FALCON MINERALS LTD

A.C.N. 009 256 535

ANNUAL REPORT 2003

CORPORATE DIRECTORY

DIRECTORS	Anthony Rechner Richard E Diermajer James B Craib
SECRETARY	Paul Fromson
REGISTERED OFFICE	1st Floor, 14 Outram Street West Perth Western Australia 6005 Telephone: (08) 9481 3322 Facsimile: (08) 9481 3330 Email: fcn@indigo.net.au Website: www.falcon.indigo.net.au Postal Address: PO Box 913, West Perth Western Australia 6872
ACN	009 256 535
AUDITORS	PKF Chartered Accountants Level 7, BGC Centre 28 The Esplanade 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 Stock Exchange Ltd (code FCN)
SHARE REGISTRY	Advanced Share Registry Level 7, 200 Adelaide Terrace, Perth Western Australia
SOLICITORS	Fearis Salter Power Shervington 52 Ord Street, West Perth Western Australia

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CHAIRMAN'S LETTER

Dear Shareholders

The company has always been an active explorer with the majority of funds raised spent in the ground. The management has been involved in previous discoveries in the past and are confident about the Company's exploration efforts in its current projects.

The Collurabbie Nickel project is a joint venture with Western Mining Resources (WMR) who have stated in their 2nd quarterly report to the Australian Stock Exchange that they have found on their ground adjacent of the joint venture ground:-

"Combined nickel, copper, platinum and palladium mineralisation has been confirmed over a strike length of approximately 7 kilometres".

At Falcon's Collurabbie Nickel project, WMR is funding $400,000 of exploration to earn 70% equity in the Project. Within the joint venture project the prospective horizon targeted by WMR is interpreted to extend over a strike length of approximately 9 kilometres and will be the subject of test work over the ensuing months.

Whilst attention is currently being focused on the nickel and platinum exploration taking place at Collurabbie, Falcon is also progressing towards drilling programs on its other major concept the "Olympic Dam Initiative" that utilizes confidential data to delineate signatures similar to Australia's major copper/gold mine "Olympic Dam" owned by WMR and other volcanogenic to sub volcanogenic gold, copper targets that have been undergoing new three dimensional modeling.

Under Falcon's exploration initiative, prospects have been acquired, reviewed and are presently undergoing access approvals for drilling either by Falcon or joint venture partners that could represent major accumulations of gold, copper and nickel.

We are proud of our record as successful explorers and expect one of the above programs to result in a discovery to develop a mine in an orderly fashion for the benefit of the shareholders of Falcon Minerals.

Good luck to you all, we are heading into exciting times.

A Rechner
Chairman

REVIEW OF OPERATIONS

EXPLORATION ACTIVITIES

These are shown under the headings of Nickel, Volcanogenic Gold Copper and Olympic Dam styles.

Nickel Sulphide Exploration Projects (Collurabbie, Saxby, Black Hills and Mulgarrie).

Collurabbie W.A. Nickel and Platinum Group Elements-PGEs
(FALCON 100%, WMC earning 70%)

In July 2003 Western Mining announced the discovery over a total of 7 kilometers strike of ultramafic containing nickel sulphides with platinum group credits. This area is the northern extension to an ultramafic belt that continues south into the Collurabbie joint venture ground and interpreted to extend for at least 6 kilometres. There may be another 4 to 5km of faulted prospective ultramafic.

Although the Falcon ground previously farmed out to other parties, the emphasis was on gold and the nickel sulphide potential of the magnetically definable, but soil covered ultramafic rocks was missed until more recent JV partner WMR started a focused nickel exploration program.

Larger and lower grade nickel deposits such as Mt Keith 160km to the south west extend over a considerable area and WMR have been air core drilling the Falcon ground to intersect bed rock ultramafic in order to define the extent of any shallow mineralisation found before attempting deep drilling.

Duketon and North Duketon JV
(FALCON 20% free carried, Newmont 80% contributing)

North Duketon and Duketon:
Newmont acquired this joint venture from Normandy Mining Ltd.

The same general greenstone belt with ultramafic rocks extends through these tenements for 20 kilometres of strike and sporadic elevated nickel geochemical results were returned from drilling for gold. Newmont's gold exploration is addressed under the next section of this report.

Saxby - Queensland: Nickel, Copper, PGEs, and Gold.
(FALCON 95%)

The project is located in the Mt Isa – Cloncurry Belt, approximately 150km north of and along the same belt as the Ernest Henry gold – copper mine. This project has seen some limited drilling in the past but offset from the main target areas the Company is investigating.

Limited past drilling in one of the Company's tenements intersected extensive fine vein networks of iron sulphides in carbonate altered mafic to intermediate rocks with minor copper and nickel sulphides. Three diamond holes drilled in 1995 in a line, each about 1km apart, produced intersections with visible nickel and copper sulphides such as; 10.5m @ 0.25% nickel and 0.28% copper, 6m @ 0.98% copper and 6m @ 0.12% nickel and 0.15% copper.

There are several separate targets for nickel - copper sulphides and platinum - palladium within this project that are considered prospective for large scale disseminated sulphide bodies such as the Voiseys Bay style.

The project was captured under the Volcanogenic gold – copper initiative and is still not well understood in terms of its mineralisation type and being a large target area, it also has potential for iron oxide and sulphide, gold – copper mineralisation.

Past limited drilling indicates that Proterozoic basement is about 400m below younger marine sediments however some parts appear from geophysical depth estimates to be shallower.

Due to higher than normal drilling costs it may be joint ventured to a larger company interested in very large tonnage nickel, copper and PGEs targets with its additional potential for hydrothermal gold and copper.

Black Hills, SA – Nickel, PGEs
(FALCON 100%)

Past records of diamond drilling within this project have shown intersections, of disseminated sulphides with some short interval assays up to 0.84% nickel and 0.44g/t palladium from diamond drill holes at depth.

Exploration has established that a large differentiated mafic complex at Black Hills has platinum group elements associated with weakly disseminated copper and nickel sulphides. The project could contain economic concentration of disseminated nickel sulphides and platinoids. There are some unexplained transient electromagnetic anomalous zones that may be due to shallower disseminated sulphides suitable for air core or RAB drill testing into upper bedrock.

Mulgarrie, WA – Nickel
(FALCON 80%, Croesus 20%)

Joint venture negotiations have been held to farm out this project.

Some years ago a potential nickel sulphide target was detected by a ground transient electromagnetic survey that produced a weak but persistent electromagnetic anomaly close to some anomalous nickel and platinum soil geochemistry. This was accompanied by the unusual occurrence of olivine mesocumulate rocks from a RAB hole.

Another target to the north has a stronger TEM and magnetic signature associated with an interpreted ultramafic that may be due to sulphides. Despite a reasonable amount of past drilling by joint venture partners, these represent untested drill targets that are in most cases less than 100m depth.

The conceptual sulphide body target size is similar to other discrete massive nickel sulphide bodies such as Silver Swan some 15 – 20 km to the southeast.

EXPLORATION INITIATIVE OLYMPIC DAM STYLE AND OTHER MAJOR VOLCANOGENIC GOLD/COPPER SYSTEMS

During the year the Company has worked with its confidential data package that allows it to identify specific targets in Australia that are considered to greatly assist in the search for Olympic Dam style deposits and other major volcanogenic gold and copper systems. Olympic Dam and some other large known Australian volcanogenically to sub volcanogenically derived gold/copper ore bodies and mineralised deposits correlate as targets with this system. The sub volcanogenic systems often have porphyry intrusives and may show little evidence of eruption breccias.

Olympic Dam is located in South Australia and is 100% owned by WMC Ltd with a resource figure published by the 2000/01 Register of Australian Mining of 2.32 billion tonnes at 1.3% copper, 0.5 g/t gold and 0.4 g/t of uranium oxide. Its inferred resource makes it considerably larger than most world-class ore bodies. It is a very large breccia pipe system containing haematite, copper sulphides, gold and uranium that migrated into the broken rock breccias during quieter thermal phases of an initially violent eruptive event.

Olympic Dam is in 1600 million year old Proterozoic aged basement rocks beneath 330 metres of younger barren flat lying sedimentary rocks. The new Minotaur discovery at Prominent Hill has many similar characteristics to Olympic Dam and is the second discovery in Australia of large hematite dominated Olympic Dam style ore body.

Utilising the confidential data package, Falcon has secured a 95% equity in properties (Cargo 66.5%) throughout South Australia, New South Wales, Queensland and Victoria. Whilst able to identify specific targets spatially, there have been some difficulties in defining depth estimates for drill targeting. Work in that area has subsequently improved depth estimating.

The Company's approach to exploration, enables the selection of large targets that do not require years of detailed exploration work however during the year the Cargo project adsorbed a large part of the company's attention while other projects progressed more slowly than initially intended. Confirmatory ground geophysics continued towards preparing to test these other targets with a small number of drill holes into basement rocks. The potential rewards of finding such a mineralized system are very considerable and the discovery of just one would be more than sufficient. The targeting method is able to identify with accuracy some existing large mines and that provides confidence in the approach.

