

FALCON MINERALS LTD

A.C.N. 009 256 535

ANNUAL REPORT 2014

Location of Projects



CORPORATE DIRECTORY

DIRECTORS	Richard Diermajer Ray Muskett Ronald Smit
SECRETARY	Dean Calder
REGISTERED OFFICE	Level 1, 8 Colin Street WEST PERTH WA 6005 Telephone: (08) 9382 1596 Facsimile: (08) 9382 4637 Email: fcn@falconminerals.com.au Website: www.falconminerals.com.au Postal Address: PO Box 8319, Subiaco East Western Australia 6008
ACN	009 256 535
AUDITORS	Stantons International Level 2 1 Walker Avenue, West Perth Western Australia
BANKERS	BankWest 1215 Hay Street, West Perth Western Australia
STOCK EXCHANGE	The Company's shares are quoted on the official list of the Australian Securities Exchange Ltd (code FCN)
SHARE REGISTRY	Advanced Share Registry 150 Stirling Highway Nedlands WA 6009 Telephone (08) 9389 8033

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DIRECTORS' REPORT

The directors present their report with the financial report of Falcon Minerals Limited ("Falcon" or "the Company") for the year ended 30 June 2014 and the auditor's report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the year are:

Richard Edward Diermajer (Chairman) – Director since 3rd July 1987

Mr Diermajer, age 61, holds a degree in Legal Studies and has a background in mining law and administration from 12 years experience with the Department of Industry and Resources in Western Australia. In 1981 he established Sentinel Exploration Services providing consultancy services to the mining sector in mining property management and administration, project generation and acquisition, native title negotiations and mineral exploration. Mr Diermajer has over 40 years' experience in the mineral exploration and mining industry and was previously a Director of Eagle Bay Resources NL and Geographe Resources Ltd which in the 1990's held an interest in the Chalice gold mine in Western Australia.

Within the last three years, Mr Diermajer has not been a director of any other publicly listed Company.

Ray Muskett (Non-Executive Director) – Appointed 24th November 2004

Ray Muskett is an experienced geologist in both mining, exploration and is a WA School of Mines graduate.

He has worked for a variety of companies and held senior positions in management and directorships on boards of listed and unlisted exploration companies. Other companies worked for include Western Mining Corporation, Hamersley Exploration, CRA, Nevoria Gold Mines, Brimstone Resources. He also operates as a consultant to exploration companies. He has been responsible for the acquisition of and advancement of exploration ground packages that have led to significant discoveries (including the high grade Chalice Gold Mine) and played key roles in raising capital. In recent times he raised capital for and successfully sold unlisted Brimstone Resources Ltd. He does exploration and evaluations of projects in Australia, Brazil and South East Asia. Experience and interests cover gold, iron ore, manganese, tin, nickel, copper and diamonds.

Within the last three years, Mr Muskett has not been a director of any other publicly listed Company.

Ronald Smit (Managing Director) – Appointed 19th July 2011

Mr Ronald Smit, age 56, holds a BSc(Hons) Geology and a member of the Australian Institute of Mining and Metallurgy, (AusIMM) with over 30 years' experience in the mineral exploration and mining industry. He worked for BHP Minerals International (now BHP Billiton plc) for much of this period and held many senior technical and management positions. He has conducted exploration for base metals, precious metals and diamonds throughout Australia, North America and Papua New Guinea. He has extensive experience in Archaean and Proterozoic mineral systems and has been involved in the discovery of gold deposits in the Eastern Goldfields of Western Australia, manganese in the Northern Territory, copper in Queensland and magnetite in Western Australia. Over the last ten years he has been involved in the junior mining sector with the successful ASX listings of Marengo Mining Limited and Buxton Resources Limited. The core responsibility with these groups was strategic planning and technical management of all exploration activities.

Within the last three years, Mr Smit has not been a director of any other publicly listed Company.

DIRECTORS' INTERESTS

As at the date of this report the directors hold the following beneficial interests in the capital of the Company:

	Shares		Options	
	In own name	In other names	In own name	In other names
R Diermajer	–	10,361,413	–	–
R Muskett	4,144,451	5,000	–	–
R Smit	6,967,526	2,440,000	–	4,000,000

DIRECTORS' REPORT (Continued)

COMPANY SECRETARY

Dean Calder (Company Secretary) – Appointed 20th November 2007

Dean Calder is a qualified Chartered Accountant who has over 25 years' experience. Mr Calder completed a Bachelor of Business degree in 1988 with a double major in Accounting and Business Law. He qualified as a Chartered Accountant in 1992 and after spending 8 years working for international accounting firms, he commenced public practice as a partner in a West Perth accounting firm in 1997. Mr Calder is also a Chartered Secretary and has sat on various ASX listed Company boards in recent years.

DIVIDENDS

No dividends have been paid or will be recommended to be paid for the current year.

PRINCIPAL ACTIVITY

The principal activity of the Company is mineral exploration for gold and base metals.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the directors, there were no significant changes in the state of affairs of the Company that occurred during the year under review not disclosed in this report or in the financial statements.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In the opinion of the Directors there have been no matters that have arisen since 30 June 2014, that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future years.

RESULTS

The Company incurred an after tax operating loss of \$404,472 (2013: Loss \$525,107).

Further information on the likely developments and expected results of operations of the Company has not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Company.

REVIEW OF OPERATIONS

The main focus this year was the review and assessment of a number of mineral exploration properties as part of the Company's ongoing commitment to find an asset that can add value to its portfolio. The search has been a global one and of the several projects reviewed none has so far satisfied the Company's present criteria given its financial capacity, their development potential and the expected level of market interest.

Mineral exploration activities on the Company's core projects of Collurabbie and Saxby has been limited given the decision made last year to divest both projects. Several parties have or are in the process of a technical evaluation of these projects and the Company's is hopeful that a suitable farmee partner will be found in the near future. The Company continues to undertake its own target generation at Collurabbie and Saxby and has developed a number of nickel, copper and gold targets that require further field work.

The Company also continues to undertake grass-roots project generation within Australia focussed on highly prospective geological terranes. The equity markets remain difficult for the junior mineral exploration sector and the Company continues to manage and preserve its cash reserves so that it can return to aggressive exploration when the right opportunity is identified.

Collurabbie Project (Ni-Au), Duketon Belt, Yilgarn Block WA (100% Falcon)

The Collurabbie Project is 200 km north of Laverton in the Duketon Greenstone Belt of Western Australia. Falcon and / or its former JV partners have been exploring the project area for more than a decade and have completed airborne and ground geophysical surveys, surface geochemical surveys and a high volume of drilling. The project includes the Olympia nickel-copper-PGE discovery and several other nickel and gold prospects and targets.

Falcon has a 100% interest in the project with BHPB retaining an option over the off-take rights to any ore or concentrate produced. During the year there were no field activities undertaken. The Company is seeking a joint venture partner to progress mineral exploration.

DIRECTORS' REPORT (Continued)

The Company have previously outlined an Exploration Target for the Olympia Prospect based on a high volume of drilling. The Exploration target is:

- Massive Zone: 150,000 – 200,000 tonnes at 1.5 – 2.0% Ni, 1.1 - 2.0% Cu, 2 - 3g/t PGE; and
- Disseminated Zone: 600,000-700,000 tonnes at 0.45 - 0.55% Ni, 0.3 -0.4% Cu, 0.4- 0.6g/t PGE.

Cautionary Note: The term Exploration Target should not be misconstrued as an estimate of Mineral Resources and Reserves and the term has not been used in that context. The term is conceptual in nature and it is uncertain if further exploration will result in the determination of a Mineral Resource.

