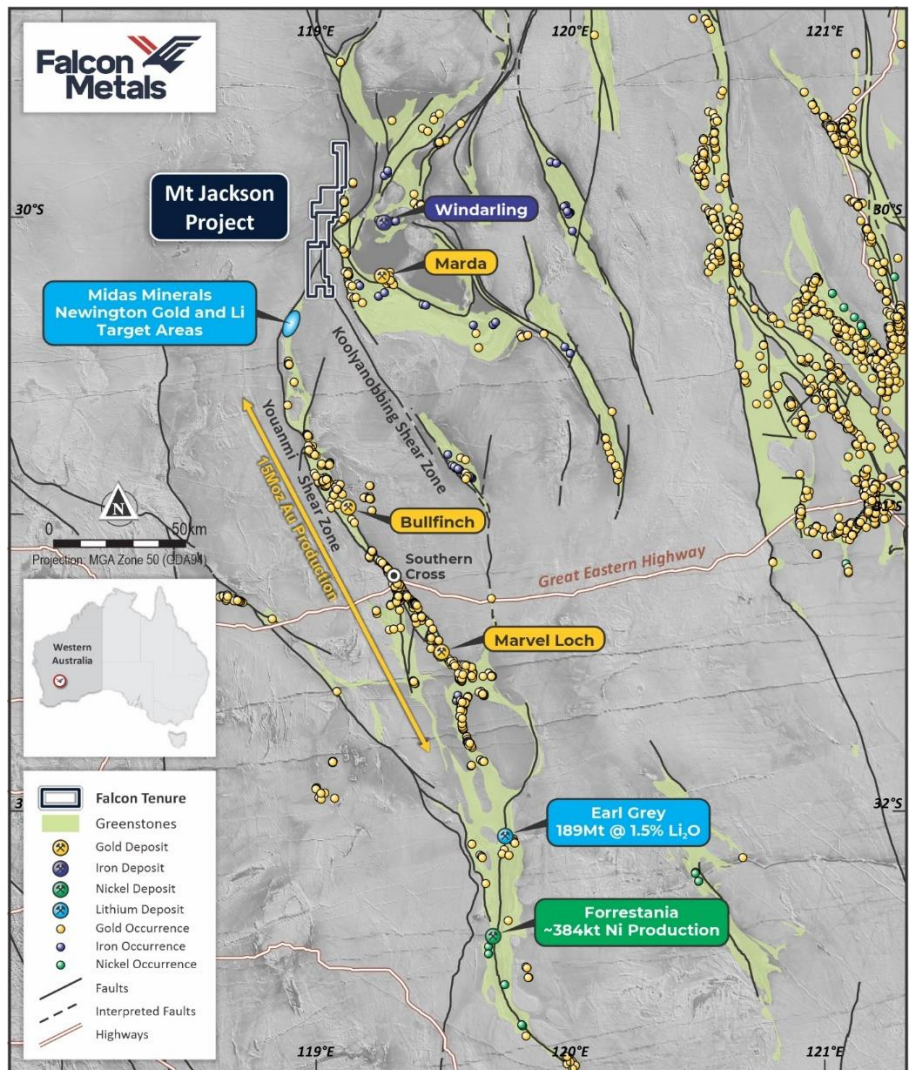


Figure 7 Location of Mt Jackson Project in reference to the Southern Cross Greenstone Belt

Falcon completed a comprehensive soil sampling program in July 2023 with the objective of confirming the previous soil anomalies identified on permit E77/2577, whilst also extending the soil sampling coverage to permit E77/2946, where there was limited previous work. Several areas with multi-point anomalous gold and base metal values were identified from this program that required further infill soil sampling. This was completed in October 2023 with an additional 818 samples collected on a 100m x 100m spacing (see ASX Announcement dated 12 December 2023 "Soil Sampling Confirms Gold, Nickel and Lithium Potential at Mt Jackson"). Due to the early encouraging results, the project was expanded with an additional application, E77/3134 to the north of E77/2946.

These new results have further refined several of the gold targets (see Figure 8) with the highlight being a 1km long north-south trending target >3ppb Au with a peak value of 17.5ppb Au that is coincident with the interpreted Southern Cross Greenstone Belt. In addition to this, a 7km long northeast-southwest anomaly has been confirmed in a demagnetised zone that is interpreted to be associated with the Youanmi Shear Zone and is open to the south. This anomaly is >2ppb Au and is a more subtle response given the extensive aeolian cover interpreted to be developed in this location on the eastern side of a salt lake system.

