Falcon Metals Ltd

Interim Financial Report

31 December 2024

ASX: FAL ACN 651 893 097 www.falconmetals.com.au

Table of contents

Corporate Directory

Directors

Mark Bennett	Non-Executive Chair
Timothy Markwell	Managing Director and Chief Executive Officer
Alexander Dorsch	Non-Executive Director
Katina Law	Non-Executive Director

Company Secretary

Pradeep Subramaniam

Registered and Principal Office

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

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

Share Registry

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

Securities Exchange Listing

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

Auditor

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

Bankers

National Australia Bank
100 St Georges Terrace
Perth WA 6000

ABN: 87 651 893 097

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

DIRECTORS

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

Mark Bennett	Non-Executive Chair
Timothy Markwell	Managing Director and Chief Executive Officer
Alexander Dorsch	Non-Executive Director
Katina Law	Non-Executive Director

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

Operating Result

The loss from continuing operations for the period amounted to $2,345,504 (31 December 2023: $2,035,409).

During the half year ended 31 December 2024, the Company continued exploration activities at the Pyramid Hill Gold Project, the Farrelly Mineral Sands Project and the Mt Jackson Project in Western Australia. Exploration expenditure incurred was $1,424,274 (31 December 2023: $1,440,627) divided into $308,387 on the Pyramid Hill Project, $408,437 on the Farrelly Mineral Sands Project and regional mineral sands drilling, $600,777 on the Mt Jackson Project and $90,045 on the Errabiddy Project. Expenditure on the Pyramid Hill Project in the current period was lower as the drilling season did not commence until mid-December 2024. The focus on exploration during the half year period was the Mt Jackson Project and consisted of a heritage survey, aircore drilling, RC drilling and downhole electromagnetic surveying. Expenditure on the Errabiddy Project was mainly the up-front payment to the vendors for cost incurred pursuant to the agreement with Errawarra Resources Limited.

Employee benefits expenses of $452,015 (31 December 2023: $383,090) were higher, taking into account additional personnel as well as wage increments. Share-based payments were $261,910 (31 December 2023: $350,643) representing the amortisation over the vesting period of share options issued to directors and management. There continues to be a reduction in share-based payment expense as the pre-IPO options vest in its entirety. Administrative expenses of $245,470 (31 December 2023: $255,137) were marginally lower than the comparative period. All other expenses were broadly in line with the comparative period.

At 31 December 2024, the Company had $9,926,128 (30 June 2024: $11,815,755) in cash and cash equivalents. Net cash outflow from operating activities was $1,860,567 (31 December 2023: $1,813,724), net cash outflow from financing activities was $23,519 (31 December 2023: $22,691) and net cash outflow from investing activities was $5,541 (31 December 2023: $382,450). The significant reduction in net cash outflow from investing activities primarily related to an investment in a listed entity undertaken in the prior period.

At balance date, the Company had net assets of $10,141,350 (30 June 2024: $12,224,945) and net current assets of $9,838,568 (30 June 2024: $11,735,311).

Exploration

Farrelly Mineral Sands Project

During the period, Falcon announced the results from the preliminary metallurgical assessment carried out on its Farrelly Mineral Sands Deposit ("**Farrelly**") located 12km south of Boort in Victoria (see Figure 1), following the discovery announced on 28 May 2024 (See ASX Announcement *"High-grade Mineral Sands Discovery"*).

A 65-kilogram sample, with a Total Heavy Mineral (**THM**) grade of 12.2% THM, was composited from the existing aircore samples for a sighter test conducted by Allied Mineral Laboratories in Perth, Western Australia. The objective of the sighter test work was to identify any potential processing issues at the early exploration stage, in addition to providing data on the potential mineral products of the deposit including sizing, mineralogy and geochemistry.

The test work results were positive, with no notable processing issues identified. It also demonstrated the potential for high recoveries of minerals sands concentrates including zircon, ilmenite, rutile, leucoxene and monazite.