Saxby Project (Cu-Au-U), Cloncurry District, Mt Isa Block QLD (100% Falcon)

The Saxby Project consists of two exploration permits located 165 km north-northeast of Cloncurry in the Gulf Country of northwest Queensland. EPM 15398 contains precious and base metal prospects (including the Lucky Squid Gold and Tea Tree Nickel prospects). These prospects are hosted by basement rocks of the Mt Isa Block that are buried beneath 400m of younger sedimentary cover. EPM 25152 covers the strongest magnetic feature in the district as this is considered to have potential for Ernest Henry style mineralisation.

Falcon and / or its former JV partners have been exploring in the district for more than a decade and have used geophysics (airborne magnetic, ground gravity and ground electromagnetic surveys) to facilitate mapping of prospective units under deep cover followed by diamond drill testing of selected targets. In the last few years, sixteen deep diamond holes have been drilled to follow-up geophysical targets. Many of these historical drill holes have recorded alteration and mineralisation. Unfortunately the presence of a thick cover sequence makes mineral exploration extremely challenging and expensive and as a consequence the Company is seeking to attract a joint venture partner. During the year there were no field activities undertaken.

Significant historical drill hole intersections made by Falcon and / or its former JV partner include:

- Lucky Squid Gold Prospect (high grade gold) - 17m at 6.75g/t Au from 631m and 15m at 9.09g/t Au from 701m associated with the altered contact between felsic and mafic rocks;
- Tea Tree Nickel Prospect (low-grade magmatic Ni-Cu sulphides) - 10.4m at 0.25% Ni and 0.28% Cu from 508m hosted by a large gabbro-norite complex;

Cloncurry Joint Venture, Cloncurry District, Mt Isa Block QLD

Minotaur Exploration can earn a 51% interest in EPM 18289 & EPM 18313 by spending \$250,000 over 2 years or a 75% interest by spending a total of \$750,000 over a total period of 5 years. The Joint Venture commenced in June 2013. EPM 18289 is located 10km northeast of Cloncurry and 20km southwest of the Ernest Henry Cu-Au mine. EPM 18313 is located 85km south of Cloncurry.

During the year, Minotaur completed a gravity survey over the southeast portion of EPM 18289. This work identified two residual gravity anomalies with coincident magnetic anomalies. These were subsequently tested by an IP survey which identified four strong chargeability anomalies. Historical records showed that the main anomaly was drill tested by a previous explorer and this did not intersect any mineralisation. Geophysical modelling is progressing in order to determine if any of the other anomalies should be drill tested. A decision is pending.

EPM 18313 was granted late in the year and field work is scheduled to commence soon.

Windanning Hill Joint Ventures, Yilgarn Block WA

The Windanning Hill Project is 75km southeast of Yalgoo. It consists of two Mining Leases (M59/379 and M59/380). Falcon has an Iron JV with Gindalbie Metals Ltd (~ 19% diluting interest) and a Gold JV with Minjar Gold Pty Ltd (~ 21.5% diluting interest). No field activities were reported by the operators of the joint ventures this year.

Deleta Joint Venture, Duketon Greenstone Belt, Yilgarn Block WA

Regis Resources Limited is the operator and manager of the JV which began in September 1998. The JV consists of three mining titles. E38/1939 is immediately south of Falcon's Collurabbie Project whilst E38/2005 and M38/1091 are immediately north of Regis's Moolart Well gold mine. Falcon retains a 20% free carried interest to the completion of a bankable feasibility study. The project is located within the northern parts of the Duketon greenstone belt and is considered prospective for gold and nickel.

During the year, Regis completed an assessment of all technical data and identified a number of geochemical and geophysical targets. Air-core drilling is scheduled for late 2014.

DIRECTORS' REPORT (Continued)

Arunta Project, Arunta Block NT

EL29728 was granted in June 2013. It is 300km north of Alice Springs and covers an area of concealed Proterozoic basement belonging to the Arunta Complex. Nearby mineral prospects include Kroda, Tulsa, Home of Bullion and Strzeleckie. Following a strategic review of the prospectivity of the area and the costs associated with exploring under cover it was decided to surrender the tenement.

Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled or reviewed 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 2012 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.

The exploration results for all projects were previously prepared and disclosed under the JORC Code 2004 and have not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The Company confirms that the form and context in which the Competent Person's findings are presented here have not been materially modified from the original market announcement. Refer to www.falconminerals.com.au for previous project announcements.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2014.

There were a total of 7 directors meetings held during the year.

Director	Number Eligible to Attend	Number Attended
Richard Diermajer	7	7
Ronald Smit	7	7
Ray Muskett	7	7

The Audit Committee was reactivated during the Reporting Period and the first and only meeting was held on 9th May 2014.

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2014. There was one Audit Committee meeting held during the year.

Director	Number Eligible to Attend	Number Attended
Richard Diermajer	1	1
Ray Muskett	1	1

The Audit Committee was reactivated during the Reporting Period and the first and only meeting was held on 9th May 2014.

Director	Number Eligible to Attend	Number Attended
Richard Diermajer	1	1
Ray Muskett	1	1

ENVIRONMENTAL ISSUES

The Company's policy is to comply with all relevant legislation and best practice conventions in respect of its exploration and mining activities on the tenements it holds.

DIRECTORS' REPORT (Continued)

DIRECTORS' BENEFITS

Since the date of the last Directors' Report, no director of the Company has received, or become entitled to receive, (other than a remuneration benefit included in the remuneration report), a benefit because of a contract that:

- (a) the director; or
- (b) a firm of which the director is a member; or
- (c) an entity in which the director has a substantial financial interest has made (during the year ended 30 June 2014, or at any other time) with the Company; or
- (d) an entity that the Company controlled, or a body corporate that was related to the Company, when the contract was made or when the director received, or became entitled to receive, the benefit (if any);

other than the provision of management and consultancy services through directors' private companies as disclosed in the remuneration report.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors and executives of Falcon Minerals Limited .

Names and positions held of key management personnel in office at any time during the financial year are:

Key Management Person	Position
Mr Richard Diermajer	Non Executive Director
Mr Ray Muskett	Non Executive Director
Mr Ron Smit	Managing Director
Mr Dean Calder	Company Secretary

DIRECTORS' REMUNERATION POLICY

The Remuneration Committee's policy of determining the nature and amount of compensation of key management is as follows:-

The compensation structure for key management personnel is reviewed periodically by the Remuneration Committee having regard to performance, relevant comparative information and, where necessary, independent expert advice. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's operations.

The terms of engagement and remuneration of executive directors is reviewed periodically by the Remuneration Committee. Where the remuneration of a particular executive director is to be considered, the director concerned does not participate in the discussion or decision-making.

- (a) The policy of the Company is to pay remuneration of directors and senior executives in cash and in amounts in line with employment market conditions relevant in the mining industry. Minor amounts of employee fringe benefits in the form of employee meals and entertainment are provided as part of the executives' way of conducting business.
- (b) The Company's performance, and hence that of its directors and executives, is measured in terms of:
 1. Company share price growth;
 2. Cash raised;
 3. Exploration carried out; and
 4. Farm-in expenditure attracted.

