

FALCON MINERALS LTD

ACN 009 256 535

FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

DIRECTORS' REPORT

The directors of Falcon Minerals Ltd present the following report for the half-year ended 31 December 2004.

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.

Mr Richard Diermajer

Mr James Craib held office as a director up until his resignation on 24th November 2004.

Mr Raymond Muskett was appointed as an executive director on the 24th November 2004.

Mr Anthony Rechner held office as a director up until his resignation on 24th January 2005.

Mr Gary Mark Lethridge was appointed as non-executive director on the 25th January 2005.

Mr Kerry Kyriakos Harmanis was appointed as non-executive chairman on the 25th January 2005.

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%)

The Collurabbie project is located approximately 180km ENE of the Mt Keith Operation and includes the Olympia project. Diamond and RC drilling was conducted at the Olympia Prospect in the latter half of the year and intersected nickel-copper-platinum group elements (Ni-Cu-PGE) mineralisation.

Cargo Project, NSW

(FCN earning 70%, Golden Cross reducing to 30%)

Approximately 1,450m of RC drilling covering 6 separate targets out of a possible 12 commenced in December 2004 and completed January 2005. Most holes were to 250m depth except for the last target that was shallower due to a thrust fault cutting off the prospective stratigraphy. Two targets returned sub grade gold and copper elements.

RESULTS OF OPERATIONS

The company incurred an after tax operating loss for the half-year ended 31 December 2004 of \$41,674 (half-year ended 31 December 2003 loss of \$356,878).

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 13.

Signed in accordance with a resolution of the directors



Richard Edward Diermajer
Director

Perth, Western Australia
14th March 2005

**CONDENSED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

	Note	31 December 2004 \$	31 December 2003 \$
Other revenues from ordinary activities	2	93,614	31,132
Occupancy expenses		(7,188)	(14,989)
Administrative expenses		(107,579)	(107,225)
Exploration expenditure written off		-	(231,278)
Other expenses		<u>(20,521)</u>	<u>(34,518)</u>
(Loss) from ordinary activities before related income tax expense		(41,674)	(356,878)
Income tax attributable to operating loss		<u>-</u>	<u>-</u>
Net (loss) attributable to members of Falcon Minerals Ltd		(41,674)	(356,878)
Total changes in equity other than those resulting from owners as owners		<u>(41,674)</u>	<u>(356,878)</u>
Basic loss per share (cents)		<u>(0.03)</u>	<u>(0.34)</u>

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

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004**

	Note	31 December 2004 \$	30 June 2004 \$
Current Assets			
Cash assets		3,397,271	3,652,954
Receivables		51,314	59,709
Total Current Assets		<u>3,448,585</u>	<u>3,712,663</u>
Non Current Assets			
Other financial assets		40,000	33,000
Property, plant and equipment		66,826	69,282
Exploration expenditure		837,698	-
Total Non Current Assets		<u>944,524</u>	<u>102,282</u>
Total Assets		<u>4,393,109</u>	<u>3,814,945</u>
Current Liabilities			
Payables		764,027	223,969
Provisions		1,191	1,411
Total Current Liabilities		<u>765,218</u>	<u>225,380</u>
Total Liabilities		<u>765,218</u>	<u>225,380</u>
Net Assets		<u>3,627,891</u>	<u>3,589,565</u>
Equity			
Contributed equity	3	13,205,451	13,125,451
Accumulated losses		(9,577,560)	(9,535,886)
Total Equity		<u>3,627,891</u>	<u>3,589,565</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 2004**

	31 December 2004 \$	31 December 2003 \$
Cash flows from operating activities		
Payments to suppliers and employees	(434,269)	(356,836)
Interest received	89,308	31,132
Net GST (paid)	14,016	(74,496)
Net cash flows used in operating activities	<u>(330,945)</u>	<u>(400,200)</u>
Cash flows from investing activities		
Payments for plant and equipment	(4,738)	(2,037)
Net cash flows used in investing activities	<u>(4,738)</u>	<u>(2,037)</u>
Cash flows from financing activities		
Proceeds from share issues	80,000	3,478,694
Costs of capital raising	-	(188,158)
Net cash flows from financing activities	<u>80,000</u>	<u>3,290,536</u>
Net (decrease)/increase in cash held	(255,683)	2,888,299
Cash at beginning of the half year	<u>3,652,954</u>	<u>1,356,367</u>
Cash at end of the half year	<u><u>3,397,271</u></u>	<u><u>4,244,666</u></u>

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 2004**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PREPARATION

This general purpose financial report for the interim half year reporting period ended 31 December 2004 has been prepared in accordance with Accounting Standard AASB 1029: Interim Financial Reporting, other professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004 and any public announcements made by Falcon Minerals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

The accounting policies adopted are consistent with those of the previous financial report unless otherwise stated.