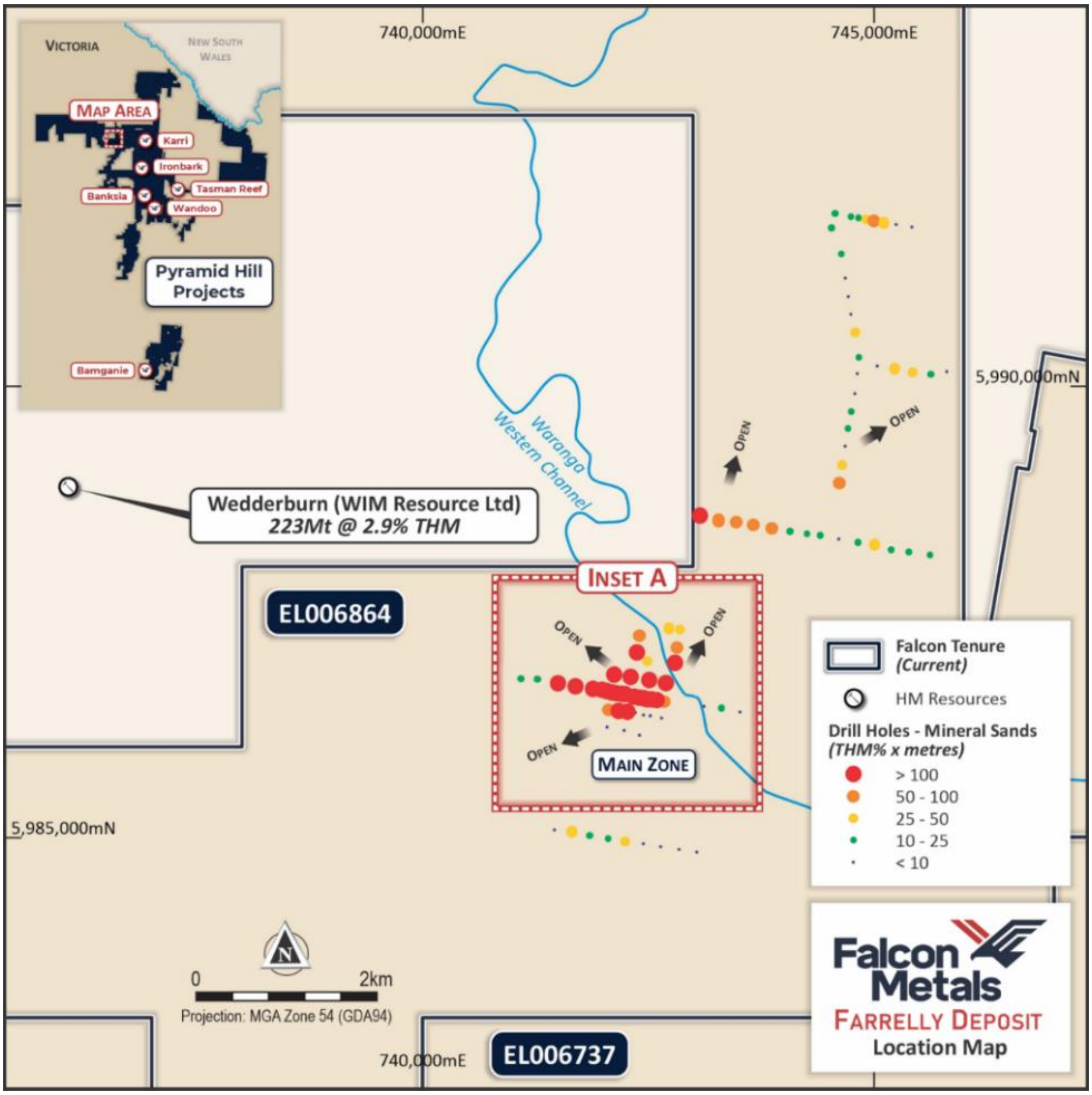

Figure 1 Location map of the Farrelly Mineral Sands Deposit

The test work involved an initial multi-stage screening of selected samples from throughout the Main Zone of the Farrelly Deposit. The primary screening was designed to reject oversize and slimes, thus isolating a preferred fraction of between 38 µm and 1mm (the "sand fraction"). A simplified sighter test methodology is outlined in Figure 2.

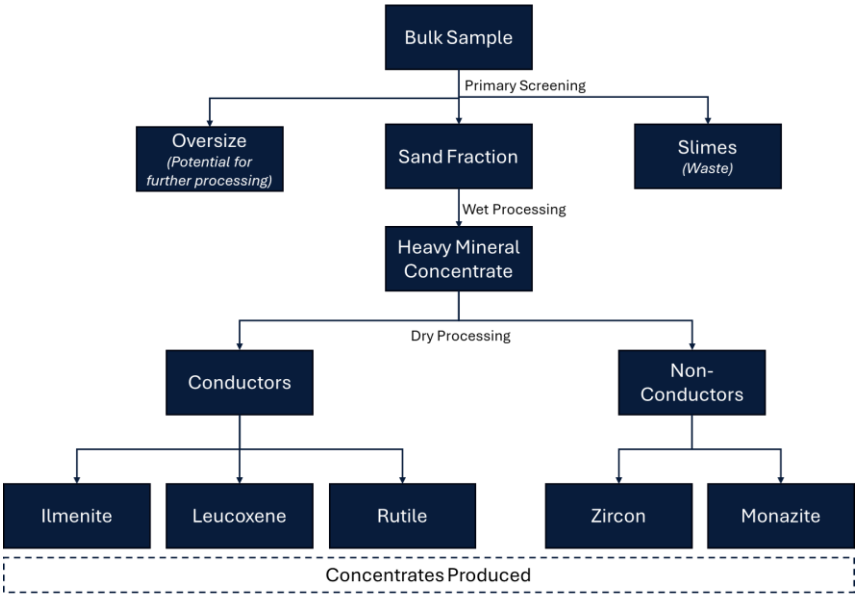

Figure 2 Simplified sighter test methodology

The sand fraction component comprised 47.5% of the composite sample mass, with the oversize and slimes comprising 21.7% and 30.8% respectively of the bulk sample (see Table 1).

Table 1 Composite screening results with size distribution

		Oversize	Sand Fraction	Slimes		
Stream		>1mm	**<1mm >38µm**	Total <38µm	*<38µm >20µm*	*<20µm*
% Mass	%	21.7	**47.5**	30.8	*2.3*	*28.5*
TiO_2	%	17.5	**69.1**	13.4	*1.0*	*12.4*
Fe_2O_3	%	38.5	**30.5**	31.1	*2.3*	*28.8*
ZrO_2+HfO_2	%	18.3	**77.9**	3.7	*0.3*	*3.4*
Al_2O_3	%	16.8	**15.0**	68.2	*4.9*	*63.2*
SiO_2	%	14.6	**63.4**	22.0	*1.7*	*20.3*

The <38 µm slimes fraction was split into sub samples with one sent for settling tests, flocculant screening and dynamic thickening test work, the results of which were positive with the slimes separating and settling quickly, with no issues identified. The other sample was further screened into a 20-38 µm size fraction for further analysis, which showed negligible heavy mineral sands content in this finer fraction. It should be noted that several peer companies in Victoria are targeting HMC recovery from this finer size fraction, which will not be required for Farrelly and future work will focus on the >38 µm material. This is a significant positive for Farrelly as it has the potential to translate into higher recoveries and a simplified flowsheet likely to require fewer stages of processing relative to other projects in the region.

A portion of the estimated heavy mineral sands, including ilmenite and zircon, reports to the oversize due to agglomeration with iron oxides, and future work will examine the opportunity to recover product from the oversize portion, as well as agglomerated particles within the sand fraction that report to the tails.

