



Quarterly Report

For the three months ending 31 December 2011

ASX Release: 30 January 2012

Summary & Highlights for the Quarter

Saxby Project – Lucky Squid Gold Prospect

- Diamond drill planning on track. Drilling to commence in mid-April post the Northern Australian wet season. Budget allocation increased marginally to \$1.3M.
- Six diamond holes planned to improve the geometry and understanding of gold mineralisation.
- Key diamond drill holes re-logged. Gold mineralisation associated with metasomatic rock package with multiple alteration phases.

Collurabbie Nickel Project

- Two high priority geochemical anomalies identified from historical air-core drilling. Both recommended for drill testing.



Falcon Minerals Limited

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Capital Structure

163.6 million shares

4.0 million unlisted options (\$0.2/0.4)

Cash at Bank - \$3.0M

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. 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.

Drilling April 2012

www.falconminerals.com.au

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**.

Planning for diamond drilling is advancing well. Drill tenders have been received and an assessment of the documentation is proceeding. The tender will be awarded in February and drilling should start in mid-April subject to no unseasonal late rain. Six holes are planned as shown on Figure 1.

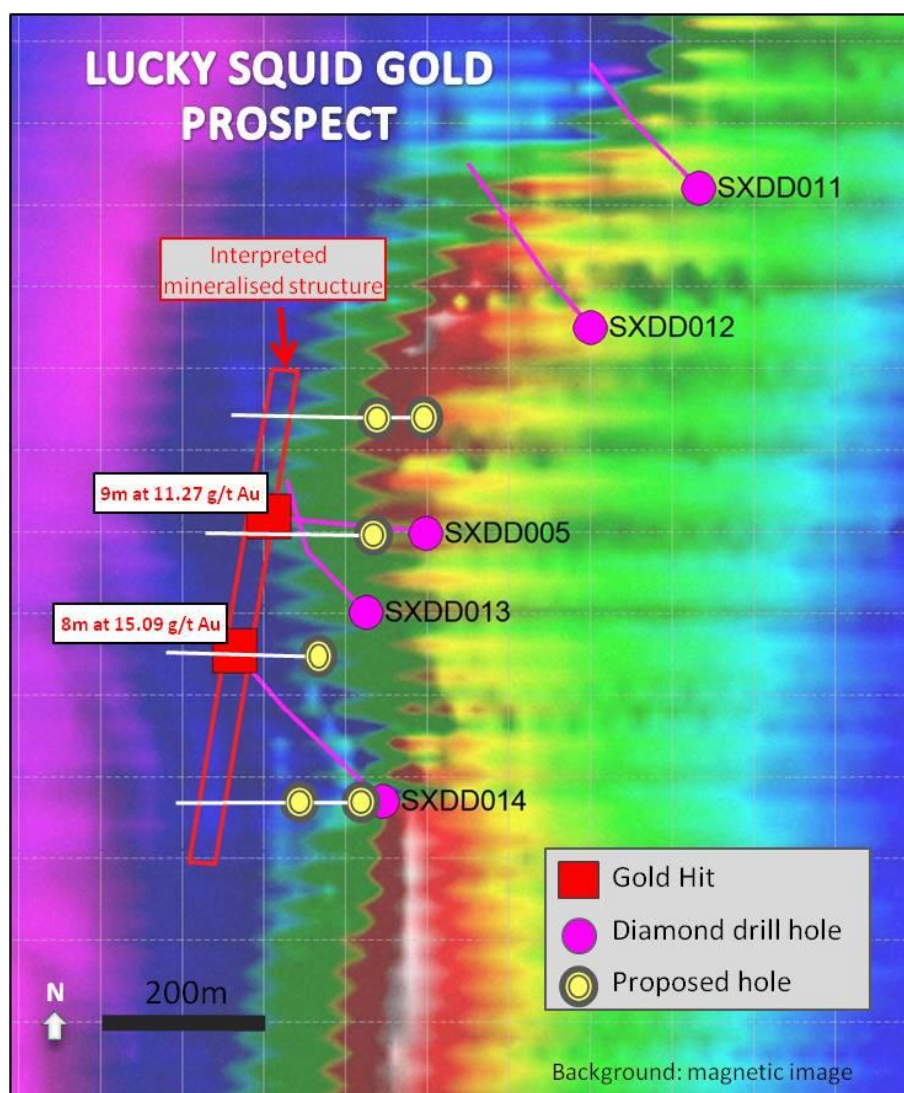


Figure 1: Lucky Squid Gold Prospect – Location of historical and proposed diamond drill holes

During the quarter a selection of diamond drill holes were re-logged from the Saxby Project including the majority of holes drilled at the Lucky Squid Gold Prospect. Figure 2 shows the simplified geological strip logs for the gold prospect. Holes 5 & 14 intersected the mineralised zone, Hole 13 is a near-miss and Hole 12 is 200m east of the mineralised zone.

