

FALCON MINERALS LIMITED

ACN 009 256 535

HALF-YEAR FINANCIAL STATEMENTS

31 DECEMBER 2013

FALCON MINERALS LIMITED
ACN 009 256 535

HALF YEAR FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

CONTENTS

Company Directory	3
Directors' Report.....	4
Auditor's Independence Declaration	6
Condensed Statement of Profit or Loss and Other Comprehensive Income.....	7
Condensed Statement of Financial Position.....	8
Condensed Statement of Changes in Equity.....	9
Condensed Statement of Cash Flows.....	10
Condensed Notes to the Financial Statements.....	11
Directors' Declaration.....	14
Independent Auditor's Review Report.....	15

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
Level 1 8 Colin Street
WEST PERTH WA 6005

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 2013**

Your directors submit the financial report of the Company for the half-year ended 31 December 2013.

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 2013 was \$223,763 and for the half year ended 31 December 2012 was \$243,196.

REVIEW OF OPERATIONS

During the half year the Company:

- Undertook measures to reduce its cash outflow by minimizing field exploration and by directors reducing their fees;
- Reduced and consolidated its tenement portfolio at the Collurabbie and Saxby Projects down to those areas considered the most prospective;
- Resolved to divest the Collurabbie and Saxby Projects and is actively seeking out joint venture partners;
- Continued to identify and evaluate a number of advanced mineral exploration assets / projects for acquisition and/or joint venture;
- Continued to undertake grass-roots project generation within Australia;
- Monitored joint venture (JV) activities undertaken by the operators of the Cloncurry JV, Deleta JV and Windanning Hill JV.

It is recommended that this half year report be read in conjunction with the 30 June 2013 Annual Report and any public announcements made by the Company during the half year.

In accordance with the continuous disclosure requirements, readers are referred to the announcements lodged with the Australian Securities Exchange regarding exploration and other activities of the Company.

**FALCON MINERALS LIMITED
ACN 009 256 535**

**DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

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 6 for the half year ended 31 December 2013.

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

A handwritten signature in black ink, appearing to read 'Ronald Smit', with a horizontal line extending to the right.

**Ronald Smit
Managing Director**

Dated this 10th day of March 2014

10 March 2014

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

Dear Sirs

RE: FALCON MINERALS LIMITED

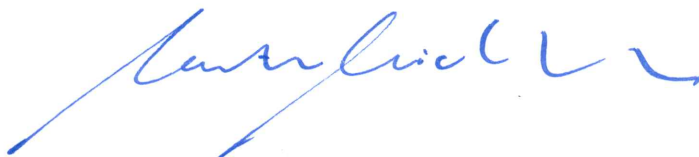
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Falcon Minerals Limited.

As Audit Director for the review of the financial statements of Falcon Minerals Limited for the half year ended 31 December 2013, 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 2013

	31 December 2013	31 December 2012
	Note	\$
		\$
Revenue	2	37,073
<hr/>		
Operating Expenses		
Occupancy expenses		(24,121)
Administrative expenses		(113,053)
Depreciation	2	(13,559)
Exploration expenditure written off	2	(75,103)
Share based payments	2	(35,000)
		<u>(260,836)</u>
		<u>(381,837)</u>
Loss before income tax		(223,763)
Income tax		-
Loss after tax		<u>(223,763)</u>
Other comprehensive income		
Items that will not be reclassified to profit or loss		-
Items that may be reclassified subsequently to profit or loss		-
		<u>(223,763)</u>
Total comprehensive income/(loss)		<u>(243,196)</u>
Loss attributable to members of Falcon Minerals Limited		<u>(223,763)</u>
Total comprehensive income/(loss) attributable to members of Falcon Minerals Limited		<u>(243,196)</u>
		<u>(243,196)</u>
Basic loss per share (cents per share)	4	(0.14)
Diluted loss per share (cents per share)	4	(0.14)
		<u>(0.15)</u>
		<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 2013