DIRECTORS' REPORT (Continued)

(c) Details of the nature and amount of the remuneration of the Directors and highest paid Executives is as follows:

	Primary			Post employment			Share based payment	Total	Performance related	Value of options as a proportion of remuneration
	Salary & Fees	Cash Bonus	Shares ¹	Non-Monetary	Super-annuation	Retirement Benefits	Options	\$	%	%
Directors										
Richard Diermajer – Non Executive Director										
2014	22,883	-	11,000	2,285	2,117	-	-	38,285	-	-
2013	93,485	-	-	2,285	7,978	-	-	103,748	-	-
Ray Muskett – Non Executive Director										
2014	19,222	-	50,000	2,285	1,778	-	-	32,285	-	-
2013	28,349	-	-	2,285	2,551	-	-	33,185	-	-
Ronald Smit – Managing Director										
2014	109,839	-	70,000	2,285	10,160	-	-	172,284	-	-
2013	225,809	-	-	2,285	15,775	-	-	243,869	-	-
Total Remuneration Directors										
2014	151,944	-	-	6,855	14,055	-	-	242,854	-	-
2013	347,643	-	-	6,855	26,304	-	-	380,802	-	-
Key Management Personnel										
Dean Calder - Company Secretary										
2014	12,600	-	-	2,286	-	-	-	14,886	-	-
2013	9,770	-	-	2,286	-	-	-	12,056	-	-
Total Remuneration: Executives										
2014	12,600	-	-	2,286	-	-	-	14,886	-	-
2013	9,770	-	-	2,286	-	-	-	12,056	-	-

¹ As approved by shareholders at the annual general meeting on 28 November 2013 these shares were issued to directors in lieu of payment of services and director fees.

SERVICE AGREEMENTS

Richard Diermajer

There is currently no formal service agreement in place with Mr Richard Diermajer. Mr Richard Diermajer's current employment package is \$36,000 per annum including 9.25% superannuation effective from 1 July 2013, and is reviewed annually.

Ronald Smit

Mr Ronald Smit has a service agreement with the Company which is reviewed annually. Mr Ronald Smit's current employment package of \$170,000 per annum including 9.25% superannuation is effective from 1 July 2013. The employment of Mr Ronald Smit may be terminated by either party by giving 28 days written notice. On termination Mr Ronald Smit is entitled to payment in lieu of annual leave to which he is entitled and salary and superannuation accrued up to the date of termination.

Ray Muskett

There is currently no formal service agreement in place for Mr Ray Muskett. Mr Ray Muskett current employment package is \$30,000 per annum including 9.25% superannuation effective from 1 July 2013, and is reviewed annually.

Company Secretary

Fees of \$33,190 (2013: \$26,700) were paid to Calder Roth & Co, an accounting firm of which Dean Calder is a principal, for accounting, Company secretarial, taxation and other services during the year. Included in these fees are \$12,600 (2013: \$9,770) which have been disclosed in the Executive table as directly related to Dean Calder's services.

DIRECTORS' REPORT (Continued)

Shareholdings of Key Management Personnel

Year Ended 30 June 2014						
Number of Shares held by Key Management Personnel						
	Balance 1 July 2013	Granted as Remuneration	Options Exercised	Net Change Other	Held on date of resignation	Balance 30 June 2014
Richard Diermajer	4,000,000	859,160	-	5,502,253	-	10,361,413
Ray Muskett	445,000	702,949	-	3,001,502	-	4,149,451
Ronald Smit	1,000,000	3,905,273	-	4,502,253	-	9,407,526
TOTAL	5,445,000	5,467,382	-	13,006,008	-	23,918,390

The shares disclosed are granted on remuneration in relation to the shares issued to directors in lieu of payment of services and director fees which was approved by shareholders at the annual general meeting of the Company held on 28 November 2013. Each share was issued at \$0.013. The total value of the shares was determined based on the 5 day volume weighted average price ("VWAP") of the shares immediately before the date of issue. The shares were issued on 23 December 2013.

Shareholdings of Key Management Personnel

Year Ended 30 June 2013						
Number of Shares held by Key Management Personnel						
	Balance 1 July 2012	Granted as Remuneration	Options Exercised	Net Change Other	Held on date of resignation	Balance 30 June 2013
Richard Diermajer	4,000,000	-	-	-	-	4,000,000
Ray Muskett	445,000	-	-	-	-	445,000
Ronald Smit	1,000,000	-	-	-	-	1,000,000
TOTAL	5,445,000	-	-	-	-	5,445,000

Option Holdings of Key Management Personnel

Year Ended 30 June 2014								
Number of Options held by Key Management Personnel								
	Balance 1 July 2013	Granted as Remuneration	Options Exercised	Net Change Other	Held on date of resignation	Balance 30 June 2014	Exercisable	Un- exercisable
Richard Diermajer	-	-	-	-	-	-	-	-
Ray Muskett	-	-	-	-	-	-	-	-
Ronald Smit	4,000,000	-	-	-	-	4,000,000	4,000,000	-
TOTAL	4,000,000	-	-	-	-	4,000,000	4,000,000	-

Option Holdings of Key Management Personnel

Year Ended 30 June 2013								
Number of Options held by Key Management Personnel								
	Balance 1 July 2012	Granted as Remuneration	Options Exercised	Net Change Other	Held on date of resignation	Balance 30 June 2013	Exercisable	Un- exercisable
Richard Diermajer	-	-	-	-	-	-	-	-
Ray Muskett	-	-	-	-	-	-	-	-
Ronald Smit	4,000,000	-	-	-	-	4,000,000	4,000,000	-
TOTAL	4,000,000	-	-	-	-	4,000,000	4,000,000	-

DIRECTORS' REPORT (Continued)

Options Issued

No options were issued during the year ended 30 June 2014 (2013: Nil). No options lapsed or were forfeited during the year.

Details of vesting profiles of the options granted as remuneration to each of the key management personnel of the Company are detailed below:

Director	Number	Grant Date	% vested in year	% forfeited in year	Financial year in which grant vested
Ron Smit	4,000,000	17 November 2011	-	-	30 June 2012

Number of Options	Exercise Value	Fair Value per option at date of grant	Total Grant Value	Expiry Date
2,000,000	20 cents	2.0 cents	40,000	30 June 2015
2,000,000	40 cents	1.28 cents	25,600	30 June 2015

Shares issued on exercise of options

During or since the end of the financial year, no ordinary shares were issued as a result of the exercise of options.

Un-issued shares under option

At the date of report, there are 4,000,000 un-issued shares under option.

INDEMNIFICATION

During the year \$8,647 was incurred as an expense for Directors and officeholders insurance which covers all directors and officeholders. A policy has been entered into for the year ended 30 June 2014.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company.

RELATED PARTY TRANSACTIONS

There were no related party transactions other than the issue of shares outlined above.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

No non audit services have been provided by the auditors during the year.

AUDITOR'S INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 40. The Auditor has not provided during the year, any non-audit services.

Signed in accordance with a resolution of the directors dated this 11th day September 2014.



R Smit
Director

CORPORATE GOVERNANCE STATEMENT

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Falcon Minerals Ltd ("the Company") have adhered to the principles of corporate governance. A description of the main corporate governance practices is set out below. Unless otherwise stated, the practices were in place for the entire year.

Board of Directors

The Board of Directors of the Company is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

As the Board acts on behalf of shareholders, it seeks to identify the expectations of shareholders, as well as other ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

The primary responsibilities of the Board include:

- formulation and approval of the strategic direction, objectives and goals of the Company;
- monitoring the financial performance of the Company, including approval of the Company's financial statements;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the review of performance and remuneration of Executive Directors; and
- the establishment and maintenance of appropriate ethical standards.

The responsibility for the operation and administration of the Company is carried out by one of the Directors, who operate in an executive capacity, supported by non executive directors and senior professional staff. The Board ensures that this team is suitably qualified and experienced to discharge their responsibilities, and assesses on an ongoing basis the performance of the management team, to ensure that management's objectives and activities are aligned with the expectations and risks identified by the board.

