Falcon Metals

Annual Report 2022

Falcon Metals Limited

ACN 651 893 097

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Corporate directory

Directors

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

Company Secretaries

Pradeep Subramaniam
Andrea Betti

Registered and Principal Office

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Melbourne VIC 3000

Phone: +61 3 8648 6684
Email: **info@falconmetals.com.au**
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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

Dear Shareholders,

Welcome to Falcon Metals Limited's (ASX: FAL) (Falcon) first Annual Report since listing on the Australian Securities Exchange (ASX) in December 2021.

Following completion of our Initial Public Offering (IPO) which raised $30 million and the listing in December 2021, we have established a strong platform to execute an exploration strategy that includes pursuing Victoria's next major gold discovery.

Falcon was created in 2021 following a demerger from Chalice Mining Limited (ASX: CHN), which moved to prioritise resources and focus efforts on its Western Australian projects, including the world-class Julimar discovery. The demerger was a logical separation of what have become Falcon's gold projects from Chalice's Ni-Cu-PGE projects, allowing shareholders of both companies to gain separate exposure to these commodity groups.

Since the completion of the demerger and IPO, Falcon has started to unlock the value of our gold projects, particularly the Pyramid Hill Project in Victoria where we have completed our maiden drill program as a listed entity.

The opportunity for gold explorers in Victoria is well known, thanks to the historic discoveries at Bendigo and Ballarat, and the more recent spectacular success at Fosterville. However, despite the state's storied history, the undercover extensions of the same geology have remained largely unexplored until recent times. Falcon is active in this largely underexplored part of this world-class gold province with an enormous amount of discovery potential. The Pyramid Hill project covers hundreds of kilometres of strike over the highly prospective concealed extensions of the Bendigo Zone and Castlemaine Group geology which is known to host major gold deposits such as the Fosterville Gold Mine (owned by Agnico Eagle).

Encouragingly, our initial drill program returned high-grade results at the Ironbark Prospect and extended the mineralised zone at the Karri Prospect, news we reported subsequent to the end of the 2022 financial year. These results have provided significant confidence for the Company as we continue exploration at Pyramid Hill in 2022 and beyond.

The results have confirmed the quality of our ground position and the drill targets at Pyramid Hill, supporting our belief that the northern Bendigo Zone undercover hosts high-grade gold mineralisation. We are excited about accelerating exploration in Victoria as we aim to further define the prospectivity of the Ironbark and Karri prospects.

In Western Australia, Falcon is also on track to ramp up activities with exploration programs planned at the Viking and Mt Jackson projects later in 2022. Our initial exploration programs are on the verge of commencing and it will be a great milestone to have drilling campaigns underway on both sides of the country.

I would like to thank our shareholders for the confidence you have placed in us through last year's IPO up until today. With a busy period ahead for Falcon, we look forward to keeping you updated on our progress.

Yours sincerely,

MABennett

Dr Mark Bennett
Non-executive Chairman

REVIEW OF ACTIVITIES

Falcon Metals Limited (ASX: FAL) ("Falcon" or "the Company") listed on the Australian Securities Exchange (ASX) on 22 December 2021 after completing its $30 million initial public offering (IPO). The Company is a high-profile gold explorer with large projects in Victoria and Western Australia.

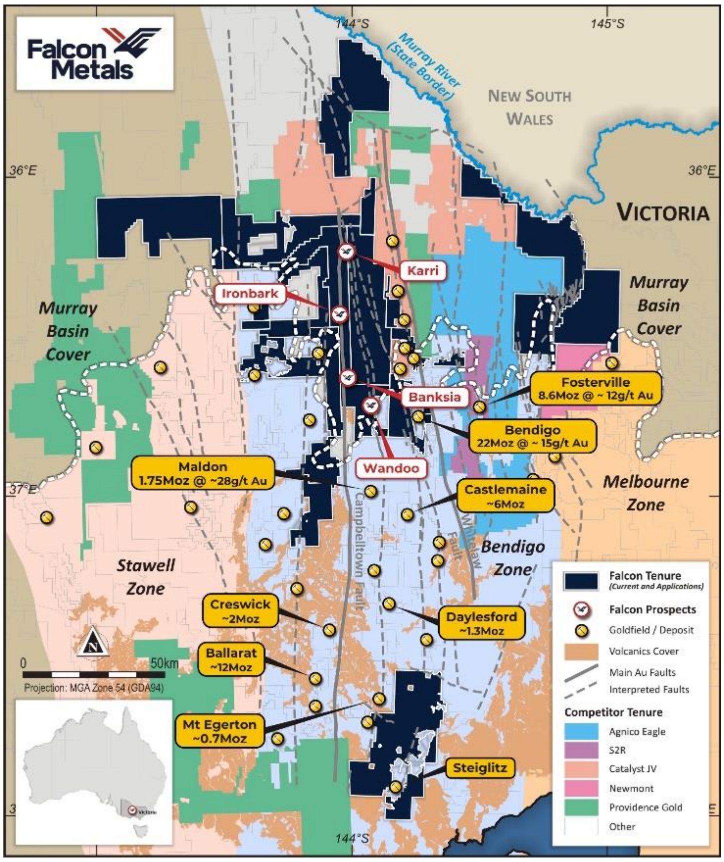
Falcon holds one of the largest ground positions in the Bendigo Zone of Victoria, considered one of the most prospective regions in Australia for large-scale high-grade greenfield gold discoveries. The region hosts the world-class ~9Moz Fosterville Gold Mine, owned by Agnico Eagle (NYSE:AEM), and the historic ~22Moz Bendigo Goldfield.

In Western Australia, the Viking Project located 30km southeast of Norseman in the Albany Fraser Province, comprises several gold prospects that have not been adequately tested into fresh rock. The Mount Jackson Project is in an underexplored part of the Southern Cross Greenstone Belt, featuring an extensive gold-in-soil anomaly requiring follow up and additional prospective areas requiring first pass soil sampling.

PYRAMID HILL, VICTORIA

At the Pyramid Hill Gold Project, Falcon completed diamond and aircore drilling programs at the Karri and Ironbark prospects during the reporting period. The Company initially commenced diamond drilling at the Karri prospect in January 2022, its first drilling following listing on the ASX in December 2021.

Falcon announced assay results for all holes drilled at Karri and Ironbark in the weeks following the end of the reporting period. The Company drilled a total of 8 diamond holes at Karri, one diamond hole each at Ironbark North and East, and 37 aircore holes to blade refusal at Ironbark East. In total Falcon drilled 4,264m of diamond and 3,258m of aircore drilling between January and May 2022. From May to October, Falcon does not undertake any drilling at Pyramid Hill as it is cropping season in the region and wet conditions limit access.



Results from the drilling program are highly encouraging, confirming primary gold mineralisation within the diorites at both Ironbark North and East. The aircore results at Ironbark East have helped further define the prospective zone and provide additional encouragement that diorites within the Bendigo Zone are a valid exploration target. The results at Karri have further extended the zone of primary mineralisation intersected by diamond drilling with grades >1 g/t Au now identified over a strike length of 2.5km.

The success of the first Falcon exploration program has provided strong support for a significant step up in operations at Pyramid Hill. Drilling is expected to recommence in October-November 2022 with a large-scale multi-rig exploration program planned.

