

Falcon Minerals Ltd

ACN 009 256 535

Company Announcement

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FIRST QUARTERLY ACTIVITY REPORT TO 30th SEPTEMBER 2010

HIGHLIGHTS FOR THE QUARTER

- *Diamond drilling is underway at the Olympia Prospect with a four hole programme to test for new mineralised zones to the north of Olympia as well as to test the for the southern extension to the massive nickel-copper-PGE mineralised zone defined in the June 2010 drilling campaign.*
- *A further two step-out holes are being drilled at the Argus prospect to the north of Olympia to test for a new mineralised zone away from previous drill hole CLD127, that returned 4m @ 1.00% Ni, 0.55% Cu and 0.97g/t PGE.*
- *JV partner, AngloGold Ashanti Australia (AGAA), completed a five-hole (4000m) diamond drilling programme at the Saxby Project to test for significant gold mineralisation up-dip and away from discovery drill hole SXDD005 (17m @ 6.75g/t gold from 631m).*
- *Saxby drillhole SXDD014 intersected strong poly-phase brecciation, veining and pyritic alteration from 660m - 670m and 690m - 710m, and these zones are interpreted to correlate with steeply dipping gold-mineralised structures intersected in SXDD005. NB: Assay results are still pending due to significant delays at the laboratory.*
- *3D geophysical modelling has identified two “drill-ready” gravity targets at Spring Hill and Davenport Creek in the Peake-Denison inlier of the northern Gawler Craton. Both targets have potential to host a large iron-oxide-copper-gold mineralised system such as those associated with the Prominent Hill and Osborne copper-gold deposits.*

COLLURABBIE PROJECT – W.A.
(Nickel, Copper and Platinum Group Elements)
(Falcon 100%)

During the Quarter Falcon commenced diamond drilling at its wholly-owned Collurabbie nickel-copper-PGE Project in the Duketon greenstone belt, Western Australia.

To date, continuous massive and matrix nickel-copper-PGE sulphide mineralisation has been intersected over a strike length of nearly 300m. The current drilling programme comprises 5 to 6 drill holes for approximately 1500m (Table 1), and aims to test for new mineralised zones to the north of the Olympia Prospect as well as to test for the southern extension to the Olympia mineralisation defined in the June 2010 drilling campaign.

Table 1 – Proposed diamond drill hole collars, October 2010.

Hole ID	East	North	RL	Depth	Azimuth	Dip
CLD205	421960.00	7026150.00	515.00	200	90.00	-60.00
CLD206	421940.00	7026220.00	515.00	200	90.00	-60.00
CLD207	421920.00	7026070.00	515.00	350	87.00	-60.00
CLD208	422110.00	7025850.00	515.00	200	90.00	-60.00
CLD209 (Argus)	421910.00	7026450.00	515.00	200	85.00	-60.00
CLD210 (Argus)	421900.00	7026550.00	515.00	200	85.00	-60.00

Previous drilling indicated that massive nickel-copper-PGE sulphide mineralisation may continue to the south of 7025900N. There remains at least 100m of prospective strike length that has limited drilling only. At least one diamond hole will be drilled during the current programme to test this area and to provide a platform for a downhole EM survey (Figure 1).

Recent 3D geophysical modelling work has highlighted several EM conductors that may be related to massive sulphide mineralisation to the north of 7026100N (Figure 1). At least two holes being drilled are to test these conductors. A further two holes are being drilled to test a new zone (Argus) to the north of the Olympia prospect where previous drilling returned 4m @ 1.00% Ni, 0.55% Cu and 0.97g/t PGE in drill hole CLD127.

A down-hole electromagnetic-survey will also be completed during the current work campaign to test for massive nickel sulphides away from the current drill holes.

Initial drilling results from this drilling program are expected in November and will be released as they come to hand.

For further information about the previously intersected Ni-Cu-PGE results from the Olympia Prospect please refer to the Exploration Update released by Falcon to the ASX on the 5th of July 2010.

