Falcon Minerals Ltd

ACN 009 256 535

Company Announcement

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THIRD QUARTERLY ACTIVITY REPORT TO 31st MARCH 2011

HIGHLIGHTS FOR THE QUARTER

- **Diamond drilling has commenced at the Collurabbie nickel-copper-PGE Project with 10 holes for 4000m to test for massive sulphides associated with several electromagnetic and coincident geochemical anomalies at the Spartacus Prospect.**

- **Two diamond drill holes are planned to test for the southern and northern extensions to the main massive sulphide mineralised zone at Olympia.**

- **Auger sampling is underway to test the Zeus and southern Rhodes areas. Limited exploration to date indicates potential for further Ni-Cu-PGE sulphides associated with fertile ultramafic rocks.**

- **Drillhole planning is underway to test two significant 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%)

Spartacus and Olympis Drilling

Work during the March Quarter 2001 largely involved preparation for diamond drilling at the Spartacus and Olympia Prospects. The drilling programme was originally scheduled to commence in the March Quarter but was delayed due to significant rainfall in the Duketon District that caused severe flooding and damage to access roads. Falcon has since completed extensive road works to allow the drill rigs to access the drill programme area.

Ten diamond drill holes are planned for a total of nearly 4000m to test several new geochemical and geophysical targets at the Spartacus Prospect where previous broad-spaced (>400m) drilling returned wide zones of disseminated Ni-Cu-PGE sulphides. A detailed ground electro-magnetic (EM) survey was completed during the March Quarter with data collected on 12 lines to better define discrete targets for drill testing. At least 4 highly conductive zones have been identified over a strike length of 2km at Spartacus and are interpreted to be associated with a mineralised basal ultramafic contact that shows distinct structurally controlled embayments into the underlying volcano-sedimentary rocks (see Figure 1). The current drilling programme is designed to test for massive Ni-Cu-PGE sulphides that may have been trapped in these zones.

A further two to three diamond drill holes are also planned to test for northern and southern extensions to the main massive sulphide mineralised zone at Olympia. Previous drilling to the south of 7025900N at Olympia intersected wide zones of matrix to semi-massive sulphide in a hanging-wall position above the main mineralised horizon. A down-hole EM survey also indicated a reasonably large off-hole conductor down-dip from CLD208 in the vicinity of the interpreted massive sulphide horizon.

By the end of the March Quarter the Collurabbie field camp was set up and drilling commenced in the second week in April. It is anticipated that the programme will run for approximately 6 weeks and results will be announced as they come to hand.

