Falcon Metals

Interim Financial Report

31 December 2021

FALCON METALS LTD ACN 651 893 097

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Corporate directory

Directors

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

Company Secretary

Andrea Betti

Registered and Principal Office

Level 2, 22 Mount Street
Perth WA 6000

Phone: +61 8 6188 8181
Email: **info@falconmetals.com.au**
Website: **www.falconmetals.com.au**

Share Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

Securities Exchange Listing

Australian Securities Exchange (**ASX**)
Code: FAL

Auditor

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

Bankers

National Australia Bank
100 St Georges Terrace
Perth WA 6000

ABN: 87 651 893 097

Your directors present their report, together with the half-year financial report on the Company, Falcon Metals Ltd for the period 12 July 2021 to 31 December 2021.

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.

Timothy Markwell	Managing Director and Chief Executive Officer (appointed 9 December 2021)
Christopher MacKinnon	Managing Director (resigned 9 December 2021)
Mark Bennett	Non-Executive Chairman (appointed 9 December 2021)
Alexander Dorsch	Non-Executive Director
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.

REVIEW OF OPERATIONS

Operating Result

The loss from continuing operations for the period after providing for tax amounted to $59,656,213.

During the half year ended 31 December 2021, the Company primarily 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.

Exploration

During the period, the following three projects were acquired by the Company.

Pyramid Hill Project

The 100%-owned Pyramid Hill Gold Project was initially staked in late 2017 and now covers an area of >5,000 km² in central Victoria. The project covers the three key structural zones of Bendigo, Melbourne and Stawell (Figure 1). All three zones are highly prospective for high-grade orogenic gold deposits. Falcon's main area of focus is on the underexplored areas within the Bendigo zone. This zone has produced over 60Moz of gold since the 1850's at an average grade of ~15g/ Au with 90% of historical mines having a recovered grade of >8.5g/t Au. The 'Gold Undercover' initiative by the Victorian Government in 2006-2009 estimated a potential ~32Moz (P50 mid-case) of undiscovered gold beneath Murray Basin cover in the Northern Bendigo Zone. The estimate was made prior to the epizonal high-grade gold discovery at Fosterville, and was limited to a depth of 1km[1].

Most of the tenements are covered by Cenozoic Murray Basin sediments of variable thickness (maximum 150m where drilled) which overlie the prospective Castlemaine Group sedimentary basement, the host succession to all significant primary gold deposits in the Central Victorian goldfields. Prior to the onset of CHN's exploration activities in 2018 there had been little to no effective previous exploration for gold over the exploration licence areas[1].