Ironbark Prospect

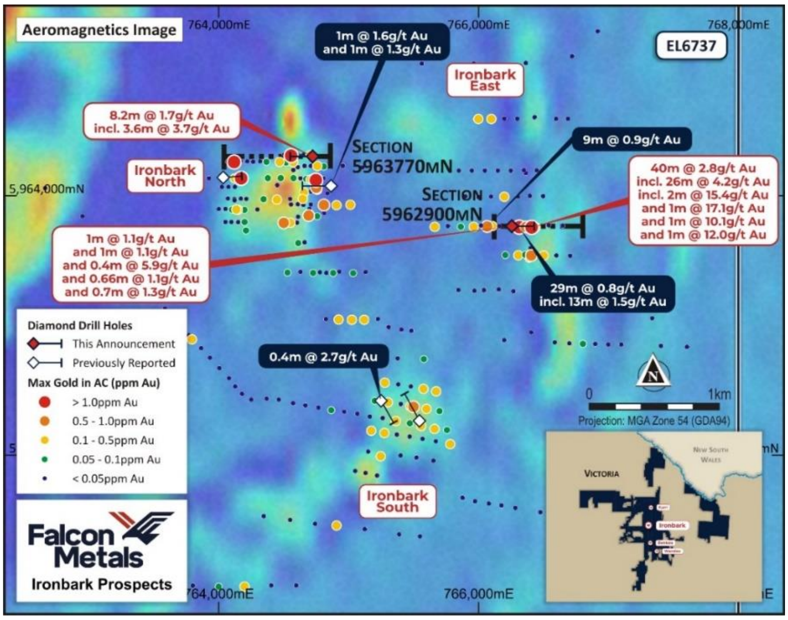
The aircore drilling program at Ironbark East commenced in late March 2022 with the 37 holes completed to blade refusal by May 2022. Several phases of previous work at Ironbark indicated the potential for gold mineralisation associated with the contact between Castlemaine Group Sediments and intrusive diorites, with some mineralisation hosted within the diorites.

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)[1].

Although the focus of drilling by Chalice was initially at Ironbark North and South, drilling at Ironbark East in 2021 was particularly significant with aircore hole PA953 intersecting 13m @ 1.52 g/t from 113m ending in mineralisation, and hole PA918, located 200m to the west, intersecting 9m @ 0.91 g/t from 61m[2]. Drilling in 2022 comprised an extensive infill program at Ironbark East around these holes on a 200m x 50m spacing to test the extent of the anomaly and to provide information to better target diamond drilling. Highlights from the Ironbark drilling included[3]:

- **PHKAC1030:**
  - 40m @ 2.81 g/t Au from 50m
    - Including 26m @ 4.20 g/t Au from 51m, that includes
      - 2m @ 15.42 g/t Au from 51m,
      - 1m @ 17.06 g/t Au from 62m,
      - 1m @ 10.07 g/t from 70m and
      - 1m @ 11.95 g/t from 76m
- **PHIRDD005**:
  - 8m @ 1.70 g/t Au from 301m
    - Including 3.6m @ 3.74 g/t Au
- **PHIRDD006**:
  - 1m @ 1.11 g/t Au from 96m
  - 1m @ 1.07 g/t Au from 143m
  - 0.4m @ 5.91 g/t Au from 162.9m
  - 0.66m @ 1.05 g/t Au from 174.34m
  - 0.7m @ 1.31 g/t Au from 338.5m

The aircore drill program at Ironbark East identified two anomalous zones for further targeting. The central zone is coincident with the diorite, with PHAC1030 returning 40m @ 2.81g/t Au from 50m, including 26m @ 4.2g/t Au, and multiple metre intervals above 10g/t Au. A new zone in the northwest of the grid was also identified where two holes intersected >200ppb Au in Castlemaine Group Sediments.



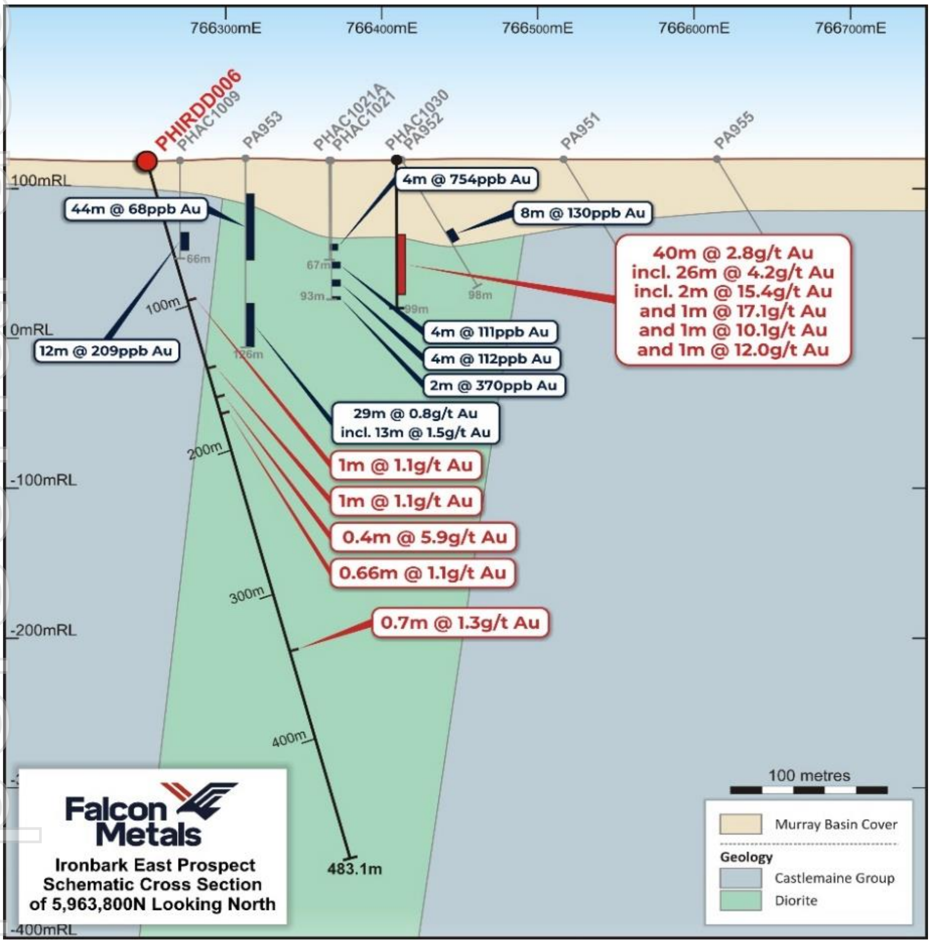
The mineralisation in PHAC1030 commenced at a depth of 50m within a 2m thick zone of transported quartz gravels. Some of the quartz clasts are cemented with marcasite and both this zone and the organic rich layer directly above it were elevated in arsenic. The presence of such a high-grade zone of gold associated with anomalous arsenic suggests a proximal source to the gold in these gravels.

[1] 2006, Vandenberg et al., Walhalla-Woods Point-Tallangallook, Special map area geological report, GeoScience Victoria, Ch 8 - Economic Geology, page 231]
[2] Refer to Falcon Prospectus dated 3 November 2021
[3] Refer to ASX Announcement 15 July 2022 – Falcon Intersects High Grade Gold at Ironbark East (Amended)

This gravel layer overlies weathered diorite, containing gold mineralisation together with elevated arsenic, antimony, tellurium and sulphur, which suggests that this is a primary mineralised zone. Importantly, the antimony, tellurium and sulphur values were higher in the saprolite than in the transported gravel.

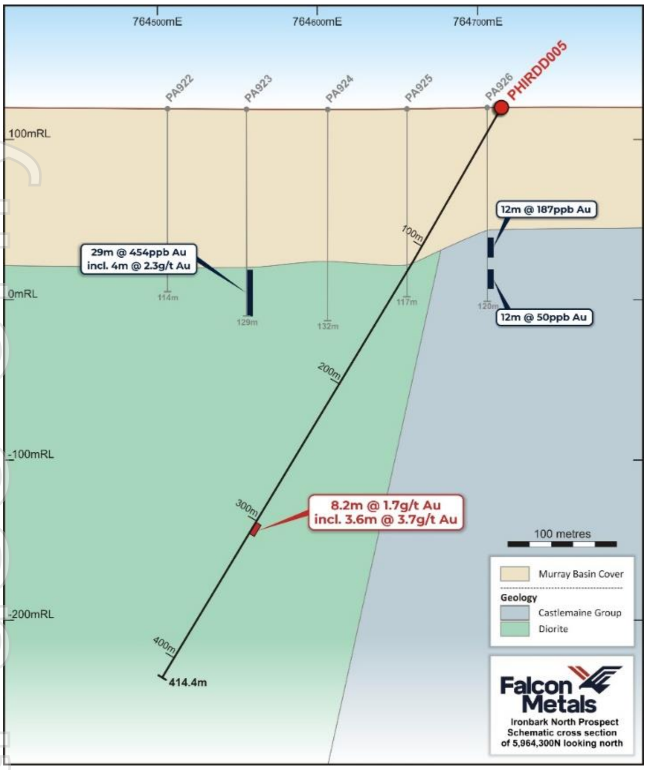
Some potential for downhole contamination was identified during geological logging on the basis of a minor component of transported gravel (presumably from the gravel horizon between 50-52m at the base of the Murray Basin) being logged in the saprolitic diorite within selected intervals (54-55m and 75-76m).