The recent increased activity on nickel exploration at Collurabbie (FCN must contribute at 30% towards exploration after WMC spends $400,000) may distract some funding from this activity towards Collurabbie. Therefore the company plans to farm some of these Olympic Dam and Volcanogenic gold – copper projects while actively continuing with others in its own right.

The exploration method has also been applied to post Proterozoic rocks for volcanogenic gold-copper targets in eastern Queensland, Victoria and New South Wales. These bodies also have the potential to be large mineralized systems that may be similar to Olympic Dam in South Australia or other large porphyry style gold/copper and gold dominant over copper, volcanogenic to sub volcanogenic systems.

Cargo Gold Copper Project - New South Wales
(FALCON earning 70%)

In August 2002, Falcon farmed into a known volcanogenic gold-copper system at Cargo in NSW with its central breccia pipe, 12km west of the large gold-copper Cadia and Ridgeway mines. The farm-in was based on three Cadia/Ridgeway style targets being identified within the joint venture area that includes the larger Belubula tenement adjoining to the south of Cargo. One such target coincided with the Cargo mineralized system that includes old shallow mine workings over about 15 km^2.

At Cargo itself past exploration found a gold – copper system that appears to be higher in level than at Cadia meaning that the main intrusive bodies (quartz monzonites) that are exposed at Cadia for example, had not emerged at Cargo but are considered to have caused low grade gold and some copper mineralisation within the overlying volcanic andesite lavas. Fieldwork on a high intensity Induced Polarization (IP) survey was completed in late 2002. It was designed to detect zones of disseminated sulphide accumulations that are characteristic of these copper and gold bodies. Several significant IP chargeability anomalies indicating sulphides were detected including a cluster beneath the shallow drilled Spur Dalcoath area of Cargo that contains an estimated 147,000 oz of gold at about 1.2 g/t.

Following the processing of IP data, drill sites were selected and in March 2003, a 2,500m RC percussion drilling programme commenced. The drilling to maximum depths of 330m intersected some wide zones of low grade gold with a few narrow higher-grade intercepts. Despite high IP chargeability, the visible sulphide content remained low and the anticipated intrusive quartz monzonite porphyry bodies with mantling and internal high sulphides and quartz veins were not intersected.

The IP survey was designed to detect where such bodies might exist and their depth however the cause of the high chargeability remains uncertain and may be due to fine magnetite and very fine sulphide grains.

Pinpointing where such deep intrusions exist within the Cargo mineralized zone remains difficult and would require much deep drilling that would be beyond the company's budget.

Following analyses of the results it was decided to concentrate on the less explored Belubula tenement within the joint venture area.

Within the Belubula tenement are numerous small pits with structurally controlled minor gold and copper bearing vein systems with some sporadic high values. The historic Burley Jacky mine contained some high grades in structurally controlled fault zones with limited massive sulphides to 30% copper and 12 g/t of gold. Another area at Myalla has large zones of alteration with disseminated pyrite and wide intercepts of low gold grades. These two areas show that significant mineralizing fluids existed in parts of the Belubula tenement but no major intrusions were found from past limited exploration.

A number of magnetic targets that coincided with the broader based targeting system were investigated in the field by detailed geophysical modeling in search of a Ridgeway style intrusive. The results of that work will determine further drilling activity.

In addition to the Cargo joint venture the Company had in 2002 applied for a further seven exploration licence applications covering other identified Cadia/Ridgeway style targets concentrated along the major Ordovician (approximately 450 million years old) volcanogenic belts in mid NSW where large tonnage volcanogenic gold and copper mines exist. Work during the year consisted of research on past exploration and some regional soil sampling along access roads to see if some initial anomalous results could be picked up. Those results were not significant however soil cover is extensive and the sampling was very sparse.

Coonamble South - New South Wales:
(FALCON 95%)

This target in northern NSW under recent sedimentary cover has some shallow depth historic water bore hole records. One of the deeper holes to 180m, showed 8m of variable coloured weathered rock, including light red volcanic rock with calcite veining to the end of the hole. This could indicate hematite alteration along with carbonate alteration but no assays were recorded on water bore cuttings.

Falcon undertook a gravity survey over part of this target and defined a large dense body at depth. Geophysical modeling found it to consist of a central domed intrusion with a thick layer of iron rich material draped around it that extends to a few kilometers depth. The top of the body commences at about 250 to 300m and some additional ground geophysics would improve its definition then drilling is needed to further understand it.

Palthrubie and Bond Hill - South Australia:
(FALCON 95%)

These project areas consist of three Exploration Licence's covering two areas in central South Australia's Gawler Craton.

Research has shown that the areas have mineralizing fluids consistent with Olympic Dam style mineralization including evidence of sericite, chlorite, hematite, fluorite and barite. These minerals were intersected in various drill holes and surface ironstone over large areas of these tenements from past exploration..

Geophysical data collected from past activity over the projects was processed by the Company last year and is to be further modeled with better depth constraints to define intrusive systems that may be similar to mineralized systems at Olympic Dam.

Interpretation of geophysical results in one area identified a number of target areas including a high level Hiltaba Granitoid intrusive body about 2km in diameter that has minor outcrop and limited rock chip geochemical values to 0.95% copper and high silver values associated with small veins of quartz, copper carbonate, fluorite and hematite.

Further research of recently released past exploration reports has established that Palthrubie (covering 900km2) also has structurally emplaced gold only mineralisation as evidenced from shallow near surface calcrete sampling of the 1990s.

This occurred during the Gawler Craton gold exploration boom period following the discovery of the Tunkilla gold deposit by Helix Resources that is 80km NNW of this area. Tunkilla was reported by Helix in 2003 after additional drilling as having a preliminary resource of 500,000 ounces at between 2.5 to 3 g/t of gold.

Another recent discovery is the Barnes and White Tank gold deposits of Adelaide Resources, 90km south of Palthrubie, with best recently reported intersections including 15m @ 3.5 g/t gold, and 7m @ 10 g/t gold.

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

Other areas within the Palthrubie tenement have large fault zones with magnetite destruction that indicate exploration potential for structurally emplaced gold deposits under variable sand and soil cover. The 1990s calcrete sampling over parts of the 900km2 tenure found three spatially large gold anomalies within these tenements that were not drilled beneath the soil overburden to basement interface.

Within Palthrubie, calcrete gold anomalies were found at Deep Well, Sisters West and Sisters East. These are large area anomalies and the most advanced at Deep Well is 500m wide at the 6ppb gold level. The more sampled Barnes calcrete anomaly of Adelaide Resources at the lower 5ppb gold contour is 500m to about 1km wide so they are of similar spatial magnitude.

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.

These areas present deeper drill targets however there are about a dozen or so other structural targets in the tenements that have not been effectively calcrete sampled. They were not effectively sampled due to sandy soil cover obscuring the near surface gold sensitive calcrete layers used to home in on subsurface gold mineralisation. While the past shallow air core drilling sections are assessed for follow up work, there are other structural corridors showing hydrothermal alteration that are being shallow auger drilled by Falcon to define the extent of gold anomalism in untested areas. Some of the best hydrothermal alteration zones defined by corridors of low magnetics were not sampled during the 1990s and expected to show up some new gold anomalous areas.

The Palthrubie project is expanding in its complexity of targets that include large calcrete gold anomalies, a distinct 2km diameter copper and silver anomalous intrusive and a number of smaller gravity anomalies associated with a large one and these could represent Olympic Dam and or Prominent Hill type intrusive systems across its 900km2 area. While the company continues working on it, it may form the basis of a farm out package to attract a larger player with the financial resources to tackle its various targets and requirement for more drilling than originally envisaged.

Keith - South Australia:
(FALCON 95%)

Keith is located in the south east of South Australia in Paleozoic aged rocks.

Geological research of past regional exploration in the area has shown that Keith is soil covered and with shallow marine coastal sediments overlying an early Palaeozoic aged basement at 90m depth. Past drilling in the area concentrated on mineral sands and coal with only minor drilling for basement hosted base and precious metals.

One hole in the vicinity of the Company's targets, from 90m to 156m depth intersected a hornblende bearing micromonzonite with minor but pervasive iron sulphides throughout. A new gravity survey by Falcon has recently been processed and results show a very large and high density body at about 900m to 1,500m depth. The internal bulk densities are well within the Olympic Dam range for its hematite core. Although deep it remains within drill range but requires a farminee prepared to drill a test hole to about 1km. Falcon will seek a suitable partner.

Naracoorte - South Australia:
(FALCON 95%)

Naracoorte tenement is situated south east of South Australia and is in a similar geological setting to Keith. It is also interpreted by some researchers to be an extension of the Mt Read Volcanic Belt that hosts large base metal sulphide mines on the west coast of Tasmania. The target area has not been drilled. Falcon undertook a field gravity survey and the data processed in August 2003 indicates some denser rocks at depth that require modeling to ascertain drill targets.

Racehorse and Mt McDonald – Queensland:
(FALCON 95%)

Major 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. Falcon completed a ground gravity survey and the data was prepared for depth modeling.

