



Quarterly Report

For the three months ending 30 September 2011

ASX Release: 26 October 2011

Summary & Highlights for the Quarter

Saxby Project – Lucky Squid Gold Prospect

- Decision to sole fund the next phase of deep diamond drilling at the Lucky Squid Gold Prospect. Budget allocation of \$1.2M.
- Six diamond holes planned to improve the geometry and understanding of gold mineralisation.
- Incremental step-out from bonanza grade discovery holes.
- Outcome to provide guidance on size and grade of discovery.
- Drilling to start after the wet season in April 2012.

Collurabbie Nickel Project

- Project review initiated. Field exploration to recommence in 2012.

Corporate

- Mr Graeme Cameron tendered his resignation as a Non-Executive Director.

Falcon Minerals Limited

ASX Code: **FCN**

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Capital Structure

163.6 million shares

Cash at Bank - \$3.1M

Board Members

Richard Diermajer - Chairman

Ron Smit - Managing Director

Ray Muskett - Non-Executive Director

Key Projects

Collurabbie Ni-Cu-PGE (100%)

Massive Ni-Cu-PGE sulphides at the Olympia Prospect – resource pending further infill drilling. Significant potential remains for additional discoveries.

Saxby Au (100%)

High-grade gold intercepts:

SXDD005: 17m at 6.8g/t Au from 631m

SXDD014: 15m at 9.1g/t Au from 701m

Open in all directions.

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Mineral Exploration Activities

Saxby Project – Mt Isa Block QLD

Gold, copper-gold (Falcon 100%)

The Saxby Project is 185 km north-northeast of Cloncurry in the Gulf Country of northwest Queensland. The rocks of interest are buried beneath 420m of sedimentary cover. A gold discovery in 2008 has greatly reduced the risk of exploring for gold under such a thick cover sequence. The strategy is to drill incremental step-out holes to better define the extent and geometry of the mineralisation. Currently, the mineralisation is open in all directions. The prospect has been named the Lucky Squid Gold Prospect.

Diamond drilling by previous joint venture partners has returned significant gold intersections of **17m at 6.75 g/t Au from 631m (SXD005)** and **15m at 9.09 g/t Au from 701m (SXD014)** and these drill hits include high-grade cores of 9m at 11.3 g/t Au (SXD005) and 8m at 15.1 g/t Au (SXD014). It should be noted that the drill intersections are drill length and not true width.