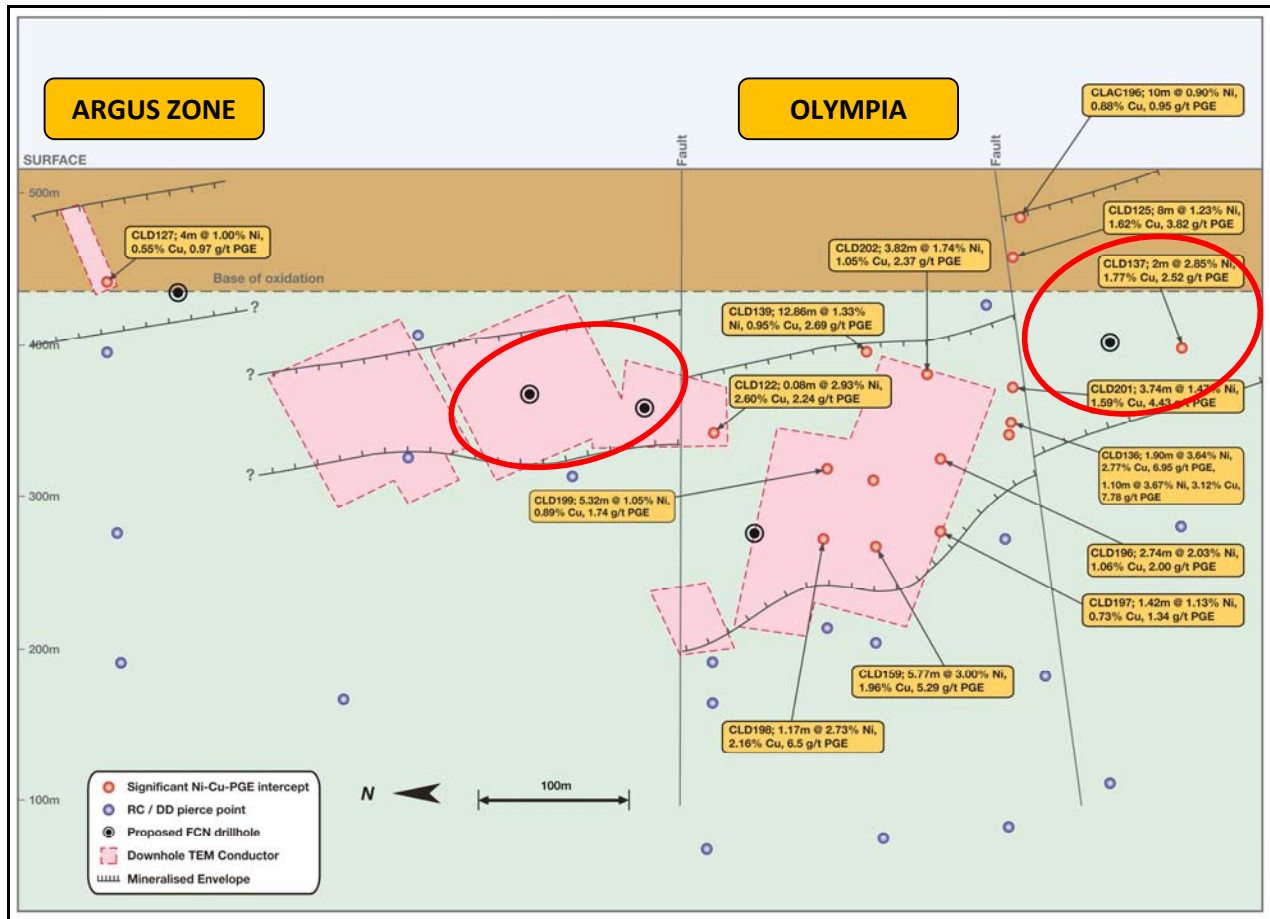


Figure 1 – Olympia Prospect longitudinal section (looking to the east) showing down-hole conductors within interpreted mineralised envelopes and proposed drilling to test for additional Ni-Cu-PGE massive sulphide mineralisation.

SAXBY JOINT VENTURE – QUEENSLAND

(Gold, Nickel and Copper)

(Falcon 49%, AngloGold Ashanti Australia Limited 51 % earning 70%)

Background

The Saxby project is located 150 km northeast of Cloncurry in Northwest Queensland. The Project was acquired under Falcon’s Olympic Dam and VHMS Initiative and is considered to have good potential for both Iron Oxide-Copper-Gold (IOCG) and mafic-hosted (Voisey’s Bay style) Ni-Cu massive sulphide systems.

