# FALCON MINERALS LTD

A.C.N. 009 256 535

# ANNUAL REPORT 2012

## Location of Projects

## CORPORATE DIRECTORY

| | |
|---|---|
| **DIRECTORS** | Richard Diermajer<br>Ray Muskett<br>Ronald Smit (Appointed 19th July 2011) |
| **SECRETARY** | Dean Calder |
| **REGISTERED OFFICE** | Unit 19, 100 Hay Street<br>Subiaco Western Australia 6005<br><br>Telephone: (08) 9382 1596<br>Facsimile: (08) 9382 4637<br>Email: fcn@falconminerals.com.au<br>Website: www.falconminerals.com.au<br><br>Postal Address:<br>PO Box 8319, Subiaco East<br>Western Australia 6008 |
| **ACN** | 009 256 535 |
| **AUDITORS** | Stantons International<br>Level 2<br>1 Walker Avenue, West Perth<br>Western Australia |
| **BANKERS** | BankWest<br>1215 Hay Street, West Perth<br>Western Australia |
| **STOCK EXCHANGE** | The Company's shares are quoted on the official list of the Australian Securities Exchange Ltd (code FCN) |
| **SHARE REGISTRY** | Advanced Share Registry<br>150 Stirling Highway<br>Nedlands WA 6009<br>Telephone (08) 9389 8033 |

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## CHAIRMAN'S LETTER

Dear Shareholders

Since the Company's last AGM we have seen economic events within the European economy undermine confidence in global equity markets, particularly at the junior end.

However, despite being faced with these issues, Falcon progressed with planned exploration activities by completing a deep diamond drill programme at its Lucky Squid gold prospect in northwest Queensland where previous drilling intersected 17m at 6.67g/t Au and 15m at 9.09g/t Au. The programme was designed to show that the previously intersected gold mineralization continues within a large alteration zone north and south of the initial discovery holes. Unfortunately the depth of drilling coupled with hole deviations made this a difficult task. Expectations of substantial extensions of wide zones of medium to high grade gold mineralization from those previously detected were not intersected in this drilling programme despite intersecting wide zones of pyritic alteration with occasional gold intercepts up to a metre at 26 g/t gold. A strategic review of the results together with the gold and IOCG potential has been initiated.

At Collurabbie, findings from a recent review of geochemical data and field work proved positive showing that two high quality Ni-PGE targets remain untested and in addition identified a number of gold anomalies that have not been fully evaluated by drilling. In particular a priority gold target is a previous intersection of 2m at 5.2 g/t Au near intersecting faults. These targets have been scheduled for drilling during the current financial year.

Other projects in the Gawler Craton of South Australia and Cloncurry region of Northern Queensland remain prospective and in view of current market conditions the Company is seeking expressions of interest for joint venture for exploration to be completed over these areas.

While equity markets continue to be of concern, Falcon's current cash reserves are healthy and your Directors remain committed in achieving success in relation to the Company's future activities.

In closing I would like to acknowledge the efforts of fellow Board members and staff and appreciate all shareholders for their patience and ongoing support.

Yours faithfully

Richard Diermajer
Chairman

**REVIEW OF OPERATIONS**
**EXPLORATION ACTIVITIES**

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

The Saxby Project is 165 km north-northeast of Cloncurry in the Gulf Country of northwest Queensland. Falcon has a 100% interest in the project. The main activity this year was drilling of the Lucky Squid gold prospect where four deep diamond holes were drilled totaling 3,281m to better define the extent and geometry of the gold mineralisation (Figure 1).

The gold prospect was discovered in 2008 following the drilling of a single deep diamond drill hole (SXDD005) to test a geophysical target. Five follow-up holes were drilled in 2010 with one of these holes recording a wide high-grade gold intercept (SXDD014). A summary of these historical gold hits are shown in Table 1.

Gold mineralisation occurs within buried basement rocks that are interpreted as belonging to the Eastern Succession of the Mt Isa Province. This geological province has a long and proven record of mineral endowment and hosts significant copper-gold, molybdenum, lead-silver-zinc and uranium deposits and is recognised as a world-class exploration destination. At the Lucky Squid gold prospect these rocks are buried beneath 420m of younger sedimentary rocks and as such, exploration is challenging and high risk.

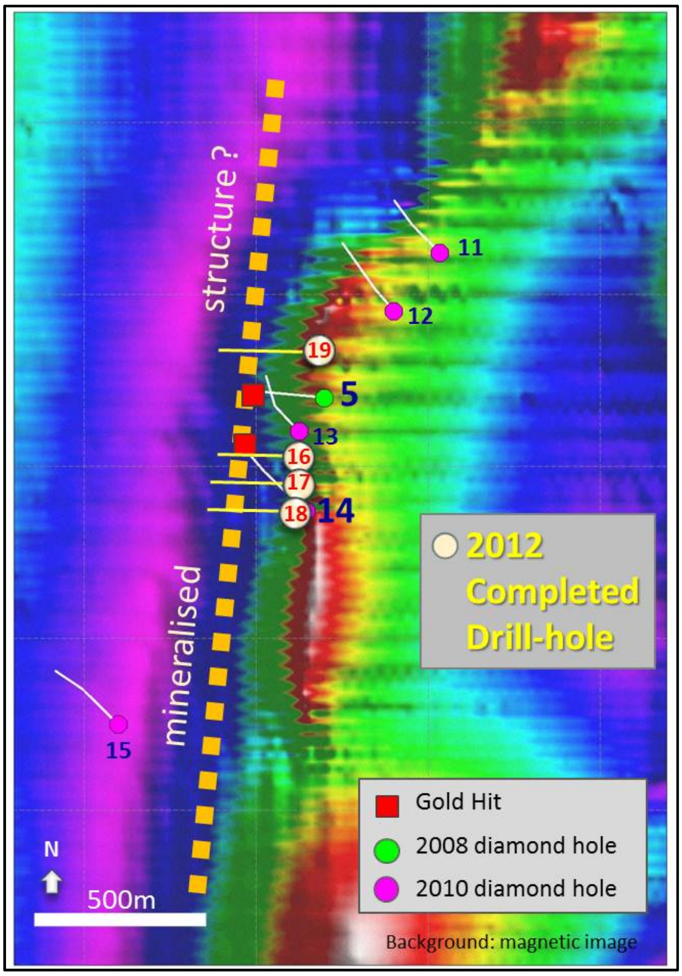


**Figure 1: Lucky Squid Gold Prospect**
**Location of drill holes on magnetic image**

**EXPLORATION ACTIVITIES (Continued)**


***SXDD017: drill core of gold bearing carbonate-pyrite breccia at 630m***

Diamond drilling by Falcon in 2012 (SXDD016-019) intersected broad zones of faulting and alteration located along the contact of amphibolite and meta-porphyry and this contact zone is characterised by widespread sodic-potassic alteration overprinted by graphitic-pyritic shear zones. A later carbonate-pyrite ± chlorite breccia and vein set appears to host gold mineralisation.

This year's drilling returned a few 1 to 3m gold intercepts with a peak 1m intersection of 26 g/t (Table 1). The fault and alteration zone has now been drilled over a 500m strike length and geophysical observations indicate that this structural zone is several kilometres long. Anomalous copper and uranium accompany the mineral system (Table 2) and this along with some geological aspects suggests it has some affinities to an IOCG system.

**Table 1: Summary of Gold Results**

| Hole Id | Interval (m) | Au g/t | From (m) | Year |
|---|---|---|---|---|
| SXDD005 | 3.2 | 3.74 | 618 | 2008 |
| **SXDD005** | **17** | **6.75** | **631** | **2008** |
| SXDD014 | 1 | 2.51 | 643 | 2010 |
| SXDD014 | 1 | 2.95 | 667 | 2010 |
| SXDD014 | 1 | 1.14 | 684 | 2010 |
| **SXDD014** | **15** | **9.09** | **701** | **2010** |
| SXDD014 | 2 | 5.00 | 747 | 2010 |
| Hole Id | Interval (m) | Au g/t | From (m) | Year |
| SXDD016 | 1 | 26.10 | 602 | 2012 |
| SXDD016 | 1 | 4.29 | 741 | 2012 |
| SXDD016 | 1 | 1.08 | 811 | 2012 |
| SXDD017 | 1 | 2.96 | 599 | 2012 |
| SXDD017 | 3 | 3.97 | 628 | 2012 |
| SXDD017 | 2 | 3.10 | 777 | 2012 |

**Table 2: Summary of Cu & U Results**

| Hole Id | Interval (m) | Cu % | From (m) |
|---|---|---|---|
| SXDD016 | 17 | 0.067 | 716 |
| SXDD017 | 6 | 0.145 | 661 |
| SXDD017 | 14 | 0.082 | 680 |
| SXDD018 | 4 | 0.135 | 458 |
| SXDD018 | 9 | 0.113 | 466 |
| SXDD018 | 16 | 0.113 | 649 |
| SXDD019 | 5 | 0.102 | 653 |
| SXDD019 | 6 | 0.146 | 689 |
| | | | |
| Hole Id | Interval (m) | U ppm | From (m) |
| SXDD016 | 4 | 170 | 456 |
| SXDD017 | 2 | 810 | 440 |
| SXDD017 | 2 | 375 | 459 |

***Notes to accompany assay tables:***
Core samples taken as half core over 1m intervals;
All intervals quoted are down-hole depths;
Gold analysis by 30g Fire Assay/ASS;
Copper & uranium analysis by ICP;
Sample preparation and analysis performed by ALS, QLD; and
Hole collars positioned by handheld GPS (Table 3).