The initial results from PHAC1030, based on the 4m composite samples, were highly variable. Due to the high grade and poor repeatability of initial assays, additional sampling of each 1m interval was undertaken to test for variability. Repeat assaying of this was completed and whilst similar results were obtained over the entirety of the intercept, there was a high degree of variability on a sample-by-sample basis, suggesting the presence of coarse and nuggety gold. Following exhaustive test work, the reported results are considered robust and the most appropriate quantification of the gold present from the available sample.



A diamond drill hole, PHIRDD006, was completed at Ironbark East. This hole targeted the zone under previous aircore hole PA953 with the primary objective of providing stratigraphical and lithological information to aid in planning of future drilling and was drilled before Falcon received the assays for the aircore holes (including PHAC1030). Based on the new results from PHAC1030, the eastern contact of the diorite with the Castlemaine Group Sediments is now considered a higher priority target. Despite this, hole PHIRDD006 intersected narrow zones of mineralisation in both the Castlemaine Group Sediments and within the diorite including 0.4m @ 5.91 g/t[4].

[4] Refer to ASX Announcement 15 July 2022 – Falcon Intersects High Grade Gold at Ironbark East (Amended)



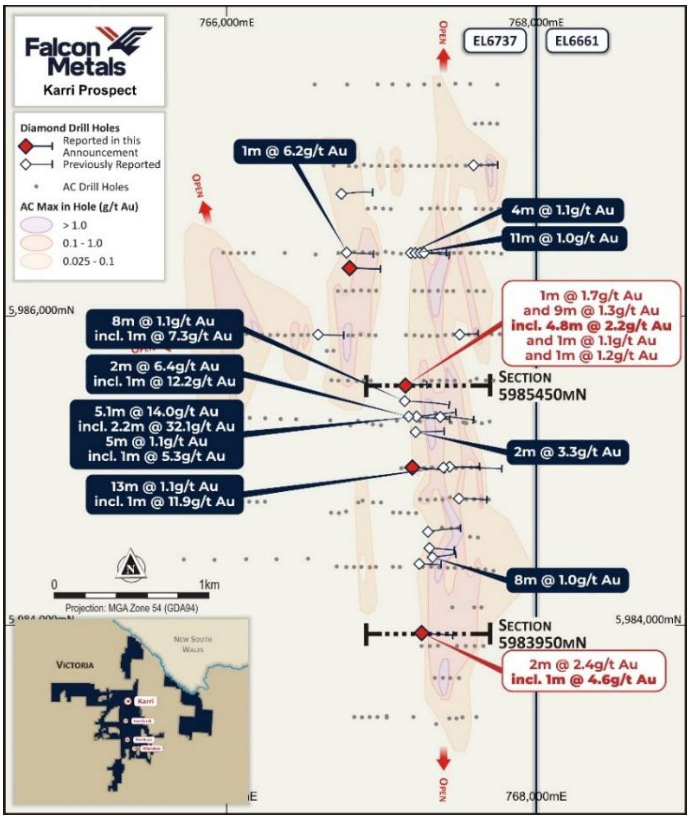
Diamond drillhole PHIRDD005 was also completed at Ironbark North and intersected primary gold mineralisation associated with quartz veining within the diorite with a zone of 3.6m @ 3.74 g/t Au[5], the best intersection from this prospect so far.

Karri Prospect

Karri is one of the advanced prospects at Pyramid Hill and is centred on a 4km-long bedrock gold anomaly under Murray Basin cover that was previously defined by Chalice's aircore drilling. Previous diamond drilling at Karri also intersected several zones of mineralisation.

The mineralisation 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.

Falcon commenced drilling at the Karri prospect in January and the program was completed in May. As outlined, a total of 8 diamond holes[5,6] were drilled at Karri for 3,422m.



[5] Refer to ASX Announcement 15 July 2022 – Falcon Intersects High Grade Gold at Ironbark East (Amended)
[6] Refer to ASX Announcement 13 April 2022 – Diamond drilling continues to refine the Karri gold system

Results from the first 4 holes were reported mid-April[7] and results from the final 4 holes were reported post the reporting period[8]. Highlights from the diamond drilling program included:

- **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
- **PHKADD024** 2m @ 2.37 g/t Au from 282m
  including 1m @ 4.64 g/t Au from 282m
- **PHKADD025** 1m @ 1.72 g/t Au from 119m
  9m @ 1.28 g/t Au from 141m
  including 4.8m @ 2.23 g/t Au from 144.2m
  1m @ 1.12 g/t Au from 157m
  1m @ 1.24 g/t Au from 467m

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 @ 5.40 g/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 and 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.

PHKADD024 was the southernmost diamond drillhole at the Karri prospect and it successfully confirmed primary gold mineralisation in this area. PHKADD025 was a 100m step out along strike to the north from PHKADD021 and the grade of the mineralisation remained consistent between these holes. Karri remains a priority target due to the extent of the aircore anomaly (4km long) and the presence of high-grade mineralisation in intercepts such as PHDH015 (5.1m @ 13.96 g/t Au from 100.9m, including 2.2m @ 32.10 g/t Au).

Following further assessment of the full results, Falcon intends to refine its understanding of the gold system at Karri and will consider infill aircore drilling to better vector in on the high-grade gold zones of interest.

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[7] Refer to ASX Announcement 13 April 2022 – Diamond drilling continues to refine the Karri gold system
[8] Refer to ASX Announcement 15 July 2022 – Falcon Intersects High Grade Gold at Ironbark East (Amended)

Victorian Permits

Falcon expanded its footprint in Victoria with the grant of new exploration licences. The Company was granted exploration licence EL007200, an 872km^2 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 and Daylesford goldfields.

Falcon intends to commence community engagement and planning with the intent of soil sampling programs in 2022. The initial focus will be on areas with outcropping Castlemaine Group sediments. It is expected this will lead to subsequent aircore drilling in 2023.

Exploration licence EL07320 was awarded to Falcon after being assessed against two competing applicants. This highly prospective tenement expands Falcon's footprint to the west of the Campbelltown Fault, which is the second most gold endowed structure in Victoria. The Campbelltown Fault and the important splay structures associated with it have seen limited exploration for primary gold mineralisation because they are mostly undercover.

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

VIKING PROJECT, WESTERN AUSTRALIA

The Viking Project is located approximately 30km east of the regional township of Norseman within the high-grade metamorphic Albany-Fraser Province, host of AngloGold Ashanti's Tropicana Gold Mine which has produced more than 3Moz since 2013.

During the reporting period, Falcon completed a reconnaissance trip at the Viking permit to consider access and clearing requirements for a 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.

Senior Falcon management inspected previously drilled diamond core that is being stored at Kalgoorlie.

A Heritage Protection Agreement was finalised during the June quarter and a Heritage Survey Notice was submitted to the Ngadju Native Title Corporation, and subsequently completed in August 2022.

Falcon commenced a 1,600m reverse circulation (RC) drilling program in late September 2022, targeting the down dip and potential down-plunge extensions to previous high-grade intercepts, including 5m @ 44.5g/t from 50m depth in hole 16VKAC044 and 4m @ 15.4g/t from 40m depth in hole 17VKAC075.[9]

MT JACKSON PROJECT, WESTERN AUSTRALIA

The Mt Jackson Project is located approximately 110km north-northwest of Southern Cross. The Mt Jackson project area is located at the very northern end of the Southern Cross Greenstone 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 Au).

During the reporting period, Falcon commenced an 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.

Application E77/2946 was pegged to the north of the existing E77/2577 tenement. This increases the area covered by 25 graticular blocks to a total project area of 68 blocks. This was to ensure that all available prospective stratigraphy in this area was covered. Senior management visited Mt Jackson Station to meet with the Station Manager for forward planning of upcoming field activities.

