

5 June 2012

ASX Announcement



LUCKY SQUID GOLD PROSPECT - Diamond Drilling UPDATE # 1

- **Broad zone of pyrite mineralisation intersected in SXDD016;**
- Previous drilling indicates elevated gold associated with zones of pyrite mineralisation;
- Intensity of pyrite mineralisation is less than that seen in nearby SXDD014;
- Pyrite mineralisation hosted by graphite-bearing rock within a major fault zone.

SXDD016, the first hole in the diamond drilling program was finished on the 30th May at a depth of 856m. The objective of this hole was to intersect the target zone approximately 100m above the gold mineralisation reported in SXDD014 (15m at 9.1g/t Au from 701m). Unfortunately, this hole steepened dramatically in the pre-collar and had to be drilled much deeper than first anticipated to hit the target zone (Figure 2).

The target zone was intersected from 712m to 816m (Figure 1) and it includes a variety of rock types including metasomatic rock, felsic porphyry, graphitic shear zones and graphitic rock. It is a complex fault and alteration zone developed along the contact margin of amphibolite (meta-mafic rock) and meta-granodiorite.

The strongest pyrite mineralisation is developed within sheared and brecciated graphitic rock (780-801m), containing fragments and slivers of potassic altered rock. The pyrite content in this unit is estimated at 5 – 10% with local intervals up to 20% and occurs as veins/seams parallel to foliation and crackle micro-veinlets in more competent rock. It is uncertain if the graphite rock is a former meta-sedimentary rock or represents intense alteration within the fault zone.

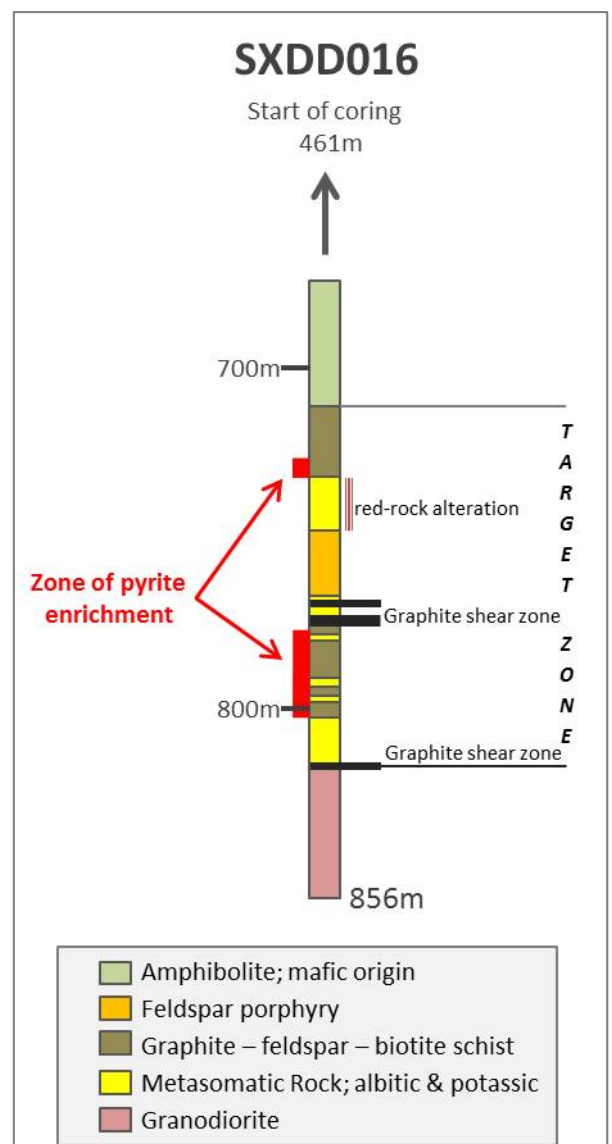


Figure 1: SXDD016 geological strip log of the Target Zone

Previous drilling has established the link between pyrite mineralisation and elevated gold values. It is therefore not unreasonable to assume that the pyrite-rich zones in SXDD016 will contain anomalous gold. However, it is important to note that the intensity of pyrite mineralisation is weaker than that seen in SXDD014 and that the style of pyrite mineralisation is different than that seen in SXDD014 (pyrite veins in brecciated metasomatic rock).

The true width of pyrite mineralisation has not been established with confidence but it appears that the major fault zone is sub-vertical and that true width of pyrite mineralisation may be about a third of the down-hole width.