## EXPLORATION ACTIVITIES (Continued)

Geological strip logs for the four holes drilled this year are shown in Figure 2. All holes steepening significantly in the cover sequence meaning that the penetration in to the basement rocks was not optimal. Expectations of substantial and wide extensions of gold mineralisation away from the initial discovery holes were not met in this year's drilling campaign. This is a disappointing outcome and a strategic review of the gold and IOCG potential of the project has been initiated.

**Table 3: Diamond drilling collar details (projection GDA94 MGA Zone 54)**

| Hole ID | Easting | Northing | RL | Azimuth | Dip | Total Depth |
|---|---|---|---|---|---|---|
| SXDD016 | 488168 | 7866030 | 60 | 263 | -70 | 855.7m |
| SXDD017 | 488165 | 7865950 | 60 | 265 | -65 | 843.8m |
| SXDD018 | 488149 | 7865870 | 63 | 265 | -65 | 786.7m |
| SXDD019 | 488196 | 7866349 | 63 | 265 | -65 | 795.0m |

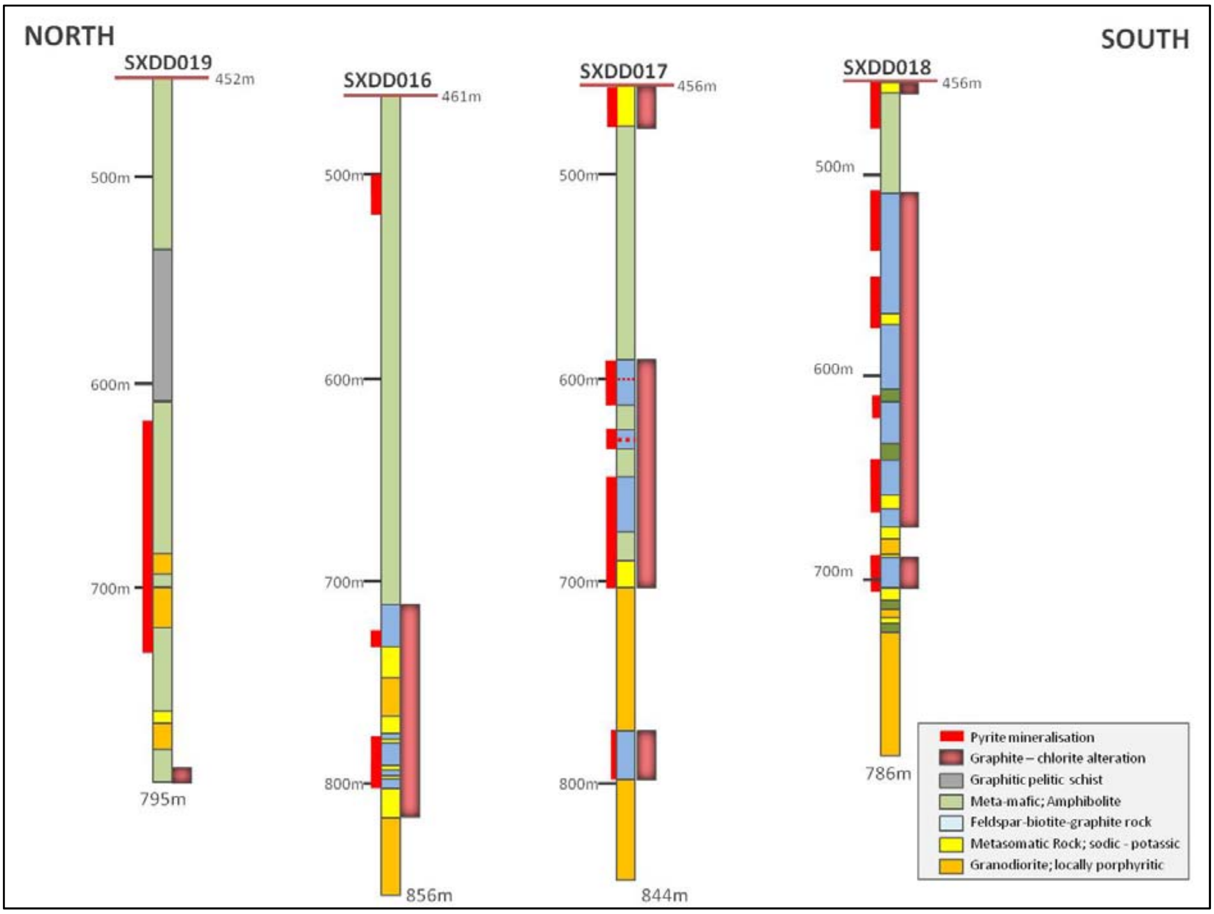


*Figure 2: SXDD016 – 019 Strip Logs showing simplified geological observations*

## EXPLORATION ACTIVITIES (Continued)

# Collurabbie Project - Duketon Belt, Yilgarn Block WA

**Nickel-copper-PGE search & Gold search (Falcon 100%)**

The Collurabbie Project is 200 km north of Laverton in the Duketon Greenstone Belt of Western Australia. It is a core project that is going through a period of review. No field-work was undertaken this year. Falcon has a 100% interest in the project with BHPB retaining an option over the off-take rights to any ore or concentrate produced.

The project includes the Olympia nickel-copper sulphide prospect that was discovered by former joint venture partner Western Mining Corporation (WMC) in 2003. Since its discovery numerous phases of mineral exploration (geophysics, geochemistry and drilling) have been completed and these activities have greatly improved the geological understanding of the district and have located numerous new zones of nickel-copper mineralisation. To date this work has failed to deliver an economic discovery.

In the last few years, Falcon has drilled additional diamond holes to better define the geometry of the sulphide mineralization at Olympia. This work has defined two zones of mineralisation;

- a small high-grade pod of massive to matrix style mineralisation located above the felsic porphyry intrusion (Exploration Target: 150,000 – 200,000 tonnes at 1.5 – 2.0% Ni, 1.1 - 2.0% Cu, 2 - 3g/t PGE), and
- a larger low-grade zone of disseminated mineralisation located immediately below the felsic porphyry intrusion (Exploration Target: 600,000-700,000 tonnes at 0.45 - 0.55% Ni, 0.3 - 0.4% Cu, 0.4 - 0.6 g/t PGE).

The term *Exploration Target* should not be misconstrued as an estimate of Mineral Resources and Reserves as defined in the JORC Code (2004) and the term has not been used in that context. The term is conceptual in nature and it is uncertain if further exploration will result in the determination of a Mineral Resource.

## Nickel & Gold Review

During the year a review of the nickel and gold potential was completed and this has resulted in a number of discrete targets being identified that warrant further investigation.

### *WMC Aircore Geochemical Review*

A review of the WMC air-core drilling data identified four drill holes with very strong geochemical intersections as shown in Table 4. Follow-up drilling of CLAC196 led to the Olympia discovery and follow-up drilling of CLAC014 intersected disseminated nickel sulphides and is known as the Agora prospect. There has not been any follow-up drilling on the remaining two drill hole intersections. These are priority targets.

## EXPLORATION ACTIVITIES (Continued)

*Table 4: Highest priority geochemical hits from WMC air-core drilling*

| Hole Id | Prospect | Width | Ni% | Cu% | PGE g/t | From | Comment |
|---|---|---|---|---|---|---|---|
| **CLAC014** | Agora | 12 | 0.60 | 0.20 | 0.46 | 12 | drilled |
| **CLAC050** | **Anomaly A** | 28 | 0.70 | 0.01 | 0.03 | 16 | **untested** |
| **CLAC092** | **Anomaly B** | 16 | 0.12 | 0.38 | 0.12 | 10 | **untested** |
| **CLAC196** | Olympia | 18 | 0.67 | 0.63 | 0.67 | 28 | drilled |

**Anomaly A** – The air-core hole returned a nickel only geochemical response and is regarded as a supergene nickel response because of its low copper and PGE values. However, the width and nickel values are much greater than that typically associated with supergene enrichment developed on this ultramafic sill. Given this and its favorable structural position (proximal to a northeast trending cross-structure) it is regarded as a priority target.

**Anomaly B** – The air-core hole returned high copper with elevated nickel and PGE values and in all likelihood indicates a sulphide source. It lies east of the Beta Sill and is at a similar stratigraphic level as the Olympia Prospect making it a very attractive target.

Both Anomalies are regarded as priority targets and deep RC drilling is proposed.