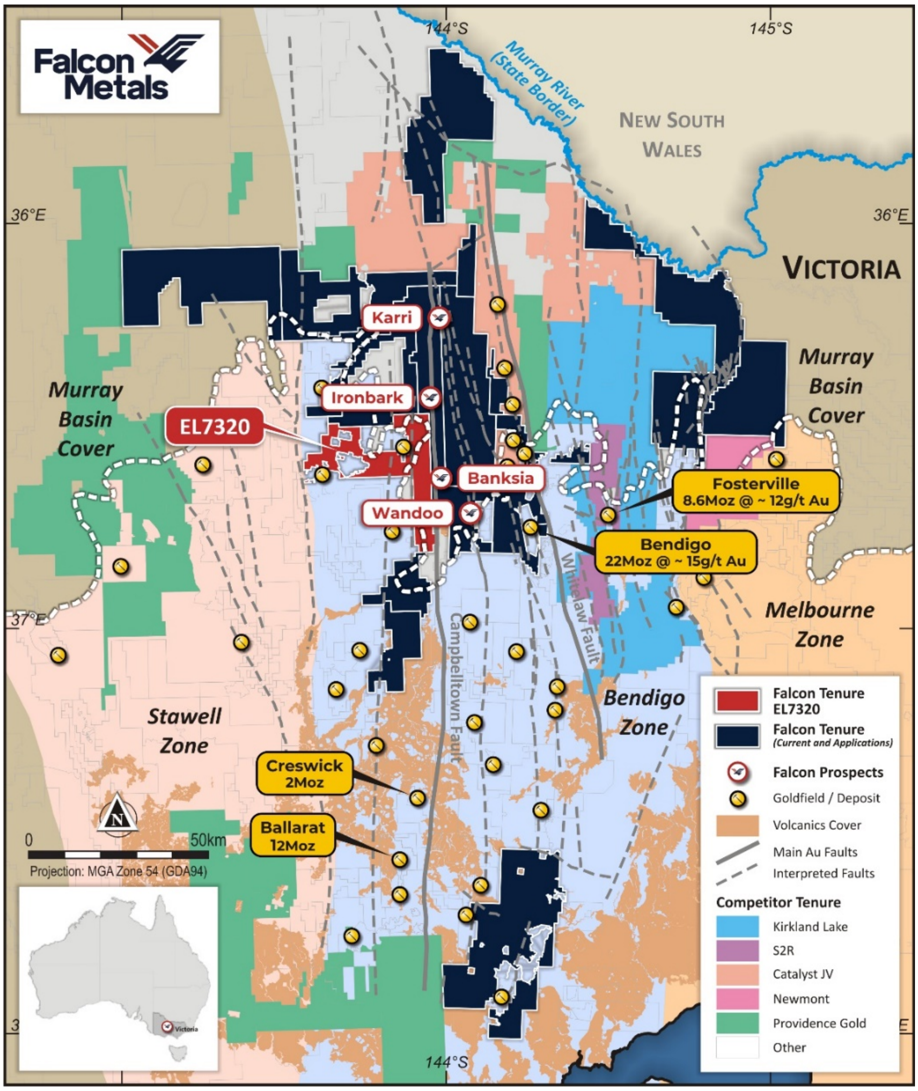

Figure 1: Regional permit map showing the newly granted EL07320 permit in relation to the existing Falcon permits and the prospective geological features like the Campbelltown Fault

Since 2018, CHN has completed 4,127 surface soil samples, 1,120 aircore holes for 117,080m, 21 diamond holes for 7,300 m, ground gravity, ground magnetic, 2D ground seismic and airborne magnetic geophysical surveying. Given the large tenement package and limited effective drilling prior to Chalice, the project remains at an early stage of exploration. Recent drilling has intersected significant gold mineralisation which will be the focus for continued exploration[1].

The Company intends to build on the exploration strategy adopted by CHN, which is a systematic approach, aimed at testing for potential large-scale gold systems. This involves:

(i) Screening the covered areas (<150 m) with wide-spaced reconnaissance drilling and/or surface sampling and geophysical surveying;
(ii) infill surface sampling and drilling, vectoring towards the larger, more promising targets; and
(iii) drilling-out appropriate prospects to effectively evaluate their potential to be economic gold deposits[1].

The next stage will be drilling the current high-priority prospects (Karri, Ironbark, Banksia and Wandoo) whilst continuing reconnaissance exploration activities across the greater project area. The majority of the project area is situated on privately owned farmland and exploration access is therefore subject to existing and potential new land access agreements with the local landowners, as well as seasonal cropping constraints[1].

Exploration Licence EL7320 was awarded to Falcon Metals after being assessed against two competing applicants. This is a highly prospective 434km^2 exploration permit adjacent to the existing Falcon tenure and in a similar structural position to the Ironbark Prospect, directly west of the Campbelltown Fault.

In addition to the granting of EL7320, five tenement applications were submitted in December 2021 to further consolidate Falcon's land position. These were all within the Bendigo Zone in areas surrounding the Bendigo, Raywood, Wedderburn and Wehla goldfields. Three of these have competing applicants. Further detail on applications will be provided if they are awarded to Falcon.

<u>Viking Project</u>

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

The project consists of one granted exploration licence (E63/1963) and one licence application (E63/1994) which collectively totals 307.6 km^2. Falcon has a commitment with ASX-listed Metal Hawk to spend a minimum of A$200k within two years as part of a A$1M earn-in for an initial 51% interest in E63/1963. On achieving 51% Falcon has the right but not the obligation to earn a further 19% (70% total) by funding an additional $1.75M over 30 months[1].

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

Significant gold mineralisation has been returned on the project with a relatively small amount of follow-up drilling completed at depth surrounding these intersections. These will be the focus for follow-up exploration drilling which will target down dip and potential down-plunge extensions to the existing oxide gold intercepts[1].

