

FALCON MINERALS LIMITED
ACN 009 256 535

HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2011

FALCON MINERALS LIMITED
ACN 009 256 535

HALF YEAR FINANCIAL STATEMENTS
For the Half Year Ended 31 December 2011

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FALCON MINERALS LIMITED
ACN 009 256 535

COMPANY DIRECTORY

DIRECTORS

Mr Richard Diermajer	(Chairman)
Mr Ronald Smit	(Managing Director) – Appointed 19 th July 2011
Mr Raymond Muskett	(Non-Executive Director)
Mr Graeme Cameron	(Executive Director) – Resigned 10 th October 2011

COMPANY SECRETARY

Mr Dean Calder

REGISTERED OFFICE

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

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

SHARE REGISTRY

Advanced Share Registry
150 Stirling Highway
NEDLANDS WA 6009

Telephone: +61 8 9389 8033

AUDITORS

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

STOCK EXCHANGE LISTING

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

Home Exchange: Perth, Western Australia

Australian Securities Exchange Limited Code: FCN

FALCON MINERALS LIMITED
ACN 009 256 535

DIRECTORS' REPORT
For the Half Year Ended 31 December 2011

Your directors submit the financial report of the Company for the half-year ended 31 December 2011.

DIRECTORS

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

Mr Richard Diermajer

Mr Raymond Muskett

Mr Graeme Cameron – Resigned 10th October 2011

Mr Ronald Smit – Appointed 19th July 2011

RESULT

The loss after tax for the half-year ended 31 December 2011 was \$566,538 and for the half year ended 31 December 2010 was \$818,593.

REVIEW OF OPERATIONS

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

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

No field exploration was undertaken on this project in the half year. All work was directed towards the planning of a major diamond drill program to test the Lucky Squid Gold Prospect. Land access approvals have been granted and a drill contractor secured. Drilling is expected to commence in mid to late April subject to no late unseasonal rains.

Diamond drilling by previous joint venture partners returned significant gold intersections of **17m at 6.75 g/t Au from 631m (SXDD005) and 15m at 9.09 g/t Au from 701m (SXDD014)** and these drill hits include high-grade cores of 9m at 11.3 g/t Au (SXDD005) and 8m at 15.1 g/t Au (SXDD014). It should be noted that these drill intersections refer to drill length and do not represent the true width of mineralisation. Currently, there is insignificant information to determine the true width of the mineralisation.

The Lucky Squid Gold Prospect has been lightly drilled (total of six holes in district) and it is likely that only SXDD005 & SXDD014 effectively tested the prospective target zone.

The proposed next phase of drilling will involve the drilling of six diamond holes (~ 5,000m). This drilling will test a 500m strike length and a 200m vertical extent of the inferred mineralised structure. The outcome will be to determine the potential of the gold discovery and provide some guidance as to its size and grade. The locations of the proposed holes are shown in plan (Figure 1). The allocated budget for this program is \$1.3M.