[9] Refer to Falcon Prospectus dated 3 November 2021

CORPORATE

Falcon was incorporated as a wholly owned subsidiary of Chalice Mining Ltd (ASX: CHN) for the sole purpose of demerging Chalice's gold assets, including the Pyramid Hill, Viking and Mount Jackson Projects.

Prior to the planned listing of Falcon, Chalice was at the early stages of the exploration and development of the world-class Julimar Project in Western Australia.

In light of this dynamic, the Board and management of Chalice made a strategic decision that the gold assets should be demerged into a separate entity, Falcon, where a stronger focus can fully exploit the potential of these gold assets.

As outlined, Falcon listed on the ASX on 22 December 2021 after completing a $30 million IPO. The Company issued 60 million shares at $0.50 per share in the IPO in addition to the 117 million shares distributed in specie to Chalice shareholders upon demerger, for an indicative market capitalisation of $88.5 million upon listing. Falcon planned to use the $30 million in funding to rapidly advance systematic exploration of its portfolio, with initial focus on following up promising early-stage results at the Pyramid Hill Project.

The Company's board and management includes one of Australia's most decorated explorers Dr Mark Bennett as Chairman, experienced mining and investment executive Tim Markwell as Managing Director and Chief Executive Officer and Chalice's Managing Director and Chief Executive Officer, Alex Dorsch, as Non-Executive Director.

Following its listing, Falcon has continued to build its Victorian based management team, with the appointment of Pradeep Subramaniam as Chief Financial Officer and Company Secretary. Exploration Manager, Doug Winzar joined Falcon ahead of its listing.

The Company also completed an unmarketable parcel share sale facility, whereby 1,721,412 of the Company's shares from 4,936 shareholders were sold. This resulted in the number of shareholders reducing to approximately 5,297.

Since Falcon's $30 million IPO in December 2021, the Company's registered office had been in Perth, Western Australia. In May, Falcon changed its registered office and principal place of business to the below address in Melbourne, Victoria.

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

Postal Address
PO Box 106
Flinders Lane VIC 8009

The move to the Melbourne office provides synergies that support Falcon's exploration at its Victorian projects, particularly the Pyramid Hill Gold Project in the Bendigo region.

Your directors present their report, together with the financial statements, 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 from 12 July 2021 to 30 June 2022.

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 (appointed 9 December 2021)
Timothy Markwell	Managing Director and Chief Executive Officer (appointed 9 December 2021)
Alexander Dorsch	Non-Executive Director
Christopher MacKinnon	Managing Director (resigned 9 December 2021)
Richard Hacker	Non-Executive Director (resigned 9 December 2021)

PRINCIPAL ACTIVITIES

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

DIVIDENDS

No dividends were paid or declared during the financial period.

REVIEW OF OPERATIONS

Operating Result

The loss from continuing operations for the period after providing for tax amounted to $63,098,631.

During the period ended 30 June 2022, the Group initially undertook work toward the Initial Public Offer (IPO) for an ASX listing. A Prospectus was lodged with ASIC on 3 November 2021 to raise a minimum of $15 million and maximum of $30 million in order to list on the ASX. The Prospectus was closed on 3 December successfully raising $30 million before share issue costs. The proceeds from issue of shares were received in full on 15 December 2021.

On 15 December 2021 the Company distributed 116,999,999 shares in specie to shareholders of Chalice Mining Limited (ASX: CHN) upon demerging its gold assets to the Company at a deemed issued price of $0.50. On 15 December 2021, 60,000,000 fully paid ordinary shares at an issue price of $0.50 per share were issued under the Initial Public Offer (IPO) Prospectus (Prospectus) dated 3 November 2021, raising $30,000,000, before costs. The funds raised will primarily be used for funding the exploration of the Company's projects. On 15 December 2021, 11,682,000 options with an exercise price of $0.75, half expiring 15/12/2024 and the other half expiring 15/12/2025, were issued under the Prospectus with 8,850,000 of these options being issued to Directors of the Company.

On 22 December 2021, the Company was admitted to the Official List on the Australian Securities Exchange.

Since listing in December 2021, the Group has actively undertaken exploration activities at its flagship Pyramid Hill Gold Project near Bendigo. The Group spent $2,535,848 on 4,264m of diamond drilling and 3,258m of aircore drilling. In addition, the Group spent $279,125 on its Viking and Mt Jackson Projects on geological assessment, geophysical reviews and tenement management.

The Group incurred $855,449 on employee benefits expense, of which $535,652 was directly related to its exploration activities. In addition, the Group incurred $694,745 on share-based payments from the employee share options issued in December 2021.

The Group incurred $918,203 in administrative expenses, including $399,154 on external consultants and $199,058 on ASX listing fees. General administrative overheads during the period were $38,755.

At 30 June 2022, the Group had net assets of $25,047,956, which primarily consisted of cash and cash equivalents of $25,016,277. Net current assets at 30 June 2022 were $24,857,668. The Group has adopted an accounting policy to expense all exploration and evaluation expenditure.

The Group raised $30,000,000 from the issue of shares during the IPO. Share issue costs incurred were $1,048,159. Since its listing, the Group had net cash outflows from operating activities of $3,668,577, including $2,553,934 on exploration and evaluation activities. The cash at the end of the period was $25,016,277.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company was incorporated on 12 July 2021. On 15 December 2021 the Company distributed 116,999,999 shares in specie to shareholders of Chalice Mining Limited (ASX: CHN) upon demerging its gold assets to the Company at a deemed issued price of $0.50. On 15 December 2021, 60,000,000 fully paid ordinary shares at an issue price of $0.50 per share were issued under the Initial Public Offer (IPO) Prospectus (Prospectus) dated 3 November 2021, raising $30,000,000, before costs.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

On 15 July 2022, the Company announced the results of its Pyramid Hill exploration, where the drilling intersected high-grade gold at the Ironbark East prospect. The results provided the platform for a substantially larger drill program in late 2022.

On 8 August 2022, the Company issued 1,525,000 share options to employees with an exercise price of $0.36 per share. The options issued expire on 31 July 2025 and 31 July 2026. The Company also proposed to issue, subject to shareholder approval, 1,300,000 share options to directors of the Company. The proposed issue of share options to directors of the Company has an exercise price of $0.36 and expire on 31 July 2025 and 31 July 2026.

On 22 August 2022, 885,000 share options lapsed following the resignation of an employee as ongoing employment with the Company was a vesting condition.

On 27 September 2022, the Company announced the commencement of drilling at the Viking Gold Project in Western Australia.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group intends to continue its exploration activities on its existing projects and to assess other exploration opportunities as they arise.

ENVIRONMENTAL REGULATION

The Group is subject to environmental regulations in Victoria and Western Australia, where its projects are located and ensures that it complies with all applicable regulations when carrying out exploration works.

INFORMATION ON DIRECTORS

Dr Mark Anthony Bennett *(Appointed 9 December 2021)*
Non-executive Chairman (Independent)

Qualifications	BSc (Mining Geology), PhD MAIG AusIMM GSL
Experience	Dr Mark Bennett is a highly experienced geologist and mining executive with over 30 years' experience in gold and base metal exploration. He was the founding Managing Director and CEO of Sirius Resources Ltd, where he was awarded the Association of Mining and Exploration Companies (AMEC) "Prospector of the Year Award" for the world-class Nova-Bollinger nickel-copper discovery in 2013. He went on to lead the company until its ~$1.8 billion merger with IGO Ltd (ASX: IGO). Mark is a two-times winner of the AMEC award, having previously been recognised for the Thunderbox gold and Waterloo nickel discoveries in 2002 during his time as a key member of the senior leadership team of LionOre Mining International. In addition to his technical exploration expertise, Mark is experienced in corporate affairs, equity capital markets, investor relations and community engagement and led Sirius from pre-discovery to the construction stage, until the completion of its merger with IGO.
Other Directorships	S2 Resources Ltd Todd River Resources Ltd
Former Directorships (last 3 years)	Nil
Interest in Shares	449,439
Interest in Options	3,540,000

Timothy Shaun Markwell *(Appointed 9 December 2021)*
Managing Director and Chief Executive Officer (Non-independent)