Shepparton – Victoria:
(FALCON 95%)

A large target in the Shepparton area under soil and younger marine sediments about 100m thick, is located not far from known outcrops of interpreted Cambrian aged volcanics and sediments that was the main focus of past exploration. Approaching the Company's tenure, exposed outcrops display some fluorite, iron sulphides and minor hematite alteration. The area is known for its anomalous copper geochemistry in soils over large areas that have not been adequately explained. Falcon completed a ground gravity survey and processed that data in August 2003 resulting in the definition of a moderately dense body with a drillable upper surface target zone at 350m depth.

Duketon and North Duketon JV
(FALCON 20% free carried, Newmont 80% contributing)
Newmont acquired this joint venture from Normandy Mining Ltd.

This project area is quite large and extensively soil covered. The soil cover is largely transported making surface work unreliable. Newmont continued periodic drilling programs during the year to generate positive gold results for further infill drilling. That process is on going and has that chance of finding a significant mineralized system although results to date have been sporadic and isolated. The results to date and the extent of structurally favorable geology under soil cover still leaves opportunity for discovery.

Murray Basin, Victoria – Mineral Sands
(FALCON 10% free carried, Basin 90%)

Iluka Resources Limited announced an agreed takeover offer for all the shares in Basin Minerals for $2.10 cash per share. Falcon 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.

Full details of the Douglas Project's current resources, reported by Basin Minerals are reproduced below:-

Deposit	**Grade**		**Mineralogy**			**Estimated Tonnage**		**Overburden**
	HM%	**Rut%**	**Zirc%**	**Ilm%**	**Leu%**	**HM**	**Ore**	**OB:Ore**
						Total Mt	**Total Mt**	**Ratio**
Acapulco	7.1	7	5	38	6	2.4	33	3:2
Bondi East	8.7	5	15	53	5	3.9	44	1:2
Bondi	7.3	7	8	42	7	8.4	116	0:9
Echo	10.7	1	7	38	3	4.1	38	1:0
Chetwynd	4.5	15	12	48	6	0.4	8	2:6
Total Douglas	**8.0**	**5**	**9**	**43**	**6**	**19.2**	**240**	**1:3**

Notation:	Mineralogy	Rut%-Rutile; Zirc% - Zircon%; Ilm% - Ilmenite%; Leu% - Leucoxene%
	Grade	HM% - Heavy Mineral
	Tonnage	Mt – Million Tonnes
	Overburden	OB-Overburden

Cooljarloo, WA – Mineral Sands
(*FALCON 100%)*

Proceeds of $500,000 from the sale of the Project to Tiwest were received with a further $150,000 due on the grant of a Mining Lease.

Keronima (Windanning Hill) JV - Gold
(FALCON 27%)

While some drilling has occurred since the last report the project has not changed significantly since last years account as follows:

The project is within trucking distance of their gold Gindalbie Gold's treatment plant at Minjar some 32 km away.

Quoted Reserves and Resources rounded to two significant figures 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 will be carried out with the objective of providing mill feed for Gindalbie Gold's plant at Minjar.

DIRECTORS' REPORT

The directors present the following report for the financial year ended 30 June 2003.

DIRECTORS

The directors of Falcon Minerals Ltd at anytime during or since the end of the year are:

Anthony Rechner, BSc, MAusIMM (Chairman)

Mr Rechner (age 56), holds a Bachelor of Science degree in Geology and Physics from the University of Adelaide, South Australia. He is a Member of the Australasian Institute of Mining and Metallurgy with over thirty years experience in Australia and overseas working in petroleum search, mineral exploration and mining.

Mr Rechner's previous involvement as Chairman and Managing Director of Windsor Resources N.L., Brunswick N.L. and Geographe Resources Ltd resulted in these company's evolving from small explorers to major producers at Mount Percy, Galtee More and Chalice respectively. Mr Rechner was operations Manager for West Australian Petroleum and Chevron Oil in North Africa.

Richard Edward Diermajer (Managing Director)

Mr Diermajer (age 50), who is also a current Director of Eagle Bay Resources N.L., holds a Diploma of Legal Studies and has an extensive background in mining law and administration from his 12 years experience as an officer with the Department of Mines in Western Australia. Mr Diermajer was previously a Director of Geographe Resources Ltd, which was involved, in the rich Chalice gold mine. In 1981 he established Sentinel Exploration Services, a consultancy firm that provided a successful service to the mining industry throughout Australia in tenement management and administration, property acquisitions, project generation, joint venture negotiations and mineral exploration.

James Benton Craib JP CPA (Non-executive Director)

Mr Craib (age 65) is an accountant who was previously responsible for the accounting and company secretarial functions of Eagle Bay Resources N.L., Falcon Resources Ltd and Geographe Resources Ltd. He has had considerable experience as an accountant, mainly in the industrial and production sectors. His application of that experience to the requirements of the Company has been invaluable.

Mr Marc Flory (Non-executive Director)

During the year Mr Marc Flory was appointed a Director on 3 October 2002 however he did not seek re-election at the AGM held on 27 November 2002 and as a consequence retired on that day. Mr Flory did not attend any board meetings and was not paid any remuneration.

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 names**	**In other names**
A Rechner	4,001	5,569,048	–	2,000,000
R E Diermajer	3,000,001	2,655,096	–	2,000,000
J B Craib	–	350,000	–	300,000

SENIOR MANAGEMENT

Ray Muskett (Chief Geological Consultant)

Ray Muskett is an experienced geologist in both mining and exploration. He is a WA School of Mines graduate who formulated various concepts and supporting databases that have been orientated to the identification of Olympic Dam style ore bodies and other large volcanogenic gold/copper deposits.

He has worked for a variety of company's including Western Mining Exploration Division at Kambalda, the WMC partly owned Kalgoorlie Lake View consortium in Kalgoorlie, Hamersley Exploration (and seconded to CRA diamond exploration), consulted to many mining and exploration company's including Nevoria Gold Mines, a joint venture with Billiton Australia, Newmont and others.

DIRECTORS' REPORT
Continued

Falcon's directors previously utilised Mr Muskett's services in early 1992, as consultant to Geographe Resources (as Newmex Exploration) when the company sought a new approach to gold exploration in WA. Utilising geophysical concepts introduced by Mr Muskett, Geographe farmed into properties in the Widgiemooltha area of WA. Due to difficult market conditions to raise capital a joint venture was entered into with Samantha Gold over the areas.

Samantha Gold immediately undertook exploration over specific areas recommended and reported by Mr Muskett in Geographe's farm out document. The work soon defined a significant and coherent soil gold anomaly that on subsequent drilling revealed the rich Chalice gold discovery in September 1993.

The present approach to exploration by Falcon for Olympic Dam style and other large volcanogenic systems that commenced in November 2001, was developed by Mr Muskett over several years as a way to select large style ore body targets often under deep cover that does not need years of tedious exploration work to close in on mineralisation.

PRINCIPAL ACTIVITY

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

REVIEW OF OPERATIONS AND RESULTS

Details of the operations of the consolidated entity are set out in the Review of Operations on pages 4 to 9.

The consolidated entity incurred an after tax operating loss of $777,153 (2002: Loss $2,006,841).

CHANGE OF NAME

During the year the company changed its name from Yardarino Ltd to Falcon Minerals Ltd.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the year the company sold its interest in the Cooljarloo minerals sands project which had a carrying value of approximately $500,000. The Company sold its interest for $500,000 which has been received and a further $150,000 will be received when a mining lease has been granted over the tenement.

Stakeholders should also note that although the reports are prepared in a format for a consolidated group, the company disposed of its subsidiary in the prior year. The preparation of the reports in the format for consolidated accounts was necessary to comply with Accounting Standards in order to disclose the contribution and impact of the subsidiary in the prior year. During the entire year ended 30 June 2003 the Company was a single entity focused on gold, base metals and mineral sands exploration.

The Company completed several issues of capital during the year as follows:

1. A total of 5,772,662 shares were issued to existing shareholders under the company's Share Purchase Plan.
2. A further 2,000,000 shares were issued to acquire an increased interest in a number of tenements that the company acquired as part of its Olympic Dam style exploration initiative. The company also has a contractual obligation to issue two further tranches of 1 million shares in the event that the company's share price remains above 15 cents and 20 cents respectively for 5 consecutive days on ASX. Subsequent to year end one tranche of one million shares was issued as the share price rose above 15 cents.
3. Late in the financial year the company also issued 10 million shares to boost its cash reserves in order to enable it to pursue its Olympic Dam style exploration program.

Other than this there were no significant events which affected the state of affairs of the company.

DIVIDENDS

No dividend has been paid since the end of the previous financial year and no dividend is recommended for the current year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matters have arisen since 30 June 2003 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2003, of the consolidated entity constituted by Falcon Minerals Ltd and the entities it controls from time to time; or
(b) the results of those operations; or
(c) the state of affairs, in financial years subsequent to 30 June 2003, of the consolidated entity

other than disclosed in Note 23 to the financial statements.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the consolidated entity have been set out in the accompanying Review of Operations. Further information on the likely developments and expected results of operations of the consolidated entity have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the negotiations.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2003.