The Directors of the Company are as follows:

- Richard Edward Diermajer (Non-Executive Director) – Director since 3rd July 1987
- Ray Muskett (Non-Executive Director) – Appointed 24th November 2004
- Ronald Smit (Managing Director) – Appointed 19th July 2011

Independent Directors

Under ASX guidelines none of the current Board is considered to be independent directors. Mr Diermajer is a non executive director and recent employee of the Company and Mr Smit is the Managing Director of the Company and the ASX guidelines deem them not to be independent. While the ASX guidelines deem Mr Muskett not to be independent as he is a former employee of the Company, the Board believes that the passage of time that has lapsed since he was an employee is sufficient to deem him independent. The Board is satisfied that the structure of the Board is appropriate for the size of the Company and the nature of its operations and is a cost effective structure for managing the Company.

Communication to Market & Shareholders

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors and the Company. Information is communicated to shareholders and the market through:

- the Annual Report which is distributed to all shareholders;
- other periodic reports which are lodged with ASX and available for shareholder scrutiny;
- other announcements made in accordance with ASX Listing Rules;
- special purpose information memoranda issued to shareholders as appropriate;
- the Annual General Meeting and other meetings called to obtain approval for Board action as appropriate; and
- all communication is available on the Company's website as soon as possible after release

CORPORATE GOVERNANCE (Continued)

Board Composition

When the need for a new director is identified, selection is based on the skills and experience of prospective directors, having regard to the present and future needs of the Company. Any director so appointed must then stand for election at the next Annual General Meeting of the Company.

Terms of Appointment as a Director

The constitution of the Company provides that a Director other than the Managing Director may not retain office for more than three calendar years or beyond the third annual general meeting following his or her election, whichever is longer, without submitting for re-election. One third of the Directors must retire each year and are eligible for re-election. The Directors who retire by rotation at each annual general meeting are those with the longest length of time in office since their appointment or last election.

Audit Committee

The Audit Committee was reactivated during the Reporting Period and the first and only meeting was held on 9th May 2014.

Remuneration Committee

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report.

The Remuneration Committee was reactivated during the Reporting Period and the first and only meeting was held on 9th May 2014.

Remuneration and other terms of employment of executives, including executive directors, are reviewed periodically by the Remuneration Committee having regard to performance, relevant comparative information and, where necessary, independent expert advice. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's operations.

The terms of engagement and remuneration of executive directors is reviewed periodically by the Remuneration Committee. Where the remuneration of a particular executive director is to be considered, the director concerned does not participate in the discussion or decision-making.

Independent Professional Advice

Directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, which will not be unreasonably withheld.

Share Trading

The Company has a formal policy which sets out time restrictions on share dealings. The Company policy is that of the Corporations Act 2001 and ASX Listing Rules which state that dealings are not permitted at any time whilst in the possession of price sensitive information not already available to the market. It also states that no share dealings should be carried out by a Director without first receiving written clearance from the Managing Director.

Code of Conduct

The Company has a written code of conduct which sets out minimum standards necessary to guide executives, management and employees in carrying out their duties and responsibilities.

External Auditors

In late 2003 the Board reviewed the appointment of the external auditor and conducted a tender process for the appointment of the external auditor. As a result the Company sought and obtained shareholder approval and changed its external auditor to Stantons International. The auditors attend the Annual General Meeting and have regular contact with management and directors in accounting and regulatory issues.

ASX CORE PRINCIPLES OF CORPORATE GOVERNANCE AND ASX GUIDELINES

Australian Securities Exchange Ltd (ASX) has published 8 core principles of corporate governance in the second edition of 'Corporate Governance Principles and Recommendations' in August 2007, which it believes underlie good corporate governance together with guidelines to satisfy those core principles. Under ASX listing rules, listed companies are required to provide a statement in their annual reports outlining the extent to which they have followed these best practice guidelines. In the following table the ASX core principles and guidelines are listed in the left hand column, and the Company's comment/response is listed in the right hand column.

<p>ASX Principle 1: Lay Solid Foundations <i>Establish and disclose the respective roles and responsibilities of the Board and management</i></p>	<p>Comment/Response by Company</p>
<p>ASX Recommendations</p> <p>1.1 Establish and disclose the functions reserved to the Board and those delegated to senior executives</p>	<p>The Board is comprised of a Non Executive Director who is currently Chairman, a Managing Director and a Non Executive Director. Management of the Company is carried out by the Managing Director with little or no delegation to staff. The full Board meets on a regular basis for both management and Board meetings. The Board has adopted a formal Board Charter setting out the role of the Board.</p>
<p>1.2 Disclose the process for evaluating the performance of senior executives.</p>	<p>Due to the size and structure of the Board a formal evaluation process is not conducted.</p>
<p>1.3 The information indicated in the Guide to reporting on Principle 1 should be provided. (See Guide Notes at end of table)</p>	<p>See above.</p>
<p>ASX Principle 2: Board Structure <i>Have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties</i></p>	<p>Comment/Response by Company</p>
<p>ASX Recommendations</p> <p>2.1 A majority of Board members should be independent directors</p>	<p>There is no independent director according to the ASX definition of independence due to one director being executive and the two non executive directors being former employees. However the Board believes that the passage of time that has lapsed since one of the non executives was an employee is sufficient to deem him independent. In view of the size of the Company and the nature of its activities the Board considers that the current Board is cost effective and practical method of directing and managing the Company.</p>
<p>2.2 The chairperson should be an independent director</p>	<p>As stated above the chairman is a non executive director and recent employee of the Company and is not considered independent under the ASX definition. The Company is mindful of the costs and availability of experienced non- executive independent chairman and is satisfied the current Board structure is appropriate for the size of the Company and the nature of its activities.</p>

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2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual	The roles of the chairperson and the Managing Director are not exercised by the same individual.
2.4	The Board should establish a nomination committee	In view of the size of the Company and the nature of its activities, the Board has considered that establishing formally constituted committees for Board nominations would contribute little to its effective management. Accordingly the nomination of new Directors are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest).
2.5	The process for evaluating the performance of the Board, its committees and individual directors should be disclosed.	See 1.2 above.
2.6	The information indicated in Guide to reporting on Principle 2 should be provided. (See Guide Notes at end of table)	Not applicable.
ASX Principle 3: Ethical and responsible decision-making <i>Actively promote ethical and responsible decision-making</i>		Comment/Response by Company
ASX Recommendations		
3.1	The Company should establish a code of conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the Company's integrity, to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting or investigating reports of unethical practices	The Company has a written code of conduct which sets out minimum standards necessary to guide executives, management and employees in carrying out their duties and responsibilities.
3.2	Establish and disclose the policy or a summary of the policy concerning diversity, which should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them	The composition of the Board is monitored (in respect of size, diversity and membership) to ensure that the Board has a balance of skill and experience appropriate to the needs of the Company. When a vacancy arises, the Board will identify candidates with appropriate expertise and experience and appoint the most suitable person taking into account the need for diversity in gender, age, ethnicity and cultural background.
3.3	Disclose in each annual report the measurable objectives for achieving greater diversity set by the board in accordance with the diversity policy and progress towards achieving them	The Company is currently not of a size that justifies the formal establishment of measurable diversity objectives.
3.4	Disclose in each annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the board	There are no women in senior executive positions nor on the Board. However the proportion of women employees is 25% of the total workforce i.e. 1 out of 4.