Mount Jackson Project

The Mount Jackson project is located approximately 350 km northeast of Perth and 110 km north-northwest of the regional township of Southern Cross. The project is located at the very northern end of the Southern Cross Belt where it converges with the regional Koolyanobbing Shear Zone. The Southern Cross Greenstone Belt has a prolonged mining history and hosts multiple significant gold deposits, including Marvel Loch (>1.5 Moz) [1].

Mount Jackson is an under explored greenstone belt with surface and pathfinder geochemical responses[1].

Previous soil sampling by CHN over the interpreted mafic/ultramafic stratigraphy identified a low-level but coincidental gold + arsenic + antimony surface geochemical anomaly. Falcon plans to conduct an infill soil sampling program to better define this target. If this is successful it will be followed by an initial aircore drilling program[1].

EVENTS AFTER THE REPORTING DATE

Exploration

On 17 January 2022, the Company announced it had commenced drilling at the Karri Prospect at the Pyramid Hill Project, with more than 5,500 metres of diamond drilling planned across the Karri and Ironbark Prospects.

Corporate

On 14 January 2022, the Company announced it had changed its Registered Office and Principal Place of Business to that listed under the corporate directory.

The directors are not aware of any other matters or circumstances that have arisen since the end of the financial period, which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

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

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

Timothy Markwell
Managing Director

Date: 11 March 2022
Perth

[1] Refer to Falcon Metals Ltd Prospectus dated 3 November 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	For the period 12 July 2021 to 31 December 2021 $
Other income		707
Depreciation expense		(28)
Administration expenses		(661,188)
Exploration expenditure	2	(58,939,278)
Share-based payments	7	(56,426)
Loss before income tax		**(59,656,213)**
Income tax expense		-
Loss for the period		**(59,656,213)**
Other comprehensive income		-
Total comprehensive loss for the period		**(59,656,213)**
Loss per share		
Basic and diluted loss per share (cents)	11	(364)

The accompanying notes form part of this interim financial report.

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2021

	Notes	31 December 2021 $
ASSETS		
Current assets		
Cash and cash equivalents	3	28,806,277
Trade and other receivables	4	304,702
Total current assets		29,110,979
Non-current assets		
Other receivables	4	64,000
Plant and equipment		1,304
Total non-current assets		65,304
Total assets		**29,176,283**
LIABILITIES		
Current liabilities		
Trade and other payables	5	1,298,968
Provisions		25,260
Total current liabilities		1,324,228
Total liabilities		**1,324,228**
Net assets		**27,852,055**
EQUITY		
Issued capital	6	87,451,842
Reserves	7	56,426
Accumulated losses		(59,656,213)
Total equity		**27,852,055**

The accompanying notes form part of this financial report.

Consolidated Statement of Changes in Equity

FOR THE PERIOD 12 JULY 2021 TO 31 DECEMBER 2021

	Issued Capital $	Share based payment reserve $	Accumulated Losses $	Total $
Balance at 12 July 2021	1	-	-	**1**
Loss for the period	-	-	(59,656,213)	**(59,656,213)**
Other comprehensive income	-	-	-	**-**
Total comprehensive loss for the period	**1**	**-**	**(59,656,213)**	**(59,656,212)**
Transactions with owners in their capacity as owners				
Share issue	88,500,000	-	-	**88,500,000**
Share issue costs	(1,048,159)	-	-	**(1,048,159)**
Share-based payments	-	56,426	-	**56,426**
Balance at 31 December 2021	**87,451,842**	**56,426**	**(59,656,213)**	**27,852,055**

The accompanying notes form part of this financial report.

Consolidated Statement of Cash Flows
FOR THE PERIOD 12 JULY 2021 TO 31 DECEMBER 2021

	For the period 12 July 2021 to 31 December 2021 $
Cash flows from operating activities	
Interest received	707
Payments to suppliers and employees	(112,986)
Payments for exploration and evaluation	(18,332)
Net cash outflow from operating activities	**(130,611)**
Cash flows from financing activities	
Proceeds from issue of shares	30,000,000
Share issue costs paid	(1,059,112)
Net cash inflow from financing activities	**28,940,888**
Cash flows from investing activities	
Security deposits paid	(4,000)
Net cash inflow from financing activities	**(4,000)**
Net increase in cash held	28,806,277
Cash at the beginning of the financial period	-
Cash at the end of the financial period	**28,806,277**

The accompanying notes form part of this financial report.