The key sand fraction was then subject to wet gravity separation on shaker tables to produce a HMC for dry processing. This process is indicative only as the shaker tables were not optimised for recovery. The purpose was to produce a concentrate from the small sample size for mineralogical and geochemical test work. The HMC concentrate returned a P80 of 105 µm (the size of the material at the 80th percentile) and a d50 of 80 µm (the median particle size).

The resultant HMC was then dry processed using electrostatic separation to separate the conductive TiO_2 rich minerals (ilmenite and rutile) from the non-conductive minerals (zircon and monazite), and then electromagnetic processing to further separate both the conductive and non-conductive concentrates into specific mineral concentrates.

Electromagnetic belt separation of the ilmenite, which makes up approximately 44% of the HMC, indicated most of the product had grades in excess of 50% TiO_2 with Fe levels as expected for the relative TiO_2 grade.

The rutile product had a TiO_2 value of approximately 93% and formed approximately 5% of the HMC, and there are likely to be further incremental increases in TiO_2 with flow sheet optimisation. Leucoxene content of approximately 5-6% reported to the conductive HMC and this will be further assessed in future test work.

The non-conductive concentrate containing zircon and monazite was processed through two-stage magnetic separation to concentrate the zircon into a non-magnetic stream and the monazite into a magnetic stream. The zircon concentrate formed approximately 26% of the HMC and had a P80 of 85 µm and a d50 of 65 µm.

A monazite concentrate was produced with a grade of approximately 2-3% of the HMC. It is yet to be further refined to allow assaying of the Rare Earth Element (REE) content.

Further mineralogical assessment including quantitative evaluation of minerals by scanning electron microscopy (QEMSCAN) is being undertaken on the concentrates produced from the preliminary metallurgical assessment. The QEMSCAN analysis will provide more information on the mineral compositions, including any deleterious minerals and elements, which are important in determining saleability of potential products. This will include assessment of possible impurities like chrome and vanadium in the ilmenite, and thorium and uranium in the zircon. The QEMSCAN analysis will also test for the presence of xenotime, a mineral containing high levels of heavy REE, in the monazite concentrate.

A more comprehensive bulk test work program will be undertaken following the next phase of drilling.

Mineral Sands Drilling

The results from additional sampling of the aircore drilling completed in Q1 2024 were received during the period. These samples were testing select intervals previously logged as low-grade or unmineralised but were found to be adjacent to high-grade zones. As such, it was decided to increase the amount of sampling to better define the high-grade boundaries.

This resulted in minor changes with lower grade zones becoming wider and the high-grade Main Zone being closed off to the west, with holes PHAC1999 and PHAC2000 returning low-grade mineralisation, and the southeastern boundary has now been defined. It remains open to the northeast, northwest and southwest where some of the best holes from the Main Zone are located on the edges of the currently defined high-grade mineralised envelope. These areas will be the focus of the next phase of drilling that is designed to test for extensions to the Main Zone.

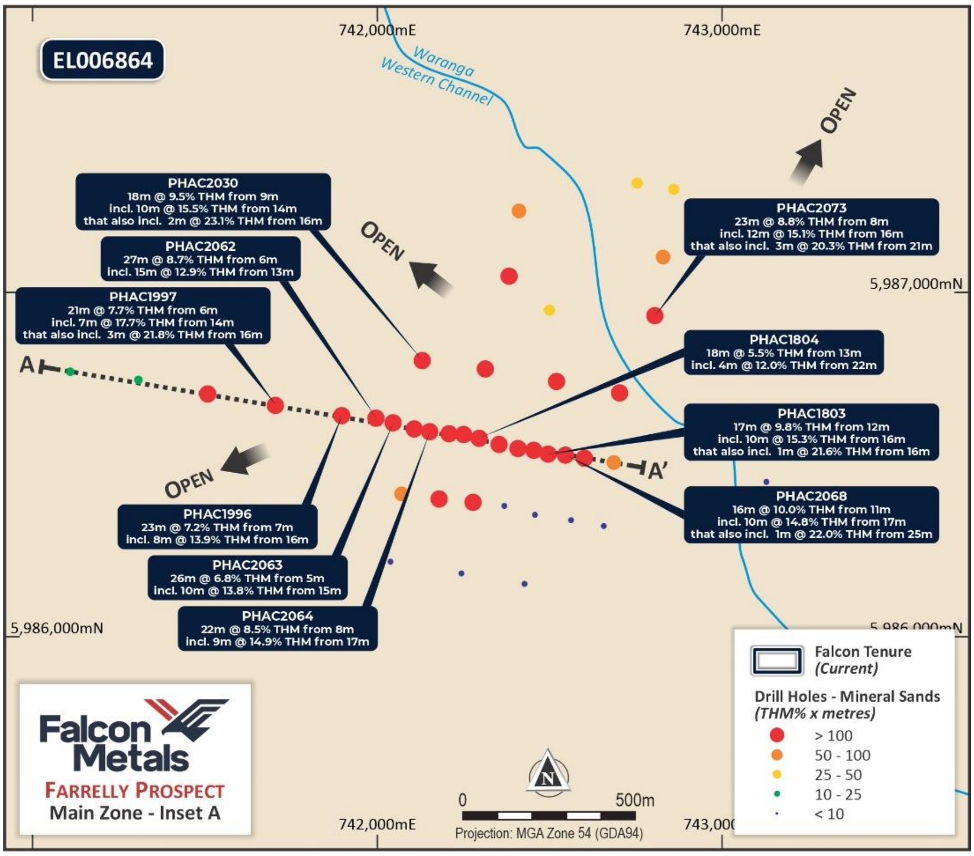

Figure 3 Farrelly Main Zone

Regional Exploration

Falcon completed a review of its large tenement holding in this region of the prospective Murray Basin and planned a program of regional reconnaissance aircore drilling on roadsides on tenements EL006864 and EL007120, focused on the discovery of Farrelly-style mineral sands deposits. This drilling was completed in December 2024 with 57 holes drilled for 2,166m (see Figure 4). Results are anticipated in H1 2025 and follow up drilling will depend on results.