<p>3.5 Provide the information indicated in Guide to Reporting on Principles. (See Guide Notes at end of table)</p>	<p>See above.</p>
<p>ASX Principle 4: Financial reporting integrity <i>Have a structure in place to independently verify and safeguard the integrity of the Company's financial reporting</i></p>	<p>Comment/Response by Company</p>
<p>ASX Recommendations</p> <p>4.1 The Board should establish an audit committee</p>	<p>The Audit Committee was reactivated during the Reporting Period and as at the date of this report, one meeting has been held.</p>
<p>4.2 Structure the audit committee so that it consists of:</p> <ul style="list-style-type: none"> - Only non-executive directors - A majority of independent directors - An independent chairperson who is not the chairperson of the Board - At least three members 	<p>The Company is aware of the recommendations and intends that the Audit Committee will be comprised of only non executive directors in the near future.</p>
<p>4.3 Create a formal operating charter for the audit committee</p>	<p>The Company has adopted, and applies an Audit Committee Charter when considering all matters relating to the financial affairs of the Company.</p>
<p>4.4 Provide the information indicated in the Guide to reporting on Principle 4. (See Guide Notes at end of table)</p>	<p>See above.</p>
<p>ASX Principle 5: Timely and balanced disclosure <i>Promote timely and balanced disclosure of all material matters concerning the Company</i></p>	<p>Comment/Response by Company</p>
<p>ASX Recommendations</p> <p>5.1 Establish and disclose written policies or a summary of those policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance</p>	<p>It is the policy of the Company to fully comply with disclosure obligations contained in the Listing Rules of the Australian Securities Exchange Limited (ASX). It is the policy of the Company to nominate Disclosing Officers who are the only persons authorised to make public disclosures in accordance with these procedures. The Managing Director and the Company Secretary are the Disclosing Officers.</p> <p>At periodic Board and Executives meetings the full Board considers and reviews the continuous disclosure process and obligations of the Company.</p> <p>All of the above is set out in the Companies Continuous Disclosure Policy.</p>
<p>5.2 Provide the information indicated in the Guide to Reporting on Principle 5. (See Guide Notes at end of table)</p>	<p>See above.</p>

<p>ASX Principle 6: Shareholder rights <i>Respect the rights of shareholders and facilitate the effective exercise of those rights</i></p>	<p>Comment/Response by Company</p>
<p>ASX Recommendations</p> <p>6.1 Design and disclose a communications policy or a summary of the policy to promote effective communication with shareholders and encourage effective participation at general meetings</p>	<p>See the section on Communication to Market and Shareholders.</p>
<p>6.2 Provide the information indicated in the Guide to Reporting on Principle 6. (See Guide Notes at end of table)</p>	<p>See above.</p>
<p>ASX Principle 7: Risk Management <i>Establish a sound system of risk oversight and management and internal control</i></p>	<p>Comment/Response by Company</p>
<p>ASX Recommendations</p> <p>7.1 Establish and disclose the policy or a summary of the policy for the oversight and management of material business risks</p>	<p>In view of the size of the Company and the nature of its activities, the Board has considered that establishing formally constituted committees would contribute little to its effective management. Accordingly risk oversight and management issues and policies are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest).</p>
<p>7.2 The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the of the Company's management of its material business risks.</p>	<p>Not applicable – see above.</p>
<p>7.3 The Board should disclose whether it has received assurance from the CEO (or equivalent) and the CEO (or equivalent) that the declaration provided in accordance with s295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.</p>	<p>Not applicable – see above.</p>
<p>7.4 Provide the information indicated in the Guide to Reporting on Principle 7. (See Guide Notes at end of table)</p>	<p>Not applicable for reasons stated above</p>

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ASX Principle 8: Remunerate fairly and responsibly <i>Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear</i>	Comment/Response by Company
ASX Recommendations 8.1 The Board should establish A Remuneration Committee	The Remuneration Committee was reactivated during the Reporting Period and as at the date of this report, one meeting has been held.
8.2 Structure the Remuneration Committee so that it consists of: <ul style="list-style-type: none"> • majority of independent directors • is chaired by an independent chair • has at least three members 	The Company has adopted this recommendation.
8.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Executive directors are paid salaries. The Managing Director has a formal contract. Non Executive Director's fees are paid separately. The different types of remuneration including fringe benefits, superannuation, consulting fees and directors' fees are all clearly outlined in the Annual Report.
8.4 Provide the information indicated in Guide to Reporting on Principle 8 (See Guide Notes at end of table)	See above

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
FOR THE YEAR ENDED 30 JUNE 2014**

	NOTES	2014 \$	2013 \$
Revenue	2	66,204	170,837
Depreciation of plant & equipment	3	(18,919)	(39,504)
Exploration expenditure written off	3	(137,242)	(298,505)
Share based payments	3	(70,000)	-
Occupancy expenses		(32,136)	(47,467)
Employee benefit expenses		(110,480)	(194,478)
Compliance and professional fees		(75,362)	(79,331)
Administration expenses		(26,537)	(36,659)
Expenses from operations		(470,676)	(695,944)
(Loss) from operations before income tax expense		(404,472)	(525,107)
Income tax expense	4	-	-
(Loss) after income tax expense		(404,472)	(525,107)
Other comprehensive income			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Total other comprehensive (loss) for the year		-	-
Total comprehensive (loss)		(404,472)	(525,107)
Net (loss) attributable to members of Falcon Minerals Ltd		(404,472)	(525,107)
Total comprehensive (loss) attributable to members of Falcon Minerals Ltd		(404,472)	(525,107)
Basic loss per share (cents)	25	(0.24)	(0.32)
Diluted loss per share (cents)	25	(0.24)	(0.32)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

	NOTES	2014 \$	2013 \$
CURRENT ASSETS			
Cash and cash equivalents		1,040,879	1,302,150
Trade and other receivables	5	14,107	19,060
TOTAL CURRENT ASSETS		1,054,986	1,321,210
NON-CURRENT ASSETS			
Plant and equipment	7	11,797	113,770
Financial assets	6	19,404	14,404
TOTAL NON-CURRENT ASSETS		31,201	128,174
TOTAL ASSETS		1,086,187	1,449,384
CURRENT LIABILITIES			
Trade and other payables	9	32,773	54,158
Provisions	10	21,759	29,099
TOTAL CURRENT LIABILITIES		54,532	83,257
TOTAL LIABILITIES		54,532	83,257
NET ASSETS		1,031,655	1,366,127
EQUITY			
Issued capital	11	20,467,612	20,397,612
Accumulated losses	12	(19,673,047)	(19,268,575)
Reserves	13	237,090	237,090
TOTAL EQUITY		1,031,655	1,366,127

The above statement of financial position should be read in conjunction with the accompanying notes.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	Issued Capital	Accumulated Losses	Option Reserve	Total
		\$	\$	\$	\$
Balance at 30 June 2012		20,397,612	(18,743,468)	237,090	1,891,234
Loss attributable to members		-	(525,107)	-	(525,107)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		-	(525,107)	-	(525,107)
Employee share options		-	-	-	-
Balance at 30 June 2013		20,397,612	(19,268,575)	237,090	1,366,127
Loss attributable to members		-	(404,472)	-	(404,472)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		-	(404,472)	-	(404,472)
Employee shares	14	70,000	-	-	70,000
Balance at 30 June 2014		20,467,612	(19,673,047)	237,090	1,031,655

The above statement of changes in equity should be read in conjunction with the accompanying notes.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES	\$	\$
Payments to suppliers and employees	(411,379)	(858,907)
Interest received	41,522	93,923
Other income	-	96,225
Net cash (used in) operating activities (Note b)	<u>(369,857)</u>	<u>(668,759)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of plant and equipment	(977)	(6,605)
Proceeds from sale of plant and equipment	109,563	-
Net cash provided by/ (used in) investing activities	<u>108,586</u>	<u>(6,605)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash provided by financing activities	<u>-</u>	<u>-</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(261,271)	(675,364)
Cash and cash equivalents at the beginning of the financial year (Note a)	1,302,150	1,977,514
Cash and cash equivalents at the end of the financial year (Note a)	<u>1,040,879</u>	<u>1,302,150</u>
(a) Cash and cash equivalents includes		
Cash at Bank	65,041	195,423
Term Deposits	975,838	1,106,727
	<u>1,040,879</u>	<u>1,302,150</u>

Cash at bank earns interest at floating rates based on a daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earns interest at the respective short term deposit rates.