1. Summary of significant accounting policies

Basis of Preparation

The half-year financial report is a general purpose financial report that has been prepared for the period 12 July 2021 to 31 December 2021 in accordance with *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

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

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

Reporting Basis and Conventions

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

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

Critical accounting estimates and judgements

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

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.

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

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 31 December 2021 and the results of all subsidiaries for the period then ended. Falcon Metals Ltd 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.

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.

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 includes 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. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

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 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.

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 $59,656,213 and had cash outflows from operating activities of $130,611 for the period ended 31 December 2021. As at that date, the Company had net current assets of $27,786,751.

The directors believe that there are reasonable grounds to believe that the Company will continue as a going concern, after consideration of the following factors:

- in accordance with the Corporations Act 2001, the Company has plans to raise further working capital through the issue of equity during the period ended 31 March 2023; and
- the Company continues to keep costs at a minimum.

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

New and Revised Accounting Standards and Interpretations

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

	31 Dec 2021
	$
2. Exploration and Evaluation	
Acquisitions during the period	58,500,000
Expenditure incurred during the period	439,278
	58,939,278

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

3. Cash and Cash Equivalents	
Cash at bank and on hand	28,806,277
	28,806,277

4. Trade and other receivables	
Current	
GST receivable	161,242
Prepayments (a)	143,459
Other debtors	1
	304,702
Non-current	
Security deposits	64,000
	64,000

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

5. Trade and Other Payables	
Trade creditors	191,158
Accrued expenses	1,091,127
Other creditors	16,683
	1,298,968

6. Issued Capital

Movement in ordinary shares on issue:

Date	No. of shares	Issue Price	$
	Period ended 31 December 2021		
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

7. Share-based Payment Transactions

	31 Dec 2021 $
Options – recognised as a Share-based Payment Expense	56,426
	56,426

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

Grant date	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	-	2,920,500	0.2085	608,924
15/12/2021	15/12/2023	15/12/2024	0.50	0.75	80	-	2,920,500	0.2085	608,924
15/12/2021	15/06/2023	15/12/2025	0.50	0.75	80	-	2,920,500	0.2472	721,948
15/12/2021	15/12/2024	15/12/2025	0.50	0.75	80	-	2,920,500	0.2472	721,948

	31 Dec 2021
	$

8. Reserves

Reserves	
Share-based Payments Reserve	56,426
	56,426
Movements	
Balance at beginning of period	-
Share-based payments expense for the period	56,426
Balance at end of period	**56,426**

9. 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 31 December 2021, the amount owing to Novatrove was $28,263.

11,682,000 options were issued to key management personnel during the period on 15 December 2021 (note 7).

10. 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

11. Loss per share

Loss after income tax	(59,656,213)
	Number
Weighted average number of ordinary shares used in calculating basic loss per share	16,369,942
Basic and diluted earnings/(loss) per share (cents)	(364)

12. Events after the Reporting Date

EVENTS AFTER THE REPORTING DATE

Exploration

On 17 January 2022, the Company announced it had commenced drilling at the Karri Prospect at the Pyramid Hill Project, with more than 5,500 metres of diamond drilling planned across the Karri and Ironbark Prospects.

In addition, it was also announced the Company had been granted Exploration License EL07320, a highly prospective 434km^2 exploration permit adjacent to the existing Falcon tenure and in a similar structural position to the Ironbark Prospect, directly west of the Campbelltown Fault.

Corporate

On 14 January 2022, the Company announced it had changed its Registered Office and Principal Place of Business to that listed under the corporate directory.

The directors are not aware of any other matters or circumstances that have arisen since the end of the financial period, which significantly affected or may significantly affect the operations of the Company the results of those operations, or the state of affairs of the Company in future financial years.

13. Contingent Liabilities

The Company had no contingent liabilities as at 31 December 2021.

14. Operating Segments

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

15. Financial Instruments

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

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2021 and of its performance for the period ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Timothy Markwell
Managing Director

Date: 11 March 2022
Perth

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Falcon Metals Limited for the period ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

Perth, Western Australia
11 March 2022

M R Ohm
Partner

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

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Falcon Metals Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the period ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the period end or from time to time during the period.

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the period ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE *2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2021

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

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

Independence

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

M R Ohm
Partner

Perth, Western Australia
11 March 2022