

FALCON MINERALS LIMITED

ACN 009 256 535

HALF-YEAR FINANCIAL STATEMENTS

31 DECEMBER 2012

FALCON MINERALS LIMITED
ACN 009 256 535

HALF YEAR FINANCIAL STATEMENTS
For the Half Year Ended 31 December 2012

CONTENTS

Company Directory	3
Directors' Report.....	4
Auditor's Independence Declaration	8
Condensed Statement of Profit or Loss and Other Comprehensive Income.....	9
Condensed Statement of Financial Position.....	10
Condensed Statement of Changes in Equity.....	11
Condensed Statement of Cash Flows.....	12
Condensed Notes to the Financial Statements.....	13
Directors' Declaration.....	16
Independent Auditor's Review Report.....	17

FALCON MINERALS LIMITED
ACN 009 256 535

COMPANY DIRECTORY

DIRECTORS

Mr Richard Diemajer	(Chairman)
Mr Ronald Smit	(Managing Director)
Mr Raymond Muskett	(Non-Executive Director)

COMPANY SECRETARY

Mr Dean Calder

REGISTERED OFFICE

Falcon Minerals Limited
Suite 19, 100 Hay Street
SUBIACO WA 6008

Telephone: +61 8 9382 1596
Facsimile: +61 8 9382 4637

SHARE REGISTRY

Advanced Share Registry
150 Stirling Highway
NEDLANDS WA 6009

Telephone: +61 8 9389 8033

AUDITORS

Stantons International
Level 2, 1 Walker Avenue
WEST PERTH WA 6005

STOCK EXCHANGE LISTING

The Company's shares and options are listed and quoted on the Australian Securities Exchange Limited.

Home Exchange: Perth, Western Australia

Australian Securities Exchange Limited Code: FCN

FALCON MINERALS LIMITED
ACN 009 256 535

DIRECTORS' REPORT
For the Half Year Ended 31 December 2012

Your directors submit the financial report of the Company for the half-year ended 31 December 2012.

DIRECTORS

The names of the directors of the Company in office during the half year and to the date of this report are:-

Mr Richard Diemajer
Mr Raymond Muskett
Mr Ronald Smit

RESULT

The loss after tax for the half-year ended 31 December 2012 was \$243,196 and for the half year ended 31 December 2011 was \$566,538.

REVIEW OF OPERATIONS

It is recommended that this review of operations be read in conjunction with all announcements lodged with the ASX during the half year.

Saxby Project – Mt Isa Block QLD
Gold, copper-gold (Falcon 100%)

During the half year, assay results were received for the four deep diamond holes that were drilled to test the Lucky Squid Gold Prospect. The drill holes intersected broad zones of faulting and alteration characterised by anomalous copper and a few narrow gold intercepts (the best being SXDD016: 1m at 26.1g/t Au from 602m and SXDD017: 3m at 3.97g/t Au from 628m). These results did not meet our expectations of substantial and wide extensions of gold mineralisation away from the initial discovery holes. A decision has been made to divest this project given the difficulties and expense associated with exploring the deeply buried basement. Tenement reductions and surrenders have been activated to reduce holdings costs whilst the Company searches for a joint venture partner.

Field work consisted of the rehabilitation of all drill sites.

Collurabbie Project - Duketon Belt, Yilgarn Block WA
Nickel-copper-PGE search (Falcon 100%)

An office based study was completed on the gold potential of the district. This showed that several historical drill holes intersected anomalous gold mineralisation and that the gold mineralisation was hosted by Archaean greenstone buried beneath a cover sequence of younger sedimentary rocks. The cover sequence consists of Proterozoic sandstone and conglomerate that are locally up to 100m thick. The best gold intersections are

Hole ID	Interval	Au ppm	From	Lithology
KRC463	2	5.20	30	Saprolite zone clay with quartz veining
KRC364	2	2.47	70	Sericite-silica-carbonate altered basalt.
KRC465	2	1.17	156	Strongly sheared mafic volcanic
KRC424	6	0.7	142	Siliceous sulphidic ultramafic rock

Field work during the half involved a lag soil survey to evaluate if these areas of buried gold mineralisation could be detected by surface geochemistry. Gold anomalous results were reported (max. 45 ppb Au) and a follow-up survey is planned to better define the anomalies.

No progress was made on the Nickel prospects. Two priority targets (Anomaly A & Anomaly B) are drill ready and it is probable that these targets will be drilled as part of a larger drilling campaign that will also test any generated gold targets.