Qualifications	BSc Geology (Honours), GradDipAppFin
Experience	Tim Markwell is a geologist, fund manager and mining executive with over 25 years' experience in gold and base metal exploration. Tim has been the Investment Manager of the African Lion funds at Lion Selection Group for over 14 years. Lion Selection is a highly regarded and successful ASX-listed investment company focused on junior mining companies. During his time at Lion Selection, Tim also had various board roles including as Non-executive Director and acting CEO of Celamin Holdings Ltd (ASX: CNL), and Non-executive Director of both Predictive Discovery Ltd (ASX: PDI) and Anax Metals Ltd (ASX: ANX). Prior to Lion Selection, Tim worked in senior technical roles at BHP Ltd (ASX: BHP) and Golder Associates, as well a resource analyst role at broker DJ Carmichael.
Other Directorships	Nil
Former Directorships (last 3 years)	Celamin Holdings Ltd (resigned 31 October 2021) Aurora Minerals Ltd (resigned 9 December 2019)
Interest in Shares	132,272
Interest in Options	3,540,000

Alexander Dorsch
Non-executive Director (Independent)

Qualifications	BEng (Mechanical) (Honours First Class) and BFin
Experience	Alex Dorsch was appointed Managing Director of Chalice in November 2018, having joined the company in late 2017. Alex has lead Chalice through an exceptional recent growth period and was recognised as New/Emerging Leader of the Year in 2020 in the MiningNews awards. Alex has diverse experience in a variety of leadership roles across the resources sector, as a management consultant, engineer, project manager, and corporate adviser. Prior to joining Chalice, he was working as a specialist consultant with the global management consultancy McKinsey & Company. He commenced his engineering career with resources giant BHP in Adelaide, and then spent over six years as an engineer in oil and gas exploration.
Other Directorships	Chalice Mining Limited
Former Directorships (last 3 years)	Nil
Interest in Shares	2,940,595
Interest in Options	1,770,000

COMPANY SECRETARIES

Andrea Betti
Joint Company Secretary

Qualifications	BCom, GradDip (Corporate Governance), GradDip (Applied Finance and Investment), MBA
Experience	Andrea Betti is an accounting and corporate governance professional with over 20 years' experience in accounting, corporate governance, finance and corporate banking. She has acted as Chief Financial Officer and Company Secretary for companies in the private and public listed sectors, as well as senior executive roles in the banking and finance industry. Andrea is a member of Chartered Accountants Australia and New Zealand and an associate member of the Governance Institute of Australia. She is currently a director of a corporate advisory company based in Perth that provides corporate and other advisory services to public listed companies.

Pradeep Subramaniam
Joint Company Secretary

Qualifications	BCom, CA ANZ
Experience	Pradeep Subramaniam is an experienced Chartered Accountant with broad financial and commercial experience in energy and resources. He commenced his career in the Assurance practice of PricewaterhouseCoopers (PwC) where he worked with a wide range of Australian and international companies in the energy and resources sector, with a special focus on junior resources.

MEETINGS OF DIRECTORS

Given the size of the Company and the composition of the Board, in the first year, the Board collectively took on the responsibilities of the Audit and Risk Committee and Remuneration and Nomination Committee. Subsequent to the end of the period, the Company established these board committees.

The number of meetings of the company's Board and committees held during the period ended 30 June 2022, and the number of meetings attended by each director were:

	Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Attended	**Held**	**Attended**	**Held**	**Attended**	**Held**
Mark Bennett	5	5	-	-	-	-
Timothy Markwell	5	5	-	-	-	-
Alexander Dorsch	5	5	-	-	-	-

REMUNERATION REPORT (Audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Remuneration and Nomination Committee and Board Charter
- Details of remuneration

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation with shareholder value creation
- transparency

Fees and payments to Directors reflect the demands which are made on, and the responsibilities of, the directors. Directors' fees and payments are reviewed annually by the Board. The Board also ensures that directors fees and payments are appropriate and in line with the market.

There are no retirement allowances or other benefits paid to the non-executive directors.

Remuneration and Nomination Committee and Board Charter

The Board considers that given the Company's current position in respect of the composition of the Board and size of the Company, the Company is not in a position to justify the establishment of a Remuneration and Nomination Committee and the full Board performs the duties of this committee, with members abstaining from discussions and decisions as appropriate.

The Board is therefore responsible for the remuneration policies and packages applicable to Board members and for the approval of remuneration of executive officers of the Company taking into account the financial position of the Company. The broad remuneration policy per the formal Charter is to ensure the remuneration package properly reflects the persons duties and responsibilities and, that the remuneration is competitive in attracting, retaining and motivating people of the highest quality.

It is the Board's policy to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities through taking into account the financial position of the Company and the Company's shareholder – approved limits. The Constitution of the Company specifies the aggregate remuneration for directors, other than salaries paid to executive directors shall be determined from time to time by a general meeting. The total aggregate remuneration currently stated in the Constitution is $500,000 per year. An amount not exceeding the amount determined is divided between those directors in the proportion and manner they agree or, in default of agreement, among them equally.

The Board as a whole determined the amount of the fees paid to each non-executive director. All Directors may be allocated options to acquire shares in the Company under the Employee Share Option Plan approved by shareholders from time to time.

The Board approves remuneration packages for executive officers based on performance criteria and the Group's financial performance. Other employee remuneration packages are determined and approved by the Board based on salary market rate indicators, employee experiences and expertise, performance criteria and against the Groups financial state of affairs. No remuneration consultants were used during the period.

Details of Remuneration

Service Agreements

KMP	Position held - 30 June 2022	Contract details (duration & termination)
M Bennett	Non-executive Chairman	Letter of appointment Commencement date: 9 December 2021 Fixed remuneration: $90,000 pa incl statutory superannuation No termination benefits payable
T Markwell	Managing Director and Chief Executive Officer	Executive Services Agreement Commencement date: 9 December 2021 Term: No fixed term Fixed remuneration: $270,000 pa excl statutory superannuation
A Dorsch	Non-executive Director	Letter of appointment Commencement date: 17 July 2021 Fixed remuneration: $55,000 pa incl statutory superannuation No termination benefits payable

Details of Remuneration

Details of the remuneration of KMP of the Group are set out in the following table:

		Short Term	Post-employment benefits	Long term benefits	Share based payments			
Name	Year	Cash salary and fees $	Superannuation $	Long service leave $	Options $	Total $	Fixed %	At Risk %
M Bennett	2022	45,968	4,597	-	214,257	264,822	19%	81%
T Markwell	2022	151,694	15,169	-	214,257	381,120	44%	56%
A Dorsch	2022	28,091	2,809	-	107,129	138,029	22%	78%
Total	**2022**	**225,753**	**22,575**	**-**	**535,643**	**783,971**		

KMP Shareholdings

The numbers of ordinary shares in the Company held during the period ended by each KMP are set out below:

30 June 2022	Balance at beginning of period or appointment	In specie distribution from Chalice demerger	Acquired during the period	Disposed during the period	Balance at the end of the period
M Bennett	-	49,439	200,000	-	249,439
T Markwell	-	1,022	131,250	-	132,272
A Dorsch	-	1,940,595	1,000,000	-	2,940,595

There were no cash bonuses, or other short term performance related bonuses, made to any KMP in the financial period ended 30 June 2022.

KMP Options

The numbers of options in the Company held during the period ended by each KMP are set out below:

30 June 2022	Balance at beginning of period or appointment	Granted as remuneration during the period	Exercised during the period	Lapsed/Forfeited during the period	Balance at the end of the period	Vested and exercisable
M Bennett	-	3,540,000	-	-	3,540,000	-
T Markwell	-	3,540,000	-	-	3,540,000	-
A Dorsch	-	1,770,000	-	-	1,770,000	-

The option terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors in the period ended or future reporting years are as follows:

Series	Grant date	Expiry date	Exercise price	Fair value per option	Vested %
A	15/12/2021	15/12/2024	$0.75	$0.21	-
B	15/12/2021	15/12/2024	$0.75	$0.21	-
C	15/12/2021	15/12/2025	$0.75	$0.25	-
D	15/12/2021	15/12/2025	$0.75	$0.25	-

Other Transactions with KMP and their Related Entities

Mark Bennett, a Director of the Company, is also an officer of Novatrove Pty Ltd, a company who provided consultancy services to the Company prior to being appointed Director. During the period since Mr Bennett's director appointment, Novatrove Pty Ltd invoiced the Company $28,263 for consultancy services. As at 30 June 2022, the amount owing to Novatrove was $nil.