The geological profile at the gold prospect has been divided into three main rock packages:

Meta-sedimentary rock package

This rock package is dominated by a black graphite-rich (10-40% graphite) pelitic gneiss and is invariably sulphidic with local zones containing 5-15% pyrrhotite. Albitite interbeds are noted which show evidence of graded bedding and the precursor rock was probably a meta-sandstone.

Amphibolite and Metasomatic rock package

This rock package generally occurs at the contact between the meta-sedimentary rock package and the felsic intrusive rocks. It consists of bleached and altered metasomatic rocks (zones of intense Na-(Ca) alteration - albitisation) and banded biotite amphibolites. Strong albitisation is often overprinted by intense chlorite microveining and localised calcite-magnetite-chlorite veins. Associated with these zones is a late stage overprint of coarse pyrite-sericite-carbonate breccia which hosts the high grade gold mineralisation.

Felsic Intrusive Rocks

This rock package consists of banded medium to coarse grained meta-granodiorite transitional to tonalite. It is characterised by scattered feldspar phenocrysts or augen.



Metasomatite Rock: albite-chlorite-microcline rock with veins and fractures variously rich in quartz, carbonate, chlorite, pyrite

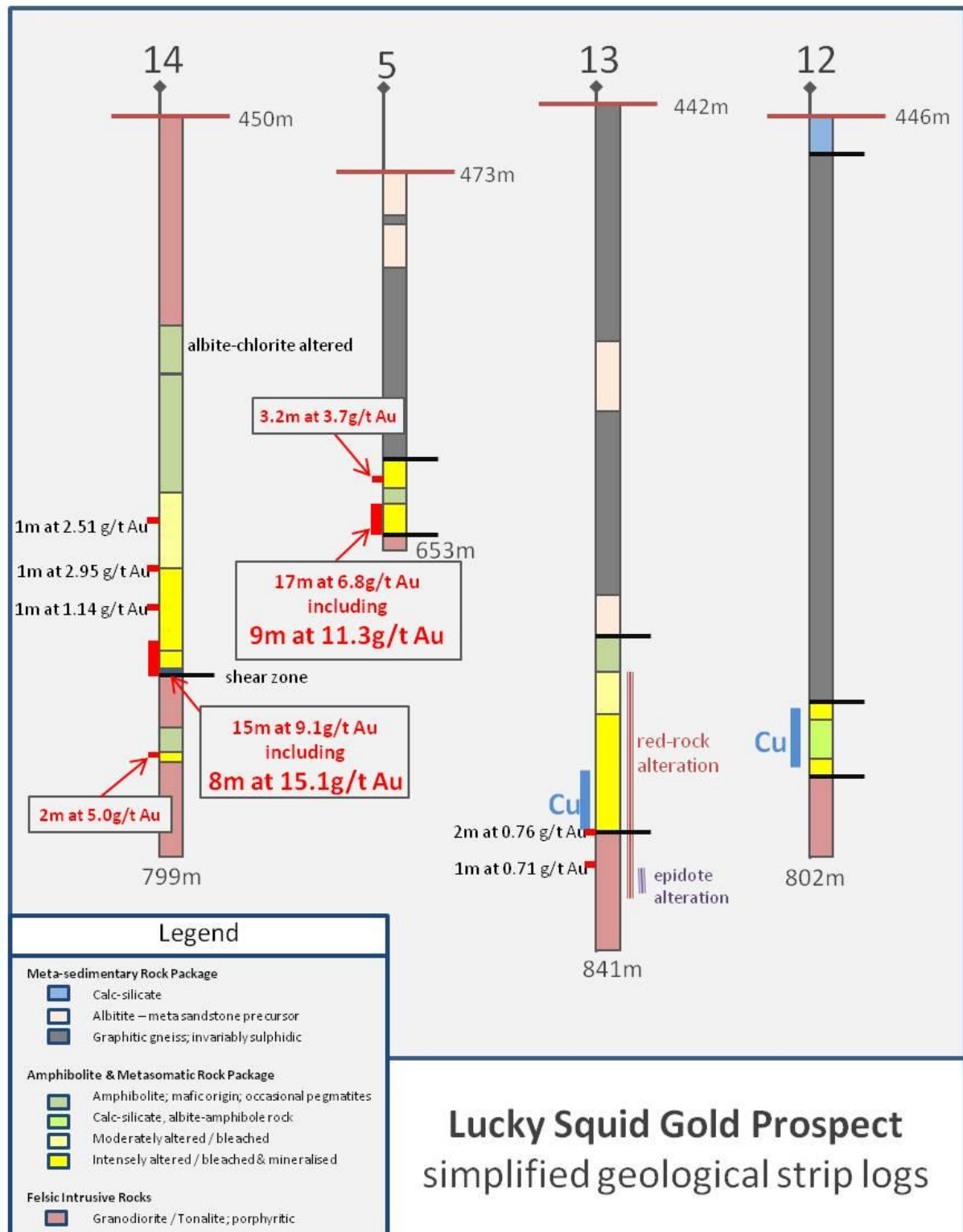


Figure 2: Lucky Squid Gold Prospect – Simplified geological strip logs

Collurabie Project - Duketon Belt, Yilgarn Block WA

Nickel-copper-PGE search (Falcon 100%)

A review of historical geochemical data has commenced and early findings are positive and show that some high quality targets remain untested.

WMC Aircore Geochemical Review