Other Projects

Kundi Well – Yalgoo Belt, Yilgarn Block WA Copper search (Application - Falcon 100%)

The Kundi Well (EL59/1914) Exploration Licence Application was lodged in late-2012 to evaluate a highly anomalous copper result detected in a regional regolith sampling survey completed by CSIRO in 2004. A review of the copper geochemistry showed an isolated sample returned 2080ppm Cu associated with iron pisoliths. The anomalous sample site is 8km north of Fields Find and 35km southeast of the Golden Grove base metal mine.

A short field inspection was completed to confirm the validity of the copper anomaly. The GPS site as recorded by CSIRO was inspected and it is clear that no iron pisoliths occur at this site. The site is characterised by channel calcrete and it is concluded that the site of the CSIRO result was incorrectly recorded. Three calcrete channel samples were collected from the area and these did not indicate any anomalous gold or base metals.

A review of historical information indicates that laterite developed upon ultramafic rocks to the south of the Company's tenement application is characterised by elevated cobalt, chromium, copper and nickel levels. It is probable that the CSIRO sample was collected from this area. Due diligence of historical mineral exploration in the district will be completed and then a decision will be made on the prospectivity of the area.

Arunta Block NT

Gold-copper-nickel search (Application - Falcon 100%)

One exploration licence application (EL 29728) has been lodged in the Northern Territory. Ground selection was based on a combination of factors including proximity to a major crustal structure, structural complexity, Proterozoic geology (Arunta Block) and evidence of gold and base metal mineralisation in the district. A due diligence of previous mineral exploration is underway and any future exploration activities will be determined at the completion of this study.

Cloncurry Project - Mt Isa Block QLD

Gold, copper-gold search (Falcon 100%)

The Company has two exploration permits near Cloncurry in the Mt Isa Inlier of north-west Queensland that are considered prospective for iron-oxide copper gold mineralisation (IOCG). The Company is in discussions with a group that has expressed an interest in acquiring and/or joint venturing into this project but at this stage no agreement has been reached. No field work was undertaken during the last six months.

Divestments and Farm-Out Joint Ventures

Peak-Denison Project – Gawler Craton, SA

IOCG search (Falcon 100% - sale option granted to Monax Alliance)

This project was divested to Monax Alliance Pty Ltd (Monax Alliance) in December 2012. Monax Alliance has an option to purchase Falcon's 100% interest in the project which is located on the western margin of Lake Eyre in northern South Australia. The project consists of two granted tenements EL4350 and EL4536 and these tenements are prospective for iron-oxide copper gold mineralisation (IOCG).

The Option provides for staged payments to be made to Falcon which if exercised will total US\$400,000. In addition to the above, if Monax Alliance makes a discovery on the project and there is a Decision to Mine (whether before or after the Option is exercised) it will pay Falcon a further US\$10 million.

Deleta Joint Venture - Duketon Belt, Yilgarn Block WA

Gold, nickel-copper-PGE search (Regis 80%, Falcon 20%)

Regis Resources Limited is the operator of the joint venture. No fieldwork was undertaken in the half year.

The North Duketon Project is located directly south of the Collurabbie Project and has in the past returned widespread anomalous Ni-Cu-PGE results from several prospects. The Duketon Project lies immediately north of the Moolart Well gold operation. Historical work indicates that gold mineralisation does not extend into the project area.

Windanning Hill Joint Venture – Yalgoo Belt, Yilgarn Block WA

Gold, Iron Ore (diluting interest ~ 20%)

The project area is located within the Yalgoo-Singleton greenstone belt, 400 km north-north-east of Perth. Falcon retains minority equity in two separate joint ventures at Windanning Hill. The Gold Joint Venture is managed by Minjar Gold Pty Ltd and includes the Keronima gold deposit which has an Inferred Resource of 281,000 tonnes @ 2.2 g/t gold for 19,900 ounces of contained gold. The Iron Ore Joint Venture is managed by Gindalbie Metals Limited and they are investigating the magnetite potential of banded iron formations.

During the half year, iron ore prospecting by Gindalbie comprised of field reconnaissance, rock-chip sampling, aeromagnetic interpretation and target generation. Work by Minjar Gold at the Keronima Gold Prospect involved soil pit testing as part of pre-mining soil characterisation studies. Drill testing for gold and iron ore is scheduled for 2013.