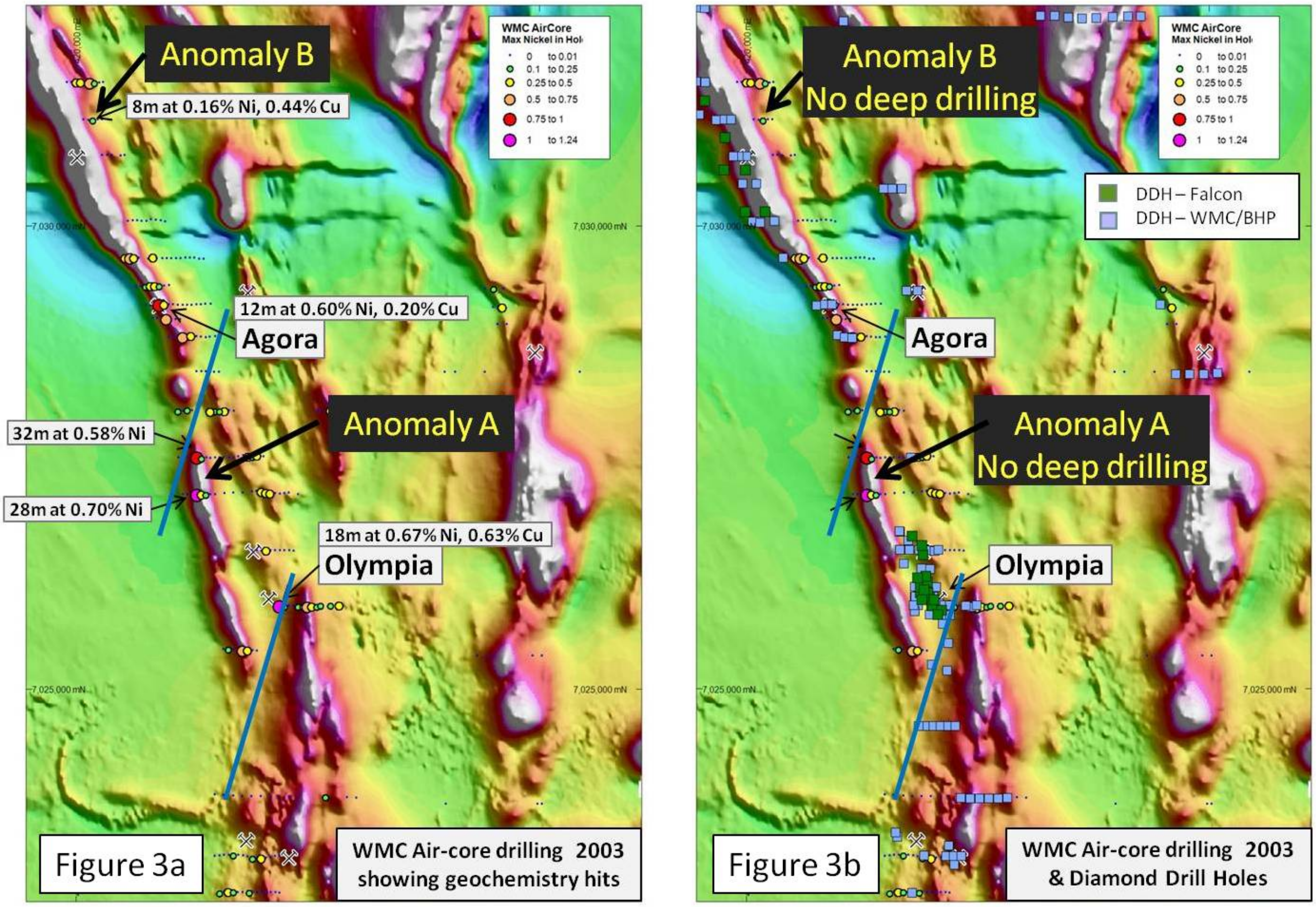


***Figure 3: Location of air-core drill holes on magnetic image. 3a) showing the most significant geochemical anomalies including untested Anomaly A & B; 3b) showing the distribution of deep RC & Diamond drill holes***

**EXPLORATION ACTIVITIES (Continued)**

The ***Gold Review*** looked at historical gold geochemical data from surface and drill-hole data. This showed that anomalous gold is present at a number of localities and that some of these are worthy of follow-up investigation. The strongest gold anomaly is referred to as **Anomaly EG1** where a historical drill hole (KRC463) intersected 2m at 5.2g/t Au from 30m hosted by saprock after ultramafic rock. This gold hit is associated with other weak hits in nearby holes (> 50m away) and appears related to where a northerly trending magnetic unit intersects a NNW structure. A field reconnaissance including surface geochemical sampling is planned for this and other gold targets.

## Other Projects

***Peak-Denison Project, Gawler Craton SA***

Falcon has a 100% interest in two exploration licences in the Peake-Denison Inlier of the northern Gawler Craton that it considers prospective for iron oxide-copper-gold systems. The Peake-Denison Inlier represents a major uplifted Proterozoic basement block with discrete gravity-magnetic anomalies associated with major basement fault intersections. This geological and structural setting shows many similarities to the Olympic Dam and Prominent Hill districts.

No field work was undertaken this year. The Company is in discussions with a few groups that have expressed an interest in acquiring and/or joint venturing into this project. At this stage no agreement(s) have been reached.

***Cloncurry District, Mt Isa Block QLD***

Falcon has a small land position covering prospective rocks of the Eastern Succession in the Cloncurry district of the Mt Isa Province. The target is large iron oxide-copper-gold systems similar to the Ernest Henry and Osborne mines.

No field work was undertaken this year. The Company is in discussions with a few groups that have expressed an interest in acquiring and/or joint venturing into this project. At this stage no agreement(s) have been reached.

***Windanning Hill Joint Ventures, Yilgarn Block WA***

The Windanning Hill Project is located 75km southeast of Yalgoo and 80km northeast of Peronjori within the Yalgoo Mineral Field, Western Australia. Falcon has an Iron Joint venture with Gindalbie Metals Ltd and a Gold Joint Venture with Minjar Gold Pty Ltd. Falcon has a 21.7% diluting interest in the Iron JV and a 21.1% diluting interest in the Gold JV.

Gindalbie Metals has identified three hematite targets where structures intersect the Golconda BIF and they are planning to undertake reconnaissance exploration involving geological mapping and rock chip sampling over the next 6 months.

Minjar Gold are planning an RC drilling program to further refine the small gold resource at Keronima within the next six months.

## EXPLORATION ACTIVITIES (Continued)

***Deleta and Duketon Joint Venture, Duketon Greenstone Belt - Yilgarn Block WA***

The Deleta Joint Venture comprises a large area of about 100 square kilometres within the northern parts of the Duketon greenstone belt. The joint venture is managed and operated by Regis Resources Limited (Regis). Falcon has a 20% free carried interest to the completion of a bankable feasibility study.

Regis is evaluating the prospective area for gold and nickel. Previous work has identified lateritic nickel mineralisation (best 12m at 1.6% Ni from 48m) and gold mineralisation (best 12m at 3.2g/t Au from 136m) from prospects along the Collurabbie ultramafic trend.

A four hole reverse circulation drill program to test nickel sulphide targets was unsuccessful.

***Competent Persons Statement***

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

# DIRECTORS' REPORT

The directors present the following report for the financial year ended 30 June 2012.

**DIRECTORS**

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

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

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

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

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 companies including Western Mining Corporation, Hamersley Exploration, CRA, (diamond exploration), manger exploration and mining geology at Nevoria Gold Mines. As exploration manager of Newmex Exploration acquired and joint ventured with Samantha Gold the Chalice Gold discovery. He is currently executive Chairman of unlisted Brimstone Resources exploring and developing gold resources near Kalgoorlie and gold exploration in Victoria. Within the last three years, Mr Muskett has not been a director of any other publicly listed company.

**Graeme Cameron (Non-Executive Director) – Appointed 17th February 2009; Resigned 10th October 2011**

Mr Graeme Cameron was elected to the Falcon Board in April 2009 and held the position of Technical Director until his resignation on 10 October 2011. Graeme graduated with a BSc (Honours) from the University of Western Australia and subsequently completed an MSc from Edith Cowan University. He has over 20 years experience in the exploration and mining industry, including senior technical and management roles with 3D technology-focused Geoinformatics Exploration, Acacia Resources, AngloGold Ashanti and Sons of Gwalia. Graeme has extensive experience in new project generation in Australia, Canada, Mexico and the United States, across a wide range of commodities including; magmatic nickel-copper-PGE, IOCG, porphyry copper-gold, Archaean gold and precious metal VHMS deposits.

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

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

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

| | **Shares** | | **Options** | |
|---|---|---|---|---|
| | **In own name** | **In other names** | **In own name** | **In other names** |
| R Diermajer | – | 4,000,000 | – | – |
| R Muskett | 440,000 | 5,000 | – | – |
| R Smit | – | 1,000,000 | – | 4,000,000 |

# DIRECTORS' REPORT (Continued)

## COMPANY SECRETARY

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

Dean is a qualified Chartered Accountant who has over 19 years' experience. Dean completed a Bachelor of Business degree in 1988 with a double major in Accounting and Business Law. Dean qualified as a Chartered Accountant in 1992 and after spending 8 years working for international chartered accounting firms, before he commenced public practice as a partner in a West Perth accounting firm in 1997. Dean also currently acts as Company Secretary for Oropa Limited and has acted in that capacity since July 1999.

