

FALCON MINERALS LTD

ACN 009 256 535

FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

DIRECTORS' REPORT

The directors of Falcon Minerals Ltd present the following report for the half-year ended 31 December 2003.

DIRECTORS

The following persons were directors of the company during the half-year and hold office as directors of the company at the date of this report.

ANTHONY RECHNER, Bsc, MAusIMM (Chairman)
RICHARD EDWARD DIERMAJER
JAMES BENTON CRAIB, JP CPA

PRINCIPAL ACTIVITY

The principal activities of the company are exploration for base metals including gold, copper, nickel and mineral sands.

REVIEW OF OPERATIONS

Collurabbie Joint Venture, WA. (FCN 30%, WMC 70%)

Within the Falcon joint venture ground, 129 air core holes for 8,984 metres were drilled to bedrock refusal to follow up anomalous nickel, copper and PGEs zones in the regolith considered to be derived from sulphides. This was completed during the December 2003 quarter and assay results have now been received.

WMC's 70% equity interest has now been vested in the Falcon ground which contains two nickel bearing ultramafic horizons each extending approximately 5km and 6km in strike.

WMC Resources Ltd (WMC) confirmed in their December 2003 Quarterly Report in respect to their area adjacently north west of the Falcon's Collurabbie nickel project, nickel, copper and platinum group elements (PGE) sulphide mineralised zone over seven kilometres.

The recent drilling, although still widely spaced, has confirmed at least three anomalous strike continuous zones that have drilled regolith anomalous geochemistry as follows:

- A north western zone (adjoining WMC's nickel sulphide bearing tenement) with a strike length of at least 800m from 200m spaced drill lines.
- A western zone commencing about 1.2km further south that has a strike length exceeding 400m over two drill lines spaced 400m apart.
- An eastern zone (within a parallel ultramafic unit) with over 1.6km strike length from four lines spaced 400m apart.

The following Table shows elevated nickel, copper and PGE grades for the 6 most significant holes of the latest program considered by WMC to be sulphide derived.

Hole ID	Assays			Start Depth	MGA Coordinates
CLAC196	10m@ 0.90% Ni	0.88%Cu	0.95g/t Pt+Pd	From 30m	7025899N 422199E
CLAC197	3m@ 0.22% Ni	0.16%Cu	0.13g/t Pt+Pd	From 66m	7025892N 422248E
CLAC111	12m@ 0.23% Ni	0.07%Cu	0.08g/t Pt+Pd	From 46m	7029649N 420878E
CLAC146	2m@ 0.31% Ni	0.12%Cu	0.15g/t Pt+Pd	From 54m	7028805N 421247E
CLAC169	2m@ 0.42% Ni	0.14%Cu	0.11g/t Pt+Pd	From 56m	7027509N 421858E
CLAC188	2m @ 0.31% Ni	0.21%Cu	0.15g/t Pt+Pd	From 54m	7026496N 422050E

Table 1 – Significant results Aircore Assays from December 2003 program

The table above can be compared to an earlier reported Hole CLAC14 that returned 12m @ 0.60% Ni, 0.2% Cu and 0.46 g/t PGEs from 12m.

Furthermore anomalous holes CLAC21 (previously reported) and CLAC51 of the previous program were reviewed and are now also considered by WMC to be sulphide derived.

Hole CLAC51 that was not previously quoted returned 2m @ 0.24% Ni, 0.03% Cu and 0.32 g/t Pt and Pd from 40m.

Helimag

Owing in part to the extensive prospective area, WMC intend to shortly undertake a detailed helicopter magnetic survey (helimag) to better define the drilled geochemically indicated sulphide bearing zones for deeper drill targeting.

Ground Electromagnetics

Depending upon the helimag results, WMC propose to undertake some fixed loop electromagnetic surveying to detect the presence of conductors in the anomalous zones defined by the last two air core drilling programs.

Deeper drilling

RC and /or diamond drilling will then be undertaken to drill indicated sulphide zones based on the various helimag, EM and geological targets generated to date.

The results from both drill programs have proved to be highly encouraging and shows the potential for nickel, copper and platinum group sulphide mineralisation within the joint venture ground over several kilometres of strike in two sub parallel horizons.

Saxby, QLD – Nickel, Copper and PGE's (FCN 100%)

Planning has advanced for deep drilling of this target mid April 2004.