A review of the 2003 WMC air-core drilling which led to the Olympia Ni-Cu-PGE discovery was completed. Four high priority targets are apparent and their geochemical intersections are shown in Table 1. Two of these have been RC and diamond drilled; namely Olympia and Agora and both intersected primary Ni mineralisation. The Olympia, Agora and Anomaly B anomalous air-core holes are characterised by elevated Ni-Cu-PGE values. Anomaly A is a Ni only response.

Table 1: Highest priority geochemical hits from WMC air-core drilling

Hole_Id	Prospect	Width	Ni%	Cu%	PGE g/t	From
CLAC014	Agora	12	0.60	0.20	0.46	12
CLAC050	Anomaly A	28	0.70	0.01	0.03	16
CLAC092	Anomaly B	16	0.12	0.38	0.12	10
CLAC196	Olympia	18	0.67	0.63	0.67	28

Untested Anomaly A - Air-core hole CLAC050 returned a thick Ni only geochemical response. This anomaly is regarded as a supergene Ni response because of its low Cu-PGE values. However, the width and Ni values are much greater than that typically associated with supergene enrichment developed on the Beta Sill and it is possible that it reflects a Ni only sulphide source. Furthermore, the structural position of the anomaly is positive in that it is located close to an interpreted cross-fault which is regarded as an important feature in the evolving geological model. There has been no follow-up drilling of this priority target.

Untested Anomaly B - Air-core hole CLAC092 returned high Cu with elevated Ni-PGE 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. The scheduling of this work will be determined following the completion of the data assessment.

The location of Olympia, Agora, Anomaly A & Anomaly B are shown on Figure 3. Figure 3a is a plot of the maximum Ni in air-core holes. Figure 3b is the same plot but includes the distribution of all deep RC and diamond drill holes.

