FALCON METALS LTD

Annual Report 2023

ACN 651 893 097

ASX: FAL

www.falconmetals.com.au

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Corporate directory

Directors

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

Company Secretary

Pradeep Subramaniam

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Share Registry

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Securities Exchange Listing

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

Auditor

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Level 4, 130 Stirling Street
Perth WA 6000

Bankers

National Australia Bank
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Perth WA 6000

ABN: 87 651 893 097

Dear Shareholders

Welcome to Falcon Metals Limited's (ASX: FAL) (Falcon) Annual Report for Financial Year 2023. It has been a year of high activity for Falcon, with active exploration programs across all our projects, as we scaled up our operations following listing in December 2021.

Pyramid Hill Project (Victoria)

At Pyramid Hill we completed over 80,000m of aircore drilling across the project, in what was probably one of the largest regional drilling campaigns by a gold explorer in Victoria. The drilling program initially focused on infill aircore at targets identified from our prior drilling at the Ironbark prospect with some immediate success in outlining a 500m long mineralised trend at Ironbark East. Following this, six diamond drill holes were completed at the Ironbark prospect. Although the diamond drilling has not yet replicated the results from the aircore drilling, the structural information obtained will allow better targeting of future holes. We also completed infill drilling at the Wandoo and Banksia prospects, returning multiple anomalous results. Follow-up drilling has further refined the target zones at both, with Wandoo showing encouragement with several high-grade intercepts and remaining open to the south.

This drilling also included an extensive regional reconnaissance program to screen our large strategic ground holding of over 7,000km^2. The regional program near the town of Pyramid Hill returned the most anomalous results at the project to date from areas never previously drilled. These results validate the Company's strategy to screen large areas, with the key objective of continuing to generate high-priority targets for infill drilling.

A review of the critical mineral prospectivity of the project was recently completed and this has identified several areas with potential for heavy mineral sands and rare earths in the north-western licences within shallow Murray Basin sediments.

Mt Jackson Project (Western Australia)

At Mt Jackson, a second phase of soil sampling was completed. This has identified several areas of anomalous gold and base metals in an area never previously explored. We expect to complete further follow up soil sampling and a targeted aircore drilling program later in FY2024. Given the encouragement from the current phase of soil sampling, Falcon has taken the opportunity to apply for new ground along strike from the identified anomalies.

Viking Project (Western Australia)

In Western Australia, our 51% interest in the Viking Project was secured by meeting the $1 million drilling expenditure milestone, following completion of an RC drilling program which returned several high-grade gold results, and a small follow-up diamond drilling program. With the diamond drilling results limiting the potential for scale at the existing prospects, the focus shifts to regional targeting for both gold and critical minerals such as REE.

Falcon is in a unique position to make a significant discovery. It has a strong balance sheet, a large strategic ground position and an experienced team. However, we are acutely aware of the current market dynamics related to the gold equity markets and the challenges it brings in sourcing capital. In planning our exploration strategy for FY2024, our focus will be on continuing our exploration efforts and maximising the potential of the strategic ground position, as well as reviewing new opportunities that may complement our current assets.

Finally, I would like to acknowledge the effort of the Falcon team who successfully completed such a large program at Pyramid Hill, ensuring it was done safely and in a manner that has strengthened our standing in the communities in which we operate. I would also like to thank our shareholders for the continued trust and support in our team, as we aim to make a major mineral discovery that will create significant value for us all.

Dr Mark Bennett
Non-executive Chair

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).

Falcon holds the largest ground position 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 Mount Jackson Project is in an underexplored part of the Southern Cross Greenstone Belt, featuring both gold and base metal soil anomalies that require further soil sampling and initial aircore drilling. The Viking Project located 30km southeast of Norseman in the Albany Fraser Province has potential for gold and Rare Earths Element (REE) mineralization.

PYRAMID HILL, VICTORIA

At the Pyramid Hill Project, Falcon completed one of the largest greenfields gold exploration programs in Victoria, completing 81,852m of aircore drilling and 2,133m of diamond drilling during the year.

The program included diamond and aircore drilling at the Ironbark prospects, as well as follow up aircore at the Wandoo and Banksia prospects. Zones of high-grade mineralization were intersected in multiple holes giving encouragement for future programs. Follow up drilling in FY2024 is currently being planned to further refine these mineralized systems.

The Company also completed a large regional reconnaissance program across its >7,000 km² ground position. Results from these first pass aircore drilling programs identified highly encouraging mineralized zones at the far north of the project area near the towns of Kerang and Pyramid Hill, as well as in the southern-most line drilled to date, 40km SW of Bendigo.

Falcon has also successfully secured a prospective 174km² permit covering extensions to the 22Moz Bendigo goldfield, containing significant underexplored areas. In addition, permits have also been granted surrounding the Raywood Goldfield, north of Bendigo.

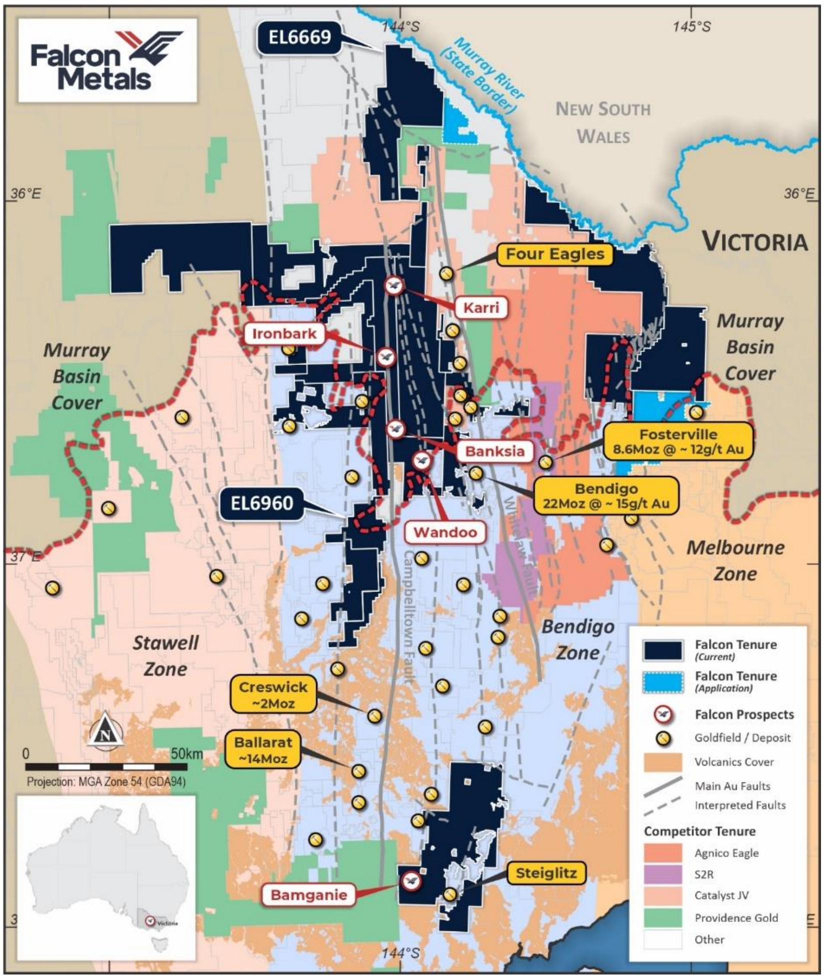

Figure 1 The Pyramid Hill Project

The FY2023 drilling season has been successful in achieving its two primary objectives of better defining the existing mineralised structures of the known prospects and identifying new high-quality targets from the regional reconnaissance drilling. In FY2024, Falcon aims to complete more regional reconnaissance drilling to identify the best targets with the potential for large scale gold systems. Having made significant progress with the regional reconnaissance drilling program in FY2023, it is expected that FY2024 will focus on aircore drilling following-up on the high-grade results at existing prospects, continuing the regional wide-spaced drilling on the priority areas and an initial program to assess the potential for significant mineral sands and associated rare earth deposits.

Ironbark Prospect

Several phases of previous work at Ironbark indicated the potential for gold mineralisation associated with the contact between Castlemaine Group Sediments and 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].

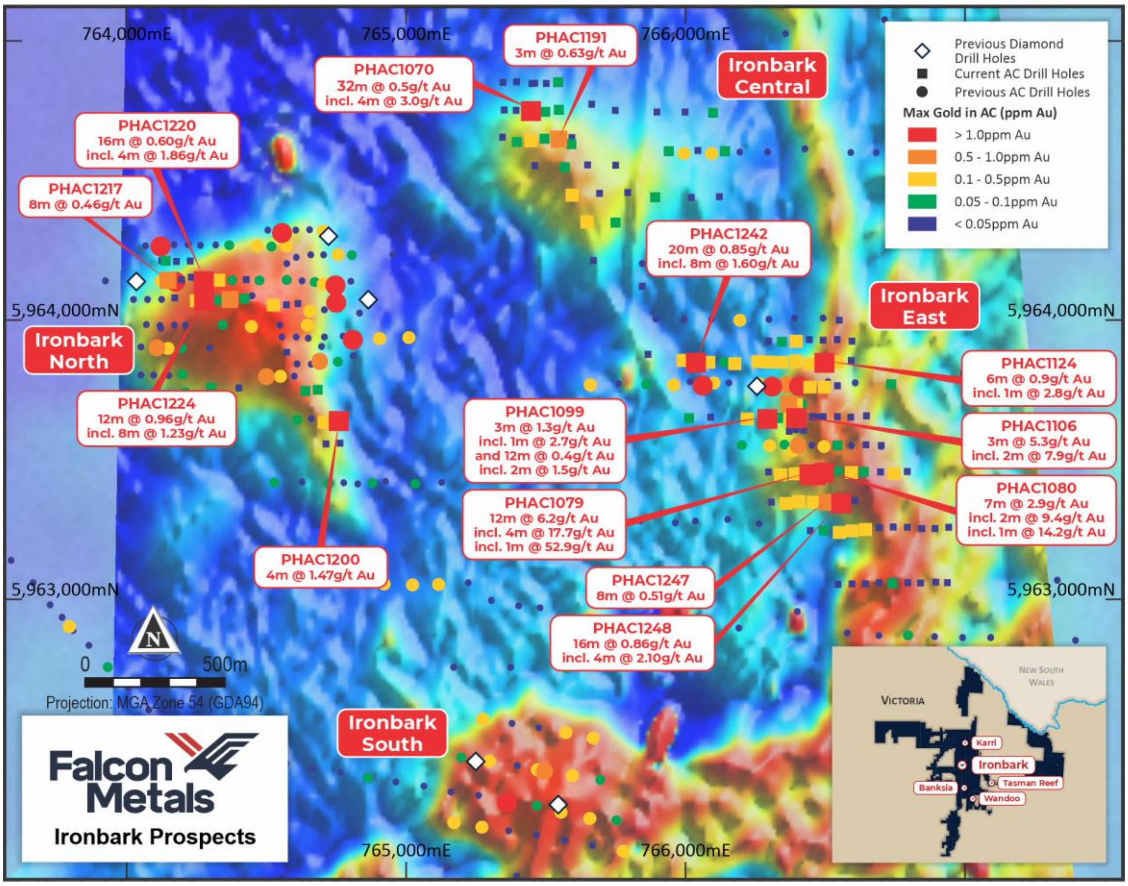

Figure 2 Aircore drilling results at Ironbark

At Ironbark East, aircore drilling confirmed the presence of high-grade gold mineralisation over 500m along a NNW-SSE trend within weathered diorite (see Figure 2). Highlights of this program include:

- **PHAC1079** **12m @ 6.18 g/t Au from 74m**
  - Including **4m @ 17.7 g/t Au from 77m**, that also includes
    - **1m @ 52.9 g/t Au from 77m**
- **PHAC1080** **7m @ 2.93 g/t Au from 60m**
  - Including **2m @ 9.39 g/t Au from 61m**, that also includes
    - **1m @ 14.2 g/t Au from 61m**
- **PHAC1106** **3m @ 5.34 g/t Au from 69m**
  - Including **2m @ 7.90 g/t Au from 69m**
- **PHAC1247** **8m @ 0.51g/t Au from 40m**
- **PHAC1248** **16m @ 0.86g/t Au from 73m**
  - Including **4m @ 2.1g/t Au from 81m**

[1] 2006, Vandenberg et al., Walhalla-Woods Point-Tallangallook, Special map area geological report, GeoScience Victoria, Ch 8 - Economic Geology, page 231]

Mineralisation was mostly associated with quartz veining with pyrite and arsenopyrite.

Falcon drilled five diamond holes for 1,903.5m at the Ironbark East Prospect to test the diorite margins and below the mineralised trend within the diorite (see Figure 3). The first three holes were drilled perpendicular to the interpreted mineralised trend intersected in the aircore drilling, with no obvious indications of a large, mineralised NNW striking structure intersected. The subsequent two holes were drilled in different directions to test alternative structural orientations.

All five holes intersected primary zones of mineralisation, both within the diorite and in the Castlemaine Group Stratigraphy within 20m of the contact with the diorite. A structural analysis of the orientated core indicates a shallow northwest dipping orientation to be the dominant trend for the mineralised veins.

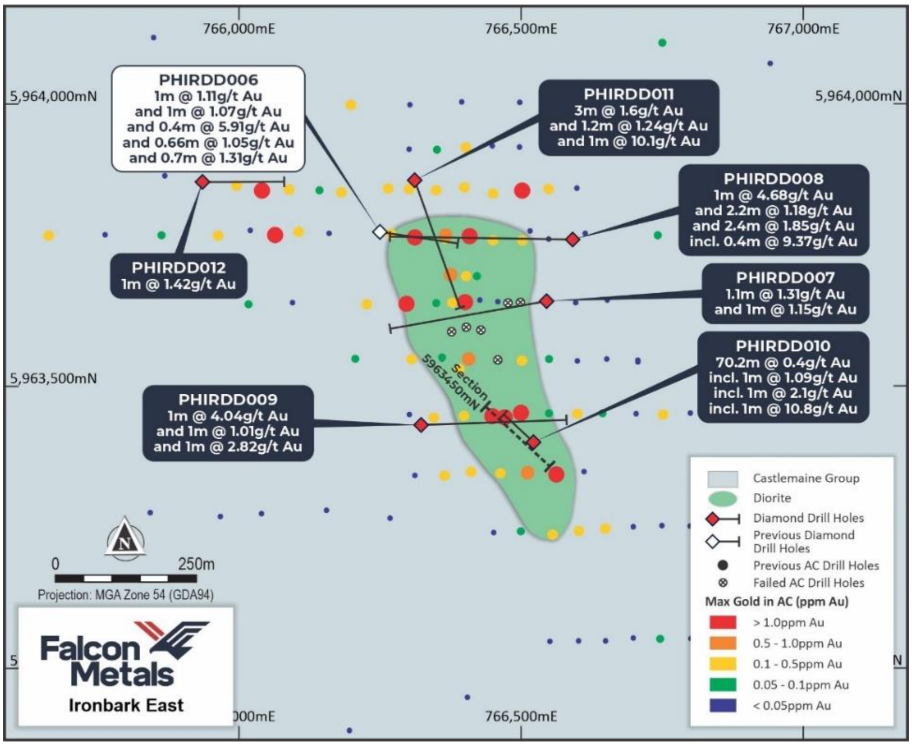

Figure 3 Plan map of Ironbark East showing new diamond drill results and PHIRDD006 announced on 15 July 2022

Figure 4 Diamond rig operating at the Ironbark East Prospect

Most of the mineralised veins had limited alteration and gold haloes associated with them due to the impervious nature of the diorite. However, there were notable exceptions of broad mineralised zones including diamond drill hole PHIRDD010 which intersected a continuous 70.2m zone of gold anomalism with the hole ending in mineralisation (see Figure 5).

This intersection is located 50m below two significant aircore intercepts of **12m @ 6.17g/t Au** including **1m @52.90g/t Au** in PHAC1079 and **30m @ 0.35g/t Au** in PHAC1237 (refer to ASX Announcements dated 14 February 2023 and 26 April 2023). This broad zone is considered a potential geochemical vector towards larger and potentially higher-grade structures, which can be better targeted in future programs due to the improved understanding of the orientation of the mineralised veins.

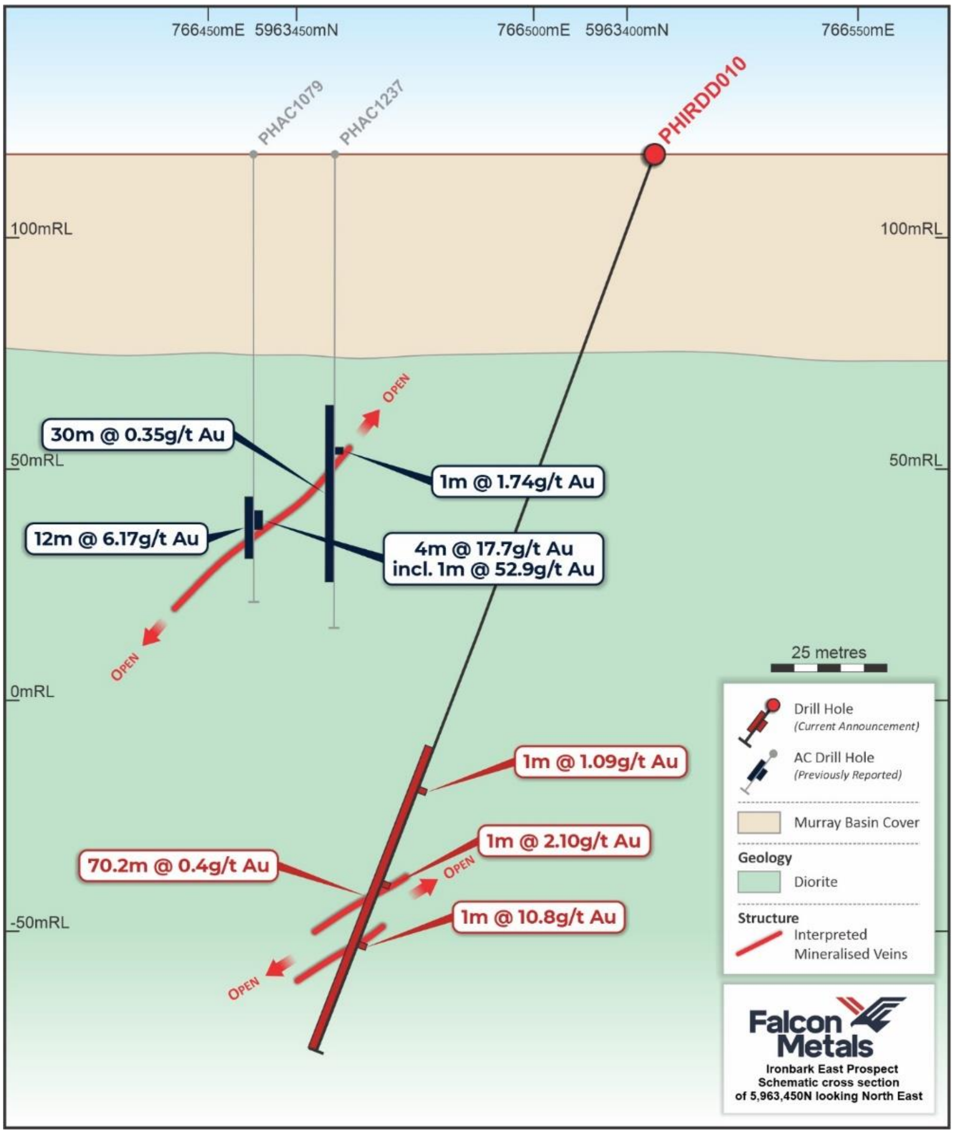

Figure 5 Cross section through Ironbark East showing diamond hole PHIRDD010

Two additional mineralised diorites were discovered with the aircore drilling at the Ironbark Prospect. Ironbark Central was a new diorite interpreted during the drone magnetic survey Falcon conducted late in 2022. At Ironbark Central primary mineralisation was intersected in drill hole PHAC1070 returning **4m @ 3.03g/t Au from 100m** within a broader 32m zone from 100m to the end of hole. Several holes failed to penetrate the cover due to the presence of a hard silcrete layer. Further drilling at this prospect is being considered for subsequent programs now that polycrystalline diamond bits have been introduced to the aircore drilling programs.

A very narrow mineralised diorite that was too small to be detected from geophysical methods was intersected on the western side of the Ironbark East Prospect in PHAC1242 with **20m @ 0.85g/t Au from 99m** including **8m @ 1.60g/t Au from 99m** associated with quartz veins, pyrite and arsenopyrite. This was tested with diamond hole PHIRDD012 that was drilled to a depth of 229.4m. A mineralised zone of **9m @ 0.32g/t Au from 170m** including **1m @ 1.42g/t Au from 172m** was intersected in the Castlemaine Group Stratigraphy adjacent to the western contact of the diorite.