## PRINCIPAL ACTIVITY

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

## REVIEW OF OPERATIONS AND RESULTS

Details of the operations of the Company are set out in the Review of Operations on pages 4 to 10.

The Company incurred an after tax operating loss of $1,838,398 (2011: Loss $2,147,080).

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

## DIVIDENDS

No dividend is recommended for the current year.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In the opinion of the Directors there have been no matters that have arisen since 30 June 2012, that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future years.

## MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2012.

There were a total of 2 directors meetings held during the year.

| Director | Number Eligible to Attend | Number Attended |
|---|---|---|
| Richard Diermajer | 2 | 2 |
| Ronald Smit | 2 | 2 |
| Graeme Cameron | 1 | 1 |
| Ray Muskett | 2 | 2 |

# DIRECTORS' REPORT (Continued)

The Audit Committee did not hold any meetings during the Reporting Period. The Company is not of a size that justifies having a separate Audit Committee. However, matters typically dealt with by such a committee are dealt with by the full Board.

The Remuneration Committee did not hold any meetings during the Reporting Period. Due to the size and scale of its operations, the Company currently does not have a separate committee to deal with the remunerations of current and new directors. Currently the roles and responsibilities of a Remuneration Committee are undertaken by the full Board.

### 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 the remuneration report), a benefit because of a contract that:

(a) the director; or

(b) a firm of which the director is a member; or

(c) an entity in which the director has a substantial financial interest has made (during the year ended 30 June 2012, or at any other time) with the Company; or

(d) an entity that the Company controlled, or a body corporate that was related to the Company, when the contract was made or when the director received, or became entitled to receive, the benefit (if any);

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

## REMUNERATION REPORT (AUDITED)

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

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

| Key Management Person | Position |
|---|---|
| Mr Richard Diermajer | Executive Director |
| Mr Ray Muskett | Non Executive Director |
| Mr Ron Smit | Managing Director |
| Mr Graeme Cameron | Technical Director (resigned on 10th October 2011) |
| Mr Dean Calder | Company Secretary |

## DIRECTORS' REPORT (Continued)

**DIRECTORS' REMUNERATION POLICY**

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

The compensation structure for key management personnel is reviewed periodically by the 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 the non-executive directors. Where the remuneration of a particular executive director is to be considered, the director concerned does not participate in the discussion or decision-making.

(a) The policy of the Company is to pay remuneration of directors and senior executives in cash and in amounts in line with employment market conditions relevant in the mining industry. Minor amounts of employee fringe benefits in the form of employee meals and entertainment are provided as part of the executives' way of conducting business.

(b) The Company's performance, and hence that of its directors and executives, is measured in terms of:
1. Company share price growth;
2. Cash raised;
3. Exploration carried out; and
4. Farm-in expenditure attracted.

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

| | PRIMARY | | | POST EMPLOYMENT | | SHARE BASED PAYMENT | Other Benefits | TOTAL | Perform-ance Related | Value of Options as a Proportion of Remuneration |
|---|---|---|---|---|---|---|---|---|---|---|
| | Salary & Fees | Cash Bonus | Non-Monetary | Super-annuation | Retirement Benefits | Options | | $ | % | % |
| **Directors** | | | | | | | | | | |
| Richard Diermajer - Executive Director | | | | | | | | | | |
| 2012 | 175,733 | - | 2,285 | 15,691 | - | - | - | 193,709 | - | - |
| 2011 | 194,195 | - | 2,273 | 17,851 | - | - | - | 214,319 | - | - |
| Ray Muskett - Non Executive Director | | | | | | | | | | |
| 2012 | 20,849 | - | 2,285 | 1,876 | - | - | - | 25,010 | - | - |
| 2011 | 18,349 | - | 2,273 | 1,651 | - | - | - | 22,273 | - | - |
| Ronald Smit - Managing Director (Appointed 19th July 2011) | | | | | | | | | | |
| 2012 | 231,153 | - | 2,285 | 15,775 | - | 65,600 | - | 314,813 | - | 20.84% |
| 2011 | - | - | - | - | - | - | - | - | - | - |
| Graeme Cameron - Executive Director (Resigned 10th October 2011) | | | | | | | | | | |
| 2012 | 34,838 | - | - | 3,135 | - | - | - | 37,973 | - | - |
| 2011 | 218,349 | - | 2,273 | 19,651 | - | - | - | 240,273 | - | - |
| **Total Remuneration Directors** | | | | | | | | | | |
| 2012 | 462,573 | - | 6,855 | 36,477 | - | 65,600 | - | 571,505 | - | 11.48% |
| 2011 | 430,893 | - | 6,819 | 39,153 | - | - | - | 476,865 | - | - |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Executives** | | | | | | | | | | |
| Dean Calder - Company Secretary | | | | | | | | | | |
| 2012 | 11,715 | - | 2,286 | - | - | - | - | 14,001 | - | - |
| 2011 | 12,515 | - | 2,271 | - | - | - | - | 14,786 | - | - |
| **Total Remuneration: Executives** | | | | | | | | | | |
| 2012 | 11,715 | - | 2,286 | - | - | - | - | 14,001 | - | - |
| 2011 | 12,515 | - | 2,271 | - | - | - | - | 14,786 | - | - |

# DIRECTORS' REPORT (Continued)

**Service Agreements**

**Richard Diermajer**

There is currently no formal service agreement in place with Mr Richard Diermajer. Mr Richard Diermajer's current employment package of $180,000 per annum plus 9% superannuation is effective from 1 July 2008, and is to be reviewed annually. For the year ended 30 June 2012 Mr Richard Diermajer's employment package was $180,000 plus 9% superannuation. Effective 1 March 2012, Richard Diermajer works 3 days per week and his salary has been proportionately adjusted.

**Ronald Smit**

Mr Ronald Smit's current employment package of $220,000 per annum including 9% superannuation is effective from his appointment on 19th July 2011. The employment of Mr Ronald Smit may be terminated by either party by giving 28 days written notice. On termination Mr Ronald Smit is entitled to payment in lieu of annual leave to which he is entitled and salary and superannuation accrued up to the date of termination. Mr Ronald Smit is also paid annual Directors fees of $20,000 including superannuation.

**Company Secretary**

Fees of $33,684 (2011: $38,910) were paid to Calder Roth & Co, an accounting firm of which Dean Calder is a principal, for accounting, company secretarial, taxation and other services during the year. Included in these fees are $11,715 (2011: $12,515) which have been disclosed in the Executive table as directly related to Dean Calder's services.

**Options Issued**

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

| Director | Number | Grant Date | % vested in year | % forfeited in year | Financial year in which grant vests |
|---|---|---|---|---|---|
| Ron Smit | 4,000,000 | 17 November 2011 | 100% | - | 30 June 2012 |

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

***Shares issued on exercise of options***

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

***Options Lapsed***

During the year, 1,000,000 options exercisable at 20 cents each and expiring on 30th September 2012; and 1,000,000 options exercisable at 30 cents each and expiring on 30th September 2012 were cancelled on 10th October 2011, the date Graeme Cameron resigned from the Company. The value of the options at date of cancellation were $35,675.

***Un-issued shares under option***

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

**INDEMNIFICATION**

During the year $9,141 was incurred as an expense for Directors and officeholders insurance which covers all directors and officeholders. A policy has been entered into for the year ended 22 June 2013.

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

**AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 48. The Auditor has not provided during the year, any non-audit services.

Signed in accordance with a resolution of the directors dated this 16th day September 2011.

______________________________

R Diermajer
Director

# CORPORATE GOVERNANCE STATEMENT

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

## Board of Directors

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

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

The primary responsibilities of the Board include:

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

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

The Directors of the Company are as follows:

- Richard Edward Diermajer (Executive Director) – Director since 3rd July 1987
- Ray Muskett (Non-Executive Director) – Appointed 24th November 2004
- Graeme Cameron (Non-Executive Director) – Resigned 10th October 2011
- Ronald Smit (Managing Director) – Appointed 19th July 2011

## Independent Directors

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

## Communication to Market & Shareholders

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

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

# CORPORATE GOVERNANCE (Continued)

## Board Composition

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

## Terms of Appointment as a Director

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

## Audit Committee

The Audit Committee was reactivated during the Reporting Period and the first meeting was held on 3rd September 2012.

## Remuneration Committee

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

The Remuneration Committee did not hold any meetings during the Reporting Period. Due to the structure of the Board, the whole Board is currently acting as the Remuneration Committee.

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 the non-executive directors. Where the remuneration of a particular executive director is to be considered, the director concerned does not participate in the discussion or decision-making.