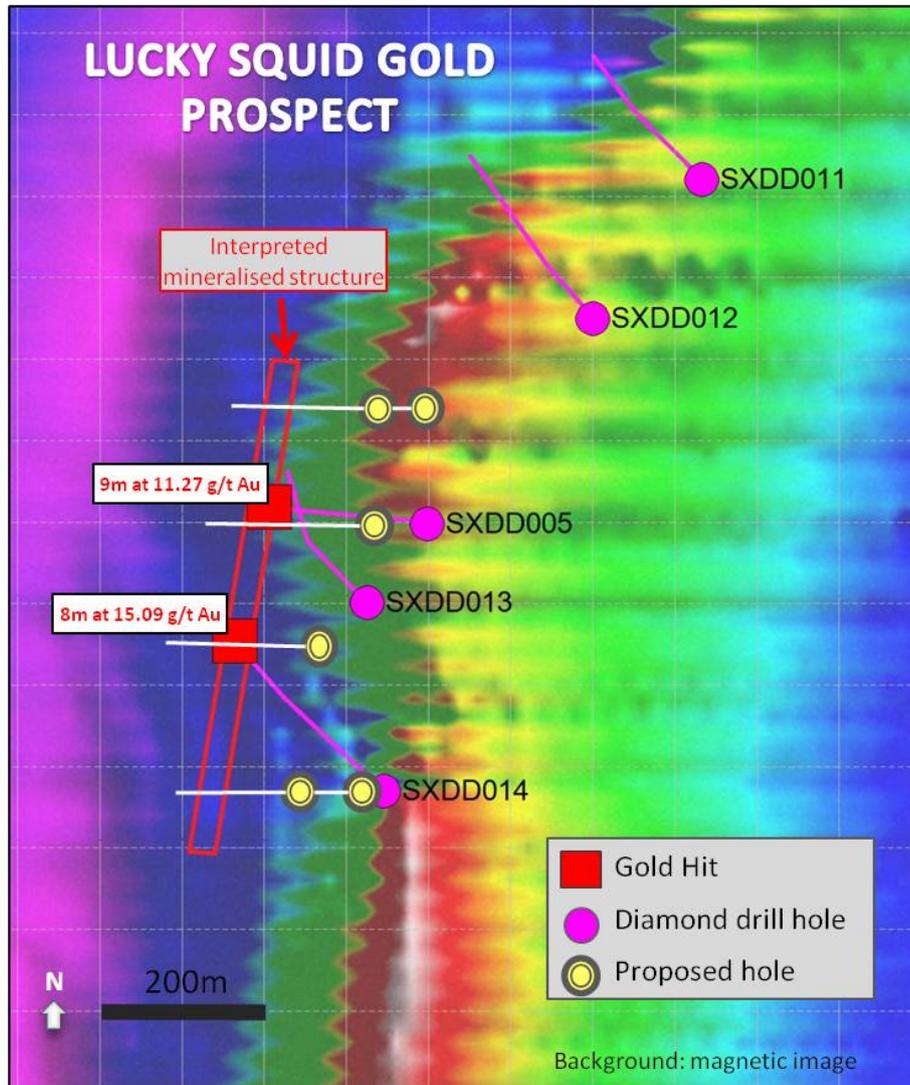


Figure 1: Lucky Squid Gold Prospect – Location of historical and proposed diamond drill holes

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

No field exploration was undertaken on this project in the half year and there are no immediate plans to undertake further drilling. The next phase of mineral exploration will involve a review of all historical information.

The Company completed three diamond drilling programmes in the previous 12 months (June 2010 to May 2011) with mixed success. The Olympia Prospect has been better defined albeit with a reduced tonnage potential whilst the Spartacus Prospect has continued to return broad zones of low-grade nickel sulphide mineralisation.

FALCON MINERALS LIMITED
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DIRECTORS' REPORT
For the Half Year Ended 31 December 2011

The Company is confident it can achieve further success at Collurabbie as it is a fertile nickel belt that has several under-explored nickel prospects. The strategy and geological model has evolved with time and the next exploration campaign will be initiated following a detailed review of all historical results. The current thinking is towards a focus on cross structures that intersect the Olympia trend as these structures are considered important in the localisation of mineralisation at Olympia.

Other Projects

PEAKE-DENISON PROJECT – Gawler Craton, SA
Copper-gold-iron, uranium search (Falcon 100%)

No ground fieldwork was conducted during the half year. A due diligence of all historical exploration has been completed along with the digital capture of important exploration information. An exploration strategy is being formulated to take this project forward.

CLONCURRY PROJECT - Mt Isa Block QLD
Gold, copper-gold search (Falcon 100%)

Several Iron Oxide Copper-Gold targets have been identified in the Mt Isa Inlier of north-west Queensland. Historic data is currently being compiled and a review is continuing to determine the nature and significance of these targets.

DELETA JOINT VENTURE - Duketon Belt, Yilgarn Block WA
Gold, nickel-copper-PGE search (Regis 80%, Falcon 20%)

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

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

WINDANNING HILL JOINT VENTURE – Yalgoo Belt, Yilgarn Block WA
Gold, Iron Ore (diluting interest ~ 20%)

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

No fieldwork was undertaken by the joint venture partners during the half year.