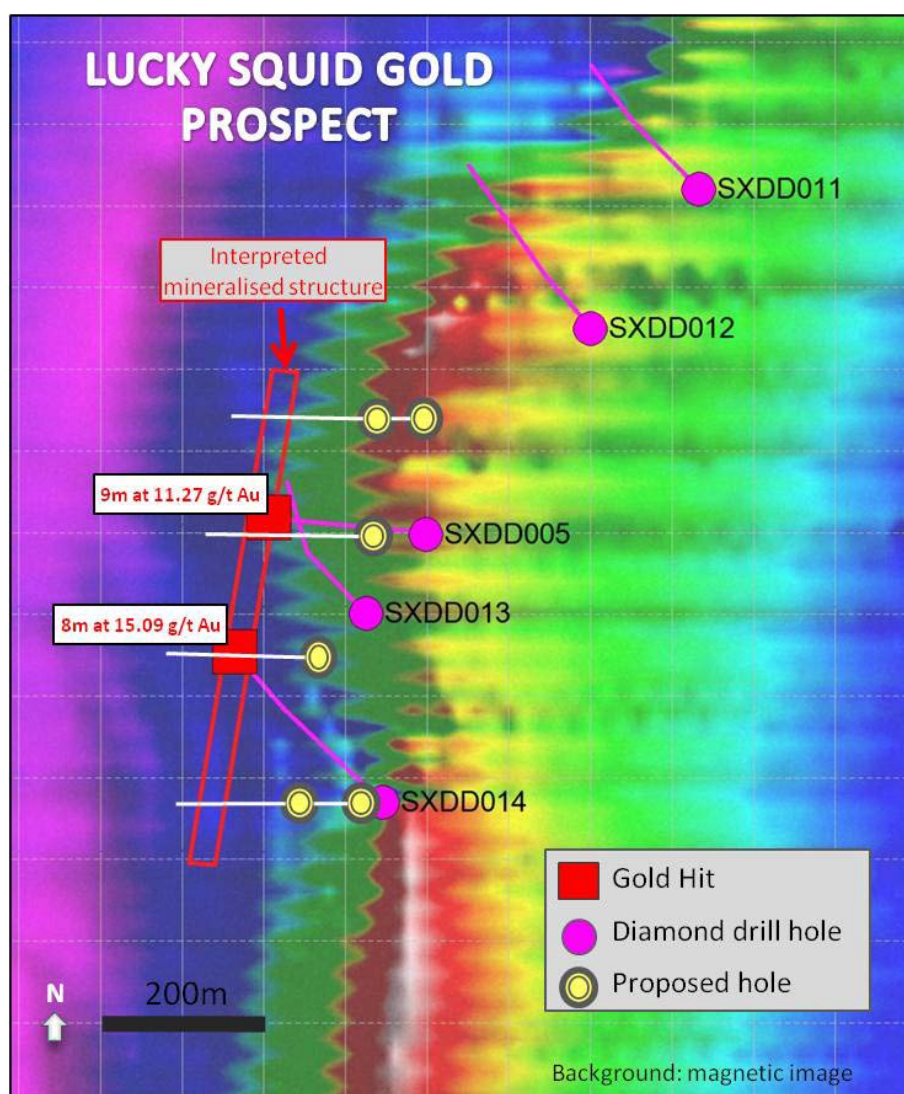


Figure 1: Lucky Squid Gold Prospect – Location of historical and proposed diamond drill holes

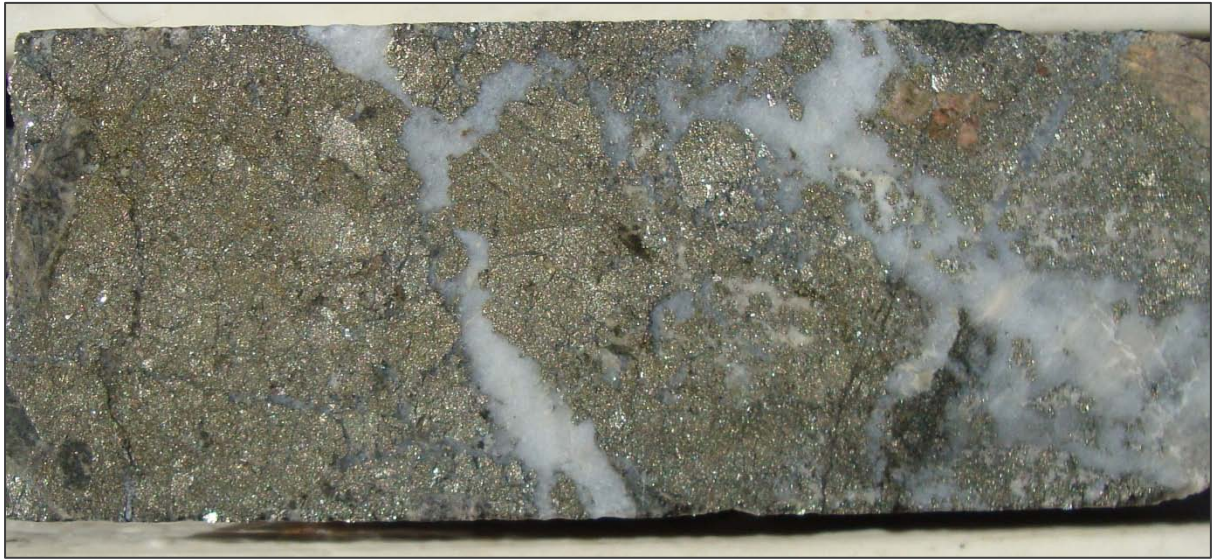
The prospect has been lightly drilled and it is likely that only three holes have effectively tested the prospective target zone.