Ironbark North also continues to deliver positive results from the infill drilling which closed some gaps in the previous aircore coverage. The best result from the present drilling was from PHAC1220 with **16m @ 0.60g/t Au from 108m**, including **4m @ 1.86 g/t Au from 112m**.

Wandoo Prospect

The Castlemaine Group Stratigraphy at Wandoo straddles the Muckleford Fault, a major regional mineralising structure. Wandoo, located 20km west of Bendigo, was a target as first pass aircore returned results which were more encouraging than Karri, at that stage of its exploration. Several phases of follow up drilling were completed by Falcon in 2023 with a zone of high-grade mineralisation defined over an area of 300m x 200m (see Figure 6).

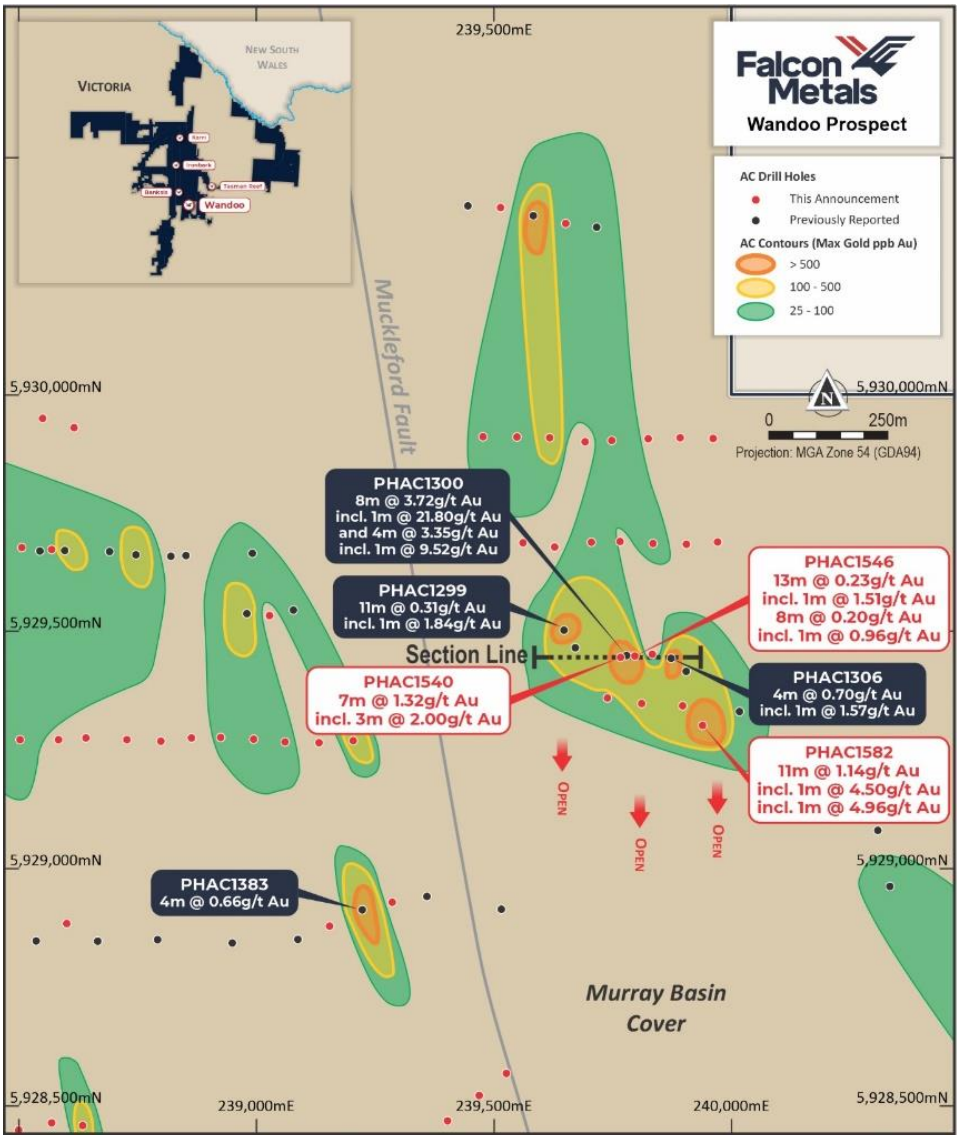

Figure 6 Plan map of the Wandoo Prospect showing aircore drilling results

The best result was achieved from PHAC1300 which included an intercept in the saprolite of **1m @ 21.8g/t Au from 60m**, as well as an intercept in primary quartz veins near the base of the hole of **1m @ 9.5g/t Au from 106m** (see chip tray photo in Figure 7). Around PHAC1300, holes were drilled at 15m spacing along the line to assess if an orientation to the mineralised structure could be determined. PHAC1540 successfully intersected the same primary mineralised structure and a westerly dip to this zone has been confirmed (see cross section in Figure 8). PHAC1546 also intersected the up-dip projection in weathered and more oxidised stratigraphy.

Importantly, the zone defined at Wandoo is open to the south as confirmed in PHAC1582 that intersected **11m @ 1.14g/t Au from 75m** including **1m @ 4.5g/t Au from 75m** and **1m @ 4.96g/t Au from 79m** in mineralised quartz veins in oxidised Castlemaine Group Stratigraphy, and is the southernmost hole drilled in this prospective zone. Falcon will work on gaining additional land access covering the potential southern extension to this zone.

Figure 7 Chip tray photo of hole PHAC1300 showing the high-grade zones (g/t Au) in the saprolite, and in primary mineralisation at the base of the hole

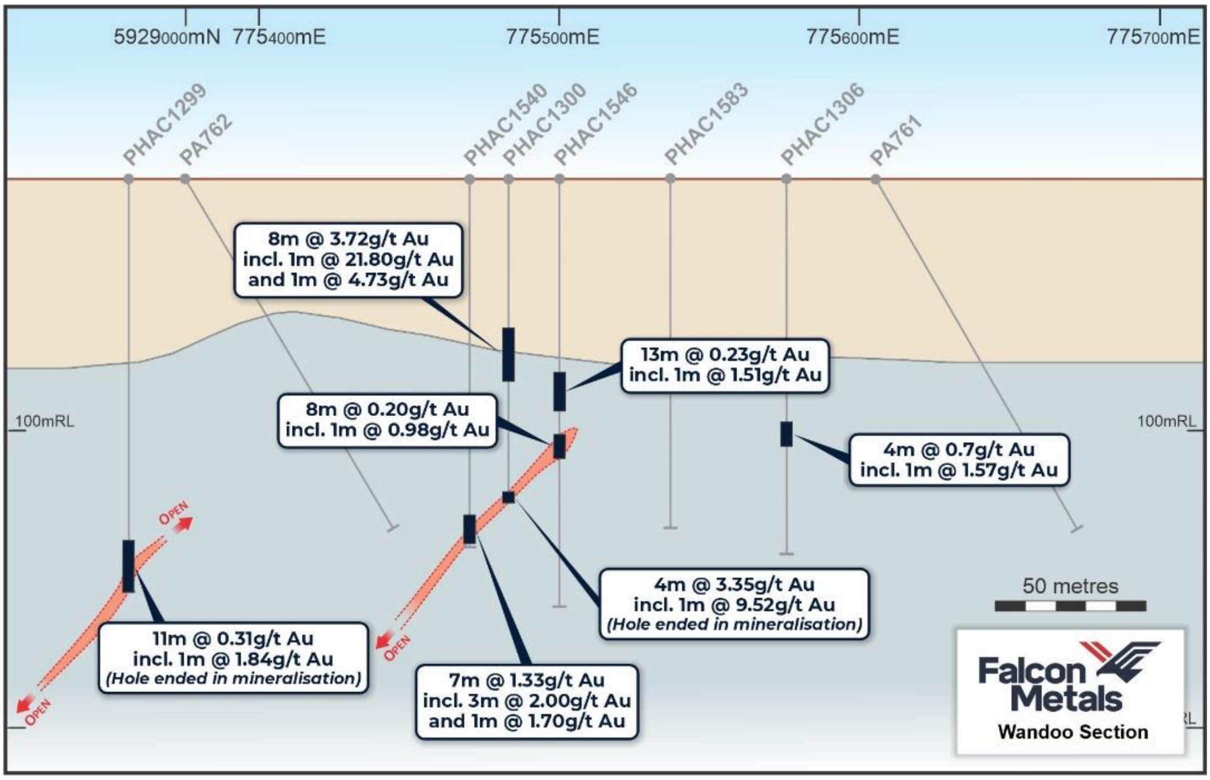

Figure 8 Cross section through the main zone at the Wandoo Prospect

Banksia Prospect

At Banksia, two distinct >100ppb Au trends were identified in Castlemaine Group Stratigraphy (see Figure 9).

Aircore drilling at Banksia completed in FY2023 confirmed primary mineralisation with >1g/t Au intercepts over 800m of strike length in the northern zone. In the southern zone, at the base of the Murray Basin sediments, there are zones with gold bearing gravels on the contact with the Castlemaine Group Stratigraphy. This can cause possible downhole contamination and anomalous results in the basement are being assessed with some caution.

As the regional reconnaissance program continues, the understanding of the palaeotopography is improving and the gold bearing gravels will be assessed to determine if it is possible to trace them back to their source areas.