Competent Person's Statement

The information in this report to which this statement is attached that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Ronald Smit, Managing Director for Falcon Minerals Limited. Mr Smit is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) 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 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Smit consents to the inclusion in the report of the matters based on his information, in the form and context in which it appears.

**FALCON MINERALS LIMITED
ACN 009 256 535**

**DIRECTORS' REPORT
For the Half Year Ended 31 December 2012**

EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the half year which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial periods.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 8 for the half year ended 31 December 2012.

This report is signed in accordance with a resolution of the board of directors.



**Ronald Smit
Managing Director**

Dated this 7th day of March 2013

7 March 2013

The Directors
Falcon Minerals Limited
Suite 19
100 Hay Street
Subiaco WA 6008

Dear Sirs

RE: FALCON MINERALS LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Falcon Minerals Limited.

As Audit Director for the review of the financial statements of Falcon Minerals Limited for the half year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)



Martin Michalik
Director

FALCON MINERALS LIMITED
ACN 009 256 535

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Half Year Ended 31 December 2012

	31 December 2012	31 December 2011
	Note	\$
		\$
Revenue	2	138,641
<hr/>		
Operating Expenses		
Occupancy expenses		(23,725)
Administrative expenses		(191,383)
Depreciation	2	(19,583)
Exploration expenditure written off	2	(147,146)
Share based payments	2	-
		<u>(381,837)</u>
		<u>(663,549)</u>
Loss before income tax		(243,196)
Income tax		-
Loss after tax		<u>(243,196)</u>
<hr/>		
Other comprehensive income		
Items that will not be reclassified to profit or loss		-
Items that may be reclassified subsequently to profit or loss		-
		<u>-</u>
Total comprehensive income/(loss)		<u>(243,196)</u>
Loss attributable to members of Falcon Minerals Limited		<u>(243,196)</u>
Total comprehensive income/(loss) attributable to members of Falcon Minerals Limited		<u>(243,196)</u>
<hr/>		
Basic loss per share (cents per share)	4	(0.15)
Diluted loss per share (cents per share)	4	(0.15)
		<u>(0.15)</u>

The above Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

FALCON MINERALS LIMITED
ACN 009 256 535

CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	31 December 2012	30 June 2012
	\$	\$
Current Assets		
Cash and cash equivalents	1,532,717	1,977,514
Trade and other receivables	41,385	111,851
Other assets – prepayments	7,247	14,495
	<hr/>	<hr/>
Total Current Assets	1,581,349	2,103,860
	<hr/>	<hr/>
Non-Current Assets		
Plant & equipment	128,412	152,919
Financial assets	14,404	14,404
	<hr/>	<hr/>
Total Non-Current Assets	142,816	167,323
	<hr/>	<hr/>
Total Assets	1,724,165	2,271,183
	<hr/>	<hr/>
Current liabilities		
Trade and other payables	40,018	355,778
Provisions	36,109	24,171
	<hr/>	<hr/>
Total Current Liabilities	76,127	379,949
	<hr/>	<hr/>
Total Liabilities	76,127	379,949
	<hr/>	<hr/>
Net Assets	1,648,038	1,891,234
	<hr/> <hr/>	<hr/> <hr/>
Equity		
Issued capital	20,397,612	20,397,612
Reserves	237,090	237,090
Accumulated losses	(18,986,664)	(18,743,468)
	<hr/>	<hr/>
Total Equity	1,648,038	1,891,234
	<hr/> <hr/>	<hr/> <hr/>

The above Condensed Statement of Financial Position should be read in conjunction with the accompanying notes.

FALCON MINERALS LIMITED
ACN 009 256 535

CONDENSED STATEMENT OF CHANGES IN EQUITY
For the Half-Year ended 31 December 2012

	Share Capital \$	Option Reserve \$	General Reserve \$	Accumulated Losses \$	Total \$
Balance at 1.7.11	20,397,612	171,490	-	(16,905,070)	3,664,032
Total comprehensive income for the period					
Loss for the half year	-	-	-	(566,538)	(566,538)
Total comprehensive loss for the period	-	-	-	(566,538)	(566,538)
Employee share options	-	65,600	-	-	65,600
Balance at 31.12.11	20,397,612	237,090	-	(17,471,608)	3,163,094
	Share Capital \$	Option Reserve \$	General Reserve \$	Accumulated Losses \$	Total \$
Balance at 1.7.12	20,397,612	237,090	-	(18,743,468)	1,891,234
Total comprehensive income for the period					
Loss for the half year	-	-	-	(243,196)	(243,196)
Total comprehensive loss for the period	-	-	-	(243,196)	(243,196)
Employee share options	-	-	-	-	-
Balance at 31.12.12	20,397,612	237,090	-	(18,986,664)	1,648,038

The above Condensed Statement of Changes in Equity should be read in conjunction with the accompanying notes.