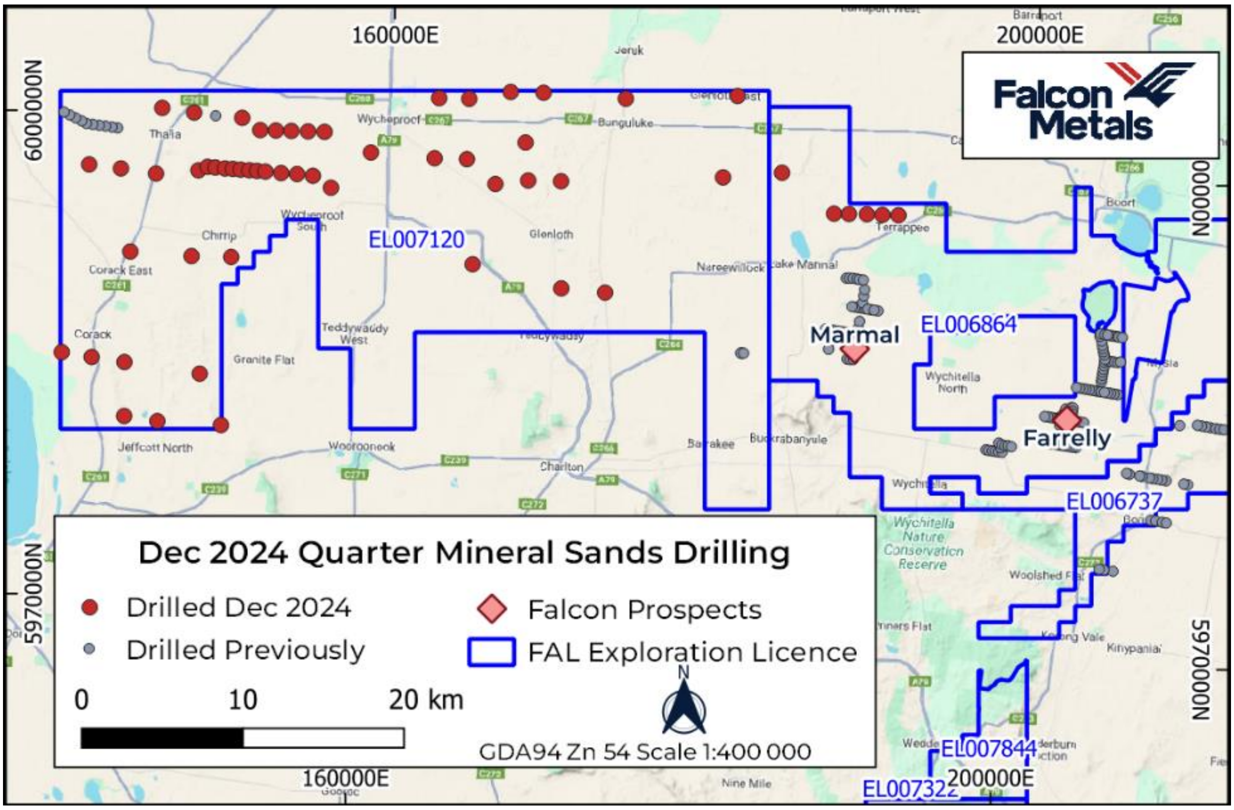

Figure 4 Location map of the regional reconnaissance mineral sands drilling on EL006864 and EL007120

Land Access

Falcon had been in communication with several of the landowners at the Farrelly deposit regarding consent for the upcoming drilling, and despite constructive initial discussions, they have decided against providing consent to access their respective properties at this time. Falcon continues to seek access to conduct further low-impact exploration drilling on private land to test the extent of the high-grade discovery at the Farrelly Mineral Sands deposit.

Pyramid Hill Project

The gold exploration drilling involved follow-up aircore drilling at the Loddon Vale Prospect in December. Drilling recommenced in Q1 2025 and focused on Eddington, Loddon Vale, Mead and Ironbark Prospects and the continuation of the systematic regional gold screening program (see Figure 5).