Competent Persons Statement

The information in this report to which this statement is attached that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Ronald Smit, Managing Director for Falcon Minerals Limited. Mr Smit is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a competent person, as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Smit consents to the inclusion in the report of the matters based on his information, in the form and context in which it appears.

**FALCON MINERALS LIMITED
ACN 009 256 535**

**DIRECTORS' REPORT
For the Half Year Ended 31 December 2011**

EVENTS SUBSEQUENT TO REPORTING DATE

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 8 for the half year ended 31 December 2011.

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

**Richard Edward Diermayer
Executive Chairman**

Dated this 24th day of February 2012

24 February 2012

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

Dear Sirs

RE: FALCON MINERALS LIMITED

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

As the Audit Director for the review of the financial statements of Falcon Minerals Limited for the period ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

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



Martin Michalik
Director

FALCON MINERALS LIMITED
ACN 009 256 535

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the Half Year Ended 31 December 2011

	31 December 2011	31 December 2010
	Note	
		\$
		\$
Revenue	2	97,011
<hr/>		
Operating Expenses		
Occupancy expenses		(25,065)
Administrative expenses		(276,393)
Depreciation	2	(28,946)
Exploration expenditure written off	2	(267,545)
Share based payments	2	(65,600)
		<u>(663,549)</u>
		<u>(972,707)</u>
Loss before income tax		(566,538)
Income tax		-
Loss after tax		<u>(566,538)</u>
		<u>(818,593)</u>
Other comprehensive income		-
		<u>-</u>
Total comprehensive income/(loss)		<u>(566,538)</u>
		<u>(818,593)</u>
Loss attributable to members of Falcon Minerals Limited		<u>(566,538)</u>
		<u>(818,593)</u>
Total comprehensive income/(loss) attributable to members of Falcon Minerals Limited		<u>(566,538)</u>
		<u>(818,593)</u>
Basic loss per share (cents per share)	4	(0.35)
Diluted loss per share (cents per share)	4	(0.35)
		<u>(0.50)</u>
		<u>(0.50)</u>

The above Condensed Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

FALCON MINERALS LIMITED
ACN 009 256 535

CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

	31 December 2011	30 June 2011
	\$	\$
Current Assets		
Cash and cash equivalents	3,010,822	3,492,395
Trade and other receivables	9,981	130,145
Other assets – prepayments	10,403	23,874
	<hr/>	<hr/>
Total Current Assets	3,031,206	3,646,414
	<hr/>	<hr/>
Non-Current Assets		
Plant & equipment	174,936	203,882
Financial assets	14,404	14,404
	<hr/>	<hr/>
Total Non-Current Assets	189,340	218,286
	<hr/>	<hr/>
Total Assets	3,220,546	3,864,700
	<hr/>	<hr/>
Current liabilities		
Trade and other payables	31,159	167,627
Provisions	26,293	33,041
	<hr/>	<hr/>
Total Current Liabilities	57,452	200,668
	<hr/>	<hr/>
Total Liabilities	57,452	200,668
	<hr/>	<hr/>
Net Assets	3,163,094	3,664,032
	<hr/> <hr/>	<hr/> <hr/>
Equity		
Issued capital	20,397,612	20,397,612
Reserves	237,090	171,490
Accumulated losses	(17,471,608)	(16,905,070)
	<hr/>	<hr/>
Total Equity	3,163,094	3,664,032
	<hr/> <hr/>	<hr/> <hr/>

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

FALCON MINERALS LIMITED
ACN 009 256 535

CONDENSED STATEMENT OF CHANGES IN EQUITY
For the Half-Year ended 31 December 2011

	Share Capital \$	Option Reserve \$	General Reserve \$	Accumulated Losses \$	Total \$
Balance at 1.7.10	20,397,612	171,490	-	(14,757,990)	5,811,112
Total comprehensive income for the period					
Loss for the half year	-	-	-	(818,593)	(818,593)
Total comprehensive loss for the period	-	-	-	(818,593)	(818,593)
Balance at 31.12.10	20,397,612	171,490	-	(15,576,583)	4,992,519
	Share Capital \$	Option Reserve \$	General Reserve \$	Accumulated Losses \$	Total \$
Balance at 1.7.11	20,397,612	171,490	-	(16,905,070)	3,664,032
Total comprehensive income for the period					
Loss for the half year	-	-	-	(566,538)	(566,538)
Total comprehensive loss for the period	-	-	-	(566,538)	(566,538)
Employee share options	-	65,600	-	-	65,600
Balance at 31.12.11	20,397,612	237,090	-	(17,471,608)	3,163,094