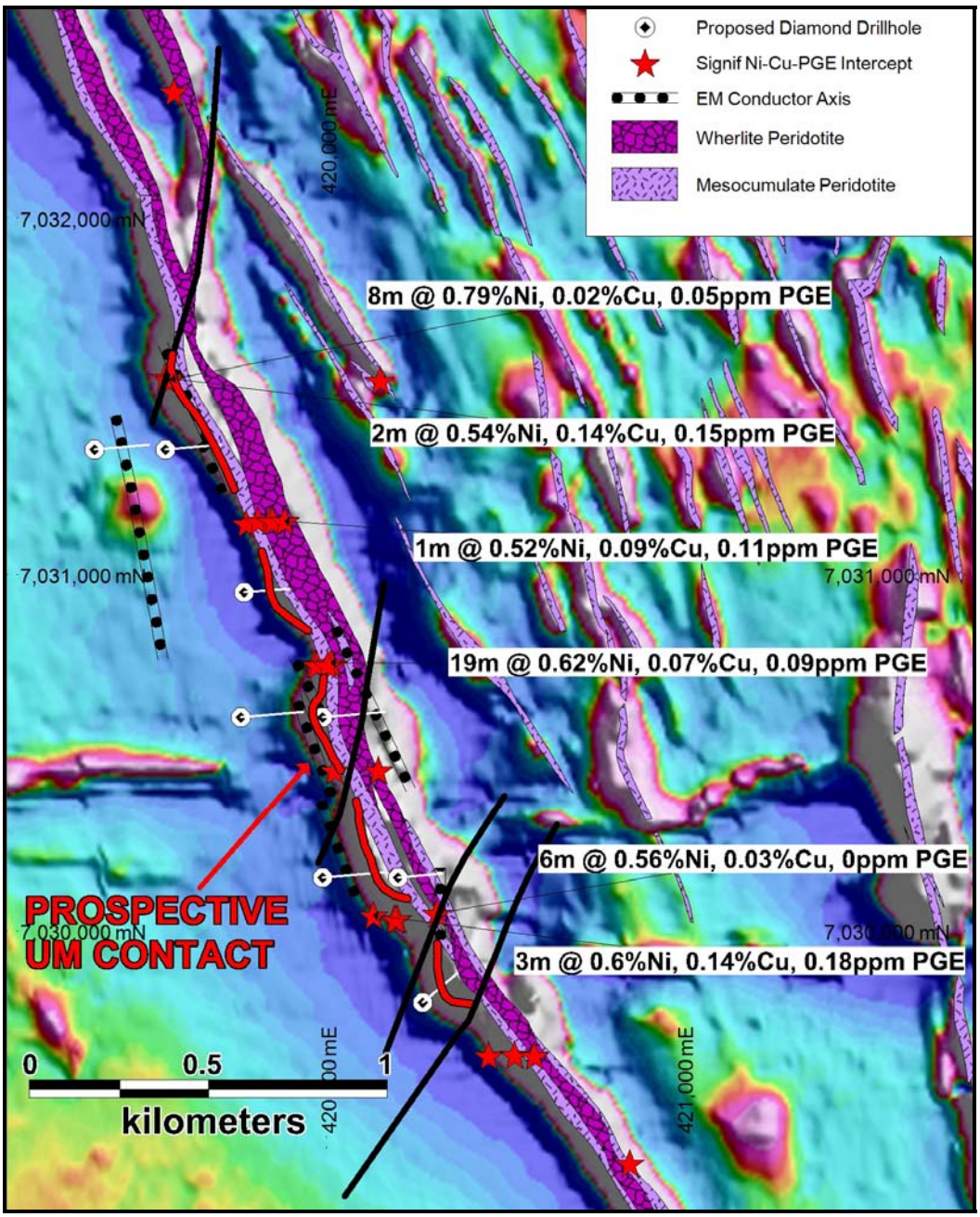

Figure 1 – Aeromagnetic image over the Spartacus Prospect showing proposed drillholes to test EM conductors associated with structural embayments along a basal ultramafic contact.

Zeus and Rhodes Auger Geochemistry

Two auger geochemistry programmes will also be run concurrently during the April drilling campaign. These programmes will aim to test the Zeus and southern Rhodes areas which have received little attention over the years. Both areas are known to host prospective ultramafic horizons with positive indications for Ni-Cu-PGE

mineralisation (Figure 2). Sub-surface auger samples will be taken on a 200m x 50m grid to test beneath a thin veneer of sheetwash cover. This work should be completed by the end of April 2011.