	31 December 2013 \$	30 June 2013 \$
Current Assets		
Cash and cash equivalents	1,109,915	1,302,150
Trade and other receivables	6,061	6,429
Other assets – prepayments	41,316	12,631
	<hr/>	<hr/>
Total Current Assets	1,157,292	1,321,210
	<hr/>	<hr/>
Non-Current Assets		
Plant & equipment	74,803	113,770
Financial assets	19,404	14,404
	<hr/>	<hr/>
Total Non-Current Assets	94,207	128,174
	<hr/>	<hr/>
Total Assets	1,251,499	1,449,394
	<hr/>	<hr/>
Current liabilities		
Trade and other payables	9,460	54,158
Provisions	29,675	29,099
	<hr/>	<hr/>
Total Current Liabilities	39,135	83,257
	<hr/>	<hr/>
Total Liabilities	39,135	83,257
	<hr/>	<hr/>
Net Assets	1,212,364	1,366,127
	<hr/> <hr/>	<hr/> <hr/>
Equity		
Issued capital	20,467,612	20,397,612
Reserves	237,090	237,090
Accumulated losses	(19,492,338)	(19,268,575)
	<hr/>	<hr/>
Total Equity	1,212,364	1,366,127
	<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 2013

	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
	Share Capital \$	Option Reserve \$	General Reserve \$	Accumulated Losses \$	Total \$
Balance at 1.7.13	20,397,612	237,090	-	(19,268,575)	1,366,127
Total comprehensive income for the period					
Loss for the half year	-	-	-	(223,763)	(223,763)
Total comprehensive loss for the period	-	-	-	(223,763)	(223,763)
Employee share payments	70,000	-	-	-	70,000
Balance at 31.12.13	20,467,612	237,090	-	(19,492,338)	1,212,364

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 2013

	31 December 2013	31 December 2012
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(178,882)	(422,288)
Interest received	21,750	45,437
Other income received	-	79,200
Exploration, evaluation and project generation	(75,103)	(147,146)
Net cash (used in) operating activities	(232,235)	(444,797)
Cash flows from investing activities		
Proceeds on disposal of assets	40,000	-
Net cash flows from investing activities	40,000	-
Net decrease in cash and cash equivalents held	(192,235)	(444,797)
Cash and cash equivalents at the beginning of the period	1,302,150	1,977,514
Cash and cash equivalents at the end of the period	1,109,915	1,532,717

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 2013

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 2013 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 2013.

In the half-year ended 31 December 2013, 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 2013.

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.

The half year report has been prepared on an accruals basis and is based on historical costs modified if applicable, 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 2013

	31 December 2013	31 December 2012
	\$	\$
2. OPERATING LOSS		
Operating loss before income tax has been determined after:		
(a) Revenue:		
Interest received	22,480	42,416
Other income	14,593	96,225
(b) Expense:		
Depreciation	13,559	19,583
Exploration expenditure written off	75,103	147,146
Share based payments	35,000	-

3. ISSUED CAPITAL

During the half-year ended 31 December 2013 the company issued 5,467,382 ordinary shares at an issue price of \$0.0128 per share as part of remuneration approved by shareholders at the Annual General Meeting of the Company held on 28 November 2013. The number of shares on issue at 31 December 2013 is 169,046,317 (30 June 2013: 163,578,935)

4. EARNINGS PER SHARE

	Half Year 31 December 2013	Half Year 31 December 2012
	Cents	Cents
Basic (loss) per share	(0.14)	(0.15)

Weighted average number of ordinary shares used in calculation of basic loss per share is 163,816,647 (31 December 2012: 163,578,935). Options to purchase ordinary shares not exercised at 31 December 2013 have not been included in the determination of basic earnings per share. Options outstanding at 31 December 2013 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 2013

5. SEGMENT REPORTING

The Company operates in the mineral industry in Australia.

6. 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 7 to 13, 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 2013 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 10th day of March 2014



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 2013, 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 2013 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 10 March 2014.

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 2013 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
10 March 2014