The analytical method that was used for Au was a 10g cyanide leach of -50µm material that is sieved under lab conditions. This was designed for defining low-level gold anomalism in areas of transported aeolian cover. It allows confidence in low-level gold interpretation because it has a detection limit of 0.01 ppb Au and no samples from this program were below the detection limit. Further to the north there are also several other anomalous zones on a parallel structure, and what appear to be conjugate northwest-southeast trending structures. These targets will be tested with aircore drilling in 2024.

In addition, three zones with coincident nickel, copper, platinum and palladium anomalism along the interpreted Southern Cross Greenstone Belt have been prioritised. Moving Loop Electromagnetic (MLEM) surveying is planned to test for nickel sulphide mineralisation (See Figure 9). Drill planning for these targets will be dependent on the outcomes of the MLEM surveys.

Although the soil sampling programs were designed to test largely for gold and base metals, several anomalous lithium zones) were also detected. The sampling and assaying methodology is not considered optimal for lithium exploration and specific orientation programs will be required if encouraging results are obtained from the current work programs. The analytical method used for this was a 0.5g Aqua Regia digest of -50 µm material. This is considered a partial digest so can report lower values than more aggressive methods such as a four-acid digest or sodium-peroxide fusion. Although the level of lithium anomalism is low, they have formed discrete anomalies relative to the background and these zones are considered targets requiring further soil sampling and potential aircore drilling