Share Trading Policy

The trading of shares issued to participants under any of the Group's employee equity plans is subject to, and conditional upon, compliance with the Group's employee share trading policy as per the Group's Corporate Governance Policy. Directors and executives are prohibited from entering into any hedging arrangements over unvested options under the Group's employee option plan. The Group would consider a breach of this policy as gross misconduct which may lead to disciplinary action and potentially dismissal.

This concludes the remuneration report, which has been audited.

SHARES UNDER OPTION

Unissued ordinary shares of Falcon Metals Limited under option at the date of this report are as follows:

Grant Date	Expiry Date	Exercise Price	Number of Options
15 December 2021	15 December 2024	$0.75	5,398,500
15 December 2021	15 December 2025	$0.75	5,398,500
8 August 2022	31 July 2025	$0.36	762,500
8 August 2022	31 July 2026	$0.36	762,500

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

The Group also proposes to issue 1,300,000 share options to directors of the Company, subject to shareholder approval.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no shares issued on the exercise of options during the period ended 30 June 2022 and up to the date of this report.

INDEMNITY AND INSURANCE OF OFFICERS

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial period, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The company has not, during or since the end of the financial period, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

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

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial period by the auditor are outlined in note 19 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial period, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 19 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

ROUNDING OF AMOUNTS

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included immediately after this director's report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

Timothy Markwell
Managing Director
28 September 2022
Melbourne

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Falcon Metals Limited for the period ended 30 June 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 audit, and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia	**M R Ohm**
28 September 2022	**Partner**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE PERIOD 12 JULY 2021 TO 30 JUNE 2022

	Notes	For the period 12 July 2021 to 30 June 2022
		$
Other income		57,504
Exploration expenditure	4	(61,196,455)
Employee benefits expense		(319,797)
Share-based payments	13	(694,745)
Administration expenses		(918,203)
Depreciation expense		(20,896)
Finance costs		(6,039)
Loss before income tax	3	**(63,098,631)**
Income tax expense	5	-
Loss for the period		**(63,098,631)**
Other comprehensive income		-
Total comprehensive loss for the period		**(63,098,631)**
Loss per share		
Basic and diluted loss per share (cents)	15	(64.1)

The accompanying notes form part of this financial report.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2022

	Notes	30 June 2022
		$
ASSETS		
Current assets		
Cash and cash equivalents	6	25,016,277
Trade and other receivables	7	215,286
Total current assets		25,231,563
Non-current assets		
Other receivables	7	28,240
Plant and equipment	8	141,428
Right-of-use asset	9	182,315
Total non-current assets		351,983
Total assets		**25,583,546**
LIABILITIES		
Current liabilities		
Trade and other payables	10	290,067
Lease liabilities	11	27,570
Provisions		56,258
Total current liabilities		373,895
Non-current liabilities		
Lease liabilities	11	159,512
Provisions		2,183
Total non-liabilities		161,695
Total liabilities		**535,590**
Net assets		**25,047,956**
EQUITY		
Issued capital	12	87,451,842
Reserves	14	694,745
Accumulated losses		(63,098,631)
Total equity		**25,047,956**

The accompanying notes form part of this financial report.

Consolidated Statement of Changes in Equity

FOR THE PERIOD 12 JULY 2021 TO 30 JUNE 2022

	Issued Capital	Share based payment reserve	Accumulated Losses	Total
	$	$	$	$
Balance at 12 July 2021	1	-	-	**1**
Loss for the period	-	-	(63,098,631)	**(63,098,631)**
Other comprehensive income	-	-	-	**-**
Total comprehensive loss for the period	**-**	**-**	**(63,098,631)**	**(63,098,631)**
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	-	694,745	-	**694,745**
Balance at 30 June 2022	**87,451,842**	**694,745**	**(63,098,631)**	**25,047,956**

The accompanying notes form part of this financial report.

Consolidated Statement of Cash Flows

FOR THE PERIOD 12 JULY 2021 TO 30 JUNE 2022

		For the period 12 July 2021 to 30 June 2022
		$
Cash flows from operating activities		
Interest received		24,429
Payments to suppliers and employees		(1,150,224)
Payments for exploration and evaluation		(2,553,934)
Net cash outflow from operating activities	6	**(3,679,729)**
Cash flows from investing activities		
Payments of property, plant and equipment		(149,371)
Payments for security deposits		(92,240)
Net cash outflow from financing activities		**(241,611)**
Cash flows from financing activities		
Proceeds from issue of shares	12	30,000,000
Share issue costs paid	12	(1,048,159)
Repayment of lease liabilities	11	(14,224)
Net cash inflow from financing activities		**28,937,617**
Net increase in cash held		25,016,277
Cash at the beginning of the financial period		-
Cash at the end of the financial period	6	**25,016,277**

The accompanying notes form part of this financial report.

1. Summary of significant accounting policies

The financial statements cover Falcon Metals Limited as a consolidated entity consisting of Falcon Metals Limited and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is Falcon Metal Limited's functional and presentation currency.

Falcon Metal Limited is a listed public company limited by shares, incorporated and domiciled in Australia. The Company was registered on 12 July 2021 and is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 September 2022. The directors have the power to amend and reissue the financial statements.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 22.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2022 and the results of all subsidiaries for the period then ended. Falcon Metals Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Comparative figures

There were no comparatives as the Company was incorporated on 12 July 2021.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

Interest revenue is recognised as interest accrues using the effective interest method.

Exploration and evaluation

Exploration and evaluation expenditure and acquisition costs are expensed to the consolidated statement of comprehensive income as and when it is incurred and included as part of cash flows from operating activities.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Falcon Metals Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Motor vehicles	5-10 years
Plant and equipment	5-14 years
Computer equipment	2-3 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.)

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liabilities for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

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

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using an appropriate valuation model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next reporting period but may impact profit or loss and equity.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is the date that the Group commits itself to either purchase or sale of assets.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit and loss, loans and borrowings at amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

An instrument is a financial liability when an issuer is, or can be required, to deliver either cash or another financial asset (e.g. ordinary shares in the Company) to the holder.

Where the Group has the choice of settling a financial instrument in cash or otherwise is contingent on the outcome of circumstances beyond the control of both the Group and the holder, the Group accounts for the instrument as a financial liability.

All financial liabilities are initially recognised at fair value. The Group's financial liabilities include trade payables and accruals.

Financial assets

Financial assets are initially recognised at fair value. The Group's financial assets include trade and other receivables.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to the owners of Falcon Metals Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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 $63,098,631 and had cash outflows from operating activities of $3,668,577 for the period ended 30 June 2022. As at that date, the Company had net current assets of $24,857,668. A total of $58,500,000 was a non-cash transaction in relation to the Chalice demerger and the Group's acquisition pf the related exploration projects (refer to note 4).

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.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

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.

2. Critical accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Refer to notes 13 and 14 for further information.

In the opinion of the Directors, there have been no other significant estimates or judgements used in the preparation of this financial report.

3. Expenses

	For the period 12 July 2021 to 30 June 2022 $
Depreciation	7,943
Depreciation – Right-of-Use Assets	12,952
Interest and finance charges on lease liabilities	6,039
Superannuation expense	72,318
Share based payment expense	694,745

4. Exploration and evaluation

	For the period 12 July 2021 to 30 June 2022 $
Acquisitions during the period	58,500,000
Expenditure incurred during the period	2,696,455
	61,196,455

The Company currently holds three projects. Pyramid Hill Project located in Victoria and the Viking and Mount Jackson Projects located in Western Australia. During the 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.