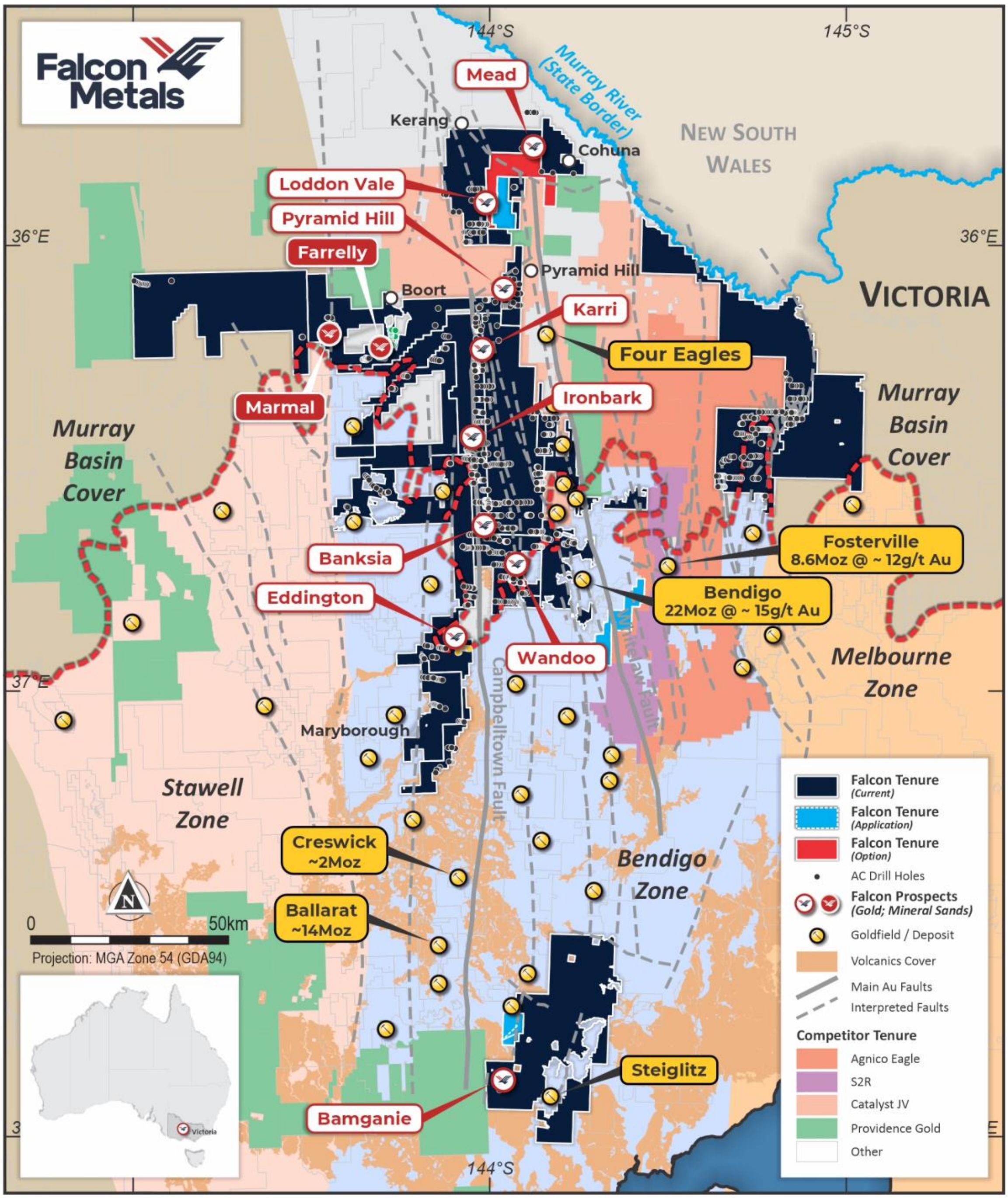

Figure 5 Pyramid Hill Gold Project

Mt Jackson Project

During the period, Falcon commenced AC and RC drilling at its 100%-owned Mt Jackson Gold and Base Metals Project, 110km north of Southern Cross in Western Australia. The program was the first drilling to take place at the project.

In October, Falcon completed 124 aircore holes on the gold anomalies generated from soil sampling, including the central gold target which comprises a 1km-long north-south striking anomaly (see ASX Announcement dated 12 December 2023 *"Soil Sampling Confirms Potential of Mt Jackson"*). The drilling confirmed the presence of a narrow, westerly dipping greenstone belt, which comprises mafic and ultramafic amphibolites, as well as quartz-mica schists (see ASX Announcement dated 15 October 2024 *"Maiden Drilling Program Completed at Mt Jackson"*).

The RC program tested the four highest conductance plates generated from the moving-loop EM survey (see Figure 6), coincident with Ni-Cu-PGE anomalous areas at the South target defined by soil sampling (see ASX announcement dated 11 June 2024 *"Electromagnetic Survey identifies New targets at Mt Jackson"*).

An additional hole tested the large moderately conductive EM anomaly coincident with the Central gold target. In all cases, drilling intersected massive sulphides at the modelled depth, and the EM targets generated from the survey have been explained by the presence of thick (up to 30 metres) lenses of massive iron sulphides at the target depths, predominantly containing pyrite and pyrrhotite. No nickel or copper bearing sulphides were noted during visual logging.

Downhole EM was conducted at the completion of the RC drilling and confirmed all the targets were effectively tested. Subsequently, all assays for the drilling completed at Mt Jackson were received. The drilling was focused on gold and base metals soil anomalies generated from several phases of soil sampling. The aircore drilling results returned low-level anomalism considered of sufficient grade to explain these soil targets. Results from the aircore drilling are not considered significant and as such, no further work is planned at Mt Jackson at this stage.