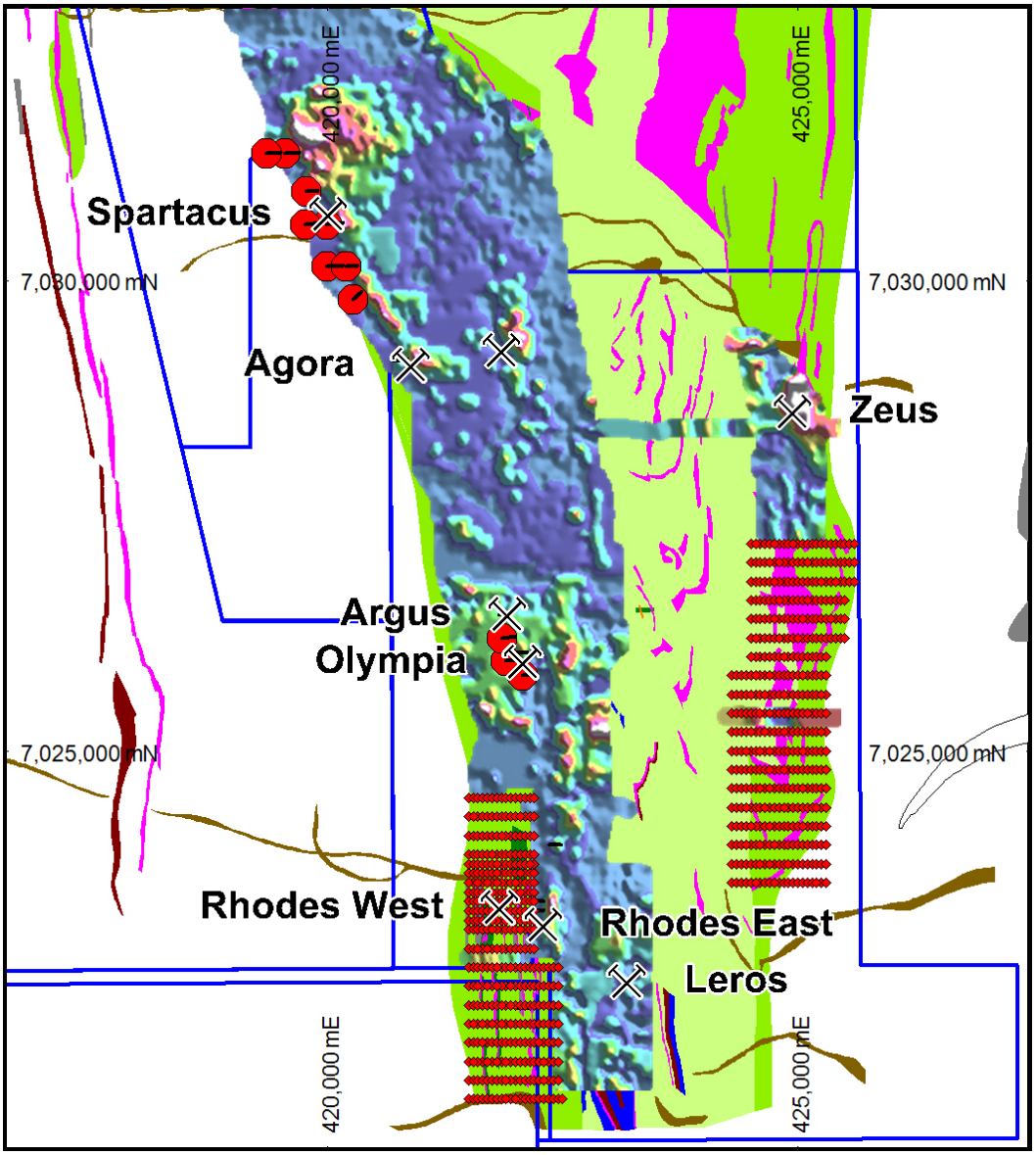

Figure 2 – Surface nickel geochemistry image over interpreted geology showing proposed drillhole locations (large red dots) and auger geochemistry sample sites (rows of small red dots), April 2011. Note: Ultramafics are in purple.

SAXBY JOINT VENTURE – QUEENSLAND

(Gold, nickel and copper)
(Falcon 100%)

During the Quarter Falcon received notification from AngloGold Ashanti Australia Limited (AGAA) of its withdrawal from the Saxby Joint Venture.

Diamond drilling to date by previous joint venture partners Anglo American Exploration (Australia) Pty Ltd and AngloGold Ashanti has returned **significant gold intersections of 17m @ 6.75 g/t Au from 631m and 15m @ 9.09 g/t Au and 5.96 g/t Ag from 701m**. The mineralised intervals are associated with strong quartz-chorite-pyrite breccia and veins and pervasive strong hematite-magnetite-K feldspar alteration that may be indicative of a significant Iron Oxide-Copper-Gold (IOCG) mineralisation system that has not been previously recognised or explored for in the Saxby project area. Falcon considers the Saxby Project to have considerable potential to host a major Tier 1 gold deposit.

A new joint venture partner is currently being sought to advance the exploration effort and unlock the potential of the Saxby area.

PEAKE-DENISON PROJECT – GAWLER CRATON, S.A.

(Copper-gold-iron, uranium)
(Falcon 100%)

3D modelling of detailed geophysical data has defined two significant gravity anomalies at Spring Hill and Davenport Creek in the Peake-Denison Inliers of the northern Gawler Craton. The geophysical expressions of these targets are consistent with known large iron-oxide-copper-gold alteration systems such as those associated with the Prominent Hill deposit in S.A. and the Osborne copper-gold deposits in the Cloncurry region.

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 drill holes at both the Spring Hill and Davonport 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 (iron and copper sulphides) in breccias in basement rocks, and a further 14m of anomalous copper sulphides averaging 670ppm copper 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 planning a drill programme to fully test these targets in 2011. An Exploration Work Approval and Environmental Management Plan is currently being

prepared in accordance with statutory requirements for the Department of Primary Industries and Resources, South Australia.

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 widely anomalous, shallow Ni-Cu-PGE drilling results from several prospects along the Collurabbie Ultramafic trend. The Duketon project lies immediately due north of the Regis Resources' Moolart Well gold operation (with 2.22Moz contained gold).

No fieldwork was completed during the March 2011 Quarter.

CLONCURRY PROJECT - Mt Isa Inlier – QLD

(Copper, gold)
(Falcon 100%)

Regional targeting for Ernest Henry- and Osborne-style Iron Oxide Copper-Gold (IOCG) systems has been completed for the Mt Isa Inlier in north-west Queensland. Several new Exploration Permits have been acquired by Falcon over Tier-1 targets in the Cloncurry region, and two exploration permits have now been granted by the Queensland DME.

Historic data is currently being compiled and a review is continuing 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:

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

Rule 5.3

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	Quarter ended ("current quarter")
20 009 256 535	31 MARCH 2011

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (9 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	(293)	(929)
	(b) development		
	(c) production		
	(d) administration	(101)	(343)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	106	281
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	(288)	(991)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets	(2)	(28)
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	(2)	(28)
1.13	Total operating and investing cash flows (carried forward)	(290)	(1,019)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(290)	(1,019)
	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	(290)	(1,019)
1.20	Cash at beginning of quarter/year to date	4,730	5,459
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	4,440	4,440

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	400
4.2	Development	
4.3	Production	
4.4	Administration	150
	Total	**550**

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	57	53
5.2	Deposits at call	4,383	4,677
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	4,440	4,730

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	Fort Constantine	EPM 18312	100%	Nil
6.2	Interests in mining tenements acquired or increased	N/A			

+ 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** *(description)*				
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** (*description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	1,000,000 1,000,000		*Exercise Price* $0.20 $0.30	*Expiry Date* 30 September 2012 30 September 2012
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

+ 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: Date: 15 April 2011

(Company secretary)

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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+ See chapter 19 for defined terms.