The proposed next phase of drilling will involve the drilling of six diamond holes (~ 5,000m). This drilling will test a 500m strike length and a 200m vertical extent of the inferred mineralised structure. The outcome will be to determine the potential of the gold discovery and provide some guidance as to its size and grade. The locations of the proposed holes are shown in plan (Figure 1) and long-section (Figure 2). The allocated budget for this program is \$1.2M.

The start-up date is proposed to be April 2012, post the Northern Australian wet season.



Figure 2: Lucky Squid Gold Prospect – Long-section showing proposed follow-up drill holes



Bonanza grade drill core (> 1 oz/t) from SXD014, Lucky Squid Gold Prospect

Collurabbie Project - Duketon Belt, Yilgarn Block WA

Nickel-copper-PGE search (Falcon 100%)

The Company has completed three diamond drilling programmes in the last 14 months with mixed success. The Olympia Prospect has been better defined albeit with a reduced tonnage potential whilst the Spartacus Prospect has continued to return broad zones of low-grade nickel sulphide mineralisation. A review of the Olympia Prospects size and grade will be initiated in the next quarter with the aim to generate a preliminary resource.

The Company is confident it can achieve further success at Collurabbie as it is a fertile nickel belt that has several under-explored nickel prospects. The strategy and geological model has evolved with time and the next exploration campaign will be initiated following a detailed review of all the latest results. The current thinking is towards a focus on cross structures that intersect the Olympia trend as these structures are considered important in the localisation of mineralisation at Olympia.

Deleta Joint Venture - Duketon Belt, Yilgarn Block WA

Gold, nickel-copper-PGE search (Regis 80%, Falcon 20%)

The Deleta Joint Venture comprises a large area of about 100 square kilometres within the northern parts of the Duketon greenstone belt, located directly south of the Collurabbie Project.

During the quarter, joint venture operator, Regis Resources, completed a small RC drilling programme to test nickel sulphide targets. Four holes were drilled and no elevated nickel assays were reported.

Other Projects

No field work was undertaken on the Peake-Denison and Cloncurry Projects.

Corporate

Board Changes

Mr Graeme Cameron tendered his resignation as a Non-Executive Director effective from 10 October 2011 to pursue other interests in the exploration and mining industry. The Board acknowledges Mr Cameron's invaluable contribution and commitment to the Company over the past three years and wish him well in his future endeavours.

Annual General Meeting

The 2011 Annual General Meeting of shareholders will be held at Kailis Bros, Board Room, 1st Floor 101 Oxford Street Leederville WA at 10am on Thursday 17 November 2011.

WEB Page

The Company's web page has been redesigned and includes eNewsletters where shareholders and interested parties can register for electronic deliver of Company announcements.

For further information on Falcon Minerals Limited please contact:



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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.

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

FALCON MINERALS LIMITED

ABN

20 009 256 535

Quarter ended ("current quarter")

30 SEPTEMBER 2011

Consolidated statement of cash flows

	Current quarter \$A'000	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	(240) (165)	(240) (165)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	54	54
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	(351)	(351)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets		
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		
1.13 Total operating and investing cash flows (carried forward)	(351)	(351)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(351)	(351)
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 (provide details if material)		
Net financing cash flows			
Net increase (decrease) in cash held		(351)	(351)
1.20	Cash at beginning of quarter/year to date	3,492	3,492
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	3,141	3,141

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	155
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	250
4.2 Development	
4.3 Production	
4.4 Administration	150
Total	400

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	157	100
5.2 Deposits at call	2,984	3,392
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	3,141	3,492

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		
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 <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>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)		
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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 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

(Company secretary)

Date: 24 October 2011

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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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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