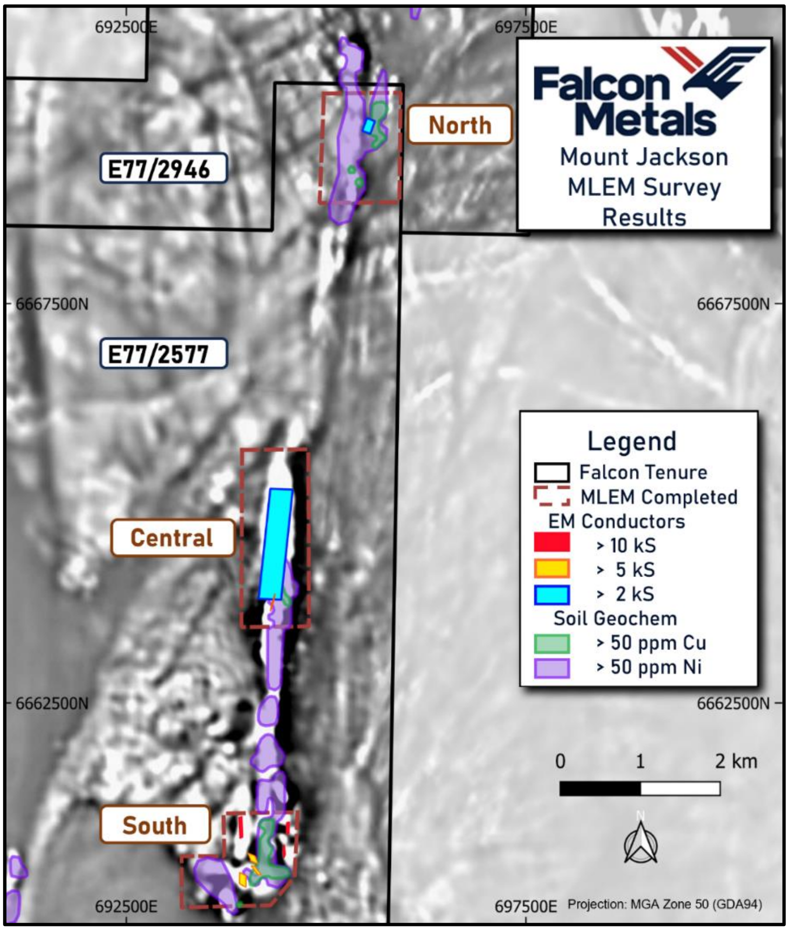

Figure 6 Plan map of Mt Jackson showing the location of the ground EM surveys

Errabiddy Gold Project

During the period, Falcon entered into an Earn-in, Joint Venture and Mineral Rights Agreement with ASX-listed Errawarra Resources (ASX: ERW) ("Errawarra"), granting Falcon the right to earn up to a 70% interest in Exploration Licence E09/2457, covering all minerals excluding graphite (the "License").

The 519km^2 license covers a 42km strike extent of the Errabiddy shear zone, located along the northern margin of the Yilgarn Craton, 220km northwest of Meekatharra (see Figure 7). Falcon has further increased the size of the ground holding in the project area with application E09/2984 covering an additional 102km^2 and extending coverage of the Errabiddy shear zone strike extent by 22km to the east. This new project is referred to as the Errabiddy Gold Project.

The Errabiddy Gold Project is considered highly prospective and remains underexplored with no exploration drilling for gold conducted within the project tenure.

Figure 7 Location of the Errabiddy Gold Project in relation to the West Australian Craton

Agreement terms

- Falcon has the right to earn an interest up to 70% in the License from Errawarra by incurring the following staged expenditure:
  - **Stage 1**: $750,000 in expenditure within 24 months to earn a 51% interest
  - **Stage 2**: $1,250,000 in expenditure within 36 months from earning the Stage 1 interest to earn a further 19%
- Minimum expenditure commitment of $200,000 prior to withdrawal, which includes $80,000 in cash reimbursement to Errawarra for expenditure incurred to date
- Once the Stage 2 Earn-in has been achieved, contribution to the joint venture will be on a pro rata basis:
  - If a joint venture participant elects not to contribute its pro rata share of the approved program and budget, its interest will be diluted pursuant to the formula in the agreement
  - If Errawarra's interest dilutes to 10% or less, its interest will convert to a 2% NSR Royalty
  - Alternatively, once the Stage 2 Earn-in has been achieved, Errawarra has the option to elect to convert its percentage interest to a 2% NSR Royalty
  - Falcon has the right but not the obligation to purchase 50% of the NSR Royalty back for $2,000,000

Falcon has the right to withdraw from the agreement as long as the minimum expenditure commitment of $200,000 is incurred.

MATTERS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Corporate

On 26 February 2025, the Company announced the issue of 160,000 employee share options with an exercise price of $0.20 expiring equally on 31 January 2028 and 31 January 2029.

On 5 March 2025, the Company announced the issue of 200,000 employee share options with an exercise price of $0.195 expiring on 31 August 2028.

AUDITOR'S INDEPENDENCE DECLARATION

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

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

Timothy Markwell
Managing Director

Date: 12 March 2025
Melbourne

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2024

	Notes	31 December 2024 $	31 December 2023 $
Other income	2	79,735	451,099
Exploration expenditure	3	(1,424,274)	(1,440,627)
Employee benefits expenses		(452,015)	(383,090)
Share-based payments	11, 12	(261,910)	(350,643)
Administration expenses		(245,470)	(255,137)
Depreciation expense		(38,852)	(36,108)
Finance costs		(2,718)	(20,903)
Loss before income tax		**(2,345,504)**	**(2,035,409)**
Income tax expense			-
Loss for the period		**(2,345,504)**	**(2,035,409)**
Other comprehensive income		-	-
Total comprehensive loss for the period		**(2,345,504)**	**(2,035,409)**
Loss per share			
Basic and diluted loss per share (cents)	15	(1.33)	(1.15)

The accompanying notes form part of this interim financial report.

Condensed Consolidated Statement of Financial Position

As at 31 December 2024

	Notes	31 December 2024 $	30 June 2024 $
ASSETS			
Current assets			
Cash and cash equivalents	4	9,926,128	11,815,755
Trade and other receivables	5	430,759	484,759
Total current assets		10,356,887	12,300,514
Non-current assets			
Other receivables	5	28,240	28,240
Plant and equipment	6	142,945	147,708
Right-of-use asset	7	82,714	102,634
Financial asset		120,538	302,669
Total non-current assets		374,437	581,251
Total assets		**10,731,324**	**12,881,765**
LIABILITIES			
Current liabilities			
Trade and other payables	8	349,686	407,970
Lease liabilities	9	46,439	39,866
Provisions		122,194	117,367
Total current liabilities		518,319	565,203
Non-current liabilities			
Lease liabilities	9	63,281	87,624
Provisions		8,374	3,993
Total non-current liabilities		71,655	91,617
Total liabilities		**589,974**	**656,820**
Net assets		**10,141,350**	**12,224,945**
EQUITY			
Issued capital	10	87,451,842	87,451,842
Reserves	12	1,830,062	2,693,739
Accumulated losses		(79,140,554)	(77,920,636)
Total equity		**10,141,350**	**12,224,945**

The accompanying notes form part of this financial report.