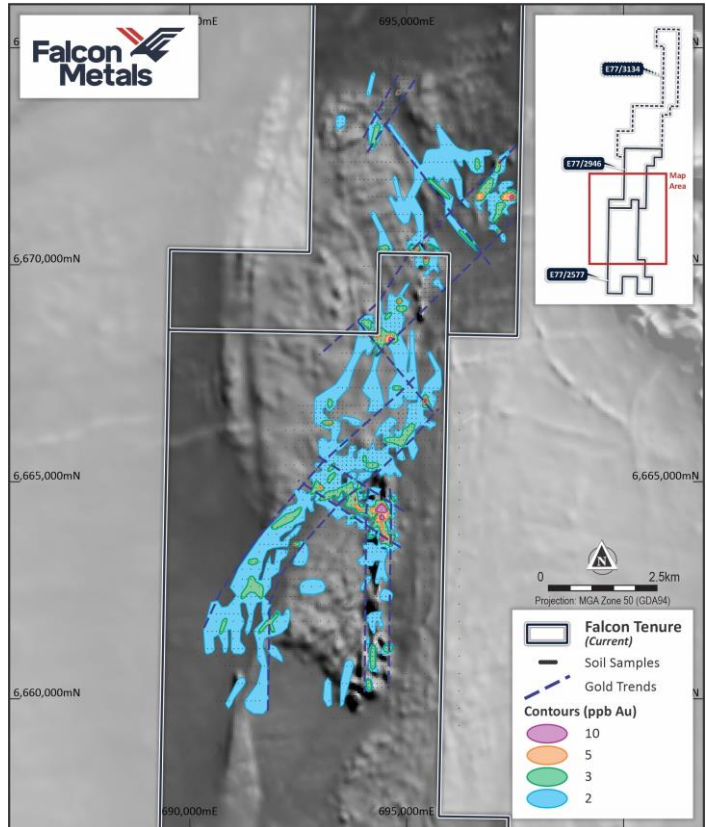


Figure 8 Plan map of Mt Jackson showing the Au soil sampling results

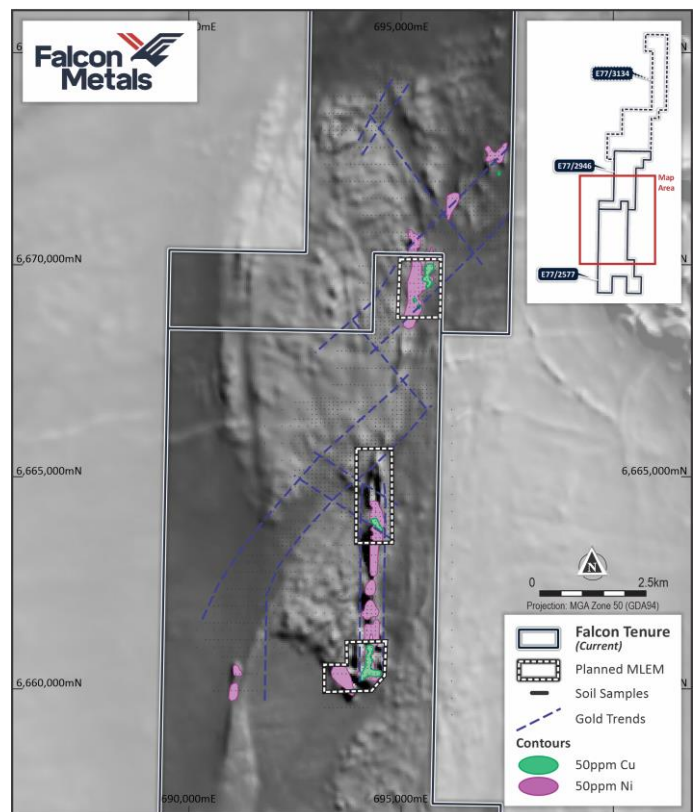


Figure 9 Plan map of Mt Jackson showing Ni and Cu soil sampling results

MATTERS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Exploration

On 11 January 2024, the Company announced the results of the first ever drilling at the Bamganie Gold Prospect.

On 4 March 2024, the Company announced the results of the mineral sand drilling, including the results of the heavy mineral separation.

Corporate

On 30 January 2024, the Company announced the issue of 250,000 employee share options with an exercise price of \$0.21 expiring equally on 31 January 2027 and 31 January 2028.

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: 11 March 2024
Melbourne

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2023

	Notes	31 December 2023	31 December 2022
		\$	\$
Other income	2	451,099	302,954
Exploration expenditure	3	(1,440,627)	(1,599,344)
Employee benefits expenses		(383,090)	(342,867)
Share-based payments	12	(350,643)	(723,159)
Administration expenses		(255,137)	(274,985)
Depreciation expense		(36,108)	(32,971)
Finance costs		(20,903)	(8,690)
Loss before income tax		(2,035,409)	(2,679,062)
Income tax expense		-	-
Loss for the period		(2,035,409)	(2,679,062)
Other comprehensive income		-	-
Total comprehensive loss for the period		(2,035,409)	(2,679,062)
Loss per share			
Basic and diluted loss per share (cents)	15	(1.15)	(1.51)

The accompanying notes form part of this interim financial report.

Condensed Consolidated Statement of Financial Position

As at 31 December 2023



	Notes	31 December 2023 \$	30 June 2023 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	15,086,340	17,305,205
Trade and other receivables	5	461,123	424,154
Total current assets		15,547,463	17,729,359
Non-current assets			
Other receivables	5	28,240	28,240
Plant and equipment	6	150,368	137,744
Right-of-use asset	7	122,554	142,475
Financial asset		310,593	-
Total non-current assets		611,755	308,459
Total assets		16,159,218	18,037,818
LIABILITIES			
Current liabilities			
Trade and other payables	8	406,995	612,887
Lease liabilities	9	34,429	32,022
Provisions		89,689	63,585
Total current liabilities		531,113	708,494
Non-current liabilities			
Lease liabilities	9	109,720	127,490
Provisions		2,449	1,132
Total non-current liabilities		112,169	128,622
Total liabilities		643,282	837,116
Net assets		15,515,936	17,200,702
EQUITY			
Issued capital	10	87,451,842	87,451,842
Reserves	12	2,460,136	2,109,493
Accumulated losses		(74,396,042)	(72,360,633)
Total equity		15,515,936	17,200,702

The accompanying notes form part of this financial report.

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2023

	Issued Capital \$	Share based payment reserve \$	Accumulated Losses \$	Total \$
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
Balance at 1 July 2023	87,451,842	2,109,493	(72,360,633)	17,200,702
Loss for the period	-	-	(2,035,409)	(2,035,409)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(2,035,409)	(2,035,409)
Transactions with owners in their capacity as owners				
Share-based payments	-	350,643	-	350,643
Balance at 31 December 2023	87,451,842	2,460,136	(74,396,042)	15,515,936

The accompanying notes form part of this financial report.

Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2023



	31 December 2023	31 December 2022
	\$	\$
Cash flows from operating activities		
Interest received	387,072	225,423
Payments to suppliers and employees	(705,450)	(571,959)
Payments for exploration and evaluation	(1,495,346)	(1,607,084)
Net cash outflow from operating activities	(1,813,724)	(1,953,620)
Cash flows from investing activities		
Payments for property, plant and equipment	(28,656)	(19,592)
Payments for financial assets	(255,294)	-
Payments for security deposits	(98,500)	(41,767)
Net cash outflow from investing activities	(382,450)	(61,359)
Cash flows from financing activities		
Repayment of lease liabilities	9 (22,691)	(21,888)
Net cash outflow from financing activities	(22,691)	(21,888)
Net decrease in cash held	(2,218,865)	(2,036,867)
Cash at the beginning of the financial period	17,305,205	25,016,277
Cash at the end of the financial period	4 15,086,340	22,979,410

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 2023 to 31 December 2023 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 \$2,035,409 (31 December 2022: \$2,679,062) and had cash outflows from operating activities of \$1,813,724 (31 December 2022: \$1,953,620) for the period ended 31 December 2023. As at that date, the Company had net current assets of \$15,016,350 (30 June 2023: \$17,020,865), including \$15,086,340 in cash and cash equivalents and \$310,593 in financial assets.

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 2023	31 December 2022
	\$	\$
2. Other Income		
Interest income	382,249	302,954
Fair value gain on investment	68,850	-
	451,099	302,954

The fair value gain on investment related an investment in a listed entity.

	31 December 2023	31 December 2022
	\$	\$
3. Exploration Expenditure		
Expenditure incurred during the year	1,440,627	1,599,344
	1,440,627	1,599,344

The Company expenses all exploration and evaluation expenditure incurred. The cumulative exploration expenditure incurred since acquisition of the projects are as follows:

	Cumulative Expenditure
	\$
Pyramid Hill Project (VIC)	9,852,999
Viking Project (WA)	1,093,366
Mt Jackson Project (WA)	386,209
Others	26,837
Cumulative Exploration Expenditure Incurred	11,359,411

	31 December 2023	30 June 2023
	\$	\$
4. Cash and Cash Equivalents		
Cash at bank and on hand	15,086,340	17,305,205



	31 December 2023	30 June 2023
	\$	\$
5. Trade and other receivables		
<i>Current</i>		
Interest receivable	108,738	113,560
GST receivable	26,660	78,276
Prepayments (a)	97,958	105,050
Security deposits	225,767	127,267
Other debtors	1	1
	461,123	424,154
<i>Non-current</i>		
Security deposits	28,240	28,240

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

6. Property, plant and equipment

	31 December 2023	30 June 2023
	\$	\$
Plant & equipment – at cost	141,031	133,102
Less: Accumulated depreciation	(31,905)	(22,535)
	109,126	110,567
Computer equipment – at cost	29,189	29,189
Less: Accumulated depreciation	(15,758)	(10,836)
	13,431	18,353
Office equipment – at cost	6,225	6,225
Less: Accumulated depreciation	(1,574)	(1,079)
	4,651	5,146
Motor vehicles – at cost	25,416	4,532
Less: Accumulated depreciation	(2,256)	(854)
	23,160	3,678
Property, plant and equipment – at cost	201,861	173,048
Less: Accumulated depreciation	(51,493)	(35,304)
	150,368	137,744

6. Property, plant and equipment (continued)

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 – 1 July 2022	110,000	21,632	5,532	4,264	141,428
Additions	17,579	5,557	541	-	23,677
Depreciation	(17,012)	(8,836)	(927)	(586)	(27,361)
Balance at 30 June 2023	110,567	18,353	5,146	3,678	137,744
Opening balance – 1 July 2023	110,567	18,353	5,146	3,678	137,744
Additions	7,929	-	-	20,884	28,813
Depreciation	(9,370)	(4,922)	(495)	(1,402)	(16,189)
Balance at 31 December 2023	109,126	13,431	4,651	23,160	150,368

7. Right of use assets

	31 December 2023 \$	30 June 2023 \$
Office lease – Right of use	189,366	189,366
Less: Accumulated depreciation	(69,434)	(50,497)
	119,932	138,869
Plant and equipment – Right of use	5,901	5,901
Less: Accumulated depreciation	(3,278)	(2,295)
	2,623	3,606
Right of use assets	195,267	195,267
Less: Accumulated depreciation	(72,713)	(52,792)
	122,554	142,475

Additions to the right-of-use assets during the period were nil (30 June 2023: nil).