Significant gold mineralisation was intersected by AngloAmerican Exploration in September 2008 in diamond drill hole SXDD005 collared at 7866200N, 488200E, as follows:

- 17m @ 6.75g/t gold from 631m to 648m
*Including 5m @ 19.30g/t gold from 635m to 640m
And 1.3m @ 67.23g/t gold from 636.7 to 638m (with copper up to 1198ppm)*
- 7m @ 1.98g/t gold from 614m to 621m

The gold mineralised zone intersected in SXDD005 is part of a much broader zone from 610-648m characterised by strong IOCG-style “red rock” K-feldspar-calcite-haematite-magnetite-quartz alteration in strongly brecciated diotite-granodiorite and pegmatite sills.

Current Exploration

During the Quarter JV partner, AngloGold Ashanti Australia Limited completed a diamond drilling programme comprising five drill holes (SXDD011- SXDD0015) for a total of 4044.6 metres, including 2318.4 metres of rotary mud and 1726.2 metres of NQ core.

Assay turn-around has been significantly delayed due to prolonged sample preparation and extensive QC/QA procedures at the analytical laboratory in Perth. Final assay results are currently pending and should be available in late October/early November.

The 2010 drilling has significantly improved the understanding of the Proterozoic basement geology and structure in the environs of Anglo American’s 2008 mineralised drill hole, SXDD005.

Strong poly-phase brecciation, veining and pyritic alteration was intersected between 660m - 670m and 690m - 710m in SXDD014 and these zones are interpreted to correlate with steeply SE-dipping gold-mineralised structures intersected in SXDD005.

Holes SXDD011 and SXDD012 were drilled to test SQUID EM and structural targets north of SXDD005 and intersected strongly graphitic meta-sedimentary rocks and minor calc-silicates, with doleritic–tonalitic intrusive rocks at the base of the holes. The graphitic units contained locally abundant pyrite ± pyrrhotite but are devoid of polyphase brecciation, veining and alteration that are associated with gold mineralisation in the doleritic–tonalitic unit.

Hole SXDD015, which tested a SQUID electromagnetic anomaly 1500 metres southwest of SXDD005, returned weakly altered tonalitic intrusive rocks in the basement. The SQUID electromagnetic response was not explained by this drill hole and remains to be resolved.

PEAKE-DENISON PROJECT – GAWLER CRATON, S.A.
(Copper-Gold-Iron, Uranium)
(Falcon 100%)

Regional targeting for iron oxide-copper-gold systems within the Gawler Craton was completed in 2009 using fully-integrated geophysical, geochemical and geological datasets to identify key controls on major mineralising systems. High-priority targets were identified and used to guide the acquisition of new projects in the region.

Four large exploration licences have been acquired within the Peake-Denison Inlier of the northern Gawler Craton (Figure 2). The Peake-Denison represents a major uplifted Proterozoic basement block with discrete gravity-magnetic anomalies associated with major basement fault intersections. The geology of the Peake-Denison Inlier is thought to be analogous to the Olympic Dam and Prominent Hill geological settings.