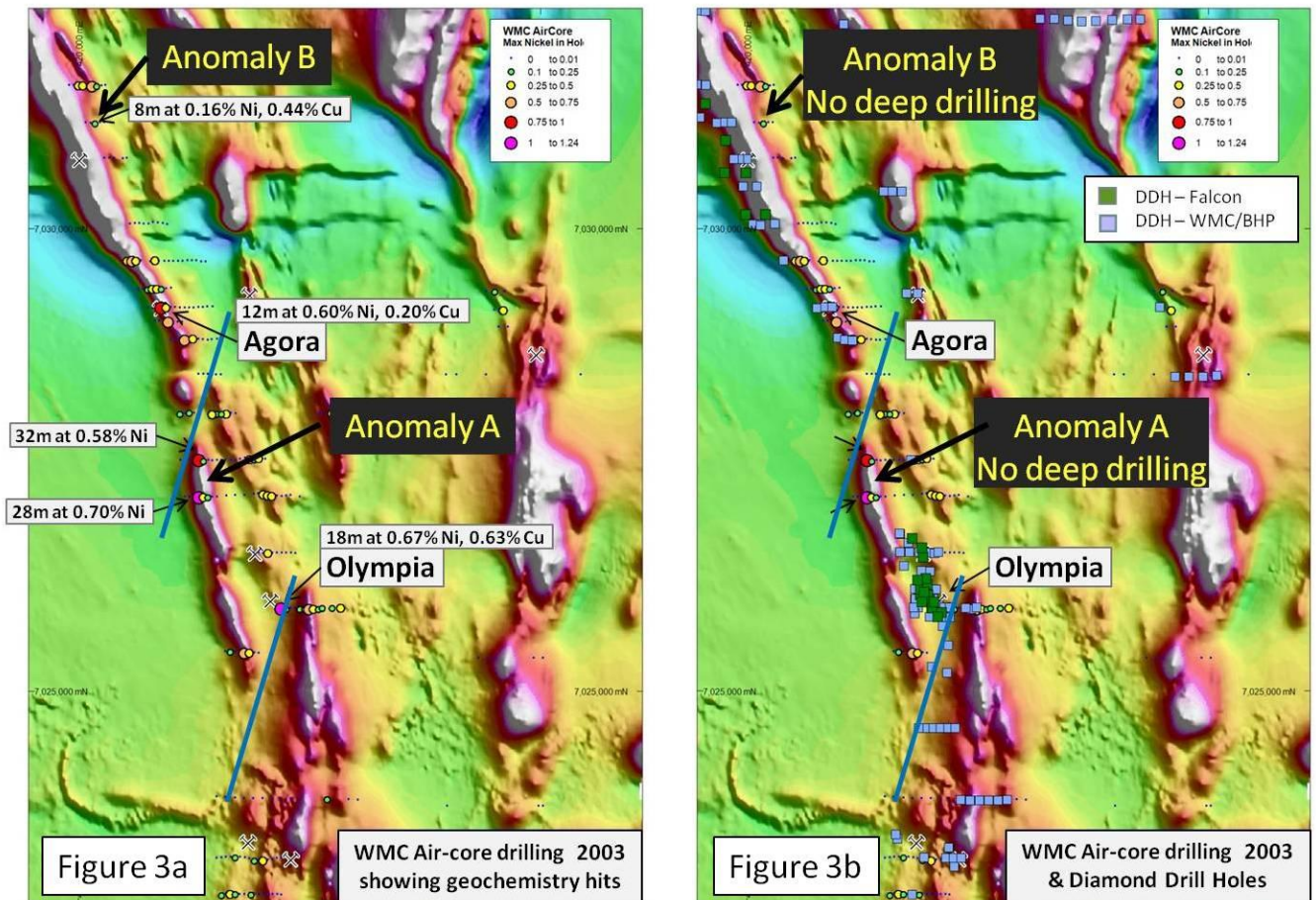


Figure 3: Location of air-core drill holes on magnetic image. 3a) showing the most significant geochemical anomalies including untested Anomaly A & B; 3b) showing the distribution of deep RC & Diamond drill holes

Olympia Prospect - Exploration Target

The Olympia Ni-Cu-PGE deposit is well constrained by drilling and a JORC Code resource is pending. Preliminary work indicates higher-grade massive to semi-massive sulphide mineralisation occurs above the felsic porphyry whilst lower-grade disseminated sulphide mineralisation occurs immediately below the porphyry.

The Exploration Target for the hanging wall mineralisation is 150,000 – 200,000 tonnes at 1.5 – 2.0% Ni, 1.1 - 2.0% Cu, 2 - 3g/t PGE and the Exploration Target for the footwall mineralisation is 600,000-700,000 tonnes at 0.45 - 0.55% Ni, 0.3 - 0.4% Cu, 0.4 - 0.6 g/t PGE. **The potential quality and grade of the Olympia Exploration Targets are conceptual in nature. There has been insufficient exploration and study to define a Mineral Resource and it is uncertain if further exploration and study will result in the determination of a Mineral Resource.**

Other Projects

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

The Cloncurry Project tenements are under review. The application EPM 18211, Jessivale was abandoned following a review of historical data which showed that most of the gravity and/or magnetic anomalies had previously been tested by drilling.

Corporate

Annual General Meeting

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

For further information on Falcon Minerals Limited please contact:



Ron Smit

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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")

31 DECEMBER 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(127) (87)	(367) (252)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	84	138
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	(130)	(481)
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)	(130)	(481)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(130)	(481)
	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	(130)	(481)
1.20	Cash at beginning of quarter/year to date	3,141	3,492
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	3,011	3,011

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'ooo
1.23	Aggregate amount of payments to the parties included in item 1.2	121
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	150
4.2 Development	
4.3 Production	
4.4 Administration	100
Total	250

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	93	157
5.2 Deposits at call	2,918	2,984
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	3,011	3,141

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	EPM18211	Application withdrawn	0%	0%
	E38/1985	Surrendered	100%	0%
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>	2,000,000		<i>Exercise Price</i> \$0.20	<i>Expiry Date</i> 30 June 2015
	2,000,000		\$0.40	30 June 2015
7.8 Issued during quarter	2,000,000		<i>Exercise Price</i> \$0.20	<i>Expiry Date</i> 30 June 2015
	2,000,000		\$0.40	30 June 2015
7.9 Exercised during quarter				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.10	Expired during quarter	1,000,000		<i>Exercise Price</i> \$0.20	<i>Expiry Date</i> 30 September 2012
		1,000,000		\$0.30	30 September 2012
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

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: 25 January 2012

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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+ See chapter 19 for defined terms.