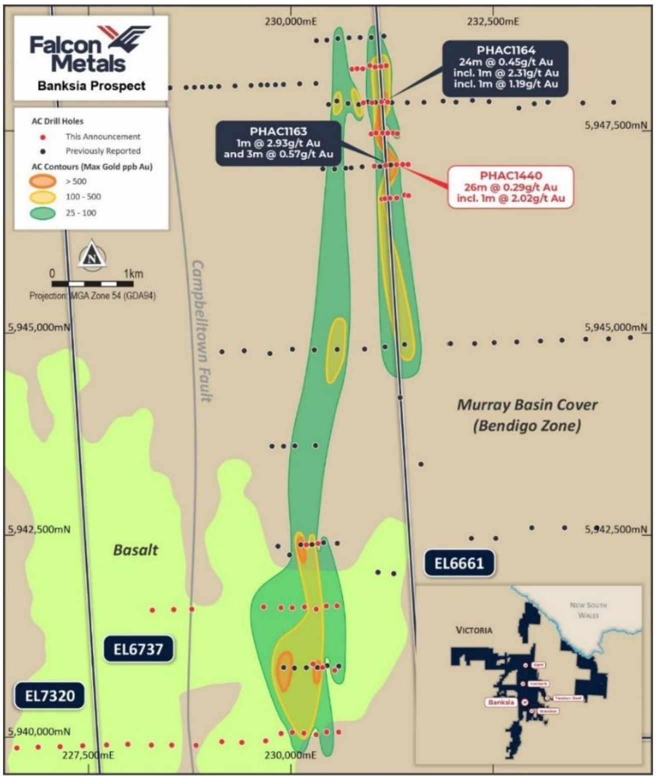

Figure 9 Plan map of the Banksia Prospect showing aircore drilling results

Karri Prospect

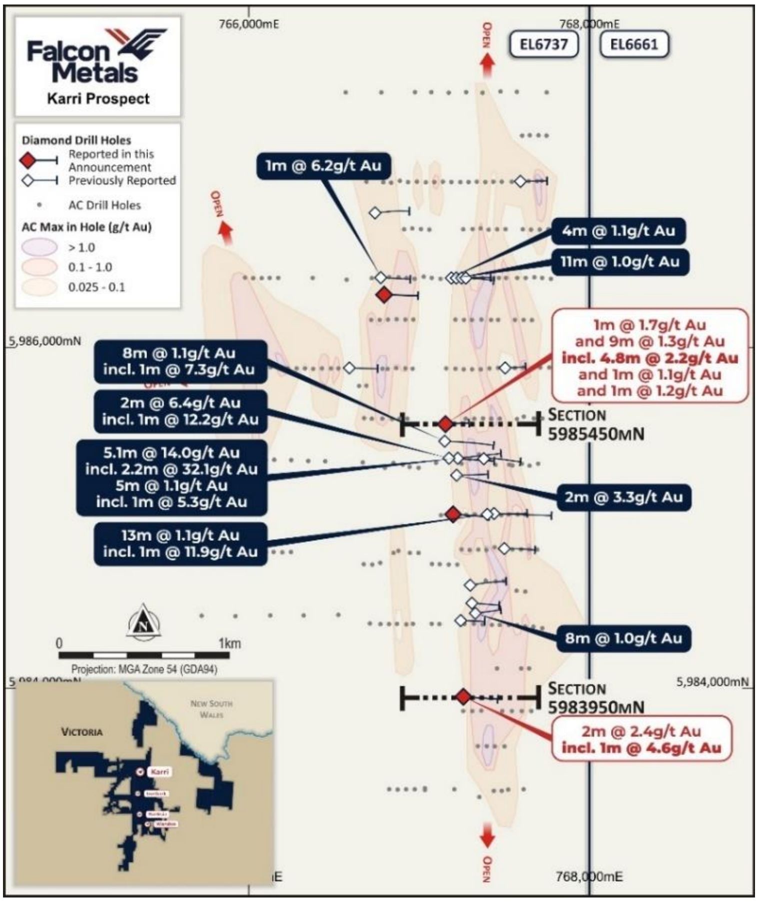

Figure 10 The Karri Gold Prospect

Karri is one of the more advanced prospects at Pyramid Hill and is centred on a 4km-long bedrock gold anomaly under Murray Basin (see Figure 10).

Falcon did not drill Karri in the current year but intends to return with additional aircore drilling to ensure that the best part of this prospect has been adequately screened. The initial focus will be on the western extent of the anomaly that remains open.

Regional Reconnaissance Drilling

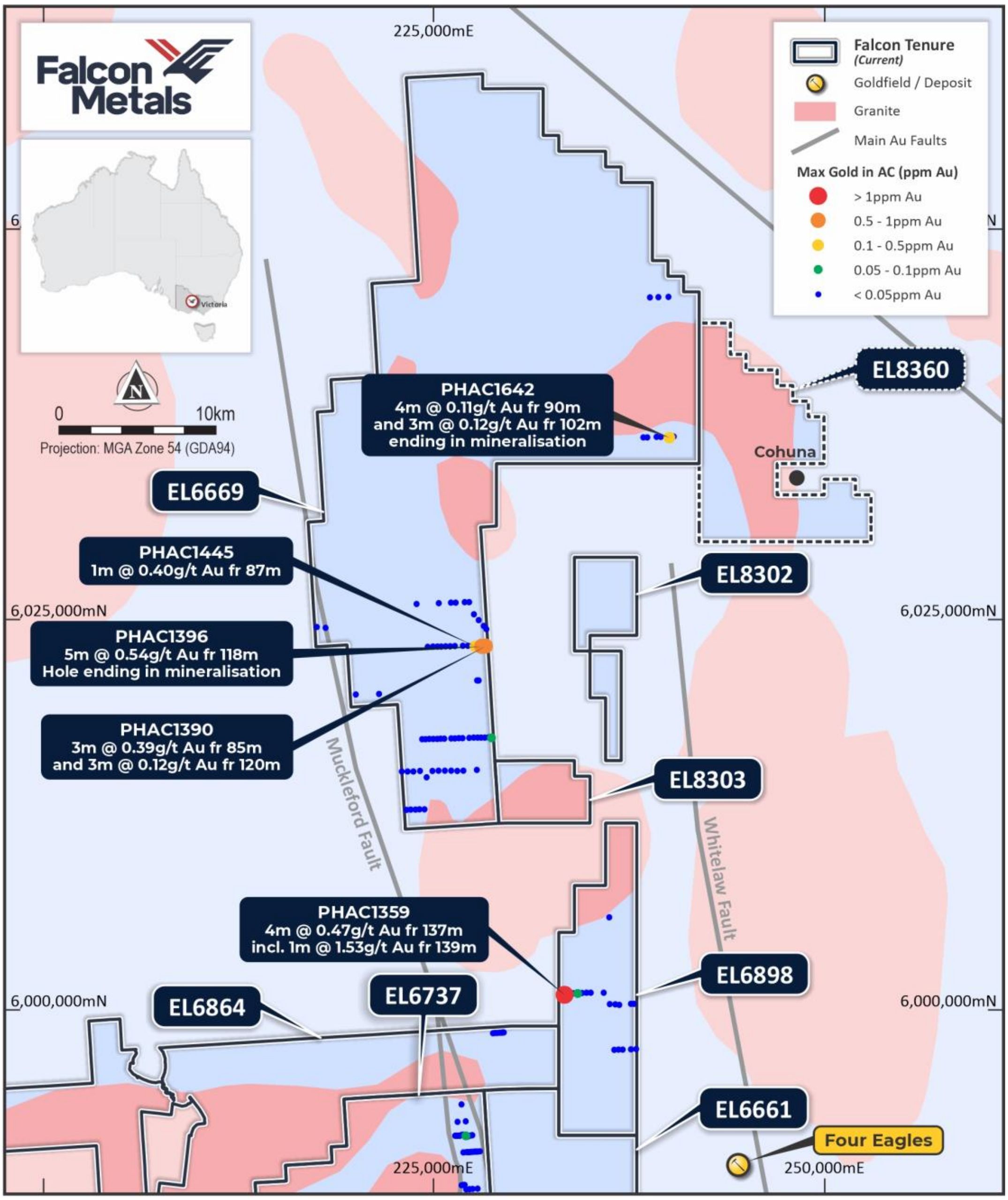

Figure 11 Plan map showing results from regional first pass drilling on permits EL006898 and EL006669

Falcon's strategy is to screen its large landholding for the best targets to vector in to make a major mineral discovery. In FY2023, Falcon completed a significant regional aircore program drilling 301 holes for 32,994m at a nominal spacing of 280m between holes and several kilometres between drill lines.

Results from the first drilling by Falcon on EL006898 near Pyramid Hill intersected **4m @ 0.47g/t Au from 137m**, including **1m @ 1.53g/t Au from 139m**. This is the best result at Pyramid Hill to date from first pass reconnaissance drilling.

Regional drilling carried out on EL006669 has identified a mineralised diorite close to the margin of the Pyramid Hill Granite, 9km northwest of Cohuna. This is 70km northeast of the Ironbark Prospects and has confirmed that these mineralised intrusions are more widespread throughout the Bendigo Zone. PHAC1642 intersected **4m @ 0.11g/t Au from 90m** and **3m @ 0.12g/t Au from 102m** both in diorite, with the hole ending in mineralisation (see Figure 11).

Due to these encouraging results, Falcon applied for EL008360, to the east of the mineralised intercept. Tenements EL008302 and EL008303 have also been recently granted and are located in preferred structural positions to the west of the Whitelaw Fault, similar to Bendigo, Raywood (held by FAL) and the Four Eagles Project (held by Catalyst Metals, ASX: CYL).

Aircore drilling from the southernmost drill traverse on the project from EL006960, 30km southwest of Bendigo, has returned highly anomalous gold results (see Figure 12). PHAC1654 intersected **3m @ 0.59g/t Au from 68m**, including **1m @ 1.40g/t Au from 68m** and PHAC1659 intersected **2m @ 0.42g/t Au from 100m**, ending in a mineralised quartz vein at 102m. This area will be prioritised for further screening and follow-up drilling as these new results have elevated the prospectivity of the structural corridor along the west of the Campbelltown Fault in the southern part of the project area. Falcon holds the ground for 35km to the south of this zone which is largely unexplored due to shallow cover from flood basalts of the Newer Volcanics Province. Aircore drill rigs are now able to efficiently drill through shallow basalt cover, opening these previously unexplored areas to modern day exploration.