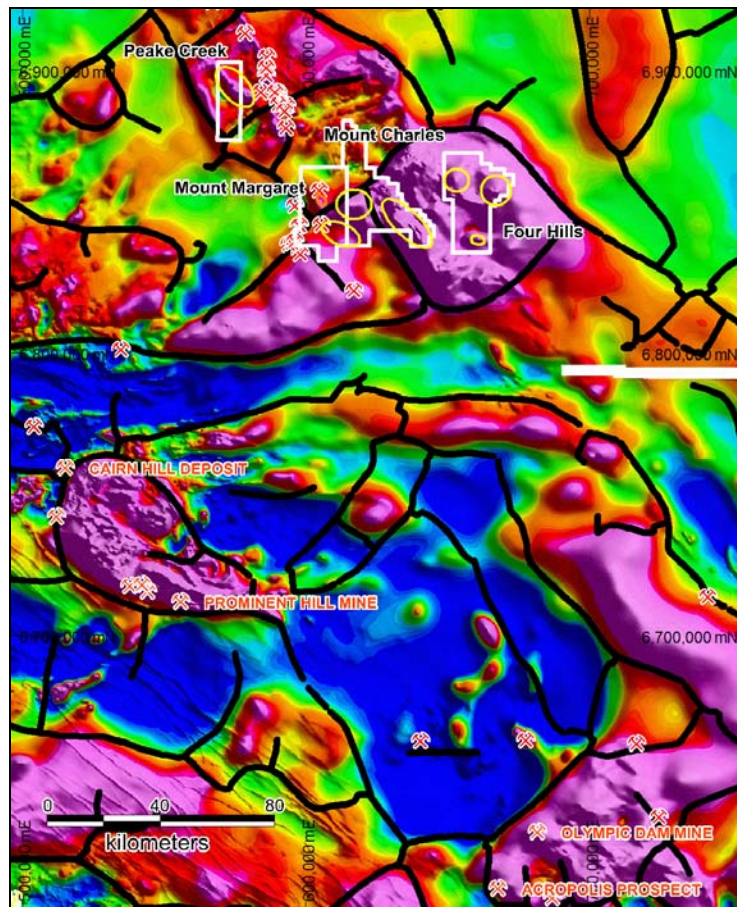


Figure 2 - Bouguer gravity image and major geophysical structures over north-eastern Gawler Craton, SA. FCN exploration licences are shown in white and geophysical targets in yellow.