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2024

	Issued Capital $	Share based payment reserve $	Accumulated Losses $	Total $
Balance at 1 July 2023	**87,451,842**	**2,109,493**	**(72,360,633)**	**17,200,702**
Loss for the period	-	-	(2,035,409)	**(2,035,409)**
Other comprehensive income	-	-	-	**-**
Total comprehensive loss for the period	**-**	**-**	**(2,035,409)**	**(2,035,409)**
Transactions with owners in their capacity as owners				
Share-based payments	-	350,643	-	**350,643**
Balance at 31 December 2023	**87,451,842**	**2,460,136**	**(74,396,042)**	**15,515,936**
Balance at 1 July 2024	**87,451,842**	**2,693,739**	**(77,920,636)**	**12,224,945**
Loss for the period	-	-	(2,345,504)	**(2,345,504)**
Other comprehensive income	-	-	-	**-**
Total comprehensive loss for the period	**-**	**-**	**(2,345,504)**	**(2,345,504)**
Transactions with owners in their capacity as owners				
Share-based payments	-	(863,677)	1,125,587	**261,910**
Balance at 31 December 2024	**87,451,842**	**1,830,062**	**(79,140,554)**	**10,141,350**

The accompanying notes form part of this financial report.

Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2024

	Notes	31 December 2024 $	31 December 2023 $
Cash flows from operating activities			
Interest received		278,138	387,072
Payments to suppliers and employees		(757,117)	(705,450)
Payments for exploration and evaluation		(1,381,588)	(1,495,346)
Net cash outflow from operating activities		**(1,860,567)**	**(1,813,724)**
Cash flows from investing activities			
Payments for property, plant and equipment		(15,531)	(28,656)
Payments for financial assets		-	(255,294)
Payments for security deposits		9,990	(98,500)
Net cash outflow from investing activities		**(5,541)**	**(382,450)**
Cash flows from financing activities			
Repayment of lease liabilities	9	(23,519)	(22,691)
Net cash outflow from financing activities		**(23,519)**	**(22,691)**
Net decrease in cash held		(1,889,627)	(2,218,865)
Cash at the beginning of the financial period		11,815,755	17,305,205
Cash at the end of the financial period	4	**9,926,128**	**15,086,340**

The accompanying notes form part of this financial report.

1. Summary of significant accounting policies

Basis of Preparation

The half-year financial report is a general purpose financial report that has been prepared for the period 1 July 2024 to 31 December 2024 in accordance with *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

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

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

Reporting Basis and Conventions

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

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

Critical accounting estimates and judgements

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

Going concern

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

The Company incurred a loss before income tax of $2,345,504 (31 December 2023: $2,035,409) and had cash outflows from operating activities of $1,860,567 (31 December 2023: $1,813,724) for the period ended 31 December 2024. As at that date, the Company had net current assets of $9,838,568 (30 June 2024: $11,735,311), including $9,926,128 in cash and cash equivalents.

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

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

New and Revised Accounting Standards and Interpretations

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

	31 December 2024 $	31 December 2023 $
2. Other Income		
Interest income	266,261	382,249
Fair value (loss)/gain on investment	(185,164)	68,850
Loss on disposal of property, plant and equipment	(1,362)	-
	79,735	**451,099**

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

	31 December 2024 $	31 December 2023 $
3. Exploration Expenditure		
Expenditure incurred during the year	1,424,274	1,440,627
	1,424,274	**1,440,627**

The Company currently holds the Pyramid Hill Gold Project and the Farrelly Mineral Sands Project, located in Victoria and the Viking, Mount Jackson and Errabiddy Projects located in Western Australia. The Company expenses all exploration and evaluation expenditure incurred. The cumulative exploration expenditure incurred since the acquisition of the projects are as follows:

	Cumulative Expenditure $
Pyramid Hill Project (VIC)	11,797,300
Farrelly Mineral Sands Project (VIC)	1,308,003
Viking Project (WA)	1,144,340
Mt Jackson Project (WA)	1,236,278
Errabiddy Project (WA)	90,045
Others	54,687
Cumulative Exploration Expenditure Incurred	**15,630,653**

	31 December 2024 $	30 June 2024 $
4. Cash and Cash Equivalents		
Cash at bank and on hand	9,926,128	11,815,755

	31 December 2024 $	30 June 2024 $
5. Trade and other receivables		
Current		
Interest receivable	79,009	90,886
GST receivable	26,303	53,325
Prepayments (a)	109,669	114,780
Security deposits	215,777	225,767
Other debtors	1	1
	430,759	**484,759**
Non-current		
Security deposits	28,240	28,240

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

6. Property, plant and equipment

	31 December 2024 $	30 June 2024 $
Plant & equipment – at cost	165,851	154,828
Less: Accumulated depreciation	(52,057)	(41,804)
	113,794	**113,024**
Computer equipment – at cost	31,799	29,189
Less: Accumulated depreciation	(25,646)	(20,627)
	6,153	**8,562**
Office equipment – at cost	7,584	7,584
Less: Accumulated depreciation	(2,977)	(2,253)
	4,607	**5,331**
Motor vehicles – at cost	25,416	25,416
Less: Accumulated depreciation	(7,025)	(4,625)
	18,391	**20,791**
Property, plant and equipment – at cost	**230,650**	**217,017**
Less: Accumulated depreciation	**(87,705)**	**(69,309)**
	142,945	**147,708**