Past drilling undertaken several years ago by another company resulted in three deep diamond holes commencing at approximately 400m depth and spaced 1km apart. Of the three holes drilled, two returned assays of nickel and copper sulphide intersections with extensive iron sulphides;

Diamond Hole 1 10metres at 0.25% nickel and 0.18% copper as sulphides.
Diamond Hole 5 6m @ 0.12% nickel and 0.15% copper as sulphides.

Assay results of the third hole were not available however it was found to be strongly sulphide bearing with some nickel and copper sulphides recorded in drill logging as magmatic pentlandite and chalcopyrite.

The Saxby Project contains some large Voisey's Bay and Norilsk style targets, mostly commencing 4km east of the known nickel sulphide bearing zones. The remarkable extent and thickness of pyrrhotite iron sulphides in olivine bearing mafic rocks recorded in all three diamond holes commenced at about 400m and finished at just over 700m. These holes intersected numerous zones of up to 30% sulphides and render Saxby as a very large intrusive sulphide rich system.

Current geophysical work indicates the extent of the sulphide bearing system overall is likely to be over 5km in width (based on geophysical and limited drilling evidence). Four high priority magnetic targets that have been identified are considered potentially capable of hosting nickel sulphide (plus copper and PGEs) that could be more like the extensive Voisey's Bay deposit of New Foundland or Norilsk of the Russian High Arctic. Two of those targets are being prepared for drilling in April 2004.

Black Hills, WA – Nickel, Copper, Platinum and Palladium (FCN 100%)

The Black Hill project in South Australia was tested in December 2003 with six very widely spaced RC percussion holes to an average depth of 52m to test the Black Hill and the Cambrai norite intrusive bodies where weak but persistent TEM anomalies were previously detected but not drilled.

All holes transgressed overlying younger sedimentary cover and penetrated 10m to 20m into basement norite.

Minor iron sulphides were observed over some intervals associated with the targeted altered mafic norite intrusive bodies. Field logging of percussion drill cuttings intersected norite derived clay intervals interspersed with zones of fresher hard norite. Owing to the variable weathering and alteration of the basement norite it can be difficult to observe nickel and copper sulphides in field logging.

Assays of a combination of composite and single metre samples returned anomalous copper, PGEs and gold from hole BH11-2 within the covered Black Hill norite just beneath the base of sedimentary cover at 36m to end of hole at 48m.

BH11-2 Local Grid coordinates 56650E, 61000 N Significant results

Depth metres	Copper ppm	Nickel ppm
37-38m	599	120
38-39m	371	142
39-40m	1834	206
40-42m	768	124

	Palladium ppb	Platinum ppb	Gold ppb
36-40m composite	17	13	48

Two other holes in the adjacent sediment covered Cambrai complex returned some weaker anomalous copper, with nickel peaking at 464 ppm.

These results are significant in that they are well above background levels of norite in these complexes that are 50ppm to 100ppm copper, 30ppm to 60ppm nickel and 2ppb each for Pt, Pd and Au. These results for BH11-2 indicate the likely intersection of weathered products of some primary copper, nickel and PGE sulphides at relatively shallow depths. Considering that only 6 holes spaced at least 1km apart were drilled, this result is encouraging and warrants follow up drilling expected April 2004.

Mulgarrie, WA – Nickel

(FCN 100%, Discovery Nickel earning 51%)

The Mulgarrie Joint Venture comprises a tenement application covering prospective komatiite stratigraphy, north and along strike from the Silver Swan nickel deposit. Discovery Nickel has formed a Joint Venture with Falcon Minerals Limited to explore the Mulgarrie Project and has the right to earn a 51% interest in the project.

Interpretation of ground EM data previously collected by Falcon Minerals has identified an untested EM conductor at the base of komatiite stratigraphy. Aeromagnetic data suggests the conductor is also associated with a thermal erosion feature at the base of the komatiite flow, in a similar geological setting to much of the nickel mineralisation at Kambalda, hence enhancing the prospectivity of this target.

Falcon Minerals, on behalf of the Joint Venture has recently signed a Heritage Protection Agreement with the Goldfields Land Council which will expedite the granting of tenement ahead of active field work to commence following the grant of the tenement expected in April – May 2004.

Cargo Project, NSW – Gold, and Copper

(FCN earning 70%, Golden Cross 100%)

Three separate Ridgeway style targets for deep drilling have been identified at the Belubula tenement adjoining Cargo following the recent completion of detailed geophysical modelling. One such target is near the historic but small scale Burley Jacky mine, where modest past mine production recorded grades of about 30% copper and variable gold grades.

At this stage a deep drilling program to depths of about 400m is planned to commence on 19th March 2004.