There were six directors meetings during the year and the number of meetings attended by each director were:

A Rechner	6	J B Craib	6
R E Diermajer	6		

AUDIT COMMITTEE

There is no separate audit committee because the directors do not believe that the size of the Company warrants it. The board carries out the functions of an audit committee.

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' 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 Note 16 to the financial statements), 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 2003, 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 Note 22.

DIRECTORS' REMUNERATION POLICY

(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 a part of 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;
4. Farm-in expenditure attracted.

(c) The details of the nature and amounts of the elements of the involvements of each of the four directors and Company Secretary are as follows for both the Company and the consolidated entity:

Mr A. Rechner, BSc, MAus IMM
Executive Chairman, Managing Director
Senior Geologist with over 30 years experience
in both hard rock and oil/gas exploration and mining.

Annual contract fees for management and technical services	$90,000
Annual Directors fees (inclusive of superannuation)	$5,450
Fringe benefits – FBT grossed up value	$939
TOTAL	$96,389

Mr R. Diermajer, Dip. Leg. Stud.
Executive Director
Mining Administration services – over 20 years of experience

Annual contract fees for management and technical services	$90,000
Annual Directors fees (inclusive of superannuation)	$5,450
Fringe benefits – FBT grossed up value	$939
TOTAL	$96,389

Mr J. Craib, JP, CPA
Non-executive Director

Consulting Fees	$10,000
Annual Directors fees (inclusive of superannuation)	$5,450
TOTAL	$15,450

Mr P. Fromson
Company Secretary

Consulting Fees	$36,037

INDEMNIFICATION

There are no indemnities for directors and officers nor any insurance in regard to their positions.

Signed in accordance with a resolution of the directors dated this 19th day of September 2003.

R.E. DIERMAJER
Director

A RECHNER
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.
The Directors of the Company have aspired to the very highest standards of corporate governance.

Board of Directors

The Board of Directors of the Company is responsible for the corporate governance of the consolidated entity. 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 responsibility for the operation and administration of the Company is carried out by two of the Directors, who operate in an executive capacity, supported by senior professional staff. The Board ensures that this team is suitably qualified and experienced to discharge their responsibilities, and has in place procedures to assess 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 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. Information is communicated to shareholders through:

- the Annual Report which is distributed to all shareholders;
- other periodic reports which are lodged with ASX and available for shareholder scrutiny;
- special purpose information memoranda issued to shareholders as appropriate; and
- the Annual General Meeting and other meetings called to obtain approval for board action as appropriate.

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.

Board Committees

The Company does not normally form separate board sub-committees as there are only three directors. Matters ordinarily addressed by such committees are dealt with by the full Board, with investigation and advice where appropriate being provided by non-executive director, Mr J Craib.

Remuneration

Remuneration and other terms of employment of executives, including executive directors, are reviewed periodically by the Board 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 Board, with recommendations being made by non-executive director, Mr J Craib. 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.

Independent audit report to the members of

Falcon Minerals Ltd

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Falcon Minerals Ltd (the Company), for the year ended 30 June 2003.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report 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 financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of Falcon Minerals Ltd is in accordance with:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2003 and of its performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

PKF
Chartered Accountants
(Western Australian Partnership)

NEIL G SMITH
Partner

Dated at Perth this 19th day of September 2003

DIRECTORS' DECLARATION

In the opinion of the directors of Falcon Minerals Ltd.

(a) The accompanying financial statements and notes are in accordance with the Corporations Act 2001, comply with the accounting standards and give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date.

(b) 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.

Signed in accordance with a resolution of the directors.

R.E. DIERMAJER	A RECHNER
Director	Director

Perth, dated this 19th day of September 2003.

STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2003

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2003	2002	**2003**	2002
		$	$	**$**	$
Revenue from ordinary activities	2	**537,861**	288,666	**537,861**	338,666
Expenses from ordinary activities	3	**(1,315,014)**	(2,377,405)	**(1,315,014)**	(2,069,999)
(Loss) from ordinary activities before income tax expense		**(777,153)**	(2,088,739)	**(777,153)**	(1,731,333)
Income tax expense relating to ordinary activities	5	–	–	–	–
(Loss) from ordinary activities after related income tax expense		**(777,153)**	(2,088,739)	**(777,153)**	(1,731,333)
Net (loss) attributable to outside equity interest		–	81,898	–	–
Net (loss) attributable to members of parent Entity		**(777,153)**	(2,006,841)	**(777,153)**	(1,731,333)
Share of reserves of associates		–	–	–	–
Total changes in equity other than those resulting from transactions with owners as owners	15	**(777,153)**	(2,006,841)	**(777,153)**	(1,731,333)

		2003	2002
Earnings Per Share (cents)			
Basic Earnings/(Loss) per share	27	**(0.88)**	(3.09)
Diluted Earnings/(Loss) per share	27	**(0.88)**	(3.09)

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

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2003

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2003	2002	**2003**	2002
		$	$	**$**	$
CURRENT ASSETS					
Cash assets		**1,356,367**	703,474	**1,356,367**	703,474
Receivables	6	**21,087**	63,353	**21,087**	63,353
TOTAL CURRENT ASSETS		**1,377,454**	766,827	**1,377,454**	766,827
NON-CURRENT ASSETS					
Other financial assets	7	**2,576**	2,576	**2,576**	2,576
Property, plant & equipment	10	**8,568**	34,086	**8,568**	34,086
Exploration expenditure carried forward	11	**1,095,705**	1,379,277	**1,095,705**	1,379,277
TOTAL NON-CURRENT ASSETS		**1,106,849**	1,415,939	**1,106,849**	1,415,939
TOTAL ASSETS		**2,484,303**	2,182,766	**2,484,303**	2,182,766
CURRENT LIABILITIES					
Payables	12	**69,279**	29,938	**69,279**	29,938
Provisions	12	**1,660**	1,645	**1,660**	1,645
TOTAL CURRENT LIABILITIES		**70,939**	31,583	**70,939**	31,583
TOTAL LIABILITIES		**70,939**	31,583	**70,939**	31,583
NET ASSETS		**2,413,364**	2,151,183	**2,413,364**	2,151,183
EQUITY					
Contributed equity	13	**9,554,914**	8,515,580	**9,554,914**	8,515,580
Accumulated losses	14	**(7,141,550)**	(6,364,397)	**(7,141,550)**	(6,364,397)
TOTAL EQUITY	15	**2,413,364**	2,151,183	**2,413,364**	2,151,183

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

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2003

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2003	2002	**2003**	2002
		$	$	**$**	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		–	244,574	–	244,574
Receipt from sale of mining tenement		**500,000**	–	**500,000**	–
Payments to suppliers and employees		**(959,148)**	(2,065,367)	**(959,148)**	(1,982,334)
Interest received		**37,861**	25,964	**37,861**	25,964
GST (paid)/received		**35,621**	65,151	**35,621**	48,091
Net cash used in operating activities (Note b)		**(385,666)**	(1,729,678)	**(385,666)**	(1,663,705)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds on sale of investment		–	–	–	50,000
Other loans		–	6,097	–	(381)
Purchases of plant & equipment		**(775)**	(16,983)	**(775)**	(10,520)
Aggregate cash flows from disposals of entities net of cash disposed	8	–	176,181	–	–
Aggregate cash flows from disposals of interest in joint venture net of cash disposed	9	–	(7,123)	–	(7,123)
HP payments		–	(15,344)	–	–
Net cash provided by/(used in) investing activities		**(775)**	142,828	**(775)**	31,976
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares net of raising costs		**1,039,334**	2,005,687	**1,039,334**	2,005,687
Net cash provided by financing activities		**1,039,334**	2,005,687	**1,039,334**	2,005,687
NET INCREASE/(DECREASE) IN CASH		**652,893**	418,837	**652,893**	373,958
Cash at the beginning of the financial year (Note a)		**703,474**	284,637	**703,474**	329,516
Cash at the end of the financial year (Note a)		**1,356,367**	703,474	**1,356,367**	703,474

(a)

Cash includes				
Cash at Bank	**94,646**	52,414	**94,646**	52,414
Term Deposits	**1,261,721**	651,060	**1,261,721**	651,060
	1,356,367	703,474	**1,356,367**	703,474

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2003

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

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2003	2002	**2003**	2002
		$	$	**$**	$
Operating (loss) after income tax		**(777,153)**	(2,088,739)	**(777,153)**	(1,731,333)
Exploration expenditure written off		**476,870**	1,429,117	**476,870**	1,429,117
Exploration expenditure written off on mining tenement disposed of during the year		**2,587,153**	–	**2,587,153**	–
Write back of provision for diminution on mining tenement disposed of during the year		**(2,012,079)**	–	**(2,012,079)**	–
Exploration expenditure incurred		**(735,289)**	(1,319,704)	**(735,289)**	(1,319,704)
Depreciation and amortisation		**26,293**	47,491	**26,293**	22,052
Movement in provision for employee entitlements		**15**	(2,104)	**15**	(2,104)
Loss on interest in joint venture		–	15,292	–	15,292
Provision against loans to controlled entities		–	115,000	–	–
Profit on sale of investment		–	–	–	(50,000)
Loss on disposal of controlled entity		–	25,267	–	–
(Increase)/Decrease in receivables		**30,006**	(35,382)	**30,006**	(35,382)
(Increase)/Decrease in creditors and borrowing's		**(17,103)**	83,448	**(17,103)**	24,781
(Increase)/Decrease in GST payable		**35,621**	13,691	**35,621**	(3,369)
(Increase)/Decrease in unearned income		–	(13,599)	–	(13,599)
(Increase)/Decrease in other assets		–	544	–	544
Net cash used in operating activities		**(385,666)**	(1,729,678)	**(385,666)**	(1,663,705)

(c)
There were no credit facilities as at 30 June 2003

(d)
Non Cash Financing Activities

During the year the Company issued 2,000,000 ordinary fully paid shares as consideration for the acquisition of a further 10% interest in various tenements which are the focus of the Company's exploration initiative on identifying Olympic Dam Style ore bodies and other large volcanogenic gold/copper deposits. The shares were issued at the market price at the date of the contract, being 5.4 cents per share giving a total consideration of $108,000.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a general purpose financial report which has been drawn up in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus views and the Corporations Act 2001.