(b) Reconciliation of net cash used in operating activities to (loss) after income tax

Loss after income tax	(404,472)	(525,107)
Shares issued in lieu of directors fees and services	70,000	-
Depreciation	18,919	39,504
Write off of assets	-	6,250
(Decrease) / Increase in provision for employee entitlements	(4,113)	4,928
Proceeds on sale of plant and equipment	(25,534)	-
Accrued interest	850	-
Accrued charges	(9,075)	-
Decrease in trade and other receivables	4,953	107,286
Increase/ (Decrease) in trade and other payables	(21,385)	(301,620)
Net cash used in operating activities	<u>(369,857)</u>	<u>(668,759)</u>

(c) Credit Standby Facilities

Credit Facility	30,000	30,000
Amount Utilised	-	-
	<u>30,000</u>	<u>30,000</u>

The only facility is in relation to credit card facilities.

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Falcon Minerals Limited is a listed public Company, incorporated and domiciled in Australia.

The financial report of Falcon Minerals Limited complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented, except as stated below.

Reporting Basis and Conventions

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

New and amended standards adopted by the Company

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- AASB 10: Consolidated Financial Statements;
- AASB 127: Separate Financial Statements (August 2011);
- AASB 11: Joint Arrangements;
- AASB 128: Investments in Associates and Joint Ventures (August 2011);
- AASB 12: Disclosure of Interests in Other Entities;
- AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards; and
- AASB 2012-10: Amendments to Australian Accounting Standards — Transition Guidance and Other Amendments.
- AASB 13: Fair Value Measurement and AASB2011-8 Amendments to Australian Accounting Standards arising from AASB 13.
- AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).

Accounting Standard and Interpretation

The other Standards and Amendments referred to above did not affect the Group's accounting policies or the amounts reported in the financial statements, mainly because the Group does not have joint arrangements. Investment in associates, assets and liabilities measured at fair value or defined benefit plan assets or obligations.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

New accounting standards for application in future periods

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Company have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

- *AASB 9 Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2017)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The 2010 revisions introduce additional changes relating to financial liabilities.

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Company's on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Company's financial instruments, including hedging activity, it is impractical at this stage to provide a reasonable estimate of such impact.

- *Other standards not yet applicable*

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 1031 'Materiality' (2013)	1 January 2017	30 June 2018
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015

These standards are not expected to have a material impact on the entity in the current or future reporting periods

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Accounting Policies

a) Principles of going concern

The Company has recorded a loss of \$404,472 for the year ended 30 June 2014 and as at 30 June 2014 has net cash and cash equivalents of \$1,040,879. The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors are of the opinion that cash assets are sufficient to meet the needs of the Company for at least the coming year.

b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest Income

Interest income is recognised as it accrues.

Asset sales

The gross proceeds of asset sales not originally purchased for the intention of resale are included as revenue at the date an unconditional contract of sale is signed.

c) Exploration and Evaluation Expenditure

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.

d) Financial Instruments Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

e) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

f) Cash and Cash Equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand, and short-term deposits with an original maturity of 3 months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

g) Earnings per Share

Basic earnings per share is determined by dividing the operating profit or loss after income tax by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

h) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Plant and equipment, office furniture and computer equipment is depreciated using the diminishing value method and straight line method at rates between 13% and 67%.

Impairment

The carrying value of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the Continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognized.

i) Income Tax

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and Deferred Tax for the Period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

j) Employee Entitlements

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 1 year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 1 year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

l) Operating Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognized as a liability. Lease payments received reduce the liability.

m) Interest in Joint Venture Operations

The joint ventures are not separate legal entities. They are contractual arrangements between the participants for the sharing of costs and output and do not by themselves generate revenue and profit. The Company's direct and indirect interests in the joint ventures are included in the statement of financial position.

n) Provisions

Provisions are recognised when the Company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

o) Share Based Payments

Equity settled transactions

The Company provides benefits to employees (including senior executives) of the Company in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured 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 the Black-Scholes option pricing model, further details of which are given in the remuneration report.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Falcon Minerals Limited.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- (i) the extent to which the vesting period has expired; and
- (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

p) Comparatives

Certain comparatives have been reclassified to be consistent with the current year's disclosures.

q) Significant Accounting Estimates and Assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share based payment transactions

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 an external valuer using a Black-Scholes option pricing model.

The Company measures the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted.

Non-recognition of Deferred tax assets

The Company has decided at this stage that it does not want to include in the balance sheet the potential benefit of deferred tax assets as the Company is still in exploration phase, and it is not probable that the assets would be realised.

2. REVENUE

	2014	2013
	\$	\$
Interest received/receivable – other persons	40,672	74,612
Other income	-	96,225
Gain on sale of plant and equipment	25,532	-
	66,204	170,837

3. LOSS FOR THE YEAR

Loss for the year includes the following:

Exploration expenditure written-off	137,242	298,505
Depreciation of plant and equipment	18,919	39,504
Share based payments	70,000	-

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

4. INCOME TAX

	2014	2013
	\$	\$
a. The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	<hr/>	<hr/>
	-	-
b. The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:	(404,472)	(525,107)
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2013: 30%)	(121,342)	(157,532)
Add tax effect of:		
— Other non-allowable items	9,680	14,767
— Other assessable items	255	6,048
— Share based payments	21,000	-
— Tax benefit of revenue losses not recognised	118,951	172,044
	<hr/>	<hr/>
	149,886	192,859
Less tax effect of:		
— Other non-assessable items	-	(255)
— Other tax benefits not recognised	(28,544)	(35,072)
	<hr/>	<hr/>
	(28,544)	(35,327)
Income tax	<hr/>	<hr/>
	-	-
The applicable weighted average effective tax rates are as follows:	0%	0%
c. The following deferred tax balances at 30% (2013: 30%) have not been recognised		
Deferred Tax Assets:		
Carry forward revenue losses	5,309,020	5,190,069
Carry forward capital losses	152,026	152,026
Capital raising costs	14,092	14,092
Provisions and accruals	9,528	14,452
	<hr/>	<hr/>
	5,484,666	5,370,639
The tax benefits of the above Deferred Tax Assets will only be obtained if:		
a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;		
b) the Company continues to comply with the conditions for deductibility imposed by law; and		
c) no changes in income tax legislation adversely affect the Company in utilising the benefits.		
Deferred Tax Liabilities:		
Other	-	48
Accrued interest	-	255
	<hr/>	<hr/>
	-	303

The above Deferred Tax Liabilities have not been recognised as they have given rise to the carry forward revenue losses for which the Deferred Tax Asset has not been recognised.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

5. TRADE & OTHER RECEIVABLES

	2014	2013
Current	\$	\$
Prepayments	9,480	12,631
Other	92	5,163
GST refund due	4,535	1,266
	14,107	19,060

There are no amounts which are past due or impaired.