	31 December 2004	31 December 2003
	\$	\$

NOTE 2. OPERATING LOSS

**Operating loss before income tax has been arrived
at after including:**

Interest revenue	<u>93,614</u>	<u>31,132</u>
Depreciation and amortisation	<u>7,194</u>	<u>3,658</u>

NOTE 3. CONTRIBUTED EQUITY

Movements in issued and paid up ordinary capital of Falcon Minerals Ltd during the half-year ended 31 December 2004 were as follows:

	Number of shares	\$
Balance at the beginning of the half-year	124,161,673	13,125,451
Options exercisable at 20 cents by 30/6/05		
- Converted into ordinary shares	400,000	80,000
Balance at the end of the half-year	<u>124,561,673</u>	<u>13,205,451</u>

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	cents	cents
NOTE 4. EARNINGS PER SHARE		
Basic (loss) per share	(0.03)	(0.34)

Weighted average number of ordinary shares used in calculation of basic earnings per share is 124,201,619. Options to purchase ordinary shares not exercised at 31 December 2004 have not been included in the determination of basic earnings per share.

Diluted earnings per share does not represent an inferior view of the Company's performance and is not disclosed for this reason.

NOTE 5. SEGMENT INFORMATION

Falcon Minerals Ltd operates in mineral exploration and investment in Australia.

NOTE 6. SUBSEQUENT EVENTS

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 subsequent to the half year ended 31 December 2004.

NOTE 7. CONTINGENT LIABILITIES

In the opinion of the directors, there have been no changes in contingent liabilities as at 31 December 2004 and in the interval between 31 December 2004 and the date of this report.

NOTE 8. IMPACT OF ADOPTING INTERNATIONAL ACCOUNTING STANDARDS

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year. The Company's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised. The directors are of the opinion that the key differences in the Company's accounting policies which will arise from the adoption of IFRS are:

Taxation

Under the AASB112 "Income Taxes", a balance sheet approach will be adopted for calculating taxation, replacing the "statement of financial performance approach". This method recognizes deferred tax balances for all temporary differences arising between the carrying value of an asset or liability and its tax base. Whilst there will be enhanced disclosure of the composition of the deferred tax assets and liabilities it is not expected that there will be any significant impact in terms of the statement of financial position or performance.

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

Share based payments

The group currently does not recognize an expense for options issued to directors and staff. Under AASB 2 “Share Based Payments”, the company will be required to recognize an expense for all share based remuneration, including options, and will amortise those expenses over the relevant vesting periods.

Impairment of assets

Under the AASB 136 “Impairment of Assets” the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the company’s current accounting policy which determines recoverable amount of an asset on the basis of undiscounted cashflows. Under the new policy it is likely that the impairment of assets will be recognized sooner and the amount of write downs will be greater.

Exploration and evaluation costs

AASB 6 “Exploration for and Evaluation of Mineral Resources” continues to allow companies to “apply area of interest” accounting to their exploration and evaluation expenditures, effectively grandfathering the treatment of capitalising exploration and evaluation costs currently used by the Company under AASB 1022 “Accounting for the Extractive Industries”. Under AASB 6, if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Company must perform impairment tests on those assets and measure any impairment in accordance with AASB 136 “Impairment of Assets”. Impairment of exploration and evaluation assets is to be assessed at a cash generating unit or group of cash generating units level provided this is no larger than an area of interest. Any impairment loss is to be recognised as an expense in accordance with AASB 136. It is anticipated that it is unlikely that the requirements of this standard will have a material impact on the financial position of the Company.

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 4 to 9:

- (i) Comply with Accounting Standard (AASB 1029; Interim Financial Reporting), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (ii) Give a true and fair view of the reporting entity's financial position as at 31 December 2004 and of its performance, as represented by the results of its operations and its cash flows for the half year ended on that date.

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.



Richard E Diermajer
Director

Perth, Western Australia
14th March 2005



STANTON PARTNERS

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WESTERN AUSTRALIA

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INDEPENDENT REVIEW REPORT TO THE MEMBERS OF FALCON MINERALS LIMITED

Scope

We have reviewed the financial report comprising of the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the directors' declaration of Falcon Minerals Limited (the Company) for the half-year ended 31 December 2004. The directors of the Company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the Company and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting" in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the report.

Review Approach

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.

Independence

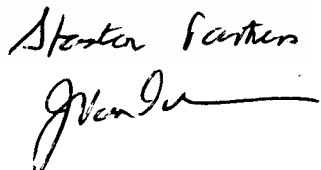
We are independent of the Company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the Company a written Auditor's Independence Declaration.

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 2004 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



J P Van Dieren
Partner

West Perth, Western Australia
14 March 2005



STANTON PARTNERS

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14 March 2005

Board of Directors
Falcon Minerals Ltd
1st Floor
14 Outram Street
WEST PERTH WA 6005

Dear Directors

RE: FALCON MINERALS LTD

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 Ltd.

As Audit Partner for the review of the financial statements of Falcon Minerals Ltd for the half year ended 31 December 2004, 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 sincerely
STANTON PARTNERS

John Van Dieren
Partner