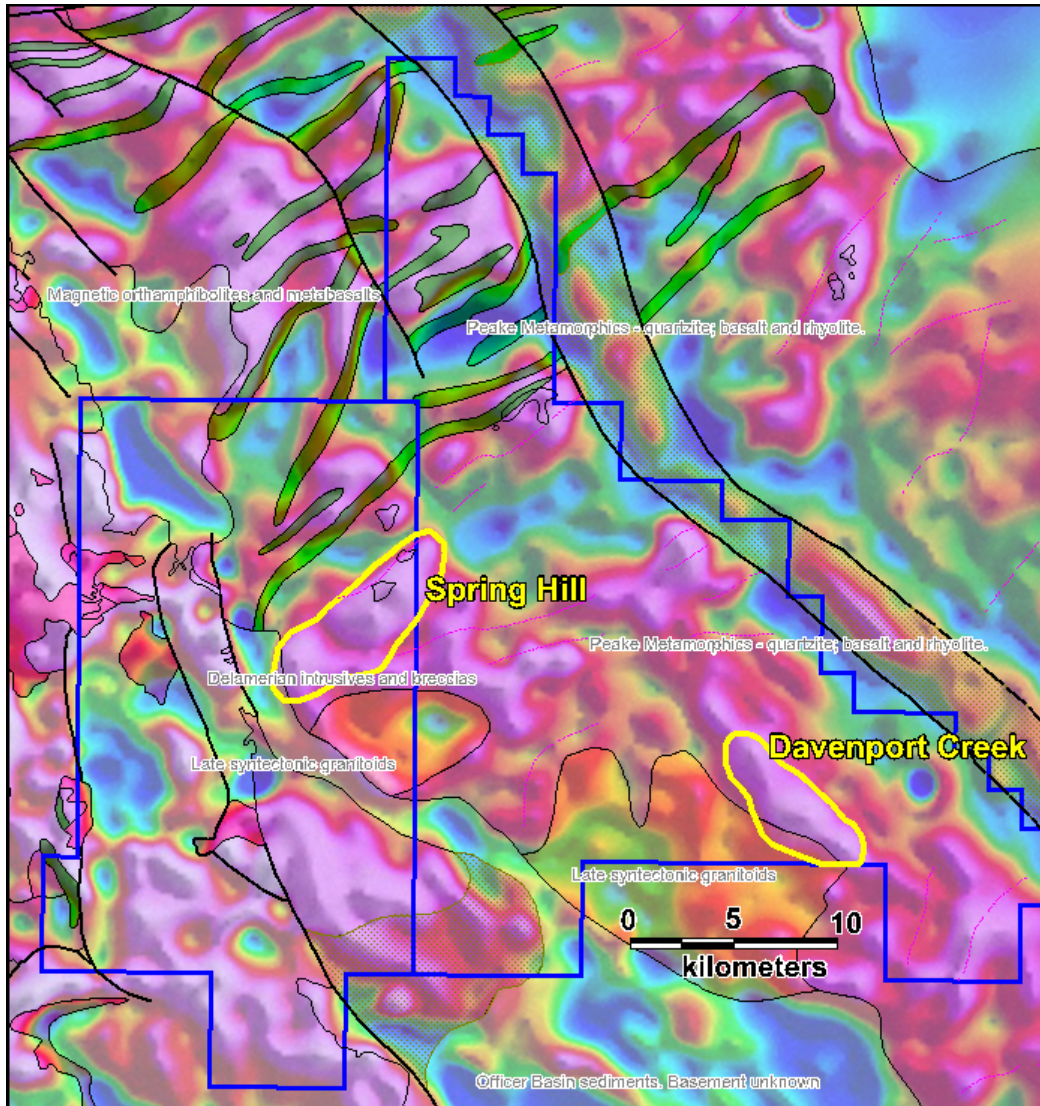


Figure 3 – Residual Bouguer gravity image showing Spring Hill and Davenport Creek gravity anomalies on Falcon Mt Margaret and Mt Charles ELs.

During the Quarter, Falcon completed 3D geophysical (inversion) modelling of detailed gravity data compiled over the Mt Charles and Mt Margaret areas to determine the amplitude and significance of several geophysical targets and to better define targets for drill testing in 2011.

The 3D modelling indicates that the geophysical expressions of the Spring Hill and Davenport Creek targets (Figure 3) are consistent with known large iron-oxide-copper-gold alteration systems such as those associated with the Prominent Hill and Osborne copper-gold deposits. These targets comprise elongate to pipe-like bodies with densities of 3.1 to 3.6 g/cc and coincident offset magnetic anomalies with susceptibilities up to 2.0 SI units (See Figure 4 and Figure 5).

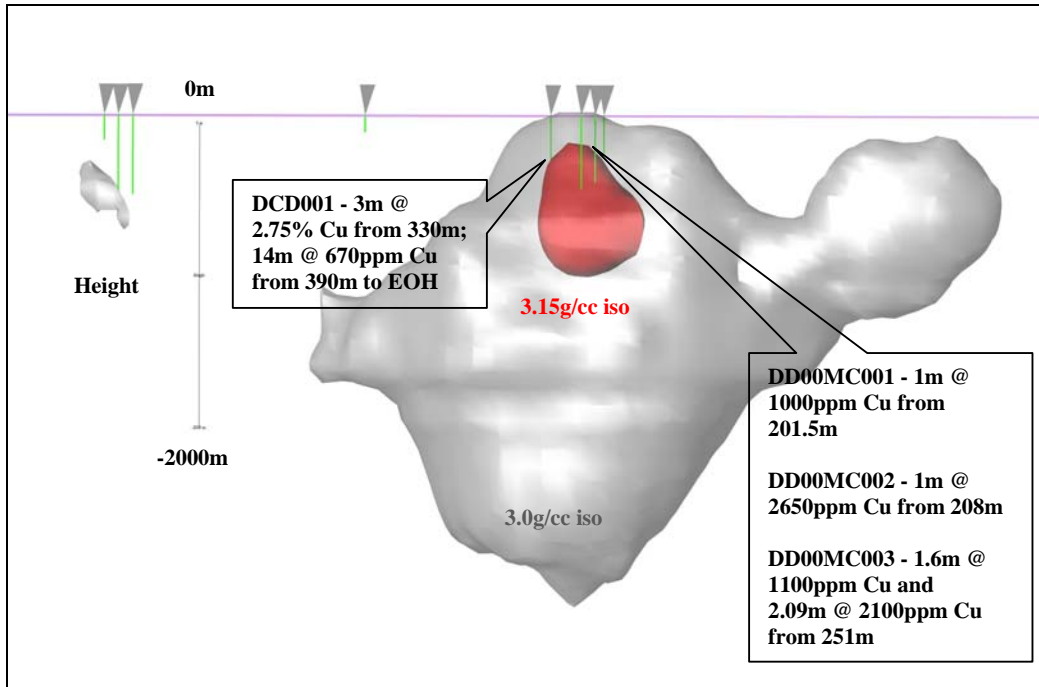


Figure 4 – Davenport Creek 3D gravity inversion model showing >3.0g/cc isosurfaces and previous drilling results (looking to the north-east).