6. FINANCIAL ASSETS

Non Current		
Other receivables - bonds	19,404	14,404

7. PLANT & EQUIPMENT

Plant and equipment at cost	7,394	12,770
Less: accumulated depreciation	(3,845)	(6,747)
	3,549	6,023
Office furniture at cost	-	10,562
Less: accumulated depreciation	-	(9,646)
	-	916
Electronic equipment at cost	32,683	59,611
Less: accumulated depreciation	(27,095)	(42,397)
	5,588	17,214
Software at cost	16,440	15,463
Less: accumulated depreciation	(13,780)	(13,216)
	2,660	2,247
Motor Vehicles	-	222,499
Less: accumulated depreciation	-	(135,129)
	-	87,370
Total Plant and equipment at cost	56,517	320,905
Less: accumulated depreciation	(44,720)	(207,135)
	11,797	113,770

Movements in Plant and Equipment

Balance at beginning of the year	113,770	152,919
Additions	977	6,605
Disposals/Write Offs	(84,031)	(6,250)
Depreciation expense	(18,919)	(39,504)
Balance at end of the year	11,797	113,770

8. MINERAL EXPLORATION EXPENDITURE

Non Current

Costs bought forward	-	-
Exploration expenditure incurred (net of refunds received) on mineral tenements and joint ventures	137,242	298,505
Less: Expenditure written off to the statement of profit or loss and comprehensive income	(137,242)	(298,505)
Costs carried forward	-	-

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

9. TRADE & OTHER PAYABLES

	2014	2013
	\$	\$
Current		
Other creditors and accruals	<u>32,773</u>	54,158

All creditors and accruals are not past due.

10. PROVISIONS

	2014	2013
	\$	\$
Current		
Employee entitlements	<u>21,759</u>	29,099

There were 4 employees (2013: 4 full time employees) at reporting date.

11. ISSUED CAPITAL

	2014	2013	2014	2013
	No	No	\$	\$
ISSUED AND FULLY PAID UP CAPITAL				
Ordinary Shares				
Opening balance	163,578,935	163,578,935	20,397,612	20,397,612
Net movement during the year	5,467,382	-	70,000	-
Closing balance	<u>169,046,317</u>	163,578,935	<u>20,467,612</u>	20,397,612
Options				
Opening balance	4,000,000	4,000,000		
Employee options issued	-	-		
Employee options forfeited	-	-		
Closing balance	<u>4,000,000</u>	4,000,000		

Details of options outstanding are included in Note 14.

12. ACCUMULATED LOSSES

	2014	2013
	\$	\$
Accumulated Losses:		
Balance at the beginning of the year	(19,268,575)	(18,743,468)
Net loss for the year	(404,472)	(525,107)
Balance at the end of the year	<u>(19,673,047)</u>	<u>(19,268,575)</u>

13. RESERVES

(a) Option Premium Reserve:

Balance at the beginning of the year	237,090	237,090
Options issued to directors	-	-
Balance at the end of the year	<u>237,090</u>	<u>237,090</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

14. SHARE BASED PAYMENTS

In the past options were issued to key management personnel as part of their compensation. Any future option issues would be subject to the recommendations of the Remuneration Committee.

The following table illustrates the number and weighted average exercise prices (WAEP) of and movements in share options issued under Share Based Payment Scheme during the year:

	2014		2013	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
At beginning of reporting year	4,000,000	0.30	4,000,000	0.30
Granted during the period	-	-	-	-
Cancelled during the period	-	-	-	-
Balance at end of reporting year	<u>4,000,000</u>	<u>0.30</u>	<u>4,000,000</u>	<u>0.30</u>
Exercisable at end of reporting period	<u>4,000,000</u>		<u>4,000,000</u>	

The outstanding balance at 30 June 2014 is represented by:

2,000,000 options over ordinary shares with an exercise price of 20 cents each, exercisable until 30 June 2015.

2,000,000 options over ordinary shares with an exercise price of 40 cents each, exercisable until 30 June 2015.

Options issued

No options were issued during the year ended 30 June 2014 (2013: nil)

Options exercised

No options issued under the share based payment scheme were exercised during the year ended 30 June 2014 (2013: Nil).

Options lapsed

No options lapsed or were forfeited during the current year.

During the year shares were issued to key management personnel as part of their compensation. Any future share issues would be subject to the recommendations of the Remuneration Committee.

The following table illustrates the number of shares issued under share based payment scheme during the year:

	2014	2013	2014	2013
	No	No	\$	\$
ISSUED AND FULLY PAID UP CAPITAL				
Ordinary Shares				
At beginning of reporting year	-	-	-	-
Issued during the period	<u>5,467,382</u>	-	<u>70,000</u>	-
Balance at end of reporting year	<u>5,467,382</u>	-	<u>70,000</u>	-

The shares issued were approved by shareholders at the annual general meeting of the Company held on 28 November 2013.

The value of the shares was determined based on a 5 day volume weighted average price ("VWAP") of the shares immediately before the date of issue.

The shares were issued on 23 December 2013. The shares were issued at 0.0128 per share.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

15. KEY MANAGEMENT PERSONNEL

Names and positions held of key management personnel in office at any time during the financial year are:

Key Management Person	Position
Mr Richard Diermajer	Non Executive Director
Mr Ray Muskett	Non Executive Director
Mr Ronald Smit	Managing Director
Mr Dean Calder	Company Secretary

Compensation for Key Management Personnel

	2014	2013
	\$	\$
Short-term employee benefits	243,685	366,554
Post employment benefits	14,055	26,304
Other long-term benefits	-	-
Termination benefits	-	-
Share based payment	-	-
Total Compensation	<u>257,740</u>	<u>392,858</u>

Other transactions and balances with Key Management Personnel

Consultancy services

Fees of \$33,190 (2013: \$26,700) were paid to Calder Roth & Co, an accounting firm of which Dean Calder is a principal, for accounting, Company secretarial, taxation and other services during the year. Included in those fees are \$12,600 (2013: 9,770) which have been disclosed in the Executive table as directly related to Dean Calder's services.

16. REMUNERATION OF AUDITORS

	2014	2013
	\$	\$
During the year, the following fees were received or due and receivable by Stantons International for:-		
Audit and review of financial report	<u>15,873</u>	<u>16,623</u>

17. EXPLORATION INTERESTS

Exploration

The Company has entered into farm out ventures where the farmee may earn its interest in mining and exploration tenements held by the Company, as set out in the various agreements. The Company's interest in the operations which have been formed for the purposes of exploration for gold and other minerals are as follows:-

Project	Percentage Interest	
	2013	2012
Duketon	20% free carried	20% free carried
North Duketon	20% free carried	20% free carried
Windanning Hill Iron	19% diluting	21% diluting
Windanning Hill Gold	21.5% diluting	21.5% diluting
Cloncurry	100% - farmee earning 51%	100% - farmee earning 51%

There are no costs carried forward in respect of areas of interest.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

18. CONTINGENT ASSETS AND LIABILITIES

In the opinion of the directors, there are no contingent assets or liabilities as at 30 June 2014 and no changes in the interval between 30 June 2014 and the date of this report.

19. COMMITMENTS

Exploration Licence Commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to outlay lease rentals to meet the minimum expenditure requirements of the Western Australian and Queensland Departments of Minerals and Energy. These obligations are subject to renegotiation upon expiry of the exploration licenses or when application for a mining lease is made. These obligations are not provided for in the financial statements.

	2014	2013
	\$	\$
Not later than one year	482,220	402,500
After one year but less than five years	1,001,200	405,000
	<u>1,483,420</u>	<u>807,500</u>
Operating Lease Commitments		
Not later than one year	6,600	25,608
After one year but not later than five years	-	-
	<u>6,600</u>	<u>25,608</u>

The operating lease being rental lease on the Company's premise. The lease expires on 30 September 2014 with the option to renew on a yearly basis.

20. RELATED PARTIES

Directors

The names of persons who were directors of Falcon Minerals Ltd at any time during the financial year were as follows: R E Diermayer; R Muskett and R Smit.

Other Related Party Transactions

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

No amounts in addition to those disclosed in the remuneration report to the financial statements were paid or payable to Directors of the Company in respect of the year ended 30 June 2014.