Duketon and North Duketon Joint Ventures, WA – Gold, and Nickel

(FCN 20% free carried, Newmont 80% contributing)

The Duketon Project and North Duketon Projects are located 50km's and adjacently south respectively of the Collurabbie Project.

Given the recent discovery of nickel sulphides further to the North by WMC at Collurabbie, the twenty kilometres of ultramafics interpreted by Falcon to exist in this ground is regarded as having potential for nickel sulphides and PGE's. Test work for gold is continuing by Newmont over the area.

OLYMPIC DAM STYLE EXPLORATION PROJECTS

Coonamble South, NSW (FCN 100%)

This project with sedimentary cover that is expected to be around 150m deep over basement rocks, has seen no past drilling to basement in the area and shows a significant anomaly that is similar to the other targets identified by Falcon in its Olympic Dam Initiative. A recent gravity survey conducted over the project has confirmed a large target that will require drilling.

However, sparse readings from gravity data points have not been able to provide near surface definition of the target, and an infill gravity survey is required to be completed to better define the target prior to drilling.

Shepparton Project, VIC (FCN 100%)

At Shepparton, a completed gravity survey by Falcon confirmed and defined this target ready for drilling under soil over an area of 0.5km x 3km. It has some characteristics of both the volcanogenic gold/copper and Olympic Dam style mineralisation due to the presence of anomalous copper, gold, fluorite and hematite in outcrop along strike. As basement rocks are relatively shallow at approximately 100m under soil and sedimentary cover, drilling is planned for later this year.

Geophysical modelling has shown that an infill gravity survey to better define the target for drilling will need to be completed prior to drilling.

Paltrubie and Bond Hill, SA (FCN 100%)

Paltrubie lies between two gold discoveries at Tunkilla and Barnes and is inside the recently recognized Gold Province of Ferris and Schartz 2003. This gold corridor extends from the Barnes region, through Paltrubie and north to Tarcoola.

In late 2003 an auger drill sampling program covering twenty targets was completed and gold anomalous results were analysed using calcrete normalizing methods to determine a ranking of their anomalism prior to further drilling.

During the 1990s calcrete sampling over parts of the 900km² Falcon tenure found three spatially large gold anomalies within these tenements that were not drilled beneath the soil overburden to the basement interface. Recent work has confirmed and extended two of these

and indicated that some additional areas under sand cover are also gold anomalous and may develop into new mineralised zones with some infill sampling.

Within Palthrubie, calcrete gold anomalies were found in three areas at Deep Well, Sisters West and Sisters East. These are large area anomalies with the most advanced at Deep Well being 500m wide at the 6ppb gold level. Recent follow up auger sampling returned similar results and extended the anomalous zone. The more sampled Barnes calcrete anomaly of Adelaide Resources to the south of Palthrubie at the lower 5ppb gold contour is 500m to about 1km wide so they are of similar spatial magnitude.

Historic drilling to the start of bedrock using air core and RAB at Deep Well (38 widely spaced) holes detected many strongly anomalous gold results up to 140ppb but no deeper drilling was undertaken. At Sisters West (9 holes), some sulphide as fine pyrite in a hydro thermally altered granite was intersected.

Racehorse and Mt McDonald, QLD (FCN 100%)

Intrusive targets have been identified at Racehorse and Mt McDonald in eastern central Queensland beneath anticlinal structures with limited exposures of Ordovician aged volcanics at the surface. Past regional exploration by stream and soil sampling in this area by two companies separately identified both target areas as having anomalous copper and gold geochemistry at the surface. These will require some limited ground geophysics prior to drilling for large copper gold alteration systems.

OTHER PROJECTS

Murray Basin, VIC – Mineral Sands (FCN 10% free carried, Basin 90%)

In the June quarter Iluka Resources Limited announced an agreed takeover offer for all the shares in Basin Minerals for \$2.10 cash per share. FCN is 10%, free carried to final mining feasibility in the high grade Echo deposit located within the Basin Mineral's Douglas Project in the Murray Basin, Victoria. Drilling of the Echo deposit to date has established 4.1 million tonnes of heavy minerals at an average grade of 10.7%.

Keronima (Windanning Hill) JV, WA - Gold (FCN 27% diluting)

Quoted Reserves and Resources are:-

- Proven and Probable Reserves 62,000 tonnes @ 2.4 g/t gold (4,900 ounces). 97% as Proven Reserves.
- Measured and Indicated Resources 36,000 tonnes @ 2.3 g/t gold (2,700 ounces). 97% as Measured Resources.
- Total Reserves and Resources 98,000 tonnes @ 2.4 g/t gold for 7,600 ounces.