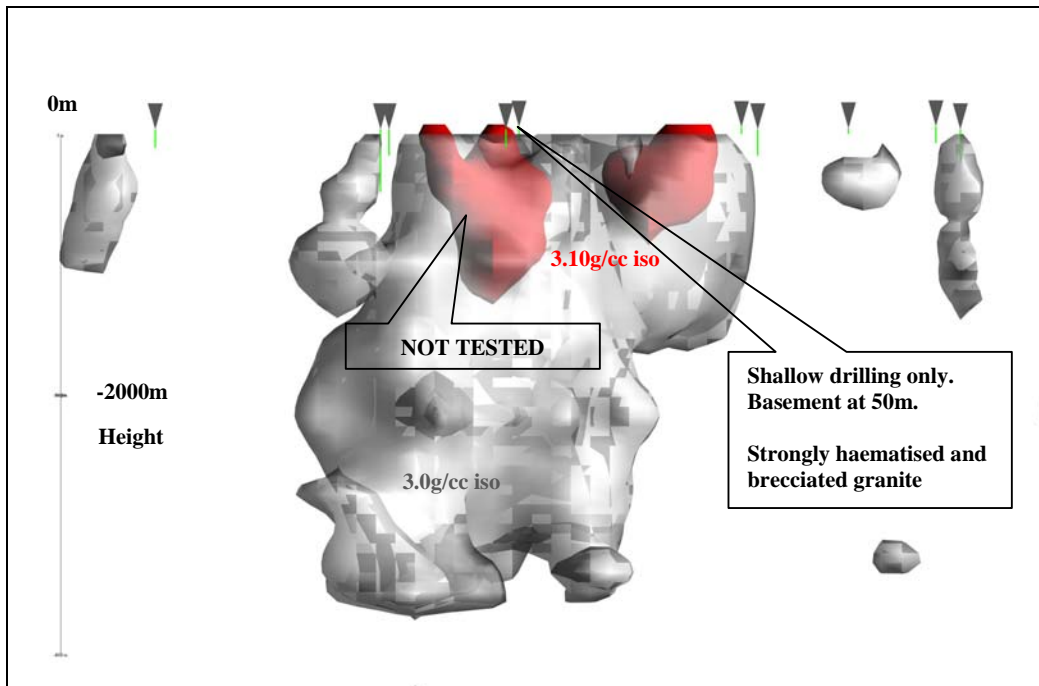


Figure 5 – Spring Hill 3D gravity inversion model showing >3.0g/cc isosurfaces and previous drilling results (looking to the north-west).

Previous exploration by RGC Exploration, BHP and Rio Tinto Exploration between 1996 and 2000 comprised limited drill testing only. Widespread copper anomalism (>0.1% Cu) was encountered in earlier drill holes at both the Spring Hill and Devonport areas, although it is clear from the 3D modelling that the historic drilling failed to test the core of the detailed gravity targets.

One historic drillhole, DCD001 at the Davenport Creek prospect reported an interval of 3m @ 2.75% Cu from 330m associated with magnetite-haematite-chalcopyrite-bornite breccias in basement rocks, and a further 14m of anomalous copper averaging 670ppm was intersected in altered pegmatite from 390m to the end of the hole. A downhole EM survey was completed and indicated an off-hole conductor away from DCD001.

Falcon is currently compiling all available data over the targets and is planning a drill programme to test the Spring Hill and Devonport Creek targets in the first half of 2011.

DELETA JOINT VENTURE - DUKETON AND NORTH DUKETON PROJECTS - W.A.

(Gold and Nickel-Copper-Platinum Group Elements)

(Regis 80%, Falcon 20%)

The North Duketon Joint Venture comprises a large area of about 100 square kilometres within the Duketon greenstone belt, located directly south of the Collurabbie Project and to date, has returned broadly anomalous Ni-Cu-PGE drilling results from several prospects along the Collurabbie Ultramafic trend. The Duketon project lies immediately due north of the Regis Resources' regionally significant Moolart Well gold operation (2.22Moz).

No fieldwork was completed during the September Quarter.

WINDANNING HILL JOINT VENTURE – W.A.

(Gold, Iron Ore)

(Minjar Gold Pty Ltd 78.5%, Falcon 21.5% diluting)

The Windanning JV is located within the Yalgoo-Singleton greenstone belt, 400 km north-north-east of Perth. The Yalgoo belt contains the world class Gossan Hill and Scuddles base metal deposits at Golden Grove and the Mt Gibson gold project.