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

FALCON MINERALS LIMITED
ACN 009 256 535

CONDENSED STATEMENT OF CASH FLOWS
For the Half Year Ended 31 December 2011

	31 December 2011	31 December 2010
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(253,192)	(242,852)
Interest received	137,446	181,846
Other income received	1,016	-
Exploration, evaluation and project generation	(366,843)	(636,880)
	<hr/>	<hr/>
Net cash (used in) operating activities	(481,573)	(697,886)
	<hr/>	<hr/>
Cash flows from investing activities		
Payments for plant and equipment	-	(23,221)
	<hr/>	<hr/>
Net cash from / (used in) investing activities	-	(23,221)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents held	(481,573)	(721,107)
Cash and cash equivalents at the beginning of the period	3,492,395	5,458,904
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	3,010,822	4,737,797
	<hr/> <hr/>	<hr/> <hr/>

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

FALCON MINERALS LIMITED
ACN 009 256 535

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
For the Half Year Ended 31 December 2011

1. BASIS OF PREPARATION

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Falcon Minerals Limited during the half-year in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*.

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the financial year ended 30 June 2011.

In the half-year ended 31 December 2011, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2011.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to the Company's accounting policies.

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

Exploration and evaluation costs

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

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

FALCON MINERALS LIMITED
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CONDENSED NOTES TO THE FINANCIAL STATEMENTS
For the Half Year Ended 31 December 2011

	31 December 2011	31 December 2010
	\$	\$
2. OPERATING LOSS		
Operating loss before income tax has been determined after:		
(a) Revenue:		
Interest received	95,995	154,114
Other income	1,016	
(b) Expense:		
Depreciation	28,946	40,582
Exploration expenditure written off	267,545	659,173
Share based payments	65,600	-

3. ISSUED CAPITAL

There were no movements in issued and paid up ordinary capital of the Company during the half-year ended 31 December 2011.

4. EARNINGS PER SHARE

	Half Year 31 December 2011	Half Year 31 December 2010
	Cents	Cents
Basic (loss) per share	(0.35)	(0.50)

Weighted average number of ordinary shares used in calculation of basic loss per share is 163,578,935 (31 December 2010: 163,578,935). Options to purchase ordinary shares not exercised at 31 December 2011 have not been included in the determination of basic earnings per share. Options outstanding at 31 December 2011 are out of the money and considered to be anti dilutive. Diluted loss per share is therefore the same as basic loss per share.

FALCON MINERALS LIMITED
ACN 009 256 535

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
For the Half Year Ended 31 December 2011

5. SEGMENT REPORTING

The Company operates in the mineral industry in Australia.

6. CONTINGENT ASSETS AND LIABILITIES

In the opinion of the directors there are no contingent assets or liabilities as at 31 December 2011.

7. EVENTS SUBSEQUENT TO REPORTING DATE

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

FALCON MINERALS LIMITED
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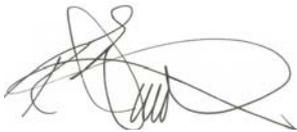
DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 9 to 15, are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standard AASB 134 – Interim Financial Reporting, the Corporations Regulations and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the Company's financial position as at 31 December 2011 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that Falcon Minerals Limited will be able to pay its debts as and when they become due and payable.

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

Dated at Perth this 24th day of February 2012



Richard Edward Diermajer
Executive Chairman

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Falcon Minerals Limited, which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity, and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Falcon Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Falcon Minerals Limited on 24 February 2012.

Conclusion

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

- (a) giving a true and fair view of the Company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

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

Stantons International Audit & Consulting Pty Ltd


Martin Michalik
Director

West Perth, Western Australia
24 February 2012