The financial report has been prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at directors valuation. The accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, consistent with those of previous years. Comparative information is reclassified where appropriate to enhance comparability.

a) Principles of consolidation

The consolidated financial report combines the financial report of the Company, being the parent entity, and its controlled entities ("the consolidated entity").

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances and effects of transactions, between controlled entities included in the consolidated financial report have been eliminated.

b) Principles of going concern

The Company has recorded a loss of $777,153 for the year ended 30 June 2003 and as at 30 June 2003 has net cash assets of $1,356,367. 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 going concern of the Company is dependent upon the Company obtaining additional funds through successful capital raisings and/or the future profitability of the Company.

c) Revenue recognition

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.

d) Exploration and Evaluation Expenditure

Exploration, evaluation and relevant acquisition costs are accumulated separately for each area of interest. They comprise acquisition costs, direct exploration and evaluation costs and an appropriate portion of related overhead expenditure. They do not include general overhead or administrative expenditure not having a specific nexus with a particular area of interest.

Costs of this nature are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or

ii) exploration and evaluation activities in the area have not at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Exploration and evaluation expenditure which does not satisfy this criteria is written off.

Ultimate recoupment of capitalised expenditure in respect of areas in the exploration and/or evaluation stage is dependent upon successful development and commercial exploitation or alternatively sale, of the respective areas.

Once a decision has been taken to proceed with mine development, all past and future exploration expenditure in respect of that area of interest is aggregated and reclassified as Mine Properties.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (CONTINUED)

e) Mine Properties

Mine properties represent the accumulation of all exploration, evaluation, and development expenditure incurred by or on behalf of the entity in relation to areas of interest in which a decision to commence mining of a mineral resource has been taken.

Where further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the cost of that mine property, only when substantial economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

The net carrying value of each mine property is reviewed regularly and, to the extent to which this value exceeds its recoverable amount, that excess is fully provided against in the financial year in which this is determined. The expected net cash flows included in determining recoverable amount are not discounted to their present value.

f) Acquisition of Assets

The cost method of accounting is used for acquisition of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition. On acquisition of an investment in a controlled entity the identifiable net assets are measured at their fair value. The excess of the fair value of the purchase consideration over the fair value of identifiable net assets acquired (ie goodwill) is amortised over the period during which the related benefits are expected to arise.

g) Cash

For the purpose of the statement of cash flows, cash includes deposits at call, which are readily convertible to cash on hand and which are used in the cash management function on the day to day basis, net of outstanding bank overdrafts and term deposits with 3 months or less to maturity.

h) 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.

i) Recoverable Amount

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal. The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present value.

Where the carrying amount of a non-current asset is greater than its recoverable amount the asset is revalued to its recoverable amount. To the extent that a revaluation decrement reverses a revaluation increment previously credited, and still included in the balance of the revaluation reserve, the decrement is debited to the reserve, otherwise the decrement is recognised as an expense in the statement of financial performance.

j) Property, plant and equipment

Plant and equipment is stated at cost.

Plant and equipment is depreciated using both the straight line and diminishing value methods at rates between 20% and 60%.

k) Investments

Monies not immediately required are placed on short term deposits with banks.

Current

Investments in marketable securities are stated at the lower of cost and current market value determined on an individual investment basis.

Non Current

Investments in other companies are carried at lower of cost and recoverable amount, being a directors' valuation based on net assets of the investee at time of valuation.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (CONTINUED)

l) Accounts Payable

Accounts payable represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

m) Receivables

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful accounts.

n) Income Tax

Income Tax has been brought to account using a method of tax effect accounting whereby income tax expense for the period is calculated on the accounting profit after adjusting for items which, as a result of their treatment under income tax legislation, create permanent differences between that profit and the taxable income. The tax effect of timing differences which arises from the recognition in the accounts of the items of revenue and expenses in periods different from those in which they are assessable or allowable for income tax purposes, are represented in the statement of financial position as "future income tax benefits" or "provision for deferred income tax", as the case may be, at current tax rates. A future income tax benefit is only being carried forward as an asset where realisation of the benefit can be regarded as being assured beyond reasonable doubt.

o) Employee Entitlements

The following liabilities arising in respect of employee entitlements are measured at their nominal value:

- Wages and salaries and annual leave regardless whether they are expected to be settled within 12 months of balance date.
- Other employee entitlements which are expected to be settled within 12 months of balance date.

p) Comparatives

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (CONTINUED)

2. REVENUES FROM ORDINARY ACTIVITIES

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	**2003**	2002
	$	$	**$**	$
Interest received/receivable – other persons	**37,861**	25,964	**37,861**	25,964
Sales	–	240,787	–	240,787
Proceeds on sale of investments	–	–	–	50,000
Proceeds on sale of tenement	**500,000**	–	**500,000**	–
Other income	–	21,915	–	21,915
	537,861	288,666	**537,861**	338,666

3. EXPENSES FROM ORDINARY ACTIVITIES

	CONSOLIDATED 2003	CONSOLIDATED 2002	PARENT ENTITY 2003	PARENT ENTITY 2002
Classification of expenses by nature:				
Depreciation of plant & equipment	**26,293**	47,491	**26,293**	22,052
Exploration expenditure written off	**476,870**	1,429,117	**476,870**	1,429,117
Exploration expenditure written off on mining tenements disposed of during year	**2,587,153**	–	**2,587,153**	–
Reversal of provision for diminution of exploration tenement	**(2,012,079)**	–	**(2,012,079)**	–
Provision against loan to controlled entity	–	115,000	–	–
Operating lease rentals: premises	**21,157**	35,353	**21,157**	35,353
Movement in provision for employee entitlements	**15**	(2,104)	**15**	(2,104)
Cost of sales	–	95,813	–	95,813
Administration expenses	**215,605**	631,468	**215,605**	489,768
Loss on disposal of controlled entity	–	25,267	–	–
	1,315,014	2,377,405	**1,315,014**	2,069,999

4. LOSS FROM ORDINARY ACTIVITIES

	CONSOLIDATED 2003	CONSOLIDATED 2002	PARENT ENTITY 2003	PARENT ENTITY 2002
Loss from ordinary activities before income tax expense is stated after charging/(crediting):				
Depreciation of non current assets	**26,293**	47,491	**26,293**	22,052
Loss on disposal of controlled entity	–	25,267	–	–
Loss on sale of tenement	**75,074**	–	**75,074**	–
Loss on sale of interest in joint venture	–	6,498	–	6,498
Gain on sale on investment	–	–	–	(50,000)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (CONTINUED)

5. INCOME TAX

(a) The prima facie tax benefit on the operating loss differs by more than 15% from the income tax provided in the financial statements and is reconciled as follows:

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	**2003**	2002
	$	$	**$**	$
Operating loss before income tax:	**(777,153)**	(2,088,739)	**(777,153)**	(1,731,333)
Prima facie tax benefit at 30% (2002: 30%)	**(233,146)**	(626,622)	**(233,146)**	(519,400)
Tax effect of permanent differences:				
Non–deductible expenditure	**645**	396	**645**	396
Other tax benefits not recognised:				
Tax benefit of revenue losses not recognised	**232,501**	626,226	**232,501**	519,004
Income tax benefit attributable to operating loss:	–	–	–	–

(b) As at 30 June 2003 the consolidated entity had estimated gross revenue tax losses of $5,622,933 (2002: $5,065,813) available to offset against future taxable income. These tax losses have not been brought to account as the benefit cannot be regarded as being virtually certain of realisation.