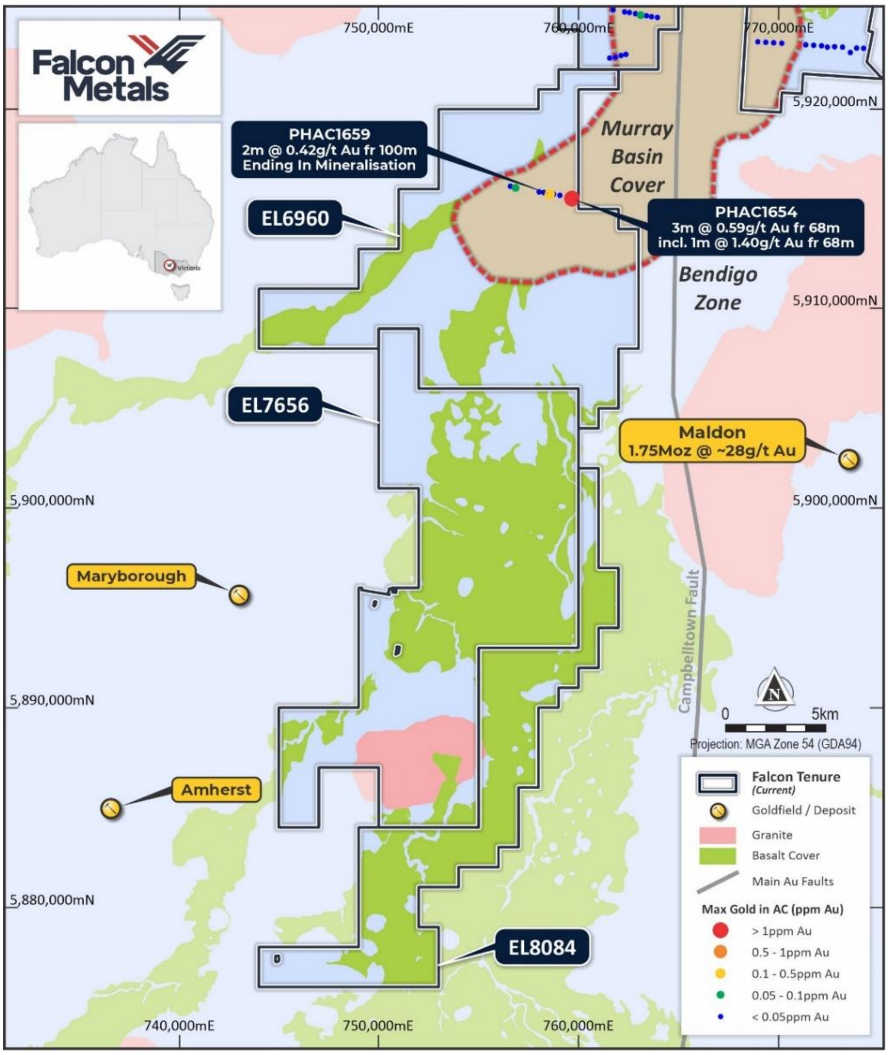

Figure 12 Plan map showing anomalous aircore results in EL006960 and the shallow basalt cover to the south.

Figure 13 Aircore rig in the paddocks

Bendigo Permit

Falcon has continued to expand its project footprint and now holds in excess of 7,000 km² in Victoria, the largest holding of any gold explorer in Victoria.

This includes EL007839 that surrounds the 22 Moz Bendigo Goldfield (see Figure 14) is considered highly prospective, with much of the area lacking any systematic modern exploration. Initial work will be focussed on areas to the northwest undercover and a review of the historical productive lines of reef from the Bendigo Goldfield that extend onto the tenement will be undertaken.

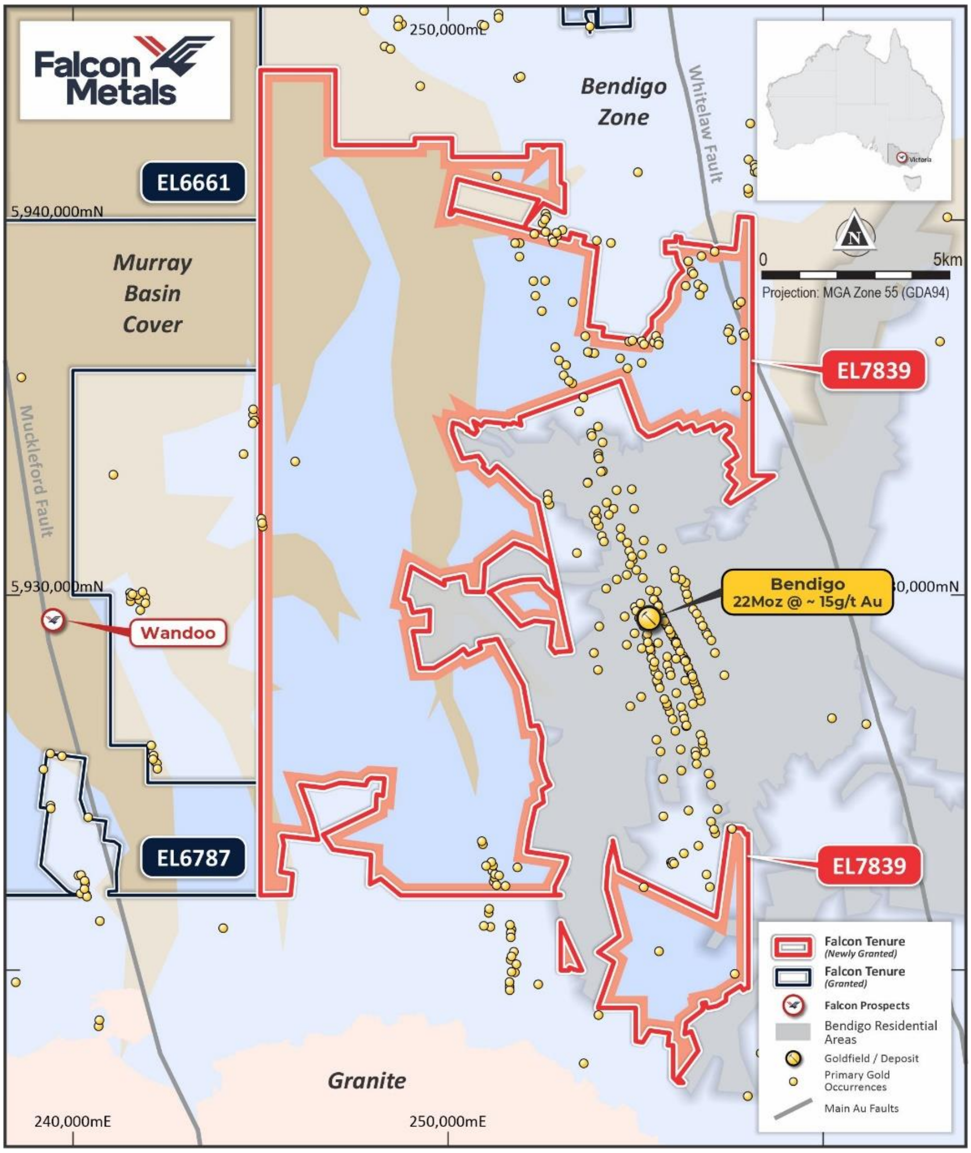

Figure 14 Map showing the recently granted Bendigo Permit EL07839

MT JACKSON PROJECT, WESTERN AUSTRALIA

The Mt Jackson Project is located approximately 110km north-northwest of Southern Cross, 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).

Falcon undertook a soil sampling program and due to the encouraging results, an additional application, EL77/3134, was recently added to extend the project to the north.

Several areas with multi-point anomalous gold values have been identified (see Figure 15). The strongest results appear to be orientated along a northwest structure and coincident with interpreted mafic/ultramafic rocks under shallow cover. The other anomalous gold results generally occur along more subtle northeast trending structures. Follow-up soil sampling over these areas is presently underway to increase the sample density to 100m x 100m.

Two zones have been identified as base metal targets along the interpreted greenstone trend where there are coincident anomalism in Ni, Cu, Pt and Pd (See Figure 16). These areas will also be tested with further follow-up sampling.

Once results from the current infill soil sampling are available, a final phase will be conducted to tighten the spacing to 50m over the most anomalous zones. Areas will then be selected for testing with aircore drilling, expected in Q2 2024. This will be the first exploration drilling undertaken in this highly prospective area.

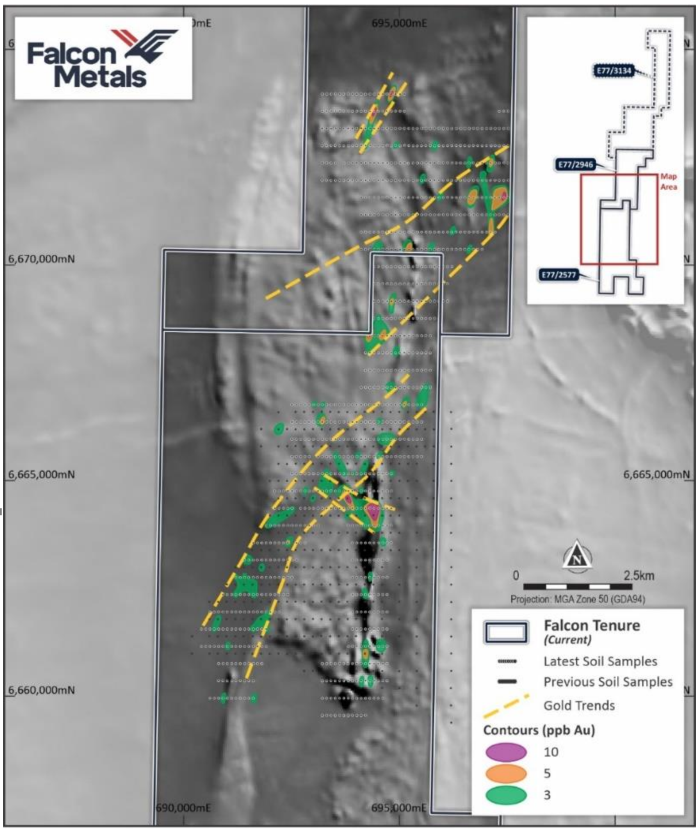

Figure 15 Plan map of Mt Jackson showing new Au soil sampling results

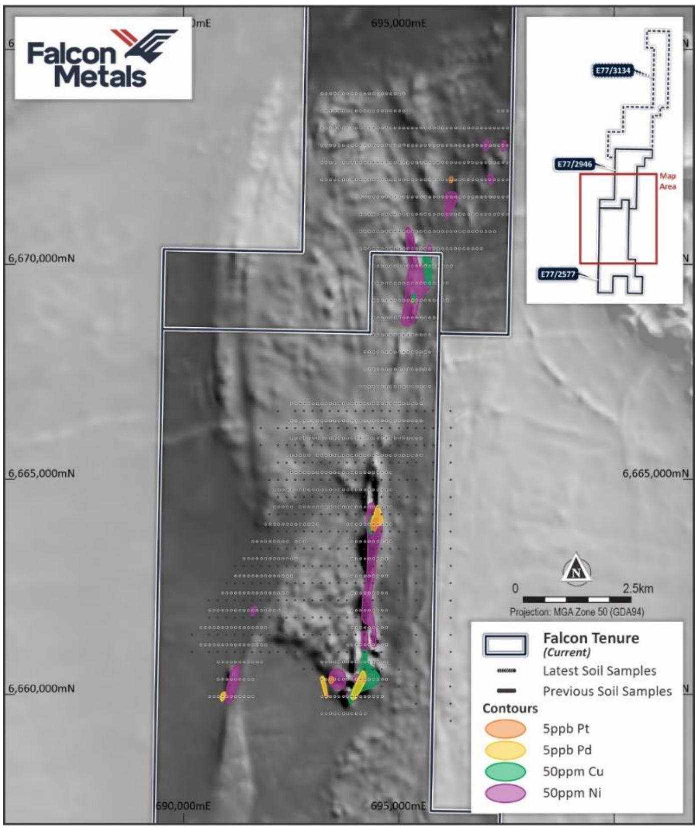

Figure 16 Plan map of Mt Jackson showing new base metals and PGM soil sampling results