5. Income tax expense

	For the period 12 July 2021 to 30 June 2022 $
Income tax expense	
Current tax (expense)/benefit	-
Deferred tax (expense)/benefit	-
Total income tax (expense)/benefit	-
Deferred tax balances not recognised	
Deferred tax assets	1,718,979
Deferred tax liabilities	(127,971)
Net deferred tax assets/(liabilities) not recognised	1,591,008

	For the period 12 July 2021 to 30 June 2022 $
Numerical reconciliation of income tax expense and tax at the statutory rate	
Loss before income tax	(63,098,631)
Tax at the statutory tax rate of 30%	(18,929,589)
Tax effect amounts which are not deducible/(taxable) in calculating taxable income	
Fair value loss on acquisition	14,427,271
Acquisition costs – fair value adjustment	3,122,729
Share-based payments	208,424
Others	351
Deferred tax assets not recognised	1,170,814
Income tax expense	-

The benefit from tax losses totalling $1,226,243 will only be obtained if the specific entity carrying forward the tax losses derives future assessable income of a nature and of an amount sufficient to enable the benefit from deductions for the losses to be realised, and the Company complies with the conditions for deductibility imposed by tax legislation.

6. Cash and cash equivalents

	30 June 2022 $
Cash at bank and on hand	25,016,277

Reconciliation of loss after income tax to net cash used in operating activities

	For the period 12 July 2021 to 30 June 2022 $
Loss after income tax expense for the period	(63,098,631)
Adjustments for:	
Acquisition of exploration assets	58,500,000
Share based payment	694,745
Depreciation	20,896
Finance costs	6,039
Changes in operating assets and liabilities	
(Increase) in trade and other receivables	(48,457)
(Increase) in prepayments	(102,829)
Increase in trade and other payables	290,067
Increase in employee benefits	58,441
Net cash used in operating activities	**(3,679,729)**

7. Trade and other receivables

	30 June 2022 $
Current	
Interest receivable	33,074
GST receivable	15,382
Prepayments (a)	102,829
Security deposits	64,000
Other debtors	1
	215,286
Non-current	
Security deposits	28,240
	28,240

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

8. Property, plant and equipment

	30 June 2022 $
Plant & equipment – at cost	115,523
Less: Accumulated depreciation	(5,523)
	110,000
Computer equipment – at cost	23,632
Less: Accumulated depreciation	(2,000)
	21,632
Office equipment – at cost	5,684
Less: Accumulated depreciation	(152)
	5,532
Motor vehicles – at cost	4,532
Less: Accumulated depreciation	(268)
	4,264
Property, plant and equipment – at cost	**149,371**
Less: Accumulated depreciation	**(7,943)**
	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**

9. Right of use assets

	30 June 2022 $
Office lease – Right of use	189,366
Less: Accumulated depreciation	(12,624)
	176,742
Plant and equipment – Right of use	5,901
Less: Accumulated depreciation	(328)
	5,573
Right of use assets	**195,267**
Less: Accumulated depreciation	**(12,952)**
	182,315

Additions to the right-of-use assets during the period were $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.

10. Trade and other payables

	30 June 2022 $
Trade creditors	139,096
Accrued expenses	19,000
Other creditors	131,971
	290,067

11. Lease liabilities

	30 June 2022
	$
Current	27,570
Non-current	159,512
	187,082

Changes in liabilities arising from financing activities

	Lease liabilities
	$
Balance at the start of the period	-
Net cash used in financing activities	(14,224)
Non-cash interest expense	6,039
Acquisition of leases	195,267
Balance at 30 June 2022	**187,082**

12. Issued capital

Movement in ordinary shares on issue:	Period ended 30 June 2022		
Date	**No. of shares**	**Issue Price**	**$**
Share issued on incorporation of the Company - 12 July 2021	1	1.00	1
Shares issued for the acquisition of three exploration projects (a)	116,999,999	0.50	58,500,000
Shares issued under the Initial Public Offer Prospectus - 15 December 2021 (a)	60,000,000	0.50	30,000,000
Transaction costs	-	-	(1,048,159)
At the end of the reporting period	**177,000,000**		**87,451,842**

(a) Refer to Falcon Metals Limited Prospectus dated 3 November 2021

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital management requires the maintenance of a strong cash balance to support ongoing exploration.

13. Share-based payment transactions

	30 June 2022 $
Options – recognised as a Share-based Payment Expense	694,745

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ Forfeited	Balance at the end of the period	Exercisable at the end of the period
15/12/2021	15/12/2024	$0.75	-	5,841,000	-	-	5,841,000	-
15/12/2021	15/12/2025	$0.75	-	5,841,000	-	-	5,841,000	-
Weighted average exercise price			-	$0.75	-	-	$0.75	

Weighted average contractual life of the options was 3 years.

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	Vesting 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	15/06/2023	15/12/2024	0.50	0.75	80	-	5,841,000	0.2085	1,217,848
15/12/2021	15/06/2023	15/12/2025	0.50	0.75	80	-	5,841,000	0.2472	1,443,896

14. Reserves

	30 June 2022 $
Reserves	
Share-based Payments Reserve	694,745
Movements	
Balance at beginning of period	-
Share-based payments expense for the period	694,745
Balance at end of period	**694,745**

The Share-based Payments Reserve is used to record the value of equity-settled share-based payment transactions to employees, key management personnel and external parties where relevant.

15. Loss per share

	For the period 12 July 2021 to 30 June 2022 $
Loss after income tax	(63,098,631)
	Number
Weighted average number of ordinary shares used in calculating basic loss per share	98,500,000
Basic and diluted earnings/(loss) per share (cents)	(64.1)

16. Financial instruments

Financial Risk Management Objectives

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of those risks is presented throughout these financial statements.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the Group where such impacts may be material. The Board receives monthly financial reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

Market Risk

Market risk for the Group arises from the use of interest-bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

Foreign currency risk

The Group is not materially exposed to foreign currency risk.

Price risk

The Group is not exposed to commodity price risk as it is an exploration company.

Interest rate risk

Interest rate risk arises on cash and cash equivalents. The Group does not enter into any derivative instruments to mitigate this risk. As this is not considered a significant risk for the Group, no policies are in place to formally mitigate this risk.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end on the reporting period.

If interest rates had changed by 10% during the entire year with all other variables held constant, the Group's loss for the period ended 30 June 2022 would decrease/increase by approximately $11,500.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity by maintaining adequate banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The table below details the Group's remaining contractual maturity for its financial instrument liabilities, drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The table includes both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Interest rate	Carrying Amount $	Less than 1 month $	1-3 months $	3-12 months $	1 year to 5 years $	Total contractual cash flows $
30 June 2022							
Trade and other payables		290,067	290,067	-	-	-	290,067
Lease liabilities	10%	187,082	3,648	7,480	33,696	193,240	238,064

17. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

18. Key management personnel disclosures

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	For the period 12 July 2021 to 30 June 2022 $
Short term employee benefits	225,752
Post-employment benefits	25,575
Long term benefits	-
Share based payments	535,643
	783,971

19. Remuneration of auditors

During the financial period the following fees were paid or payable for services provided by HLB Mann Judd, the auditor of the company:

	For the period 12 July 2021 to 30 June 2022 $
Audit Services – HLB Mann Judd	
Audit or review of the financial statements	29,325
Other Services	
Preparation of independent limited assurance report	10,000

20. Related party transactions

Mark Bennett, a Director of the Company, is also an officer of Novatrove Pty Ltd, a company who provided consultancy services to the Company prior to being appointed Director. During the period since Mr Bennett's director appointment, Novatrove Pty Ltd invoiced the Company $28,263 for consultancy services. As at 30 June 2022, the amount owing to Novatrove was $nil.

8,850,000 options were issued to key management personnel during the period on 15 December 2021 (note 13).

21. 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	1,328,500
- Between 12 months and 5 years	4,098,500
	5,427,000

22. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	For the period 12 July 2021 to 30 June 2022 $
Loss after tax	(49,988,790)
Total comprehensive loss	(49,988,790)

Statement of financial position

	30 June 2022
	$
Total current assets	25,171,562
Total assets	25,583,546
Total current liabilities	373,895
Total liabilities	535,590
Equity	
Issued capital	87,451,842
Share based payment reserve	694,745
Accumulated losses	(63,098,632)
Total equity	**25,047,956**

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022.

Capital commitments

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group.