Pit optimisation and mine design carried out with the objective of providing mill feed for Gindalbie Gold's plant at Minjar showed relatively low profitability of the existing resource. Exploration is continuing on other targets within the project area.

RESULTS OF OPERATIONS

The company incurred an after tax operating loss for the half-year ended 31 December 2003 of \$356,878 (half-year ended 31 December 2002 loss of \$203,503).

CAPITAL RAISINGS

During the half-year the company had three separate issues of capital.

1. The Company issued 1,000,000 fully paid shares to acquire a further interest in the tenements comprising the Company's "Olympic Dam" style exploration strategy. The Company issued the shares pursuant to a contractual obligation to issue a further parcel of 1 million shares in the event that the Company's share price remained above 15 cents for 5 consecutive trading days on the ASX.

2. The company completed a placement of 9.2 million shares at 15.5 cents each together with 4.6 million free options.

3. Following the above placement the company completed a one for eight pro rata issue which resulted in 13,684,630 shares being issued at 15 cents together with 13,684,630 free options.

The above options which total 18,284,630 are all listed with an exercise price of 20 cents by 30 June 2005.

EVENTS SUBSEQUENT TO REPORTING DATE

On the 6th January 2004 the Company issued 1,000,000 fully paid shares to acquire the remaining interest in the tenements comprising the Company's "Olympic Dam" style exploration strategy. The Company issued the shares pursuant to a contractual obligation to issue a further parcel of 1 million shares in the event that the Company's share price remained above 20 cents for 5 consecutive trading days on the ASX.

Signed in accordance with a resolution of the directors.

Anthony Rechner
Perth, 12 March 2004

Richard E Diermajer

**CONDENSED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003**

	31 Dec. 2003	31 Dec. 2002
	\$	\$
Revenue from ordinary activities	31,132	15,318
Depreciation expense	(3,658)	(19,737)
Exploration expenditure written off	(231,278)	(50,371)
Administration expenses	(92,807)	(96,551)
Property costs	(14,989)	(15,456)
Travel and accommodation	(10,760)	(4,664)
Other expenses from ordinary activities	(34,518)	(32,042)
Loss from ordinary activities before income tax expense	(356,878)	(203,503)
Income tax expense relating to ordinary activities	–	–
Loss from ordinary activities after related income tax expense	(356,878)	(203,503)
Total changes in equity other than those resulting from transactions with owners as owners	(356,878)	(203,503)
Basic loss per share (cents/share)	(0.34)	(0.25)
Diluted loss per share (cents/share)	(0.34)	(0.25)

Diluted earnings per share are calculated based on the assumption that the 18,284,630 options on issue are not dilutive shares and are therefore not included.

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

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2003**

	Note	31 Dec 2003 \$	30 June 2003 \$
CURRENT ASSETS			
Cash Assets		4,244,666	1,356,367
Receivables		84,371	21,087
TOTAL CURRENT ASSETS		<u>4,329,037</u>	<u>1,377,454</u>
NON-CURRENT ASSETS			
Other Financial Assets		2,576	2,576
Property, plant and equipment		6,947	8,568
Exploration expenditure		1,225,505	1,095,705
TOTAL NON-CURRENT ASSETS		<u>1,235,028</u>	<u>1,106,849</u>
TOTAL ASSETS		<u>5,564,065</u>	<u>2,484,303</u>
CURRENT LIABILITIES			
Payables		67,042	69,279
Provisions		-	1,660
TOTAL CURRENT LIABILITIES		<u>67,042</u>	<u>70,939</u>
TOTAL LIABILITIES		<u>67,042</u>	<u>70,939</u>
NET ASSETS		<u>5,497,023</u>	<u>2,413,364</u>
EQUITY			
Contributed equity	2	12,995,451	9,554,914
Accumulated losses	3	(7,498,428)	(7,141,550)
TOTAL EQUITY	3	<u>5,497,023</u>	<u>2,413,364</u>