21. EVENTS SUBSEQUENT TO REPORTING DATE

In the opinion of the Directors there have been no matters that have arisen since 30 June 2014, that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future years.

22. ECONOMIC DEPENDENCY

The Company is not economically dependent on any party.

23. PLACE OF INCORPORATION

The Company is incorporated in Australia and its principal place of business is Perth, Western Australia.

24. SEGMENT REPORTING

The Company operates in the mineral exploration industry in Australia. For management purposes, the Company is organised into one main operating segment which involves the exploration of minerals in Australia. All of the Company's activities are interrelated and discrete financial information is reported to the Board (Chief operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

25. LOSS PER SHARE

	2014 Cents per share	2013 Cents per share
a) Basic loss per share	(0.24)	(0.32)
b) Net loss used in calculating - Basic loss per share	\$ (404,472)	\$ (525,107)
	Number	Number
c) Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share	166,409,990	163,578,935
d) Effect of dilutive securities		

Diluted earnings per share are calculated where potential ordinary shares on issues are diluted. As the potential ordinary shares on issues would decrease the loss per share in the current price, they are not dilutive, and not shown.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise cash and short term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the Company. The Company also has other financial instruments such as trade debtors and creditors which arise directly from its operations. For the year under review, the Company has not traded in shares or options and holds no such investments at 30 June 2014.

The main risks arising from the Company's financial instruments are interest rate risk and credit risk. The Board reviews and agrees policies for managing each of these and other risks and they are summarised below:

a) Interest Rate Risk Exposures

The Company is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The Company does not have short or long term debt, and therefore this risk is minimal.

b) Credit Risk Exposures

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The credit risk on financial assets of the Company which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The Company is not materially exposed to any individual overseas country or individual customer.

c) Commodity price risk

The Company is not yet in production and is not exposed to any significant extent to commodity price risk.

d) Foreign currency risk

The Company operates in Australia and its expenditure and revenue are denominated in Australia dollars. The Company is not exposed to any significant currency risk.

e) Market price risk

The Company is not exposed to market price risk.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

27. FINANCIAL INSTRUMENTS

The Company's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities are set out below:

	Floating Interest rate		Fixed Interest Less than 1 year		Non-interest Bearing		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets								
Cash and cash equivalents	65,041	-	975,838	1,106,727	-	195,423	1,040,879	1,302,150
Trade and other receivables	-	-	-	-	4,627	6,429	4,627	6,429
Financial assets	-	-	-	-	19,404	14,404	19,404	14,404
Total Financial Assets	65,041	-	975,838	1,106,727	24,031	216,256	1,084,910	1,322,983
Interest Rate	2.46%	-	3.60%	3.55%				
Financial Liabilities								
Trade and other payables	-	-	-	-	32,773	54,158	32,773	54,158
Total Financial Liabilities	-	-	-	-	32,773	54,158	32,773	54,158
Net Financial Assets/ (Liabilities)	65,041	-	975,838	1,106,727	(8,742)	162,098	1,032,137	1,268,825

- a) Net Fair Values - The financial assets and liabilities included in current assets and current liabilities in the statement of financial position are carried at amounts that approximate net fair values.

Sensitivity Analysis

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2014, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2014	2013
	\$	\$
Change in Profit		
- Increase in interest rate by 1%	10,409	11,067
- Decrease in interest rate by 1%	(10,409)	(11,067)
Change in equity		
- Increase in interest rate by 1%	10,409	11,067
- Decrease in interest rate by 1%	(10,409)	(11,067)

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 22 to 36 are in accordance with the Corporations Act 2001 and;
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the Company;
 - (c) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

2. The Executive Director and Company Secretary have each declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view;

3. In the directors' opinion there are reasonable grounds to believe that the Company 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 Board of Directors.



R Smit
Director

Dated this 11th day of September 2014

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

Report on the Financial Report

We have audited the accompanying financial report of Falcon Minerals Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility 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 note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Opinion

In our opinion:

- (a) the financial report of Falcon Minerals Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report of the Company also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 7 to 10 of the directors' report for the year ended 30 June 2014. 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

Opinion

In our opinion the remuneration report of Falcon Minerals Limited for the year ended 30 June 2014 complies with section 300 A of the *Corporations Act 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
11 September 2014

11 September 2014

Board of Directors
Falcon Minerals Limited
Level 1, 8 Colin Street
West Perth WA 6005

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 the Audit Director for the audit of the financial statements of Falcon Minerals Limited for the year ended 30 June 2014, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

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



Martin Michalik
Director

STOCK EXCHANGE INFORMATION

The additional information set out below relates to shares, options and tenements that was applicable at 21st August 2014.

DISTRIBUTION OF SHAREHOLDINGS

Size of holding	Number of shareholders
1 – 1,000	221
1,001 – 5,000	600
5,001 – 10,000	506
10,001 – 100,000	986
100,001 and over	246
Total shareholders	2,559
Number of shareholders with less than a marketable parcel of \$500 at 1.8 cents per share	2,067

SUBSTANTIAL SHARE HOLDERS – as advised to the Company

Name	No of shares
Avon Management	10,361,413
Ronald Smit	9,407,526

VOTING RIGHTS

All ordinary shares issued by the Company carry one vote per share without restriction.

TWENTY LARGEST SHAREHOLDERS

Name of Shareholders	No of shares	%
1. Monex Boom Securities (HK) Ltd	8,533,741	5.05
2. Avon Management Company Pty Ltd	8,361,413	4.95
3. Diamond Force Pty Ltd	5,002,503	2.96
4. Ronald Smit	4,502,253	2.66
5. Illawong Investments Pty Ltd	3,944,000	2.33
6. J P Morgan Nominees Australia Ltd	3,740,055	2.21
7. Mr Raymond Muskett	3,001,502	1.77
8. Illawong Investments Pty Ltd	3,001,502	1.77
9. HSBC Custody Nominees	2,491,254	1.47
10. Ronald Smit	2,465,273	1.46
11. Mr Dean William Calder	2,001,001	1.18
12. Allua Holdings Pty Ltd	2,000,000	1.18
13. Avon Management Co Pty Ltd	2,000,000	1.18
14. Lucky Jar Superfund	2,000,000	1.18
15. Mr Steven Jan Zielinski & Mrs Karen Lyn Zielinski	1,600,000	0.95
16. S & CJ Pty Ltd	1,240,000	0.73
17. Gecko Resources Pty Ltd	1,233,898	0.73
18. Lawrence Rowe Consulting Pty Ltd	1,200,000	0.71
19. Mr Raymond Muskett	1,142,949	0.68
20. 666 Pty Ltd	1,111,111	0.66
Top 20 largest shareholders	60,572,455	35.83
Total Shares Issued	169,046,317	100.00

TENEMENT SCHEDULE

Project	Tenements	Falcon %	Joint Venture
Nickel (WA) Collurabbie	EL's 38/2009, 38/1986, 38/2816 & 38/2817 ML 38/974, PL's 38/3398, 38/3876, 38/4071 & 38/4072	100%	
Nickel & Gold (WA) Duketon	EL 38/2005 ML 38/1091	20%	Regis 80%
North Duketon	EL 38/1939	20%	Regis 80%
Gold (QLD) Saxby	EPM 15398, 25152	100%	
Copper-Gold (QLD) Cloncurry	EPM 18313 & EPM 18289	100%	Minotaur Exploration earning interest
Gold/Iron Ore (WA) Windanning Hill (Iron)	ML 59/379 & ML 59/380	19%	Gindalbie Metals 81%
Windanning Hill (Gold)	ML 59/379 & ML 59/380	21%	Minjar Gold 79%