## Independent Professional Advice

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

## Share Trading

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

## Code of Conduct

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

## External Auditors

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

## ASX CORE PRINCIPLES OF CORPORATE GOVERNANCE AND ASX GUIDELINES

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

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

| | |
|---|---|
| 2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual | The roles of the chairperson and the Managing Director are not exercised by the same individual. |
| 2.4 The Board should establish a nomination committee | In view of the size of the Company and the nature of its activities, the Board has considered that establishing formally constituted committees for Board nominations would contribute little to its effective management. Accordingly the nomination of new Directors are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest). |
| 2.5 The process for evaluating the performance of the Board, its committees and individual directors should be disclosed. | See 1.2 above. |
| 2.6 The information indicated in Guide to reporting on Principle 2 should be provided. (See Guide Notes at end of table) | Not applicable. |
| **ASX Principle 3: Ethical and responsible decision-making**<br>*Actively promote ethical and responsible decision-making* | **Comment/Response by Company** |
| **ASX Recommendations**<br>3.1 The Company should establish a code of conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting or investigating reports of unethical practices | The Company has a written code of conduct which sets out minimum standards necessary to guide executives, management and employees in carrying out their duties and responsibilities. |
| 3.2 Establish and disclose the policy or a summary of the policy concerning diversity, which should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them | The composition of the Board is monitored (in respect of size, diversity and membership) to ensure that the Board has a balance of skill and experience appropriate to the needs of the Company. When a vacancy arises, the Board will identify candidates with appropriate expertise and experience and appoint the most suitable person taking into account the need for diversity in gender, age, ethnicity and cultural background. |
| 3.3 Disclose in each annual report the measurable objectives for achieving greater diversity set by the board in accordance with the diversity policy and progress towards achieving them | The Company is currently not of a size that justifies the formal establishment of measurable diversity objectives. |
| 3.4 Disclose in each annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the board | There are no women in senior executive positions nor on the Board. However the proportion of women employees is 20% of the total workforce i.e. 1 out of 5. |

| | |
|---|---|
| 3.5 Provide the information indicated in Guide to Reporting on Principles. (See Guide Notes at end of table) | See above. |
| **ASX Principle 4: Financial reporting integrity**<br>*Have a structure in place to independently verify and safeguard the integrity of the company's financial reporting* | **Comment/Response by Company** |
| **ASX Recommendations**<br><br>4.1 The Board should establish an audit committee | The Audit Committee was reactivated during the Reporting Period and as at the date of this report, one meeting has been held. |
| 4.2 Structure the audit committee so that it consists of:<br>- Only non-executive directors<br>- A majority of independent directors<br>- An independent chairperson who is not the chairperson of the Board<br>- At least three members | The Company is aware of the recommendations and intends that the Audit Committee will be comprised of only non executive directors in the near future. |
| 4.3 Create a formal operating charter for the audit committee | The Company has adopted, and applies an Audit Committee Charter when considering all matters relating to the financial affairs of the company. |
| 4.4 Provide the information indicated in the Guide to reporting on Principle 4. (See Guide Notes at end of table) | See above. |
| **ASX Principle 5: Timely and balanced disclosure**<br>*Promote timely and balanced disclosure of all material matters concerning the company* | **Comment/Response by Company** |
| **ASX Recommendations**<br><br>5.1 Establish and disclose written policies or a summary of those policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance | It is the policy of the Company to fully comply with disclosure obligations contained in the Listing Rules of the Australian Securities Exchange Limited (ASX). It is the policy of the Company to nominate Disclosing Officers who are the only persons authorised to make public disclosures in accordance with these procedures. The Managing Director and the Company Secretary are the Disclosing Officers.<br><br>At periodic Board and Executives meetings the full Board considers and reviews the continuous disclosure process and obligations of the Company.<br><br>All of the above is set out in the Companies Continuous Disclosure Policy. |
| 5.2 Provide the information indicated in the Guide to Reporting on Principle 5. (See Guide Notes at end of table) | See above. |

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

| **ASX Principle 8: Remunerate fairly and responsibly**<br>*Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear* | **Comment/Response by Company** |
|---|---|
| **ASX Recommendations**<br><br>8.1 The Board should establish a remuneration committee | The Company is not of a size at the moment that justifies having a separate Remuneration Committee. However, matters typically dealt with by such a committee are dealt with by the Board of Directors. |
| 8.2 Structure the remuneration committee so that is consists of:<br>• majority of independent directors<br>• is chaired by an independent chair<br>• has at least three members | |
| 8.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives. | Executive directors are paid salaries. The Managing Director has a formal contract. Non Executive Director's fees are paid separately. The different types of remuneration including fringe benefits, superannuation, consulting fees and directors' fees are all clearly outlined in the Annual Report. |
| 8.4 Provide the information indicated in Guide to Reporting on Principle 8 (See Guide Notes at end of table) | See above |

# STATEMENT OF COMPREHENSIVE INCOME
# FOR THE YEAR ENDED 30 JUNE 2012

| | NOTES | 2012<br>$ | 2011<br>$ |
|---|---|---|---|
| Revenue | 2 | **171,698** | 281,902 |
| Depreciation of plant & equipment | 3 | **(57,044)** | (82,904) |
| Capitalised exploration expenditure written off | 3 | **(1,456,206)** | (1,841,437) |
| Share based payments | 3 | **(65,600)** | - |
| Occupancy expenses | | **(48,321)** | (44,591) |
| Employee benefit expenses | | **(183,952)** | (245,021) |
| Compliance and professional fees | | **(95,100)** | (115,515) |
| Administration expenses | | **(103,873)** | (99,514) |
| Expenses from operations | | **(2,010,096)** | (2,428,982) |
| **Loss from operations before income tax expense** | | **(1,838,398)** | (2,147,080) |
| Income tax expense | 4 | **-** | - |
| Loss after income tax expense | | **(1,838,398)** | (2,147,080) |
| Other comprehensive income | | **-** | - |
| Total other comprehensive (loss) for the year | | **-** | - |
| Total comprehensive (loss) | | **(1,838,398)** | (2,147,080) |
| **Net loss attributable to members of Falcon Minerals Ltd** | | **(1,838,398)** | (2,147,080) |
| **Total comprehensive (loss) attributable to members of Falcon Minerals Ltd** | | **(1,838,398)** | (2,147,080) |
| Basic loss per share (cents) | 25 | **(1.12)** | (1.31) |
| Diluted loss per share (cents) | 25 | **(1.12)** | (1.31) |

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

# STATEMENT OF FINANCIAL POSITION
# AS AT 30 JUNE 2012

| | NOTES | 2012 | 2011 |
|---|---|---|---|
| | | **$** | $ |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | | **1,977,514** | 3,492,395 |
| Trade and other receivables | 5 | **126,346** | 154,019 |
| **TOTAL CURRENT ASSETS** | | **2,103,860** | 3,646,414 |
| | | | |
| **NON-CURRENT ASSETS** | | | |
| Plant and equipment | 7 | **152,919** | 203,882 |
| Financial assets | 6 | **14,404** | 14,404 |
| **TOTAL NON-CURRENT ASSETS** | | **167,323** | 218,286 |
| **TOTAL ASSETS** | | **2,271,183** | 3,864,700 |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 9 | **355,778** | 167,627 |
| Provisions | 10 | **24,171** | 33,041 |
| **TOTAL CURRENT LIABILITIES** | | **379,949** | 200,668 |
| **TOTAL LIABILITIES** | | **379,949** | 200,668 |
| **NET ASSETS** | | **1,891,234** | 3,664,032 |
| | | | |
| **EQUITY** | | | |
| Issued capital | 11 | **20,397,612** | 20,397,612 |
| Accumulated losses | 12 | **(18,743,468)** | (16,905,070) |
| Reserves | 13 | **237,090** | 171,490 |
| **TOTAL EQUITY** | | **1,891,234** | 3,664,032 |

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

# STATEMENT OF CHANGES IN EQUITY
# FOR THE YEAR ENDED 30 JUNE 2012

| | Note | Issued Capital | Accumulated Losses | Option Reserve | Total |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| **Balance at 30 June 2010** | | **20,397,612** | **(14,757,990)** | **171,490** | **5,811,112** |
| Loss attributable to members | | - | (2,147,080) | - | (2,147,080) |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive loss for the year | | - | (2,147,080) | - | (2,147,080) |
| **Balance at 30 June 2011** | | **20,397,612** | **(16,905,070)** | **171,490** | **3,664,032** |
| Loss attributable to members | | - | (1,838,398) | - | (1,838,398) |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive loss for the year | | - | (1,838,398) | - | (1,838,398) |
| Employee share options | 13(a) | - | - | 65,600 | 65,600 |
| **Balance at 30 June 2012** | | **20,397,612** | **(18,743,468)** | **237,090** | **1,891,234** |