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. The project comprises the four Beaker Gold Prospects (See Figure 17)

Falcon commenced a 1,691m reverse circulation (RC) drilling program in late September 2022, targeting the down-dip and potential down-plunge extensions to historical drill intercepts, including 5m @ 44.5g/t from 50m depth in hole 16VKAC044 and 4m @ 15.4g/t Au from 40m depth in hole 17VKAC075. The drilling was focussed on testing for a primary source for the shallow high-grade zones that had previously been intersected at these prospects. High-grade results were received for three of the intercepts at Beaker 2, and the mineralised structure was intersected at Beaker 1 over a strike length of 600m. Highlights include:

- **VKB2RC004** **6m @ 1.02 g/t Au from 93m**; including
    - **1m @ 5.01g/t Au from 93m**; and
    - **6m @ 5.11g/t Au from 141m**; that also includes
        - **1m @ 28.5g/t Au from 141m**
- **VKB2RC001** **3m @ 6.07g/t Au from 43m**; including
    - **1m @ 13.4 g/t Au from 45m**
- **VKB1RC003** **4m @ 1.87g/t Au from 124m**; including
    - **1m @ 5.01g/t Au from 124m**

Following the highly encouraging RC drilling results, Falcon completed a four-hole diamond drill program in December 2022 at the Beaker 2 Prospect. Although all four diamond holes intersected the targeted structures, they did not intersect any significant gold mineralisation. With the diamond drilling results limiting the potential for scale at the existing prospects, the focus shifts to regional targeting for both gold and critical minerals within the granted tenure and Falcon's 100% application (E63/1994).

Expenditure from this program has resulted in Falcon meeting the earn-in milestone for a 51% interest in the project from Metal Hawk.

Falcon is currently reviewing its strategy with respect to the Viking Project and considering potential opportunities, including partnerships, to further progress the project.

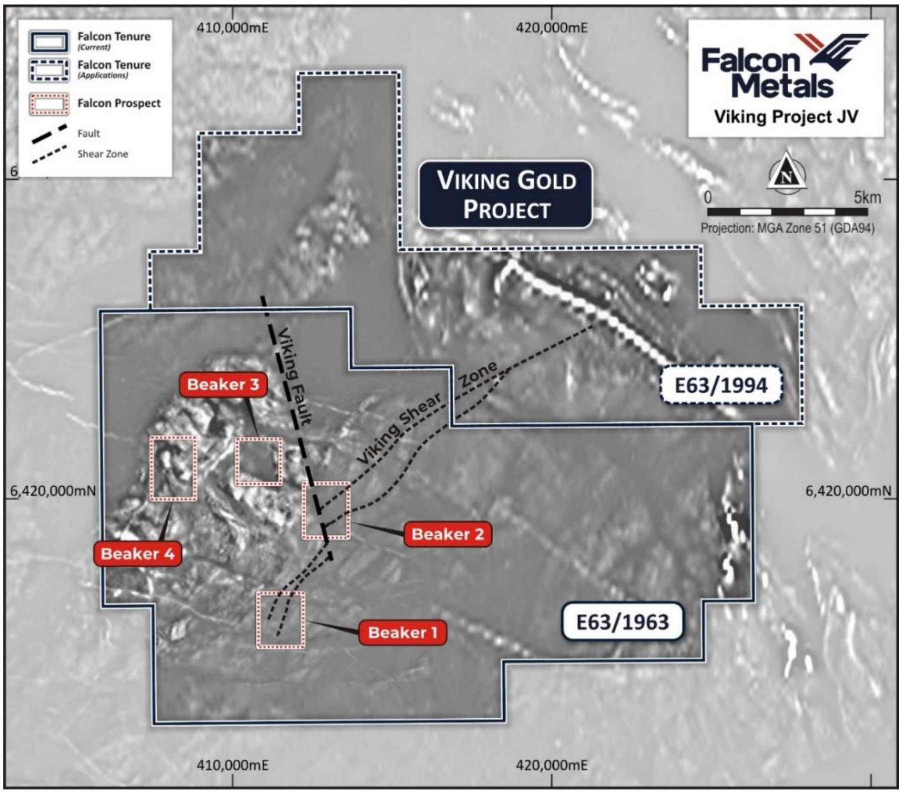

Figure 17 Viking Project showing the Viking Shear which will be the focus of the next stage of exploration

OPERATING AND FINANCIAL RISK

The Group's activities have inherent risk and the Board is unable to provide certainly of the expected results of activities, or that any or all of the likely activities will be achieved. The material business risks faced by the Group that could influence the Group's future prospects, and the Group manages these risks, are detailed below:

Operational risks

The Company may be affected by various operational factors. In the event that any of these potential risks eventuate, the Company's operational and financial performance may be adversely affected. No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its tenement interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

The tenements are at various stages of exploration, and potential investors should understand that mineral exploration and development are speculative and high-risk undertakings that may be impeded by circumstances and factors beyond the control of the Company.

There can be no assurance that exploration of the tenements, or any other exploration properties that may be acquired in the future, will result in the discovery of an economic mineral resource. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

In the event the Company successfully delineates economic deposits on any Tenement, it will need to apply for a mining lease to undertake development and mining on the relevant Tenement. There is no guarantee that the Company will be granted a mining lease if one is applied for and if a mining lease is granted, it will also be subject to conditions which must be met.

Further capital requirements

The Company's projects may require additional funding in order to progress activities. There can be no assurance that additional capital or other types of financing will be available if needed to further exploration or possible development activities and operations or that, if available, the terms of such financing will be favourable to the Company.

Global conditions

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities. General economic conditions, laws relating to taxation, new legislation, trade barriers, movements in interest and inflation rates, currency exchange controls and rates, national and international political circumstances (including outbreaks in international hostilities, wars, terrorist acts, sabotage, subversive activities, security operations, labour unrest, civil disorder, and states of emergency), natural disasters (including fires, earthquakes and floods), and quarantine restrictions, epidemics and pandemics, may have an adverse effect on the Company's operations and financial performance, including the Company's exploration, development and production activities, as well as on its ability to fund those activities.

General economic conditions may also affect the value of the Company and its market valuation regardless of its actual performance.

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 year ended to 30 June 2023.

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 incorporation 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

PRINCIPAL ACTIVITIES

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

DIVIDENDS

No dividends were paid or declared during the financial year.

REVIEW OF OPERATIONS

Operating Result

The loss from continuing operations for the period after providing for tax amounted to $9,262,002 (2022: $63,098,631).

During the year, the Group continued the greenfields gold exploration program at its flagship Pyramid Hill Project incurring $6,126,869 in the process of completing 81,852m of aircore drilling and 2,133m of diamond drilling. In addition, the Group incurred $975,734 on a RC drilling and diamond drilling program at the Viking Project and $119,725 on soil sampling and tenement management at the Mt Jackson Project. In the prior year, the significant exploration expenditure primarily related to the acquisition of its projects where Chalice Mining Ltd's shareholders 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 Group incurred $1,889,333 (2022: $855,449) on corporate employee benefits expenses, of which $703,255 (2022: $535,652) was directly related to its exploration activities. The increase is primarily attributable to a full year of expenditure compared to the previous year when the Company was listed only in December 2021. In addition, the Group incurred $1,414,747 (2022: $694,745) on share-based payments from the employee share options following the issue of additional tranches of incentive options issued to align the interest of directors and management with the shareholders.

The Group incurred $525,378 (2022: $918,203) in administrative expenses, primarily related to listing and compliance, investor relations and insurance, representing a reduction from the prior year. The Group also earned $687,637 (2022: $57,504) in interest income form short term deposits. The significant increase was due to cash held in deposits for the full year and much higher interest rates.

At 30 June 2023, the Group had net assets of $17,200,702 (2022: $25,047,956), which primarily consisted of cash and cash equivalents of $17,305,205. Net current assets at 30 June 2023 were $17,020,865 (30 June 2022: $24,857,668). The Group has adopted an accounting policy to expense all exploration and evaluation expenditure.

The Group had net cash outflows from operating activities of $7,579,869 (2022: $3,679,729), including $7,045,928 (2022: $2,553,934} on exploration and evaluation activities. The cash at the end of the period was $17,305,205 (30 June 2022: $25,016,277).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 4 July 2023, the Company issued 1,160,000 share options to employees with an exercise price of $0.35 per share. The options issued expire on 30 June 2026 and 30 June 2027. The Company also proposed to issue, subject to shareholder approval, 1,860,000 share options to directors of the Company. The proposed issue of share options to directors of the Company has an exercise price of $0.35 and expire on 30 June 2026 and 30 June 2027.

On 18 July 2023, the Company announced that Ms Andrea Betti resigned as joint company secretary as the company decided to transition to a single company secretary.

On 14 September 2023, the Company announced an exploration update including results of aircore drilling at the Pyramid Hill Project and soil sampling at the Mt Jackson Project.

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
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
Former Directorships (last 3 years)	Todd River Resources Limited (resigned 22 September 2022)
Interest in Shares	449,439
Interest in Options	4,040,000

Timothy Shaun Markwell
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	Celamin Holdings Ltd (resigned 31 October 2021)
(last 3 years)	Nil
Interest in Shares	132,272
Interest in Options	4,040,000

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	2,070,000

COMPANY SECRETARIES

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.

Andrea Betti *(resigned on 18 July 2023*)
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.

MEETINGS OF DIRECTORS

The number of meetings of the company's Board and committees held during the year ended 30 June 2023, 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	8	8	1	1	1	1
Timothy Markwell	8	8	NA	NA	NA	NA
Alexander Dorsch	8	8	1	1	1	1

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 year.

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	2023	81,448	8,552	-	457,940	547,940	16%	84%
	2022	45,968	4,597	-	214,257	264,822	19%	81%
T Markwell	2023	270,000	28,350	-	457,940	756,290	39%	61%
	2022	151,694	15,169	-	214,257	381,120	44%	56%
A Dorsch	2023	49,774	5,226	-	230,436	285,436	19%	81%
	2022	28,091	2,809	-	107,129	138,029	22%	78%
Total	**2023**	**401,222**	**42,128**	**-**	**1,146,316**	**1,589,666**		
Total	2022	225,753	22,575	-	535,643	783,971		

**2022 remuneration was for the period from 9 December 2021 to 30 June 2022.*

KMP Shareholdings

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

30 June 2023	Balance at beginning of year	Acquired during the year	Disposed during the year	Balance at the end of the year
M Bennett	449,439	-	-	449,439
T Markwell	132,272	-	-	132,272
A Dorsch	2,940,595	-	-	2,940,595

There were no cash bonuses, or other short term performance related bonuses, made to any KMP in the financial year ended 30 June 2023 (2022: Nil).