6. Property, plant and equipment (continued)

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

	Plant and equipment $	Computer equipment $	Office equipment $	Motor vehicles $	Total $
Opening balance – 1 July 2023	110,567	18,353	5,146	3,678	137,744
Additions	21,726	-	1,359	20,884	43,969
Depreciation	(19,270)	(9,791)	(1,174)	(3,770)	(34,005)
Balance at 30 June 2024	**113,023**	**8,562**	**5,331**	**20,792**	**147,708**
Opening balance – 1 July 2024	113,023	8,562	5,331	20,792	147,708
Additions	12,921	2,610	-	-	15,531
Disposals	(1,362)	-	-	-	(1,362)
Depreciation	(10,788)	(5,019)	(724)	(2,401)	(18,932)
Balance at 31 December 2024	**113,794**	**6,153**	**4,607**	**18,391**	**142,945**

7. Right of use assets

	31 December 2024 $	30 June 2024 $
Office lease – Right of use	189,366	189,366
Less: Accumulated depreciation	(107,308)	(88,371)
	82,058	**100,995**
Plant and equipment – Right of use	5,901	5,901
Less: Accumulated depreciation	(5,245)	(4,262)
	656	**1,639**
Right of use assets	**195,267**	**195,267**
Less: Accumulated depreciation	**(112,553)**	**(92,633)**
	82,714	**102,634**

Additions to the right-of-use assets during the period were nil (30 June 2024: nil).

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

8. Trade and Other Payables

	31 December 2024 $	30 June 2024 $
Trade creditors	210,439	184,253
Accrued expenses	17,000	74,264
Other creditors	122,247	149,453
	349,686	**407,970**

9. Lease Liabilities

	31 December 2024 $	30 June 2024 $
Current	46,439	39,866
Non-current	63,281	87,624
	109,720	**127,490**

Changes in liabilities arising from financing activities

Lease Liabilities	31 December 2024 $	30 June 2024 $
Balance at the start of the period	127,490	159,512
Net cash used in financing activities	(23,519)	(45,923)
Non-cash interest expense	5,749	13,901
Balance at the end of the period	**109,720**	**127,490**

10. Issued Capital

	31 December 2024		30 June 2024	
	Number	$	Number	$
At 1 July	177,000,000	87,451,842	177,000,000	87,451,842
Balance at end of period	**177,000,000**	**87,451,842**	**177,000,000**	**87,451,842**

	31 December 2024 $	31 December 2023 $
11. Share-based Payment Transactions		
Options – recognised as a Share-based Payment Expense	261,910	350,643

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

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ Forfeited	Balance at the end of the year	Exercisable at the end of the year
15/12/2021	15/12/2024	$0.75	5,398,500	-	-	(5,398,500)	-	-
15/12/2021	15/12/2025	$0.75	5,398,500	-	-	-	5,398,500	5,398,500
8/08/2022	31/7/2025	$0.36	1,412,500	-	-	(200,000)	1,212,500	1,212,500
8/08/2022	31/7/2026	$0.36	1,412,500	-	-	(200,000)	1,212,500	-
4/07/2023	30/06/2026	$0.35	1,510,000	-	-	(80,000)	1,430,000	715,000
4/07/2023	30/06/2027	$0.35	1,510,000	-	-	(80,000)	1,430,000	-
1/10/2023	30/09/2026	$0.24	250,000	-	-	-	250,000	-
1/10/2023	30/09/2027	$0.24	250,000	-	-	-	250,000	-
15/07/2024	30/06/2027	$0.38	-	1,920,000	-	-	1,920,000	-
15/07/2024	30/06/2027	$0.38	-	1,920,000	-	-	1,920,000	-
			17,142,000	3,840,000	-	(5,958,500)	15,023,500	7,326,000

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

	31 December 2024 $	30 June 2024 $
12. Reserves		
Share-based Payments Reserve	1,830,062	2,693,739
Movements		
Balance at beginning of period	2,693,739	2,109,493
Share-based payments expense for the period	261,910	584,246
Transferred to Accumulated Losses – expiry of options	(1,125,587)	-
Balance at end of period	**1,830,062**	**2,693,739**

13. Related Party Transactions

2,520,000 options granted to key management personnel on 15 July 2024 were issued to key management personnel on 28 November 2024, following shareholder approval at the 2024 Annual General Meeting (Refer to Note 11).

14. Commitments for Expenditure

Exploration and Evaluation

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

	31 December 2024
	$
The company has tenement rental and expenditure commitments payable of:	
- Not later than 12 months	3,846,120
- Between 12 months and 5 years	12,260,110
	16,106,230

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

14. Loss per share

	31 December 2024	**31 December 2023**
	$	**$**
Loss after income tax	(2,345,504)	(2,035,409)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic loss per share	177,000,000	177,000,000
Basic and diluted loss per share (cents)	**(1.33)**	**(1.15)**

15. Events after the Reporting Date

<u>Corporate</u>

On 26 February 2025, the Company announced the issue of 160,000 employee share options with an exercise price of $0.20 expiring equally on 31 January 2028 and 31 January 2029.

On 5 March 2025, the Company announced the issue of 200,000 employee share options with an exercise price of $0.195 expiring on 31 August 2028.

16. Contingent Liabilities

The Company had no contingent liabilities as at 31 December 2024.

17. Operating Segments

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

18. Financial Instruments

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

Directors’ Declaration

In the directors' opinion:

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

- the attached financial statements and notes give a true and fair view of the Company’s financial position as at 31 December 2024 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: 12 March 2025
Melbourne

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Falcon Metals Limited for the half-year ended 31 December 2024, 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
12 March 2025

M R Ohm
Partner

HLB Mann Judd ABN 22 193 232 714
A Western Australian Partnership
Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849
T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Falcon Metals Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Falcon Metals Limited (the "Company") and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2024, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes, and the directors' declaration, for the Group comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the half-year ended on that date; and

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

Basis for Conclusion

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

Responsibility of the Directors for the Financial Report

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

hlb.com.au

HLB Mann Judd ABN 22 193 232 714
A Western Australian Partnership
Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849
T: +61 (0)8 9227 7500 E: mailbox@hlbwa.com.au

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year 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 half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2024 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year 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
12 March 2025