The benefit of tax losses will only be obtained if:

(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

(ii) the consolidated entity continues to comply with the conditions for deductibility imposed by the tax legislation; and

(iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

6. CURRENT ASSETS – RECEIVABLES

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	**2003**	2002
	$	$	**$**	$
Sundry debtors	**13,910**	20,000	**13,910**	20,000
Amounts due from director related entity	**7,177**	31,094	**7,177**	31,094
GST Refund due	**–**	12,259	**–**	12,259
	21,087	63,353	**21,087**	63,353

7. NON–CURRENT ASSETS – OTHER FINANCIAL ASSETS

Shares listed on prescribed Stock Exchange	**36,800**	36,800	**36,800**	36,800
Less: provision for diminution in value	**(34,224)**	(34,224)	**(34,224)**	(34,224)
Total investments at Directors' valuation	**2,576**	2,576	**2,576**	2,576

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (CONTINUED)

8. CHANGE IN COMPOSITION – SALE OF CONTROLLED ENTITY IN THE PRIOR YEAR

In the prior year, on 31 December 2001 the Company sold its shares in Kohlberger Enterprises Ltd (KEL), a controlled entity, for $50,000 cash and a 2.5% royalty on future gross sales up to a maximum $1.4 million. Falcon Minerals Ltd (Falcon) did exert control over KEL and has thereby consolidated the company up until 31 December 2001. From 31 December 2001, after Falcon sold the 51% shareholding in KEL, Falcon no longer controlled KEL and hence ceased consolidating KEL's results in accordance with AASB 1024 "Consolidated Accounts".

Details of the disposal are as follows:

	PRIOR YEAR CONSOLIDATED
	$
Proceeds on Disposal:	
Sale Proceeds	50,000
The carrying amounts of assets and liabilities disposed of by major class are:	
Other assets	300
Plant and equipment	179,198
Inventories	7,812
Intangibles	1,055,000
Receivables	36,036
Bank overdraft	(126,181)
Hire purchase	(45,243)
Trade creditors	(694,418)
Loans	(220,579)
Provisions	(10,487)
Outside equity interest	(106,171)
Net assets of entity sold	75,267
Profit/(loss) on disposal	25,267
Inflow of cash on disposal of entity, Net of cash disposed	
Cash proceeds	50,000
Overdraft disposed	126,181
Inflow of cash	176,181

9. DISCONTINUING OPERATIONS IN PRIOR YEAR

(a) In the prior year on 31 December 2001 the Company sold its controlling interest in Kohlberger Enterprises Ltd. As detailed in Note 8, the Company recorded a profit of $50,000 (consolidated loss of $25,267) on the disposal. This operation consisted of the entire business segment in Elastomer Technology and the Company therefore no longer operates this business segment. The contribution from this discontinued operation up until the point of disposal is as follows:

	CONSOLIDATED	
	2003	2002
	$	$
Financial Performance		
Revenues	–	–
Expenses	–	167,139
Profit on ordinary activities before income tax	–	(167,139)
Income tax expense	–	–
Profit on ordinary activities after income tax	–	(167,139)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (CONTINUED)

9. DISCONTINUING OPERATIONS continued

	CONSOLIDATED	
	2003	2002
Financial Position	**$**	$
Assets	–	–
Liabilities	–	–
Net Assets	–	–
Cashflows		
Net cashflows from operating activities	–	(65,973)
Net cashflows from investing activities	–	(6,463)
Net cashflows from financing activities	–	(8,866)
Total net cashflows	–	(81,302)

(b) In the prior year, on 30 April 2002 the Company sold its 40% interest in AIJV – the Internet Service Provider Business for $20,000 payable by instalments commencing in November 2002. The Company recorded a loss of $6,498 on the disposal. This operation consisted of the entire business segment in the Internet Service Provider Business and the Company therefore no longer operates this business segment. The contribution from this discontinued operation up until the point of disposal is as follows:

Financial Performance		
Revenues	–	240,787
Expenses	–	(251,752)
Loss on ordinary activities before income tax	–	(10,965)
Income tax expense	–	–
Loss on ordinary activities after income tax	–	(10,965)
Financial Position		
Assets	–	–
Liabilities	–	–
Net Assets	–	–
Cashflows		
Net cashflows from operating activities	–	14,301
Net cashflows from investing activities	–	(6,797)
Net cashflows from financing activities	–	(381)
Total net cashflows	–	7,123

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (CONTINUED)

10. NON – CURRENT ASSETS PROPERTY, PLANT & EQUIPMENT

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	**2003**	2002
	$	$	**$**	$
Mining				
Plant & equipment at cost	**22,281**	21,506	**22,281**	21,506
Less: accumulated depreciation	**(19,605)**	(18,261)	**(19,605)**	(18,261)
	2,676	3,245	**2,676**	3,245
Office furniture at cost	**38,415**	38,415	**38,415**	38,415
Less: accumulated depreciation	**(35,223)**	(34,226)	**(35,223)**	(34,226)
	3,192	4,189	**3,192**	4,189
Electronic Equipment				
Plant & equipment at cost	**64,629**	64,629	**64,629**	64,629
Less: accumulated depreciation	**(61,929)**	(37,977)	**(61,929)**	(37,977)
	2,700	26,652	**2,700**	26,652
Total Property Plant & Equipment at cost	**125,325**	124,550	**125,325**	124,550
Less: accumulated depreciation	**(116,757)**	(90,464)	**(116,757)**	(90,464)
	8,568	34,086	**8,568**	34,086
Movements in Property, Plant & Equipment				
Balance at beginning of the year	**34,086**	284,507	**34,086**	86,331
Additions	**775**	16,983	**775**	10,520
Disposals through disposals of entities/ventures	**–**	(219,913)	**–**	(40,713)
Depreciation expense	**(26,293)**	(47,491)	**(26,293)**	(22,052)
Balance at end of the year	**8,568**	**34,086**	**8,568**	34,086

11. NON – CURRENT ASSETS - EXPLORATION EXPENDITURE

Exploration expenditure incurred net of refunds received on mineral tenements and joint ventures	**768,372**	1,319,704	**768,372**	1,319,704
Capitalised expenditure at the beginning of the Financial year	**1,379,277**	3,500,769	**1,379,277**	3,500,769
	2,147,649	4,820,473	**2,147,649**	4,820,473
Less: expenditure written off to statements of financial performance	**(3,064,023)**	(1,429,117)	**(3,064,023)**	(1,429,117)
(Provision for diminution carrying value of tenements)/Reversal of provision	**2,012,079**	(2,012,079)	**2,012,079**	(2,012,079)
	1,095,705	1,379,277	**1,095,705**	1,379,277

Capitalised exploration expenditure, represents the accumulated cost of acquisition and subsequent cost of exploration and evaluation of the properties less amounts written off and provided for. In the opinion of the directors the value of the tenements is at least that at which they are carried in the financial statements. Ultimate recoupment of these costs is dependent on successful development and commercial exploitation, or alternatively sale of the respective areas of interest.

Generally, Native Title processes are an issue of great concern to the mining industry in Australia. The Company is in the position of having all its mining titles granted and not disputed. Titles under dispute are mining lease applications which are conversions of granted exploration licences where valid title for exploration continues until the mining lease native title issues are resolved.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (CONTINUED)

12. LIABILITIES

	CONSOLIDATED		PARENT ENTITY	
CURRENT	**2003**	2002	**2003**	2002
Payables	**$**	$	**$**	$
Other creditors and accruals	**45,917**	29,938	**45,917**	29,938
GST Payable	**23,362**	–	**23,362**	–
	69,279	29,938	**69,279**	29,938
Provisions				
Employee entitlements	**1,660**	1,645	**1,660**	1,645

There was 1 full time employee (prior year 1 full time employee) at reporting date.

13. CONTRIBUTED EQUITY

	PARENT ENTITY		PARENT ENTITY	
	2003	2002	**2003**	2002
	NUMBER		**$**	$
ISSUED AND FULLY PAID UP CAPITAL				
Ordinary Shares				
Opening balance	**81,504,381**	39,496,583	**8,515,580**	6,509,893
Placement of shares at 5 cents each	–	42,007,798	–	2,100,390
Issue – Share purchase plan	**5,772,662**	–	**242,450**	–
Issue – to acquire mining tenements	**2,000,000**	–	**108,000**	–
Placement of shares at 7.5 cents each	**10,000,000**	–	**750,000**	–
Capital Raising Costs	–	–	**(61,116)**	(94,703)
Closing balance	**99,277,043**	81,504,381	**9,554,914**	8,515,580

The Company also has 4,300,000 unlisted options exercisable at 20 cents per option by 30 November 2003. These are the only outstanding options as at 30 June 2003. There were no movements in issued options during the year.

The Company also has a contractual liability to issue 1 million shares before 4 December 2004 in the event that the company's share price trades at 20 cents for five consecutive days on ASX. This potential issue of shares was part of the contract entered into by the Company to acquire a further interest in the tenements involved in the Company's Olympic Dam Style exploration initiative. The Company may elect to issue the shares prior to the share price reaching the contractual threshold.