In March 2009, Golden Stallion Resources bought Minjar Gold Pty Ltd and the Minjar gold asset (including the Windanning JV) from collapsed entity Monarch Gold Mining Company. In accordance with an earlier agreement with Monarch, Falcon retains its 21.5% equity in two separate joint ventures at Windanning Hill, each with Minjar Gold (gold and base metals) and Gindalbie Metals (iron ore).

The Windanning Hill JV hosts the Keronima gold deposit comprising a JORC-compliant Inferred Resource of 281,000 tonnes @ 2.2 g/t gold for 19,900 ounces of contained gold.

Minjar Gold has conducted the following mine development work during the June quarter;

- Open pit optimisation study,
- Strategic pit size and fleet configuration options review,
- Open pit design,
- Mine schedule and
- Mineral Reserve Statement development.

Falcon is continuing to review its options for the Windanning JV.

PALTHRUBIE AND ACRAMAN – SOUTH AUSTRALIA

(Gold, Uranium)

(Falcon 100%)

The Palthrubie and Lake Acraman Projects are located in the prospective Gawler Craton region of South Australia. The primary target within the project has been high-grade “Tunkillia-style” gold mineralisation hosted within Hiltaba Suite granites which intrude the area.

No fieldwork was conducted during the September quarter.

MULGARRIE JOINT VENTURE – W.A.

(Nickel, Gold)

(Hemisphere 70%, Falcon 30% diluting)

The Mulgarrie JV Project comprises tenement E27/314, covering prospective komatiite stratigraphy, 15 - 20km north and along strike from the Silver Swan nickel deposit.

No fieldwork was conducted at Mulgarrie during the Quarter ending 30th September 2010.

NEW PROJECT GENERATION

Under the Company’s 2009 Iron Oxide-Copper-Gold (IOCG) exploration initiative, several new Tier-1 exploration licences have been acquired in the Cloncurry region of Northern Queensland.

Mt Isa Inlier – Queensland
(Copper, gold)
(Falcon 100%)

Regional targeting for Ernest Henry- and Osborne-style Iron Oxide Copper-Gold (IOCG) systems has also been completed for the Mt Isa Inlier. Several highly-ranked targets have been identified and three exploration permits are currently under application with the Queensland DME.

Historic data is currently compiled and a review is underway to determine the nature and significance of these targets.

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 Graeme Cameron, Technical Director for Falcon Minerals Ltd. Mr Cameron 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 Cameron consents to the inclusion in the report of the matters based on his information, in the form and context in which it appears.

Please note that this report is available on our website:
www.falconminerals.com.au

Yours faithfully



Richard Diermajer
Managing Director

For further details contact:

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Technical Director
Falcon Minerals Limited
Telephone: (61) 08 9382 1596

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

FALCON MINERALS LIMITED

ABN

20 009 256 535

Quarter ended ("current quarter")

30 SEPTEMBER 2010

Consolidated statement of cash flows

	Current quarter \$A'ooo	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(222) (170)	(222) (170)
1.3 Dividends received	149	149
1.4 Interest and other items of a similar nature received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(243)	(243)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	 (8)	 (8)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(8)	(8)
1.13 Total operating and investing cash flows (carried forward)	(251)	(251)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(251)	(251)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (share issue costs)		
Net financing cash flows			
Net increase (decrease) in cash held		(251)	(251)
1.20	Cash at beginning of quarter/year to date	5,459	5,459
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	5,208	5,208

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	109
1.24	Aggregate amount of loans to the parties included in item 1.10	NIL

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	NIL	NIL
3.2 Credit standby arrangements	NIL	NIL

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	500
4.2 Development	
4.3 Production	
4.4 Administration	200
Total	700

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	56	35
5.2 Deposits at call	5,152	5,424
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	5,208	5,459

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	N/A			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

6.2 Interests in mining
tenements acquired or
increased

N/A			
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+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	163,578,935	163,578,935		Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	1,000,000		<i>Exercise Price</i> \$0.20	<i>Expiry Date</i> 30 September 2012
	1,000,000		\$0.30	30 September 2012
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

(Company secretary)

Date: 22 October 2010

Print name:

Dean Calder

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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