KMP Options

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

30 June 2023	Balance at beginning of year or appointment	Granted as remuneration during the year	Exercised during the year	Lapsed/Forfeited during the year	Balance at the end of the year	Vested and exercisable
M Bennett	3,540,000	500,000	-	-	4,040,000	885,000
T Markwell	3,540,000	500,000	-	-	4,040,000	885,000
A Dorsch	1,770,000	300,000	-	-	2,070,000	442,500

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

Series	Grant date	Expiry date	Exercise price	Fair value per option	Vested %
E	8/08/2022	31/07/2025	$0.36	$0.08	-
F	8/08/2022	31/07/2026	$0.36	$0.10	-

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. In FY2022, Novatrove Pty Ltd invoiced the Company $28,263 for consultancy services. As at 30 June 2023, the amount owing to Novatrove was $nil (2022: 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	1,412,500
8 August 2022	31 July 2026	$0.36	1,412,500
4 July 2023	30 June 2026	$0.35	580,000
4 July 2023	30 June 2027	$0.35	580,000

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 1,860,000 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 year ended 30 June 2023 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 year, 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 year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, 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 year 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 year, 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
26 September 2023
Melbourne

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Falcon Metals Limited for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Perth, Western Australia
26 September 2023

M R Ohm
Partner

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	Notes	30 June 2023	For the period 12 July 2021 to 30 June 2022
		$	**$**
Other income		687,637	57,504
Exploration and evaluation expense	4	(7,222,328)	(61,196,455)
Employee benefits expense		(703,255)	(319,797)
Share-based payments	3, 13	(1,414,747)	(694,745)
Administration expenses		(525,378)	(918,203)
Depreciation expense		(67,201)	(20,896)
Finance costs		(16,730)	(6,039)
Loss before income tax		**(9,262,002)**	**(63,098,631)**
Income tax expense	5	-	-
Loss for the year		**(9,262,002)**	**(63,098,631)**
Other comprehensive income, net of tax		-	-
Total comprehensive loss for the year		**(9,262,002)**	**(63,098,631)**
Loss per share			
Basic and diluted loss per share (cents)	15	(5.2)	(64.1)

The accompanying notes form part of these financial statements.

AS AT 30 JUNE 2023

	Notes	30 June 2023	30 June 2022
		$	$
ASSETS			
Current assets			
Cash and cash equivalents	6	17,305,205	25,016,277
Trade and other receivables	7	424,154	215,286
Total current assets		17,729,359	25,231,563
Non-current assets			
Other receivables	7	28,240	28,240
Plant and equipment	8	137,744	141,428
Right-of-use asset	9	142,475	182,315
Total non-current assets		308,459	351,983
Total assets		**18,037,818**	**25,583,546**
LIABILITIES			
Current liabilities			
Trade and other payables	10	612,887	290,067
Lease liabilities	11	32,022	27,570
Provisions		63,585	56,258
Total current liabilities		708,494	373,895
Non-current liabilities			
Lease liabilities	11	127,490	159,512
Provisions		1,132	2,183
Total non-liabilities		128,622	161,695
Total liabilities		**837,116**	**535,590**
Net assets		**17,200,702**	**25,047,956**
EQUITY			
Issued capital	12	87,451,842	87,451,842
Reserves	14	2,109,493	694,745
Accumulated losses		(72,360,633)	(63,098,631)
Total equity		**17,200,702**	**25,047,956**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2023

	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**
Loss for the year	-	-	(9,262,002)	**(9,262,002)**
Other comprehensive income	-	-	-	**-**
Total comprehensive loss for the year	**-**	**-**	**(9,262,002)**	**(9,262,002)**
Transactions with owners in their capacity as owners				
Share-based payments	-	1,414,747	-	**1,414,747**
Balance at 30 June 2023	**87,451,842**	**2,109,493**	**(72,360,633)**	**17,200,702**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2023

		30 June 2023	For the period 12 July 2021 to 30 June 2022
		$	$
Cash flows from operating activities			
Interest received		607,152	24,429
Payments to suppliers and employees		(1,141,093)	(1,150,224)
Payments for exploration and evaluation		(7,045,928)	(2,553,934)
Net cash outflow from operating activities	6	**(7,579,869)**	**(3,679,729)**
Cash flows from investing activities			
Payments of property, plant and equipment		(23,636)	(149,371)
Payments for security deposits		(63,267)	(92,240)
Net cash outflow from financing activities		**(86,903)**	**(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	(44,300)	(14,224)
Net cash (outflow)/inflow from financing activities		**(44,300)**	**28,937,617**
Net (decrease)/increase in cash held		(7,711,072)	25,016,277
Cash at the beginning of the financial year		25,016,277	-
Cash at the end of the financial year	6	**17,305,205**	**25,016,277**

The accompanying notes form part of these financial statements.

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 year. 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 26 September 2023. 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 2023 and the results of all subsidiaries for the year 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.

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 year 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 years, 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 year; 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 year. 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 year; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting year. 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 $9,262,002 (2022: $63,098,631) and had cash outflows from operating activities of $7,579,869 (2022: $3,679,729) for the year ended 30 June 2023. As at that date, the Company had net current assets of $17,020,865 (30 June 2022: $24,857,668).

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 and have no material effect.

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.

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

	30 June 2023 $	For the period 12 July 2021 to 30 June 2022 $
Depreciation	27,360	7,943
Depreciation – Right-of-Use Assets	39,840	12,952
Interest and finance charges on lease liabilities	16,730	6,039
Superannuation expense	174,247	72,318
Share based payment expense	1,414,747	694,745

4. Exploration and evaluation expense

	30 June 2023 $	For the period 12 July 2021 to 30 June 2022 $
Acquisitions during the year	-	58,500,000
Expenditure incurred during the year	7,222,328	2,696,455
	7,222,328	**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 ended 30 June 2022, 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.

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)	8,662,717
Viking Project (WA)	1,065,905
Mt Jackson Project (WA)	190,161
Cumulative Exploration Expenditure Incurred	**9,918,783**

5. Income tax expense

	30 June 2023 $	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	4,060,230	1,718,979
Deferred tax liabilities	(115,580)	(127,971)
Net deferred tax assets/(liabilities) not recognised	3,944,650	1,591,008
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax	(9,262,002)	(63,098,631)
Tax at the statutory tax rate of 30%	(2,778,601)	(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	424,424	208,424
Others	535	351
Deferred tax assets not recognised	2,353,642	1,170,814
Income tax expense	-	-

The benefit from tax losses totalling $3,643,817 (2022: $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 2023	30 June 2022
	$	$
Cash at bank and on hand	17,305,205	25,016,277

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

	30 June 2023	For the period 12 July 2021 to 30 June 2022
	$	$
Loss after income tax expense for the year	(9,262,002)	(63,098,631)
Adjustments for:		
Acquisition of exploration assets	-	58,500,000
Share-based payments	1,414,747	694,745
Depreciation	67,201	20,896
Finance costs	16,730	6,039
Changes in operating assets and liabilities		
(Increase) in trade and other receivables	(143,419)	(48,457)
(Increase) in prepayments	(2,221)	(102,829)
Increase in trade and other payables	322,820	290,067
Increase in employee benefits	6,275	58,441
Net cash used in operating activities	**(7,579,869)**	**(3,679,729)**

7. Trade and other receivables

	30 June 2023	30 June 2022
	$	$
Current		
Interest receivable	113,560	33,074
GST receivable	78,276	15,382
Prepayments (a)	105,050	102,829
Security deposits	127,267	64,000
Other debtors	1	1
	424,154	**215,286**
Non-current		
Security deposits	28,240	28,240
	28,240	**28,240**

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

8. Property, plant and equipment

	30 June 2023 $	30 June 2022 $
Plant & equipment – at cost	133,102	115,523
Less: Accumulated depreciation	(22,535)	(5,523)
	110,567	**110,000**
Computer equipment – at cost	29,189	23,632
Less: Accumulated depreciation	(10,836)	(2,000)
	18,353	**21,632**
Office equipment – at cost	6,225	5,684
Less: Accumulated depreciation	(1,079)	(152)
	5,146	**5,532**
Motor vehicles – at cost	4,532	4,532
Less: Accumulated depreciation	(854)	(268)
	3,678	**4,264**
Property, plant and equipment – at cost	**173,048**	**149,371**
Less: Accumulated depreciation	**(35,304)**	**(7,943)**
	137,744	**141,428**

Reconciliations of the written down values at the beginning and end of the current financial year 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**
Additions	17,579	5,557	541	-	**23,677**
Depreciation	(17,012)	(8,836)	(927)	(586)	**(27,361)**
Balance at 30 June 2023	**110,567**	**18,353**	**5,146**	**3,678**	**137,744**

9. Right of use assets

	30 June 2023	30 June 2022
	$	$
Office lease – Right of use	189,366	189,366
Less: Accumulated depreciation	(50,497)	(12,624)
	138,869	**176,742**
Plant and equipment – Right of use	5,901	5,901
Less: Accumulated depreciation	(2,295)	(328)
	3,606	**5,573**
Right of use assets	**195,267**	**195,267**
Less: Accumulated depreciation	**(52,792)**	**(12,952)**
	142,475	**182,315**

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

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

10. Trade and other payables

	30 June 2023	30 June 2022
	$	$
Trade creditors	243,268	139,096
Accrued expenses	106,972	19,000
Other creditors	262,647	131,971
	612,887	**290,067**

11. Lease liabilities

	30 June 2023	30 June 2022
	$	$
Current	32,022	27,570
Non-current	127,490	159,512
	159,512	**187,082**

Changes in liabilities arising from financing activities

	30 June 2023	30 June 2022
	$	$
Balance at the start of the year	**187,082**	**-**
Repayment of liability	(44,300)	(14,224)
Non-cash interest expense	16,730	6,039
Acquisition of leases	-	195,267
Balance at the end of the year	**159,512**	**187,082**