14. ACCUMULATED LOSSES

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2003	2002	**2003**	2002
	$	$	$	$
Accumulated Losses:				
Balance at the beginning of the year	**(6,364,397)**	(4,357,556)	**(6,364,397)**	(4,633,064)
Net loss attributable to members of the parent entity	**(777,153)**	(2,006,841)	**(777,153)**	(1,731,333)
Balance at the end of the year	**(7,141,550)**	(6,364,397)	**(7,141,550)**	(6,364,397)

15. TOTAL EQUITY

Total Equity:				
Total equity at the beginning of the year	**2,151,183**	2,340,405	**2,151,183**	1,876,829
Total changes in equity recognised in the Statement of Financial Performance	**(777,153)**	(2,006,841)	**(777,153)**	(1,731,333)
Transactions with owners as owners:				
Contributions of equity	**1,039,334**	2,005,687	**1,039,334**	2,005,687
Total changes in outside equity interest	–	(188,068)	–	–
Total equity at the end of the year	**2,413,364**	2,151,183	**2,413,364**	2,151,183

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (CONTINUED)

16. REMUNERATION OF DIRECTORS

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	**2003**	2002
	$	$	$	$
Income paid or payable, or otherwise made available to the directors by the Company and related parties:	**208,228**	198,025	**208,228**	198,025

The number of parent entity directors whose remuneration from the parent entity or related bodies corporate in connection with the management of the parent entity and controlled entities was within the specified bands are as follows:

	Number	
	2003	2002
$0 - $9,999	**1**	1
$10,000 - $19,999	**1**	-
$90,000 - $99,999	**2**	2

17. REMUNERATION OF EXECUTIVES

No executive officers received remuneration in excess of $100,000 for the year (refer Note 16 for details)

OPTIONS

The Company has on issue options to Directors' or Director related entities as follows:

Richard Diermajer	2,000,000
Anthony Rechner	2,000,000
James Craib	300,000

The options are exercisable at 20 cents on or before 30 November 2003.

18. REMUNERATION OF AUDITORS

	CONSOLIDATED		PARENT ENTITY	
CURRENT	**2003**	2002	**2003**	2002
Auditors of parent entity:	**$**	$	**$**	$
Audit and review of financial report	**15,210**	14,197	**15,210**	14,197
Other services	**4,290**	10,829	**4,290**	10,829
	19,500	25,026	**19,500**	25,026

19. JOINT VENTURES

Exploration

The Company has entered into unincorporated joint ventures where the joint venturer 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 joint ventures which have been formed for the purposes of exploration for gold and other minerals are as follows:-

Project	**JOINT VENTURES Percentage Interest**	
	2003	2002
Duketon	20% free carried	20% free carried
North Duketon	20% free carried	20% free carried
German Well	25% free carried	25% free carried
Mulgarrie	80%	80%
Windanning Hill	27% diluting	27% diluting
Toolondo	10% free carried	10% free carried
Collurabbie Hills	100% diluting to 30%	100% diluting to 30%
Naracoorte East	90%	80%
Bond Hill	90%	80%
Palthrubie	90%	80%
Keith Townsite	90%	80%
Pimba	90%	80%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (CONTINUED)

19. JOINT VENTURES (continued)

Project	JOINT VENTURES Percentage Interest 2003	2002
Lake Acreman	90%	80%
Shepparton	90%	80%
Saxby	90%	80%
Mt McDonald	90%	80%
Racehorse Mt	90%	80%
Coonamble South	90%	80%
Narromine	90%	–
Mulandry	90%	–
Manildra	90%	–
Molong	90%	–
Cargo	70% earning	–
Belubula	70% earning	–

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.

The total costs carried forward in respect of these joint venture areas of interest are:

	2003 $	2002 $
Exploration and evaluation phases	1,066,283	763,695

20. CONTINGENT ASSETS AND LIABILITIES

The company is due to receive a further $150,000 from the sale of its Cooljarloo mineral sands tenement. These proceeds are contingent on a mining lease being granted over the tenement. These proceeds have not been recorded in the accounts.

The directors are of the opinion that there are no contingent liabilities as at 30 June 2003 other than the contractual obligation to issue further shares under certain conditions as disclosed in note 13.

21. COMMITMENTS

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

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	**2003**	2002
	$	$	$	$
Not later than one year	**1,310,422**	858,839	**1,310,422**	858,839
After one year but less than two years	**679,478**	518,116	**679,478**	518,116
After two years but less than five years	**965,486**	1,630,007	**965,486**	1,630,007
After five years	–	–	–	–
	2,955,386	3,006,962	**2,955,386**	3,006,962
Operating Lease Commitments				
Not later than one year	**13,530**	14,760	**13,530**	14,760
After one year but not later than five years	**5,638**	13,530	**5,638**	13,530
	19,168	28,290	**19,168**	28,290

There is one operating lease being a rental lease on the Company's premises. The lease expires on 30/11/2004 however there is an option to extend for a further two years.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (CONTINUED)

21. COMMITMENTS (continued)

Farm-In Arrangements

The Company has entered into a contractual arrangement to earn a 70% interest in the Cargo prospect. The 70% interest requires the expenditure of $3,000,000 staged over four years. The arrangement is not a commitment as such however to earn the interest will require the Company to meet the expenditure threshold.

22. RELATED PARTIES

Directors

The names of persons who were directors of Falcon Minerals Ltd at all times during the financial year were as follows: A Rechner; J B Craib; and R E Diermajer. A fourth director, Mr M C Flory was appointed to the Board on 3 October 2002 however he did not seek re-election at the AGM held on 27 November 2002 and as a consequence retired on that day. Mr Flory was not paid any remuneration and did not attend any Board meetings.

Information on remuneration of directors is disclosed in Note 16.

Transactions with Directors or Director Related Entities

Consultancy services

Messrs A Rechner and R Diermajer are respectively directors and shareholders of Tangram Pty Ltd and Frontlaw Pty Ltd (trading as Sentinel Exploration Services), which have provided exploration and administrative consultancy services to the Company on normal terms and conditions. Amounts paid to these companies during the year in respect of professional services rendered are included in remuneration of directors as disclosed in Note 16.

Directors' interests in shares and options

Aggregate number of shares of Falcon Minerals Ltd held directly, indirectly or beneficially by directors or their director-related entities at balance date was:

	2003 Number	2002 Number
Ordinary fully paid shares	**11,596,147**	11,239,003
Unlisted options exercisable at 20c on or before 30 November 2003	**4,300,000**	4,300,000

Movements in this aggregate number of shares and options of Falcon Minerals Ltd acquired directly, indirectly or beneficially by directors or their director-related entities from the Company were as follows:

Acquisitions of Ordinary fully paid shares	357,144
Sales of Ordinary fully paid shares	Nil

Options

The Company has on issue options held by Directors or Director related entities as follows;
R Diermajer (2,000,000) A Rechner (2,000,000) and J Craib (300,000).

Office facilities

During the year the consolidated entity shared office facilities with Eagle Bay Resources N.L. These facilities were charged at an amount equal to its share of the direct costs of providing these facilities. The amount charged to Falcon Minerals Ltd was $21,157 (2002: $20,251). The consolidated entity also received from Eagle Bay Resources N.L. $54,556 (2002 - $59,486) for its share of the direct costs of Falcon Minerals Ltd staff providing services to Eagle Bay Resources N.L.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (CONTINUED)

23. EVENTS SUBSEQUENT TO REPORTING DATE

On 29 August 2003 the Company issued one million shares to Ray Muskett in part satisfaction of a contractual arrangement to acquire tenements the subject of the Company's Olympic Dam style exploration initiative. Other than this, there have not been any matters that have arisen since 30 June 2003, that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future years.

24. ECONOMIC DEPENDENCY

The Company is not economically dependent on any party.

25. PLACE OF INCORPORATION

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

26. SEGMENT REPORTING

The operations of the consolidated entity involve just one business segment being that of mineral exploration within Australia.

BUSINESS SEGMENTS
The consolidated entity operates in the following business segments:

a) ***Minerals Exploration:***
Operations comprise acquisition of mining tenements in Australia, basic geological exploration and further exploration through farm outs to other parties. Minerals currently explored for are gold, copper, nickel and mineral sands.

b) ***Internet Services (Prior year only):***
In the prior year the company has sold its 40% interest in AIJV, a joint venture which was set up as state of the art Internet Service Provider in the Perth CBD.

c) ***Elastomer Technology (Prior year only):***
In the prior year the company sold its 51% interest in Kohlberger Enterprises Ltd, a company involved in elastomer polymer technology.

i) Operations of Minerals Exploration Division

	2003 $	2002 $
Income:		
Proceeds on sale of mining tenement	**500,000**	–
Interest Earned	**37,861**	25,964
Other Income	–	71,915
Total Income	**537,861**	97,879
Expenses:		
Exploration expenditure write offs	**476,870**	1,429,117
Exploration expenditure write offs on tenements disposed of during the year	**2,587,153**	–
Reversal of diminution of exploration tenement	**(2,012,079)**	–
Wages and employment costs	**31,002**	40,470
Office Rent	**21,157**	20,251
Depreciation	**26,293**	12,452
Administration	**184,618**	315,957
Total Expenses	**1,315,014**	1,818,247
Profit/(loss) for the year	**(777,153)**	(1,720,368)

ii) Operations of ISP Division in the prior year up to the point of disposal

Income:		
Sales	–	240,786
Cost of Sales	–	(95,813)
Gross Profit	–	144,973

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (CONTINUED)

26. SEGMENT REPORTING continued

	2003	2002
	$	$
Expenses:		
Wages and Employment Expenses	–	88,497
Advertising	–	1,456
Rent	–	15,102
Depreciation	–	9,600
Loss on Transfer of Assets	–	–
Administration	–	41,283
Total Expenses	–	155,938
Profit/(Loss) for the year	–	(10,965)

iii) Operations of Elastomeric Technology Business in the prior year for the period 1 July 2001 until the disposal of the controlled entity on 31 December 2001.