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

# STATEMENT OF CASH FLOWS
# FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 | 2011 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | **$** | $ |
| Payments to suppliers and employees | **(1,706,997)** | (2,253,854) |
| Interest received | **197,181** | 318,963 |
| Other income | **1,016** | 134 |
| Net cash used in operating activities **(Note b)** | **(1,508,800)** | (1,934,757) |
| | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of plant and equipment | **(6,081)** | (31,752) |
| Net cash provided by investing activities | **(6,081)** | (31,752) |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Net cash provided by financing activities | **-** | - |
| | | |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | **(1,514,881)** | (1,966,509) |
| Cash and cash equivalents at the beginning of the financial year **(Note a)** | **3,492,395** | 5,458,904 |
| Cash and cash equivalents at the end of the financial year **(Note a)** | **1,977,514** | 3,492,395 |

**(a) Cash and cash equivalents includes**

| | | |
|---|---|---|
| Cash at Bank | **450,571** | 99,724 |
| Term Deposits | **1,526,943** | 3,392,671 |
| | **1,977,514** | 3,492,395 |

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

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

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

| | | |
|---|---|---|
| **Loss after income tax** | **(1,838,398)** | (2,147,080) |
| Share based payments/Director options expensed | **65,600** | - |
| Depreciation | **57,044** | 82,904 |
| (Decrease) / Increase in provision for employee entitlements | **(8,870)** | (3,042) |
| (Increase) / Decrease in trade and other receivables | **27,673** | 23,529 |
| Increase/ (Decrease) in trade and other payables | **188,151** | 108,932 |
| Net cash used in operating activities | **(1,508,800)** | (1,934,757) |

**(c) Credit Standby Facilities**

| | | |
|---|---|---|
| Credit Facility | **30,000** | 30,000 |
| Amount Utilised | **-** | (1,432) |
| | **30,000** | 28,568 |

The only facility is in relation to credit card facilities.

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

**Basis of Preparation**

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

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

**Application of New and Revised Accounting Standards**

The following new and revised Accounting Standards and Interpretations have, where applicable, been adopted in the current year but have had no significant effect on the amounts reported or disclosures.

**<u>Standards affecting presentation and disclosure</u>**

| | |
|---|---|
| Amendments to AASB 7 'Financial Instruments" Disclosure' | The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held. |
| Amendments to AASB 101 'Presentation of Financial Statements' | The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. |
| AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project' | AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards.<br><br>AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. |
| AASB 124 'Related Party Disclosures' (revised December 2009) | AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities. |
| AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement' | Interpretation 114 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of AASB 119. |
| AASB 2009-12 'Amendments to Australian Accounting Standards' | The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures (2009). |
| AASB 2010-5 'Amendments to Australian Accounting Standards' | The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

| | |
|---|---|
| AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets' | The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments – Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets. |

**Accounting Policies**

**a) Principles of going concern**

The Company has recorded a loss of $1,838,398 for the year ended 30 June 2012 and as at 30 June 2012 has net cash and cash equivalents of $1,977,514. The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors are of the opinion that cash assets are sufficient to meet the needs of the Company for at least the coming year.

**b) Revenue recognition**

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

***Interest Income***
Interest income is recognised as it accrues.

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

**c) Exploration and Evaluation Expenditure**

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

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

**d) Financial Instruments**

**Recognition**

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

**Financial assets at fair value through profit and loss**

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

**Loans and receivables**

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

**Held-to-maturity investments**

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

**Available-for-sale financial assets**

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

**Financial liabilities**

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

**Fair value**

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

**Impairment**

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

**e) Impairment of Assets**

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

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

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

**f) Cash and Cash Equivalents**

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

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

**g) Earnings per Share**

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

**h) Property, Plant and Equipment**

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

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

*Impairment*

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

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

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

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

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

**i) Income Tax**

***Current Tax***

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

***Deferred Tax***

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

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

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

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

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

***Current and Deferred Tax for the Period***

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

**j) Employee Entitlements**

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

**k) Goods and Services Tax (GST)**

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

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

**l) Operating Leases**

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

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

**m) Interest in Joint Venture Operations**

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

**n) Provisions**

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

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

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

**o) Share Based Payments**

***Equity settled transactions***

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

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes option pricing model, further details of which are given in the remuneration report.

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

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

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

(i) the extent to which the vesting period has expired; and

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

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

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

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

**p) Comparatives**

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

**q) Significant Accounting Estimates and Assumptions**

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

*Share based payment transactions*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes option pricing model.

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

*Non-recognition of Deferred tax assets*

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

**2. REVENUE**

| | **2012** | 2011 |
|---|---|---|
| | **$** | $ |
| Interest received/receivable – other persons | **170,682** | 281,768 |
| Fuel Tax Credits | **1,016** | 134 |
| | **171,698** | 281,902 |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

## 3. LOSS FOR THE YEAR

| | **2012** **$** | 2011 $ |
|---|---|---|
| Loss for the year includes the following: | | |
| Exploration expenditure written-off | **1,456,206** | 1,841,437 |
| Depreciation of plant and equipment | **57,044** | 82,904 |
| Share based payments | **65,600** | - |

## 4. INCOME TAX

| | | |
|---|---|---|
| a. The components of tax expense comprise: | | |
| Current tax | **-** | - |
| Deferred tax | **-** | - |
| | **-** | - |
| b. The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows: | | |
| Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2011: 30%) | **(551,519)** | (644,124) |
| Add tax effect of: | | |
| — Other non-allowable items | **21,480** | 22,606 |
| — Other assessable items | **13,998** | 25,156 |
| — Share based payments | **19,680** | - |
| — Tax benefit of revenue losses not recognised | **537,871** | 642,280 |
| | **593,029** | 690,042 |
| Less tax effect of: | | |
| — Other non-assessable items | **(6,048)** | (13,998) |
| — Other tax benefits not recognised | **(35,462)** | (31,920) |
| | **(41,510)** | (45,918) |
| Income tax | **-** | - |
| The applicable weighted average effective tax rates are as follows: | **0%** | 0% |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

**4. INCOME TAX (continued)**

| | 2012 $ | 2011 $ |
|---|---|---|
| c. The following deferred tax balances at 30% (2011: 30%) have not been recognised | | |
| Deferred Tax Assets: | | |
| Carry forward revenue losses | **5,018,025** | 4,480,154 |
| Carry forward capital losses | **152,026** | 152,026 |
| Capital raising costs | **28,183** | 42,275 |
| Provisions and accruals | **20,933** | 21,370 |
| | **5,219,167** | 4,695,825 |

The tax benefits of the above Deferred Tax Assets will only be obtained if:

(a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;

(b) the Company continues to comply with the conditions for deductibility imposed by law; and

(c) no changes in income tax legislation adversely affect the company in utilising the benefits.

| | 2012 $ | 2011 $ |
|---|---|---|
| Deferred Tax Liabilities: | | |
| Other | **-** | 403 |
| Accrued interest | **6,048** | 13,998 |
| | **6,048** | 14,401 |

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

## 5. TRADE & OTHER RECEIVABLES

| | 2012 | 2011 |
|---|---|---|
| **Current** | **$** | $ |
| Prepayments | **14,495** | 23,874 |
| Other | **20,180** | 46,679 |
| GST refund due | **91,671** | 83,466 |
| | **126,346** | 154,019 |

There are no amounts which are past due or impaired.

## 6. FINANCIAL ASSETS

**Non Current**

| | | |
|---|---|---|
| Other receivables - bonds | **14,404** | 14,404 |

## 7. PLANT & EQUIPMENT

| | | |
|---|---|---|
| Plant and equipment at cost | **18,219** | 15,279 |
| Less: accumulated depreciation | **(9,598)** | (7,114) |
| | **8,621** | 8,165 |
| Office furniture at cost | **17,245** | 17,245 |
| Less: accumulated depreciation | **(15,057)** | (14,118) |
| | **2,188** | 3,127 |
| Electronic equipment at cost | **104,101** | 101,860 |
| Less: accumulated depreciation | **(81,826)** | (69,067) |
| | **22,275** | 32,793 |
| Software at cost | **21,988** | 21,088 |
| Less: accumulated depreciation | **(18,994)** | (17,079) |
| | **2,994** | 4,009 |
| Motor Vehicles | **223,305** | 223,305 |
| Less: accumulated depreciation | **(106,464)** | (67,517) |
| | **116,841** | 155,788 |
| Total Plant and equipment at cost | **384,858** | 378,777 |
| Less: accumulated depreciation | **(231,939)** | (174,895) |
| | **152,919** | 203,882 |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

## 7. PLANT & EQUIPMENT (Continued)

| | 2012 $ | 2011 $ |
|---|---|---|
| **Movements in Plant and Equipment** | | |
| Balance at beginning of the year | **203,882** | 255,034 |
| Additions | **6,081** | 31,752 |
| Depreciation expense | **(57,044)** | (82,904) |
| Balance at end of the year | **152,919** | 203,882 |

## 8. MINERAL EXPLORATION EXPENDITURE

**Non Current**

| | | |
|---|---|---|
| Costs bought forward | **-** | - |
| Exploration expenditure incurred (net of refunds received) on mineral tenements and joint ventures | **1,456,206** | 1,841,437 |
| Less: Expenditure written off to the statement of comprehensive income | **(1,456,206)** | (1,841,437) |
| Costs carried forward | **-** | - |

## 9. TRADE & OTHER PAYABLES

**Current**

| | | |
|---|---|---|
| Other creditors and accruals | **355,778** | 167,627 |

All creditors and accruals are not past due.