12. Issued capital

	2023 Shares	2023 $	2022 Shares	2022 $
Ordinary shares – fully paid	177,000,000	87,451,842	177,000,000	87,451,842
On issue at the beginning of the year/on incorporation	177,000,000	87,451,842	1	1
Shares issued for the acquisition of three exploration projects (a)	-	-	116,999,999	58,500,000
Shares issued under the Initial Public Offer Prospectus - 15 December 2021 (a)	-	-	60,000,000	30,000,000
Transaction costs	-	-	-	(1,048,159)
On issue at the end of the year	**177,000,000**	**87,451,842**	**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 2023 $	30 June 2022 $
Options – recognised as a Share-based Payment Expense	1,414,747	694,745

Grant date	Expiry date	Exercise price	Balance at the start of the year	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	5,841,000	-	-	(442,500)	5,398,500	2,699,250
15/12/2021	15/12/2025	$0.75	5,841,000	-	-	(442,500)	5,398,500	-
8/08/2022	31/7/2025	$0.36	-	1,412,500	-	-	1,412,500	
8/08/2022	31/7/2026	$0.36	-	1,412,500	-	-	1,412,500	
12/12/2022	30/11/2025	$0.33	-	62,500	-	(62,500)	-	-
12/12/2022	30/11/2026	$0.33	-	62,500	-	(62,500)	-	-
			11,682,000	2,950,000	-	(1,010,000)	13,622,000	2,699,250

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Number of Options	Value per Option	Total Value
		$	$	%	%		$	$
8/08/2022	31/07/2025	0.24	0.36	80	-	762,500	0.0938	71,523
8/08/2022	31/07/2026	0.24	0.36	80	-	762,500	0.1123	86,629
8/08/2022*	31/07/2025	0.24	0.36	80	-	650,000	0.0810	52,650
8/08/2022*	31/07/2026	0.24	0.36	80	-	650,000	0.1001	65,065
12/12/2022	30/11/2025	0.22	0.33	80	-	62,500	0.1087	6,794
12/12/2022	30/11/2026	0.22	0.33	80	-	62,500	0.1274	7,963

The options issued to directors were granted on 8 August 2022 but approved by the shareholders at the Annual General Meeting held on 29 November 2022.

14. Reserves

	30 June 2023 $	30 June 2022 $
Reserves		
Share-based payments reserve	2,109,493	694,745
Movements		
Balance at beginning of the year	694,745	-
Share-based payments expense for the year	1,414,747	694,745
Balance at end of the year	**2,109,493**	**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

	30 June 2023 $	For the period 12 July 2021 to 30 June 2022 $
Loss after income tax	(9,262,002)	(63,098,631)
		Number
Weighted average number of ordinary shares used in calculating basic loss per share	177,000,000	98,500,000
Basic and diluted earnings/(loss) per share (cents)	(5.2)	(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 year ended 30 June 2023 would decrease/increase by approximately $69,240.

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 2023							
Trade and other payables		(612,887)	(612,887)	-	-	-	(612,887)
Lease liabilities	10%	(142,475)	(3,782)	(7,564)	(34,577)	(145,650)	(191,573)
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:

	30 June 2023 $	For the period 12 July 2021 to 30 June 2022 $
Short term employee benefits	401,222	225,752
Post-employment benefits	42,128	25,575
Long term benefits	-	-
Share based payments	1,146,316	535,643
	1,589,666	783,971

19. Remuneration of auditors

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

	30 June 2023 $	For the period 12 July 2021 to 30 June 2022 $
Audit Services – HLB Mann Judd		
Audit or review of the financial statements	34,673	29,325
Other Services		
Preparation of independent limited assurance report	-	10,000

20. Related party transactions

1,300,000 options were issued to key management personnel during the year (2022: 8,850,000 options) (note 13).

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. In FY2022, Novatrove Pty Ltd invoiced the Company $28,263 for consultancy services. As at 30 June 2023, the amount owing to Novatrove was $nil (2022: nil).

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 (including from relinquishments), however they are expected to be fulfilled in the normal course of operations.

The company has tenement rental and expenditure commitments payable of:

- Not later than 12 months	2,905,182
- Between 12 months and 5 years	9,239,047
	14,112,791

22. Parent entity information

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

Statement of profit or loss and other comprehensive income

	30 June 2023 $	For the period 12 July 2021 to 30 June 2022 $
Loss after tax	(9,262,002)	(49,988,790)
Total comprehensive loss	(9,262,002)	(49,988,790)

Statement of financial position

	30 June 2023 $	30 June 2022 $
Total current assets	17,803,152	25,171,562
Total assets	18,037,818	25,583,546
Total current liabilities	708,494	373,895
Total liabilities	837,116	535,590
Equity		
Issued capital	87,451,842	87,451,842
Share based payment reserve	2,109,493	694,745
Accumulated losses	(72,360,633)	(63,098,631)
Total equity	**17,200,702**	**25,047,956**

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 (2022: nil).

Capital commitments

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 (2022: nil).

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 2023	30 June 2022
	$	$
Acquisition of exploration assets (Note 4)	-	58,500,000
Additions to right of use assets (Note 9)	-	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 2023
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 4 July 2023, the Company issued 1,160,000 share options to employees with an exercise price of $0.35 per share. The options issued expire on 30 June 2026 and 30 June 2027. The Company also proposed to issue, subject to shareholder approval, 1,860,000 share options to directors of the Company. The proposed issue of share options to directors of the Company has an exercise price of $0.35 and expire on 30 June 2026 and 30 June 2027.

On 18 July 2023, the Company announced that Ms Andrea Betti resigned as joint company secretary as the company decided to transition to a single company secretary.

On 14 September 2023, the Company announced an exploration update including results of aircore drilling at the Pyramid Hill Project and soil sampling at the Mt Jackson Project.

26. Contingent liabilities

The Company had no contingent liabilities as at 30 June 2023 (2022: nil).

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 2023 and of its performance for the year 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
26 September 2023
Melbourne

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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 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year 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 2023 and of its financial performance for the year then ended; 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 matter described below to be the key audit matters to be communicated in our report**.**

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Key Audit Matter	How our audit addressed the key audit matter
Accounting for share-based payments Refer to Note 13	
The Group has various share-based payment arrangements in place comprised of options issued with various vesting criteria and in varying tranches. The Group recorded a share-based payment expense of $1.4 million for the year ended 30 June 2023. We consider this to be a key audit matter as it is material to the users' understanding of the financial statements, involves estimation and was a matter which required the most audit effort.	Our procedures included but were not limited to: - Reviewing the valuation of share-based payments entered into during the financial year; - Considering whether the determination of the current period vesting expense had been correctly determined for both current and prior period issues; - Ensuring share-based payment arrangements during the period had been treated appropriately in accordance with AASB 2 *Share-based Payment*; - Assessing whether management's treatment of vesting conditions was reasonable; and - Ensuring disclosures within the financial statements were appropriate.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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.

Responsibilities 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 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.

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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.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Falcon Metals Limited for the year ended 30 June 2023 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

Perth, Western Australia
26 September 2023

M R Ohm
Partner

The shareholder information set out below was applicable as at 21 September 2023.

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	475	0.09%
1,001 to 5,000	1,790	2.87%
5,001 to 10,000	759	3.24%
10,001 to 100,000	1,338	23.35%
100,001 and over	202	70.45%
	4,564	100.00%
Holding less than a marketable parcel	1,922	42.11%

Equity security holders

Twenty largest quoted equity security holders

	Ordinary Shares	
	Number Held	**% of Total Shares Issued**
CITICORP NOMINEES PTY LIMITED	17,344,236	9.80%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,621,308	7.70%
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	8,340,597	4.71%
MR TIMOTHY RUPERT BARR GOYDER	7,739,530	4.37%
BNP PARIBAS NOMS PTY LTD	5,810,482	3.28%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	4,210,967	2.38%
BNP PARIBAS NOMINEES PTY LTD	3,503,282	1.98%
BUTTONWOOD NOMINEES PTY LTD	3,256,140	1.84%
MR TIMOTHY RUPERT BARR GOYDER	2,252,817	1.27%
MR MATHEW DAVID WILSON	1,900,000	1.07%
BREMERTON PTY LTD	1,759,067	0.99%
MR IAN GEORGE KNIGHT	1,600,000	0.90%
LUNAR CO PTY LTD	1,509,535	0.85%
UBS NOMINEES PTY LTD	1,446,321	0.82%
LUNAR CO PTY LTD	1,431,060	0.81%
MRS MARISA MACKOW	1,387,028	0.78%
MR TIMOTHY RUPERT BARR GOYDER	1,334,052	0.75%
EST MR PETER PIOTR MACKOW	1,318,972	0.75%
PLATO PROSPECTING PTY LTD	1,002,000	0.57%
KSLCORP PTY LTD	1,000,000	0.56%
QUEBEC NOMINEES PTY LTD	1,000,000	0.56%
TOTAL	**82,767,394**	**46.76%**

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	14,782,000	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.

Tenements

Project	Tenement Reference	Location	Interest at 30/06/2023	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%	Falcon Gold Resources Pty Ltd
	EL007200	Victoria	100%	CGM (WA)
	EL007320	Victoria	100%	CGM (WA)
	EL007322	Victoria	100%	Falcon Gold Resources Pty Ltd
	EL007656	Victoria	100%	CGM (WA)
	EL007838	Victoria	100%	Falcon Gold Resources Pty Ltd
	EL007839	Victoria	100%	Falcon Gold Resources Pty Ltd
	EL007840	Victoria	100%	Falcon Gold Resources Pty Ltd
	EL007844	Victoria	100%	Falcon Gold Resources Pty Ltd
	EL007845	Victoria	100%	Falcon Gold Resources Pty Ltd
	EL008084	Victoria	100%	Falcon Gold Resources Pty Ltd
	EL008178	Victoria	*	Falcon Gold Resources Pty Ltd
	EL008302[1]	Victoria	100%	Falcon Gold Resources Pty Ltd
	EL008303[1]	Victoria	100%	Falcon Gold Resources Pty Ltd
	EL008360[2]	Victoria	*	Falcon Gold Resources Pty Ltd
Viking	E63/1963	WA	51%	Metal Hawk (#)
	ELA63/1994	WA	-*	CGM (WA)
Mt Jackson	E77/2577	WA	100%	Falcon Metals (WA) Pty LTD
	EL77/2946	WA	100%	Falcon Metals (WA) Pty LTD
	ELA77/3134[2]	WA	*	Falcon Metals (WA) Pty LTD

**Applications*
[1]EL008302 and EL008303 were granted subsequent to the end of the financial year
[2]EL008360 and ELA77/3134 were applied for subsequent to the end of the financial yeae
 # E63/1963 subject to earn in agreement with Metals Hawk (MHK) whereby Falcon Metals has earned 51% by spending $1M and can earn 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.