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 2023	30 June 2023
	\$	\$
8. Trade and Other Payables		
Trade creditors	289,717	243,268
Accrued expenses	15,000	106,972
Other creditors	102,278	262,647
	406,995	612,887

	31 December 2023	30 June 2023
	\$	\$
9. Lease Liabilities		
Current	34,429	32,022
Non-current	109,720	127,490
	144,149	159,512

Changes in liabilities arising from financing activities

	31 December 2023	30 June 2023
	\$	\$
Lease Liabilities		
Balance at the start of the period	159,512	187,082
Net cash used in financing activities	(22,691)	(44,300)
Non-cash interest expense	7,328	16,730
Balance at the end of the period	144,149	159,512

10. Issued Capital

	31 December 2023		30 June 2023	
	Number	\$	Number	\$
At 1 July	177,000,000	87,451,842	177,000,000	87,451,842
Balance at end of period	177,000,000	87,451,842	177,000,000	87,451,842



**31 December
2023**
\$

**31 December
2022**
\$

11. Share-based Payment Transactions

Options – recognised as a Share-based Payment Expense 350,643 723,159

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
		\$	\$	%	%		\$	\$
4/07/2023	30/06/2026	0.22	0.35	100	-	580,000	0.1088	63,104
4/07/2023	30/06/2027	0.22	0.35	100	-	580,000	0.1272	73,776
28/11/2023	30/06/2026	0.14	0.35	100	-	930,000	0.0515	47,895
28/11/2023	30/06/2027	0.14	0.35	100	-	930,000	0.0664	61,752
28/11/2023	30/09/2026	0.14	0.24	100	-	250,000	0.0652	16,300
28/11/2023	30/09/2027	0.14	0.24	100	-	250,000	0.0780	19,500

The options granted vest based on service over a period of 18, 24, 30 and 36 months from grant date.

**31 December
2023**
\$

30 June 2023
\$

12. Reserves

Share-based Payments Reserve 2,460,136 2,109,493

Movements

Balance at beginning of period 2,109,493 694,745

Share-based payments expense for the period 350,643 1,414,747

Balance at end of period **2,460,136 2,109,493**

13. Related Party Transactions

2,360,000 options were issued to key management personnel on 28 November 2023, following shareholder approval at the 2023 Annual General Meeting (Refer to Note 11).

14. 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.

14. Commitments for Expenditure (continued)

	31 December 2023
	\$
The company has tenement rental and expenditure commitments payable of:	
- Not later than 12 months	4,370,002
- Between 12 months and 5 years	15,196,366
	<u>19,566,368</u>

The expenditure commitment relates to the tenements currently granted to the Group. Over time, these commitments will change depending on granting, relinquishment or surrender of tenements. Falcon is in the process of screening its large landholding to identify areas of interest which might host a large deposit and it is expected that as this process is progressively completed, the commitments will reduce over time.

15. Loss per share

	31 December 2023	31 December 2022
	\$	\$
Loss after income tax	<u>(2,035,409)</u>	<u>(2,679,062)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	<u>177,000,000</u>	<u>177,000,000</u>
Basic and diluted loss per share (cents)	(1.15)	(1.51)

16. Events after the Reporting Date

Exploration

On 11 January 2024, the Company announced the results of the first ever drilling at the Bamganie Gold Prospect.

On 4 March 2024, the Company announced the results of the mineral sand drilling, including the results of the heavy mineral separation.

Corporate

On 30 January 2024, the Company announced the issue of 250,000 employee share options with an exercise price of \$0.21 expiring equally on 31 January 2027 and 31 January 2028.

17. Contingent Liabilities

The Company had no contingent liabilities as at 31 December 2023.

18. 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.

19. 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 2023 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: 11 March 2024

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 2023, 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
11 March 2024



M R Ohm
Partner

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Falcon Metals Limited

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the interim financial report of Falcon Metals Limited ("the Company") and its controlled entities ("the Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2023, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes, 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 accompanying interim 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 2023 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 interim 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 interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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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 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of 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
11 March 2024



M R Ohm
Partner