## 10. PROVISIONS

**Current**

| | | |
|---|---|---|
| Employee entitlements | **24,171** | 33,041 |

There were 4 employees (2010: 5 full time employees) at reporting date.

## 11. ISSUED CAPITAL

| | 2012 No | 2011 No | 2012 $ | 2011 $ |
|---|---|---|---|---|
| **ISSUED AND FULLY PAID UP CAPITAL** | | | | |
| **Ordinary Shares** | | | | |
| Opening balance | **163,578,935** | 163,578,935 | **20,397,612** | 20,397,612 |
| Net movement during the year | **-** | - | **-** | - |
| Closing balance | **163,578,935** | 163,578,935 | **20,397,612** | 20,397,612 |
| | | | | |
| **Options** | | | | |
| Opening balance | **2,000,000** | 2,000,000 | | |
| Employee options issued | **4,000,000** | - | | |
| Employee options forfeited | **(2,000,000)** | - | | |
| Closing balance | **4,000,000** | 2,000,000 | | |

Details of options outstanding are included in Note 14.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

## 12. ACCUMULATED LOSSES

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **Accumulated Losses:** | | |
| Balance at the beginning of the year | **(16,905,070)** | (14,757,990) |
| Net loss for the year | **(1,838,398)** | (2,147,080) |
| Balance at the end of the year | **(18,743,468)** | (16,905,070) |

## 13. RESERVES

| | 2012 | 2011 |
|---|---|---|
| **(a) Option Premium Reserve:** | | |
| Balance at the beginning of the year | **171,490** | 171,490 |
| Options issued to directors | **65,600** | - |
| Balance at the end of the year | **237,090** | 171,490 |
| | | |
| **(b) General Reserve:** | | |
| Balance at the beginning of the year | - | - |
| Transfer to income statement on sale of shares | - | - |
| Revaluation of financial assets to fair value | - | - |
| Balance at the end of the year | - | - |
| | | |
| **Total** | **237,090** | 171,490 |

## 14. SHARE BASED PAYMENTS

Options are issued to key management personnel as part of their compensation. The options issued may be subject to performance criteria and are issued to key management personnel of Falcon Minerals Limited to increase goal congruence between key management personnel and shareholders.

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

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | **Number of Options** | **Weighted Average Exercise Price $** | **Number of Options** | **Weighted Average Exercise Price $** |
| **At beginning of reporting period** | 2,000,000 | 0.25 | 2,000,000 | 0.25 |
| Granted during the period | | | | |
| - Director remuneration | 2,000,000 | 0.20 | - | - |
| - Director remuneration | 2,000,000 | 0.40 | - | - |
| Cancelled during the period | | | | |
| - Director remuneration | (2,000,000) | (0.25) | - | - |
| **Balance at end of reporting period** | 4,000,000 | 0.30 | 2,000,000 | 0.25 |
| **Exercisable at end of reporting period** | 4,000,000 | | 2,000,000 | |

The outstanding balance at 30 June 2012 is represented by:

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

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

***Options issued***

4,000,000 options were issued during the year ended 30 June 2012 (2011: Nil)

***Options exercised***

No options issued under the share based payment scheme were exercised during the year ended 30 June 2012 (2011: Nil).

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

***Options lapsed***

During the year, 1,000,000 options exercisable at 20 cents each and expiring on 30th September 2012; and 1,000,000 options exercisable at 30 cents each and expiring on 30th September 2012 were cancelled on 10th October 2011, the date Graeme Cameron resigned from the Company. The value of the options at date of cancellation were $35,675.

### 15. KEY MANAGEMENT PERSONNEL

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

| Key Management Person | Position |
|---|---|
| Mr Richard Diermajer | Executive Director |
| Mr Ray Muskett | Non Executive Director |
| Mr Graeme Cameron | Technical Director – Resigned 10th October 2011 |
| Mr Ronald Smit | Managing Director – Appointed 19th July 2011 |
| Mr Dean Calder | Company Secretary |

**Compensation for Key Management Personnel**

| | **2012** | 2011 |
|---|---|---|
| | $ | $ |
| Short-term employee benefits | **483,429** | 452,498 |
| Post employment benefits | **36,477** | 39,153 |
| Other long-term benefits | **-** | - |
| Termination benefits | **65,600** | - |
| Share based payment | **-** | - |
| Total Compensation | **585,506** | 491,651 |

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the company and other related bodies corporate, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the balance date is as follows:

**Shareholdings of Key Management Personnel**

**Year Ended 30 June 2012**

Number of Shares held by Key Management Personnel

| | Balance 1 July 2011 | Granted as Remuneration | Options Exercised | Net Change Other | Held on date of resignation | **Balance 30 June 2012** |
|---|---|---|---|---|---|---|
| Richard Diermajer | 3,500,000 | - | - | 500,000 | - | **4,000,000** |
| Ray Muskett | 445,000 | - | - | - | - | **445,000** |
| Ronald Smit | - | - | - | 1,000,000 | - | **1,000,000** |
| **TOTAL** | **3,945,000** | **-** | **-** | **1,500,000** | **-** | **5,445,000** |

**Shareholdings of Key Management Personnel**

Year Ended 30 June 2011

Number of Shares held by Key Management Personnel

| | Balance 1 July 2010 | Granted as Remuneration | Options Exercised | Net Change Other | Held on date of resignation | Balance 30 June 2011 |
|---|---|---|---|---|---|---|
| Richard Diermajer | 3,500,000 | - | - | - | - | 3,500,000 |
| Ray Muskett | 445,000 | - | - | - | - | 445,000 |
| Graeme Cameron | - | - | - | - | - | - |
| TOTAL | 3,945,000 | - | - | - | - | 3,945,000 |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

## 15. KEY MANAGEMENT PERSONNEL (Continued)

**Option Holdings of Key Management Personnel**

**Year Ended 30 June 2012**

Number of Options held by Key Management Personnel

| | Balance 1 July 2011 | Granted as Remune-ration | Options Exercised | Net Change Other | Held on date of resignation | **Balance 30 June 2012** | Exercisable | Un-exercisable |
|---|---|---|---|---|---|---|---|---|
| Richard Diermajer | - | - | - | - | - | - | - | - |
| Ray Muskett | - | - | - | - | - | - | - | - |
| Ronald Smit | - | 4,000,000 | - | - | - | **4,000,000** | 4,000,000 | - |
| Graeme Cameron | 2,000,000 | - | - | - | (2,000,000) | - | - | - |
| **TOTAL** | 2,000,000 | 4,000,000 | - | - | (2,000,000) | **4,000,000** | 4,000,000 | - |

**Option Holdings of Key Management Personnel**

Year Ended 30 June 2011

Number of Options held by Key Management Personnel

| | Balance 1 July 2010 | Granted as Remune-ration | Options Exercised | Net Change Other | Held on date of resignation | **Balance 30 June 2011** | Exercisable | Un-exercisable |
|---|---|---|---|---|---|---|---|---|
| Richard Diermajer | - | - | - | - | - | - | - | - |
| Ray Muskett | - | - | - | - | - | - | - | - |
| Graeme Cameron | 2,000,000 | - | - | - | - | 2,000,000 | 2,000,000 | - |
| **TOTAL** | 2,000,000 | - | - | - | - | 2,000,000 | 2,000,000 | - |

**Other transactions and balances with Key Management Personnel**

**Consultancy services**

Fees of $33,684 (2011: $38,910) were paid to Calder Roth & Co, an accounting firm of which Dean Calder is a principal, for accounting, company secretarial, taxation and other services during the year. Included in those fees are $11,715 (2011: 12,515) which have been disclosed in the Executive table as directly related to Dean Calder’s services.

## 16. REMUNERATION OF AUDITORS

| | **2012** **$** | 2011 $ |
|---|---|---|
| During the year, the following fees were received or due and receivable by Stantons International for:- | | |
| Audit and review of financial report | **24,067** | 27,539 |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

## 17. EXPLORATION INTERESTS

**Exploration**

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

| Project | Percentage Interest | |
|---|---|---|
| | **2012** | **2011** |
| Duketon | 20% free carried | 20% free carried |
| North Duketon | 20% free carried | 20% free carried |
| Windanning Hill | 21.50% diluting | 21.50% diluting |

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

## 18. CONTINGENT ASSETS AND LIABILITIES

In the opinion of the directors, there are no contingent assets or liabilities as at 30 June 2012 and no changes in the interval between 30 June 2012 and the date of this report.

## 19. COMMITMENTS

**Exploration Licence Commitments**

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

| | **2012** | 2011 |
|---|---|---|
| | $ | $ |
| Not later than one year | **1,143,416** | 2,358,109 |
| After one year but less than five years | **1,579,603** | 4,382,556 |
| | **2,723,019** | 6,740,665 |
| **Operating Lease Commitments** | | |
| Not later than one year | **26,710** | 43,215 |
| After one year but not later than five years | **-** | 7,650 |
| | **26,710** | 50,865 |

There are two operating leases being rental leases on the Company's premises. The leases expire on 31st January 2012 and 1 December 2012.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

## 20. RELATED PARTIES

**Directors**

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

**Other Related Party Transactions**

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

No amounts in addition to those disclosed in the remuneration report to the financial statements were paid or payable to Directors of the Company in respect of the year ended 30 June 2012.