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

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003**

	31 Dec 2003	31 Dec 2002
	\$	\$
<i>Cash flows from operating activities</i>		
Payments to suppliers and employees	(356,836)	(351,639)
Interest received	31,132	15,318
Net GST Paid	(74,496)	(14,099)
Net cash (outflow) from operating activities	(400,200)	(350,420)
<i>Cash flows from investing activities</i>		
Purchase of fixed assets	(2,037)	–
Net cash (outflow) from investing activities	(2,037)	–
<i>Cash flows from financing activities</i>		
Proceeds from the issue of shares	3,478,694	242,450
Costs of capital raising	(188,158)	–
Net cash inflow from financing activities	3,290,536	242,450
Net increase/(decrease) in cash held	2,888,299	(107,970)
Cash at the beginning of the half year	1,356,367	703,474
Cash at the end of the half year	4,244,666	595,504

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

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT

This general purpose financial report for the half-year ended 31 December 2003 has been prepared in accordance with the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other pronouncements of the Australian Accounting Standards Board. It is recommended that this financial report be read in conjunction with the Annual Report for the year ended 30 June 2003 and any public announcements made by Falcon Minerals Ltd during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

Notes of a type normally included in the annual financial report are not included.

The same accounting policies have been followed as those applied in the financial report for the year ended 30 June 2003.

2. CONTRIBUTED EQUITY

Shares

Movements in issued and paid up ordinary capital of the Company during the half-year ended 31 December 2003 were as follows:

	Number of shares	\$
Balance at the beginning of half-year	99,277,043	9,554,914
Issues		
– Pro Rata Issue at 15 cents each	13,684,630	2,052,695
– Placement at 15.5 cents each	9,200,000	1,426,000
– Shares issued as payment for tenements	1,000,000	150,000
– Capital Raising Costs	–	(188,158)
Balance at the end of the half-year	123,161,673	12,995,451

During the half-year the Company issued the abovementioned 1,000,000 shares as part consideration for interests in some minerals tenements. This issue of shares was a non cash financing activity.

Options

During the half-year 4,300,000 unlisted options exercisable at 20 cents each by 30 November 2003 expired.

During the half-year the Company also issued 18,284,630 listed options exercisable at 20 cents each by 30 June 2005. These options are still on hand at 31 December 2003 with no exercises or lapses.

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

3. EQUITY

	31 December 2003
	\$
Accumulated losses:	
Balance at the beginning of the half-year	(7,141,550)
Net loss	(356,878)
Balance at the end of the half-year	<u>(7,498,428)</u>
Total equity:	
Total equity at the beginning of the half-year	2,413,364
Total changes in equity recognised in the statement of financial performance.	(356,878)
Transactions with owners as owners:	
Contributions of equity	3,440,537
Total equity at the end of the half-year	<u>5,497,023</u>

4. SEGMENT INFORMATION

The company operates entirely in the Minerals Exploration sector in Australia.

5. CONTINGENT LIABILITIES

Other than the contractual obligation to issue further shares disclosed in note 6, the Directors are of the opinion there are no contingent liabilities at 31st December 2003.

6. EVENTS SUBSEQUENT TO REPORTING DATE

On the 6 January 2004 the Company issued 1,000,000 fully paid shares to acquire the remaining interest in the tenements comprising the Company's "Olympic Dam" style exploration strategy. The Company issued the shares pursuant to a contractual obligation to issue a further parcel of 1 million shares in the event that the Company's share price remained above 20 cents for 5 consecutive trading days on the ASX.

Other than this, there have not been any matters that have arisen since the end of the half-year, that have significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of the affairs of the company in future financial years.

Directors' Declaration

In the opinion of the directors of Falcon Minerals Limited;

1. The financial statements and notes, as set out on pages 9 to 13 :
 - a) give a true and fair view of the company's financial position as at 31 December 2003 and of its performance for the half-year ended on that date.
 - b) Comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations.
2. At the date of this declaration 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.

Anthony Rechner
Director

Richard E Diermajer
Director

Perth, 12 March 2004



STANTON PARTNERS

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INDEPENDENT REVIEW REPORT TO THE MEMBERS OF FALCON MINERALS LIMITED

Scope

We have reviewed the financial report of Falcon Minerals Limited for the half-year ended 31 December 2003 as set out on pages 9 to 14. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 Interim Financial Reporting and other mandatory financial reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the disclosing entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

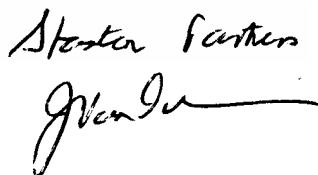
Our review has been conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

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:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

STANTON PARTNERS



The image shows two handwritten signatures in black ink. The first signature is written in a cursive style and appears to read 'Stanton Partners'. The second signature is more stylized and appears to read 'JP Van Dieren'.

J P Van Dieren
Partner

Perth, Western Australia
12 March 2004