FALCON MINERALS LIMITED
ACN 009 256 535

CONDENSED STATEMENT OF CASH FLOWS
For the Half Year Ended 31 December 2012

	31 December 2012	31 December 2011
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(422,288)	(253,192)
Interest received	45,437	137,446
Other income received	79,200	1,016
Exploration, evaluation and project generation	(147,146)	(366,843)
	<hr/>	<hr/>
Net cash (used in) operating activities	(444,797)	(481,573)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents held	(444,797)	(481,573)
Cash and cash equivalents at the beginning of the period	1,977,514	3,492,395
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	1,532,717	3,010,822
	<hr/> <hr/>	<hr/> <hr/>

The above Condensed Statement of Cash Flows should be read in conjunction with the accompanying notes.

FALCON MINERALS LIMITED
ACN 009 256 535

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
For the Half Year Ended 31 December 2012

1. BASIS OF PREPARATION

The half year financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134 Interim Financial Reporting, applicable accounting standards and other mandatory professional reporting requirements.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2012 and any public announcements made by Falcon Minerals Limited during the half-year in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*.

The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the entity as in the full financial report.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the financial year ended 30 June 2012.

In the half-year ended 31 December 2012, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2012.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to the Company's accounting policies. However, the application of AASB 2011-9 has resulted in changes to the Company's presentation and disclosures of the statement of profit or loss and other comprehensive income.

The half year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

FALCON MINERALS LIMITED
ACN 009 256 535

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
For the Half Year Ended 31 December 2012

	31 December 2012	31 December 2011
	\$	\$
2. OPERATING LOSS		
Operating loss before income tax has been determined after:		
(a) Revenue:		
Interest received	42,416	95,995
Other income	96,225	1,016
(b) Expense:		
Depreciation	19,583	28,946
Exploration expenditure written off	147,146	267,545
Share based payments	-	65,600

3. ISSUED CAPITAL

There were no movements in issued and paid up ordinary capital of the Company during the half-year ended 31 December 2012.

4. EARNINGS PER SHARE

	Half Year 31 December 2012	Half Year 31 December 2011
	Cents	Cents
Basic (loss) per share	(0.15)	(0.35)

Weighted average number of ordinary shares used in calculation of basic loss per share is 163,578,935 (31 December 2011: 163,578,935). Options to purchase ordinary shares not exercised at 31 December 2012 have not been included in the determination of basic earnings per share. Options outstanding at 31 December 2012 are out of the money and considered to be anti dilutive. Diluted loss per share is therefore the same as basic loss per share.

FALCON MINERALS LIMITED
ACN 009 256 535

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
For the Half Year Ended 31 December 2012

5. SEGMENT REPORTING

The Company operates in the mineral industry in Australia.

6. CONTINGENT ASSETS AND LIABILITIES

Peak-Denison Project – Gawler Craton, SA

IOCG search (Falcon 100% - sale option granted to Monax Alliance)

This project was divested to Monax Alliance Pty Ltd (Monax Alliance) in December 2012. Monax Alliance has an option to purchase Falcon's 100% interest in the project which is located on the western margin of Lake Eyre in northern South Australia. The project consists of two granted tenements EL4350 and EL4536 and these tenements are prospective for iron-oxide copper gold mineralisation (IOCG).

The Option provides for staged payments to be made to Falcon which if exercised will total US\$400,000. In addition to the above, if Monax Alliance makes a discovery on the project and there is a Decision to Mine (whether before or after the Option is exercised) it will pay Falcon a further US\$10 million.

7. EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the half year which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial periods.

FALCON MINERALS LIMITED
ACN 009 256 535

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 9 to 15, are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standard AASB 134 – Interim Financial Reporting, the Corporations Regulations and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the Company's financial position as at 31 December 2012 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that Falcon Minerals Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Dated at Perth this 7th day of March 2013



Ronald Smit
Managing Director

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
FALCON MINERALS LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Falcon Minerals Limited, which comprises the statement of financial position as at 31 December 2012, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Falcon Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Falcon Minerals Limited on 7 March 2013.

Conclusion

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

- (a) giving a true and fair view of the Company's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd



Martin Michalik
Director

West Perth, Western Australia
7 March 2013