## 21. EVENTS SUBSEQUENT TO REPORTING DATE

In the opinion of the Directors there have been no matters that have arisen since 30 June 2012, that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future years.

## 22. ECONOMIC DEPENDENCY

The Company is not economically dependent on any party.

## 23. PLACE OF INCORPORATION

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

## 24. SEGMENT REPORTING

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

## 25. LOSS PER SHARE

| | **2012 Cents per share** | 2011 Cents per share |
|---|---|---|
| a) Basic loss per share | **(1.12)** | (1.31) |
| b) Net loss used in calculating | **$** | $ |
| - Basic loss per share | **(1,838,398)** | (2,147,080) |
| | **Number** | Number |
| c) Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share | **163,578,935** | 163,578,935 |

d) Effect of dilutive securities

There were no dilutive potential ordinary shares on issue at balance date. Accordingly, diluted loss per share is the same as basic loss per share.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

## 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise cash and short term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the company. The Company also has other financial instruments such as trade debtors and creditors which arise directly from its operations. For the year under review, the Company has not traded in shares or options and holds no such investments at 30 June 2012.

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

a) Interest Rate Risk Exposures

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

b) Credit Risk Exposures

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

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

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

c) Commodity price risk

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

d) Foreign currency risk

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

e) Market price risk

The Company is not exposed to market price risk.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

## 27. FINANCIAL INSTRUMENTS

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

| | Floating Interest rate | | Fixed Interest Less than 1 year | | Non-interest Bearing | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 |
| | **$** | $ | **$** | $ | **$** | $ | **$** | $ |
| **Financial Assets** | | | | | | | | |
| Cash and cash equivalents | **-** | - | **1,526,943** | 3,392,671 | **450,571** | 99,724 | **1,977,514** | 3,492,395 |
| Trade and other receivables | - | - | **-** | - | **111,852** | 130,145 | **111,852** | 130,145 |
| Financial assets | - | - | **-** | - | **14,404** | 14,404 | **14,404** | 14,404 |
| Total Financial Assets | **-** | - | **1,526,943** | 3,392,671 | **576,827** | 244,273 | **2,103,770** | 3,636,944 |
| **Interest Rate** | **-** | - | **5.57%** | 6.20% | | | | |
| **Financial Liabilities** | | | | | | | | |
| Trade and other payables | **-** | - | **-** | - | **355,778** | 167,627 | **355,778** | 167,627 |
| Total Financial Liabilities | - | - | **-** | - | **355,778** | 167,627 | **355,778** | 167,627 |
| **Net Financial Assets/ (Liabilities)** | **-** | - | **1,526,943** | 3,392,671 | **221,049** | 76,646 | **1,747,992** | 3,469,317 |

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

**Sensitivity Analysis**

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

*Interest Rate Sensitivity Analysis*

At 30 June 2012, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

| | **2012** | 2011 |
|---|---|---|
| | **$** | $ |
| **Change in Profit** | | |
| - Increase in interest rate by 1% | **15,269** | 33,927 |
| - Decrease in interest rate by 1% | **(15,269)** | (33,927) |
| **Change in equity** | | |
| - Increase in interest rate by 1% | **15,269** | 33,927 |
| - Decrease in interest rate by 1% | **(15,269)** | (33,927) |

# DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 24 to 44 are in accordance with the Corporations Act 2001 and;

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and
   (b) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the company;
   (c) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

2. The Executive Director and Company Secretary have each declared that:

   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   (b) the financial statements and noted for the financial year comply with the Accounting Standards; and
   (c) the financial statements and notes for the financial year give a true and fair view;

3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

______________________________

R Diermajer
Director

Dated this 16th day of September 2012

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

## Report on the Financial Report

We have audited the accompanying financial report of Falcon Minerals Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors' responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

*Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

*Independence*

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

*Opinion*

In our opinion:

(a) the financial report of Falcon Minerals Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report of the Company also complies with International Financial Reporting Standards as disclosed in note 1.

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 13 to 15 of the directors' report for the year ended 30 June 2012. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

*Opinion*
In our opinion the remuneration report of Falcon Minerals Limited for the year ended 30 June 2012 complies with section 300 A of the *Corporations Act 2001*.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**
**(Trading as Stantons International)**
**(An Authorised Audit Company)**
Stantons International Audit & Consulting Pty Ltd.

Martin Michalik

**Martin Michalik**
Director

West Perth, Western Australia
6 September 2012

Stantons International Audit and Consulting Pty Ltd
trading as
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6 September 2012

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

Dear Sirs

**RE: FALCON MINERALS LIMITED**

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

As the Audit Director for the audit of the financial statements of Falcon Minerals Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

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

Martin Michalik

**Martin Michalik**
**Director**

## STOCK EXCHANGE INFORMATION

The additional information set out below relates to shares, options and tenements that was applicable at 31st August 2012.

## DISTRIBUTION OF SHAREHOLDINGS

| Size of holding | Number of shareholders |
|---|---|
| 1 – 1,000 | 219 |
| 1,001 – 5,000 | 648 |
| 5,001 – 10,000 | 561 |
| 10,001 – 100,000 | 1,162 |
| 100,001 and over | 231 |
| Total shareholders | 2,821 |
| Number of shareholders with less than a marketable parcel of $500 at 2.3 cents per share | 1,896 |

## SUBSTANTIAL SHARE HOLDERS – as advised to the Company

| Name | No of shares |
|---|---|
| Xstrata Nickel Australasia | 23,011,516 |

### VOTING RIGHTS

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

## TWENTY LARGEST SHAREHOLDERS

| Name of Shareholders | | No of shares | % |
|---|---|---|---|
| 1. | Xstrata Nickel Australasia | 23,011,516 | 14.07 |
| 2. | Monex Boom Securities (HK) Ltd | 8,749,407 | 5.35 |
| 3. | Avon Management Company Pty Ltd | 4,000,000 | 2.45 |
| 4. | Illawong Investments Pty Ltd | 3,944,000 | 2.41 |
| 5. | HSBC Custody Nominees | 2,482,004 | 1.52 |
| 6. | Mr Steven Jan Zielinski & Mrs Karen Lyn Zielinski | 2,000,000 | 1.22 |
| 7. | J P Morgan Nominees Australia Ltd | 1,432,004 | 0.88 |
| 8. | Allua Holdings Pty Ltd | 1,424,795 | 0.87 |
| 9. | Red Dragon Trading Pty Ltd | 1,400,000 | 0.86 |
| 10. | S & CJ Pty Ltd | 1,125,000 | 0.69 |
| 11. | National Nominees Limited | 1,120,000 | 0.69 |
| 12. | Paso Holdings Pty Ltd | 1,115,841 | 0.68 |
| 13. | 666 Pty Ltd | 1,111,111 | 0.68 |
| 14. | Mr Ian Sterling & Mrs Irene Sterling | 1,061,108 | 0.65 |
| 15. | Mr Brett William Thompson | 1,050,000 | 0.64 |
| 16. | Syrain Pty Ltd | 1,000,000 | 0.61 |
| 17. | Sacrosanct Pty Ltd | 1,000,000 | 0.61 |
| 18. | Gascorp Australia Pty Ltd | 1,000,000 | 0.61 |
| 19. | Hereeda Holdings Pty Ltd | 1,000,000 | 0.61 |
| 20. | Hulme Developments Pty Ltd | 1,000,000 | 0.61 |
| Top 20 largest shareholders | | 60,026,786 | 36.70 |
| Total Shares Issued | | 163,578,935 | 100.00 |

## TENEMENT SCHEDULE

| Project | Tenements | Falcon % | Joint Venture |
|---|---|---|---|
| **Nickel (WA)** | | | |
| Collurabbie | EL's 38/2009, 38/1598, 38/1986<br>ML 38/974,<br>PL's 38/3398 & 38/3876 | 100% | |
| **Nickel & Gold (WA)** | | | |
| Duketon | EL 38/2005, PL 38/3566 to 38/3567,<br>PL 38/3568, ML 38/1091 | 20% | Regis 80% |
| North Duketon | EL 38/1939<br>PL 38/3358 to 38/3363, 38/3375 | 20% | Regis 80% |
| **Copper-Gold (SA)** | | | |
| Peak-Denison | EL 4350 & EL 4536 | 100% | |
| **Gold (QLD)** | | | |
| Saxby | EPM 13630, 15326, 15398, 15872,<br>16715, 15851 | 100% | |
| **Copper-Gold (QLD)** | | | |
| Cloncurry | EPM 18313 & EPM 18289 | 100% | |
| **Gold/Iron Ore (WA)** | | | |
| Windanning Hill | ML 59/379 & ML 59/380 | 21% | Gindalbie Metals 79%<br>Minjar Gold 79% |