	2003	2002
Income:	**$**	$
Sales	–	–
Cost of Sales	–	–
Gross Profit	–	–
Expenses:		
Wages and Employment Expenses	–	23,819
Rent	–	26,177
Depreciation	–	25,439
Write off development costs	–	–
Administration	–	91,704
Total Expenses	–	167,139
Profit/(Loss) for the Year	–	(167,139)

GEOGRAPHICAL SEGMENT

The consolidated entity operates in only one geographical segment being Australia.

Income		
Minerals Exploration	**537,861**	97,879
ISP Business	–	240,786
Elastomeric Technology	–	–
Consolidated	**537,861**	338,665
Results		
Minerals Exploration	**(777,153)**	(1,720,368)
ISP Business	–	(10,965)
Elastomeric Technology	–	(167,139)
Consolidation adjustments	–	(190,267)
Consolidated	**(777,153)**	(2,088,739)

There is no income tax expense applicable to any results. Therefore the results are also the results after income tax expense for each segment.

Assets		
Minerals Exploration	**2,484,303**	2,182,766
ISP Business	**-**	-
Elastomeric Technology	**-**	-
Consolidated	**2,484,303**	2,182,766
Liabilities		
Minerals Exploration	**70,939**	31,583
ISP Business	**-**	-
Elastomeric Technology	**-**	-
Consolidated	**70,939**	31,583

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (CONTINUED)

	2003 Cents per share	2002 Cents per share
27. EARNINGS/(LOSS) PER SHARE		
a) Basic Loss per share	**(0.88)**	(3.09)
b) Diluted loss per share	**(0.88)**	(3.09)
	$	$
c) Net profit/(loss) used in calculating		
- Basic earnings per share	**(777,153)**	(2,006,841)
- Diluted earnings per share	**(777,153)**	(2,006,841)
	Number	Number
d) Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	**88,549,175**	64,927,341
e) Weighted average number of ordinary shares outstanding during the year used in calculating diluted earnings per share	**88,549,175**	64,927,341

* Diluted earnings per share are calculated based on the assumption that the 4,300,000 options on issue are not dilutive shares and are therefore not included.

28. FINANCIAL INSTRUMENTS

a) Interest Rate Risk Exposures

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

	Floating Interest rate		**Fixed Interest Less than 1 year**		**Non-interest Bearing**		**Total**	
	2003 $	2002 $	**2003 $**	2002	**2003 $**	2002 $	**2003 $**	2002 $
Financial Assets								
Cash assets	**94,646**	52,414	**1,261,721**	651,060	**–**	–	**1,356,367**	703,474
Receivables	–	–	–	–	**21,087**	63,353	**21,087**	63,353
Investments	–	–	–	–	**2,576**	2,576	**2,576**	2,576
Total Financial Assets	**94,646**	52,414	**1,261,721**	651,060	**23,663**	65,929	**1,380,030**	769,403
Interest Rate	**0.4%**	**0.7%**	**4.75%**	**4.8%**				

	Floating Interest rate		**Fixed Interest Less than 1 year**		**Non-interest Bearing**		**Total**	
	2003 $	2002 $	**2003 $**	2002 $	**2003 $**	2002 $	**2003 $**	2002 $
Financial Liabilities								
Payables	–	–	–	–	**69,279**	29,938	**69,279**	29,938
Total Financial Liabilities	–	–	–	–	**69,279**	29,938	**69,279**	29,938
Net Financial Assets/(Liabilities)	**94,646**	52,414	**1,261,721**	651,060	**(45,616)**	35,991	**1,310,751**	739,465

b) Credit Risk Exposures - Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets, excluding investments, of the Company and consolidated entity, which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The Company and consolidated entity are not materially exposed to any individual overseas country or individual customer.

c) 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.

ADDITIONAL INFORMATION

The additional information set out below relates to shares, options and tenements that was applicable at 18 September 2003.

SHARES

DISTRIBUTION OF SHAREHOLDINGS

Size of holding	Number of shareholders
1 – 1,000	93
1,001 – 5,000	213
5,001 – 10,000	239
10,001 – 100,000	792
100,001 and over	173
Total shareholders	1,510
Number of shareholders with less than a marketable parcel of $500 at 16c per share	xxx

TWENTY LARGEST SHAREHOLDERS

	Name of Holder	No of shares	%
1.	EERC Australasia Pty Ltd (EERC Super Fund)	3,569,048	3.56
2.	Mr Ray Muskett	3,140,000	3.13
3.	Mr Richard Edward Diermajer	3,000,001	2.99
4.	Avon Management Co Pty Ltd	2,655,096	2.65
5.	Omen Pty Ltd	2,000,000	1.99
6.	Mr Steven Jan Zielinski & Mrs Karen Lyn Zielinski	1,780,000	1.89
7.	Trust Company Superannuation Services Ltd	1,750,000	1.74
8.	Caverndale Pty Ltd (Super Fund A/c)	1,516,435	1.51
9.	Mr Adrian Cocks (Cocks Super Fund A/c)	1,341,548	1.34
10.	ANZ Nominees Ltd	1,245,965	1.24
11.	Casula Management Pty Ltd	1,224,048	1.22
12.	Peter Treen Electrical Discounter Pty Ltd (Employee Super A/c)	1,169,048	1.16
13.	Gary B Branch Pty Ltd	1,000,000	1.00
14.	MJ & MJ Hore	1,000,000	1.00
15.	RW & VO Allen	850,000	0.85
16.	Chelain Pty Ltd	700,000	0.70
17.	K Biggs Enterprises Pty Ltd	700,000	0.70
18.	Mr Arthur Carbo	700,000	0.70
19.	Illawong Investments Pty Ltd	684,362	0.68
20.	Boon Suan Aik	655,000	0.65
	Top 20 largest shareholders	30,799,599	30.70
	Total Shares Issued	100,277,043	100.00

SUBSTANTIAL SHAREHOLDERS – as advised to the Company

Name	No of shares
EERC Australasia Pty Ltd	3,569,048
Mr Richard Edward Diermajer	3,000,001

VOTING RIGHTS

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

OPTION HOLDERS

Name of Holder	No of Options	%
1. Tangram Pty Ltd	2,000,000	46.5
2. Frontlaw Pty Ltd	1,000,000	23.3
3. Avon Management Co Pty Ltd	1,000,000	23.3
4. Candye Pty Ltd	300,000	6.9
	4,300,000	100

TENEMENT SCHEDULE

Project	Tenements	Falcon %	Joint Venturer
Nickel (WA)			
Mulgarrie	ML (A) 27/280, 27/281 and 27/284	80%	Croesus 20% diluting
Collurabbie Hills	EL 38/1057, ML (A) 38/908, 38/909	100%	WMC Resources Ltd Earning70%
Platinum (SA)			
Black Hills	EL 2544	100%	
Nickel & Gold (WA)			
Duketon	EL 38/419	20%	Newmont 80%
North Duketon	EL 38/423, 38/1307, 38/1308 ML (A) 38/478-9, 38/734, 38/735, 38/752 to 38/754	20%	Newmont 80%
Gold (WA)			
German Well JV	EL 53/597 ML (A) 57/445, 57/446, 53/861, 53/862 & 53/907	25%	Gateway Mining N.L. 75%
Windanning Hill	ML (A) 59/432, ML 59/379-80	27%	Gindalbie Gold N.L. 73%
Mineral Sands (WA)			
Slee Road	EL 70/2363	100%	
Mineral Sands (VIC)			
Toolondo	EL 4323	10%	Basin Minerals N.L. 90%
Copper/Gold (SA)			
Naracoorte East	EL 2950	95%	R Muskett 5%
Bond Hill	EL 2947	95%	R Muskett 5%
Palthrubie	EL 2952	95%	R Muskett 5%
Keith Townsite	EL 2962	95%	R Muskett 5%
Palthrubie	EL 3043	95%	R Muskett 5%
Copper/Gold (VIC)			
Shepparton	EL 4636	95%	R Muskett 5%
Copper/Gold (QLD)			
Saxby	EL’s 13630, 13631	95%	R Muskett 5%
Mt McDonald	EL 13639	95%	R Muskett 5%
Racehorse Mt	EL 13640	95%	R Muskett 5%
Copper/Gold (N.S.W)			
Connamble South	EL 6000	95%	R Muskett 5%
Narromine	EL 6042	95%	R Muskett 5%
Mulandry	EL 6043	95%	R Muskett 5%
Manildra	EL 6044	95%	R Muskett 5%
Molong	EL 6053	95%	R Muskett 5%
Cargo	EL 5238	70% earning	Golden Cross Resources Ltd 30%
Belubula	EL 6084	70% earning	Golden Cross Resources Ltd 30%