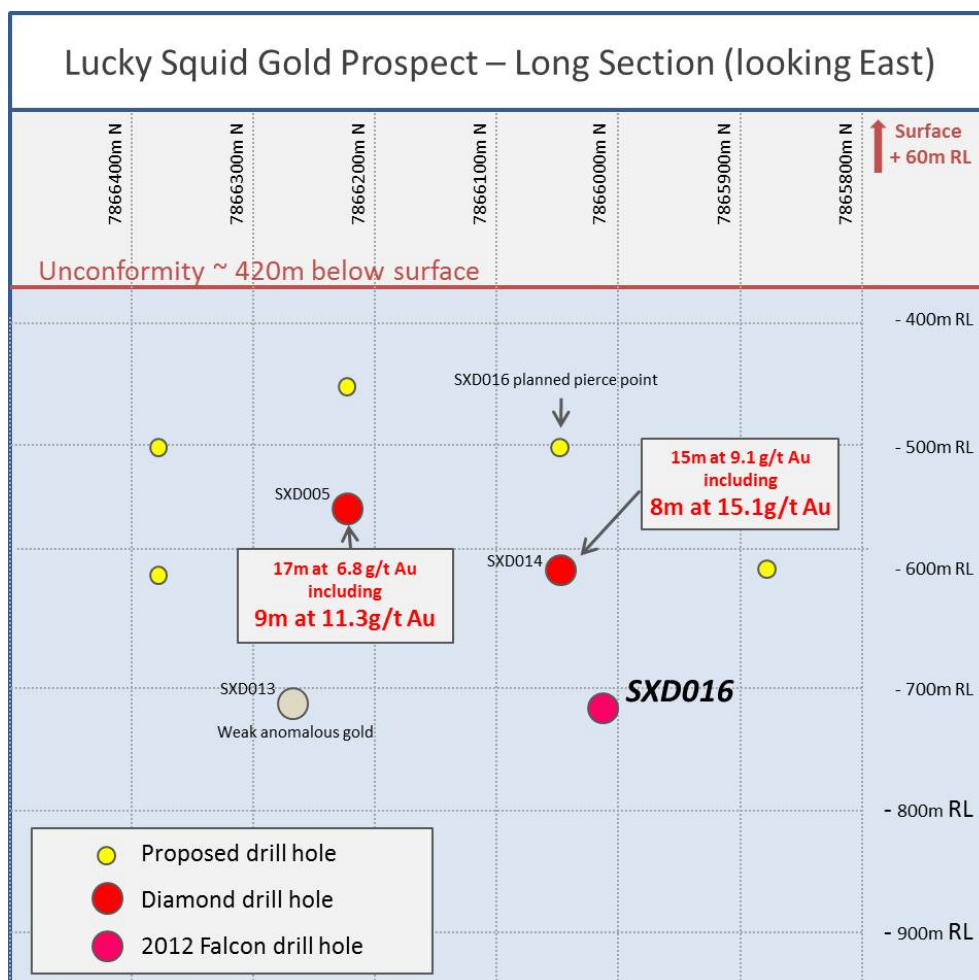


Figure 2: Lucky Squid Gold Prospect: Long-section looking east showing SXD016 Pierce Point

Drill core is being processed and core cutting will start in mid-June. Assay results are not expected until mid-July. Further drilling updates will be provided at the completion of each hole.



Lucky Squid Gold Prospect - Drilling on the black soil plains, SXDD016

Diamond drilling collar details (projection GDA94 MGA Zone 54)

Hole_ID	Easting	Northing	RL	Azimuth	Dip	Total_Depth
SXDD016	488170	7866030	60	263	-70	855.7m

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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.

About LUCKY SQUID:

The Lucky Squid Gold Prospect is a lightly explored high-grade gold prospect located about 150km north-northeast of Cloncurry, Queensland and is part of the company's Saxby Project. It is a challenging prospect as the gold mineralisation is concealed by 420m of barren cover rocks.

The Lucky Squid gold discovery was made in 2008 where drill hole SXD005 intersected 17m at 6.75g/t Au from 631m. A follow-up hole in 2010 confirmed the importance of the gold discovery and intersected 15m at 9.09 g/t Au from 701m. Spatially the two gold intersections are about 180m apart and the gold mineralization is open in all directions. Falcon is planning to drill six deep diamond holes in 2012.