23. Non-cash investing and financing activities

	30 June 2022
	$
Acquisition of exploration assets	58,500,000
Additions to right of use assets	195,267
	58,695,267

24. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business/ Country of incorporation	Ownership interest 30 June 2022
Falcon Gold Resources Pty Ltd	Australia	100%
Falcon Metals (WA) Pty Ltd	Australia	100%

On 15 December 2021 the Company distributed 116,999,999 shares in specie to shareholders of Chalice Mining Limited (ASX: CHN) upon demerging its gold assets to the Company at a deemed issued price of $0.50. The Company acquired 10,290,578 shares of Falcon Gold Resources Pty Ltd for $10,290,578 and 118,517 shares of Falcon Metals (WA) Pty Ltd for $118,517. No material assets or liabilities were acquired through the demerger.

25. Events after the reporting date

On 15 July 2022, the Company announced the results of its Pyramid Hill exploration, where the drilling intersected high-grade gold at the Ironbark East prospect. The results provided the platform for a substantially larger drill program in late 2022.

On 8 August 2022, the Company issued 1,525,000 share options to employees with an exercise price of $0.36 per share. The share options issued expire on 31 July 2025 and 31 July 2026. The Company also proposed to issue, subject to shareholder approval, 1,300,000 share options to directors of the Company. The proposed issue of share options to directors of the Company has an exercise price of $0.36 and expire on 31 July 2025 and 31 July 2026.

On 22 August 2022, 885,000 share options lapsed following the resignation of an employee as ongoing employment with the Company was a vesting condition.

On 27 September 2022, the Company announced the commencement of drilling at the Viking Gold Project in Western Australia.

26. Contingent liabilities

The Company had no contingent liabilities as at 30 June 2022.

27. Operating segments

The Company is organised into one operating and geographic segment, being mining exploration operations in Australia. These segments are 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.

Directors’ Declaration

In the directors' opinion:

- the financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group’s financial position as at 30 June 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Timothy Markwell
Managing Director
28 September 2022
Melbourne

INDEPENDENT AUDITOR'S REPORT
To the members of Falcon Metals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Falcon Metals Limited (the "Company") and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the period ended on that date; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia.

We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
Accounting for Asset Acquisition Refer to Note 4	
During the period ended 30 June 2022, the Group acquired the Pyramid Hill, Viking and Mt Jackson projects through a demerger process of a listed entity. The transaction was accounted for as an asset acquisition and an expense of $58.5 million was recorded in profit or loss under the relevant accounting policies of the Group. The acquisition was considered to be a key audit matter as it is important to the users' understanding of the financial statements as a whole and was an area which involved the most audit effort and communication with those charged with governance.	Our procedures included but were not limited to: - Reviewing the relevant sale agreements and the demerger implementation deed to understand the key terms and conditions applicable to the transaction; - Ensuring the transaction was appropriately characterised as an asset acquisition as opposed to a business combination; - Ensuring the consideration and net assets acquired had been correctly determined; - Ensuring the transaction had been correctly accounted for in accordance with relevant accounting standards and the Group's accounting policies; and - Ensuring the disclosure within the financial statements was appropriate.

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the period ended 30 June 2022 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
– Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

HLB MANN JUDD
ADVISORY AND ACCOUNTING

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the Directors' Report for the period ended 30 June 2022.

In our opinion, the Remuneration Report of Falcon Metals Limited, for the period ended 30 June 2022, complies with Section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

M R Ohm
Partner

Perth, Western Australia
28 September 2022

The shareholder information set out below was applicable as at 26 September 2022.

Distribution of equitable securities

Analysis of the number of equitable security holders by size of holding:

	Ordinary Shares	
	Number of Holders	% of Total Shares Issued
1 to 1,000	501	0.10%
1,001 to 5,000	2,074	3.33%
5,001 to 10,000	922	3.93%
10,001 to 100,000	1,412	23.53%
100,001 and over	200	69.11%
	5,109	100.00%
Holding less than a marketable parcel	1,506	1.16%

Equity security holders

Twenty largest quoted equity security holders

	Ordinary Shares	
	Number Held	% of Total Shares Issued
CITICORP NOMINEES PTY LIMITED	17,285,541	9.77%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,804,782	8.36%
MR TIMOTHY RUPERT BARR GOYDER	8,741,530	4.94%
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	5,447,463	3.08%
BNP PARIBAS NOMS PTY LTD	4,829,702	2.73%
CS FOURTH NOMINEES PTY LIMITED	4,783,745	2.70%
UBS NOMINEES PTY LTD	3,394,261	1.92%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,325,191	1.88%
BNP PARIBAS NOMINEES PTY LTD	2,828,214	1.60%
MR TIMOTHY RUPERT BARR GOYDER	2,252,817	1.27%
BREMERTON PTY LTD	1,759,067	0.99%
MRS MARISA MACKOW	1,647,028	0.93%
LUNAR CO PTY LTD	1,509,535	0.85%
LUNAR CO PTY LTD	1,431,060	0.81%
MR TIMOTHY RUPERT BARR GOYDER	1,334,052	0.75%
EST MR PETER PIOTR MACKOW	1,318,972	0.75%
KSLCORP PTY LTD	1,000,000	0.56%
QUEBEC NOMINEES PTY LTD	1,000,000	0.56%
MR MATHEW DAVID WILSON	1,000,000	0.56%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	884,409	0.50%
TOTAL	**80,577,369**	**45.51%**

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	12,322,000	7

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
TIMOTHY R B GOYDER	14,052,233	7.94%
FRANKLIN RESOURCS INC AND ITS AFFILIATES	12,645,491	7.14%
THE GOLDMAN SACHS GROUP	12,593,441	7.11%

Restricted securities

The Company has the following restricted securities on issue:

Class	Number	Restriction period
Options	8,850,000	24 months from date of official quotation of the Company's securities (ending 22 December 2023)

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

First annual report after admission

Pursuant to the requirements of ASX Listing Rule 4.10.19 the Company has used the funds raised from its Initial Public Offer (IPO) in a way consistent with the business objectives outlined in the IPO document.

Tenements

Project	Tenement Reference	Location	Interest at 30/06/2022	Registered Holder / Applicant[^]
Pyramid Hill	EL006738	Victoria	100%	Falcon Gold Resources Pty Ltd
	EL006943	Victoria	-[*]	CGM (WA)
	EL006661	Victoria	100%	Falcon Gold Resources Pty Ltd
	EL006669	Victoria	100%	Falcon Gold Resources Pty Ltd
	EL006737	Victoria	100%	Falcon Gold Resources Pty Ltd
	EL006864	Victoria	100%	Falcon Gold Resources Pty Ltd
	EL006898	Victoria	100%	Falcon Gold Resources Pty Ltd
	EL006901	Victoria	100%	Falcon Gold Resources Pty Ltd
	EL006960	Victoria	100%	Falcon Gold Resources Pty Ltd
	EL007121	Victoria	100%	Falcon Gold Resources Pty Ltd
	EL007120	Victoria	100%	Falcon Gold Resources Pty Ltd
	EL007040	Victoria	100%	CGM (WA)
	EL007200	Victoria	100%	CGM (WA)
	EL007320	Victoria	100%	CGM (WA)
	EL007322	Victoria	100%	CGM (WA)
	EL007656	Victoria	-[*]	CGM (WA)
	EL007838	Victoria	-[*]	Falcon Gold Resources Pty Ltd
	EL007839	Victoria	-[*]	Falcon Gold Resources Pty Ltd
	EL007840	Victoria	-[*]	Falcon Gold Resources Pty Ltd
	EL007844	Victoria	-[*]	Falcon Gold Resources Pty Ltd
	EL007845	Victoria	-[*]	Falcon Gold Resources Pty Ltd
Brimpean	EL007971	Victoria	-[*]	Falcon Gold Resources Pty Ltd
Viking	E63/1963	WA	-[#]	Metal Hawk
	ELA63/1994	WA	-[*]	CGM (WA)
Mt Jackson	E77/2577	WA	100%	Falcon Metals (WA) Pty LTD
	ELA77/2946	WA	-[*]	Falcon Metals (WA) Pty LTD

[*] *Applications*

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

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

COMPETENT PERSON STATEMENT:

The information contained within this report 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.