



Quarterly Report

For the three months ending 31 December 2012

ASX Release: 29 January 2013

Summary & Highlights for the Quarter

Project Fieldwork

- Completed surface geochemical surveys at Collurabbie to evaluate for buried gold systems and at Kundi Well to investigate an anomalous copper result. Anomalous gold detected at Collurabbie.

Project Portfolio Management

- Divested Peak-Denison Cu-Au project to Monax;
- Resolved to seek farm-in partner for Saxby Cu-Au project;
- Initiated tenement reductions and surrenders of low priority tenure to increase focus on core assets and to minimise holding costs;
- Continued to review joint venture / acquisition opportunities as well as maintain greenfields project generation strategy.

Falcon Minerals Limited

ASX Code: **FCN**

ACN: 009 256 535

Suite 19, 100 Hay Street
Subiaco WA 6008

PO Box 8319, Subiaco East WA 6008

Tel: 08 9382 1596

Fax: 08 9382 4637

Email: rsmit@falconminerals.com.au

Capital Structure

163.6 million shares

4.0 million unlisted options (\$0.2/0.4)

Cash at Bank - \$1.5M

Board Members

Richard Diermayer - 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. Significant potential remains for additional discoveries.

Saxby Au (100%)

IOCG system - looking to divest

High-grade gold intercepts:

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

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



www.falconminerals.com.au

Mineral Exploration Activities

Collurabbie Project - Duketon Belt, Yilgarn Block WA Nickel-copper-PGE search & Gold search (Falcon 100%)

Surface Geochemistry

A surface geochemical survey was completed to evaluate areas known to contain buried gold mineralisation. This gold mineralisation was first detected by a previous explorer in the mid-1990's by percussion and RC drilling which produced a number of narrow gold intercepts such as:

Area 1 - KRC463: 2m at 5.2 g/t Au from 30m hosted by saprock and quartz veins;

Area 1 - KRC364: 2m at 2.5 g/t Au from 70m hosted by altered basalt;

Area 1 - CHRC04: 2m at 1.7 g/t Au from 28m hosted by saprock after basalt;

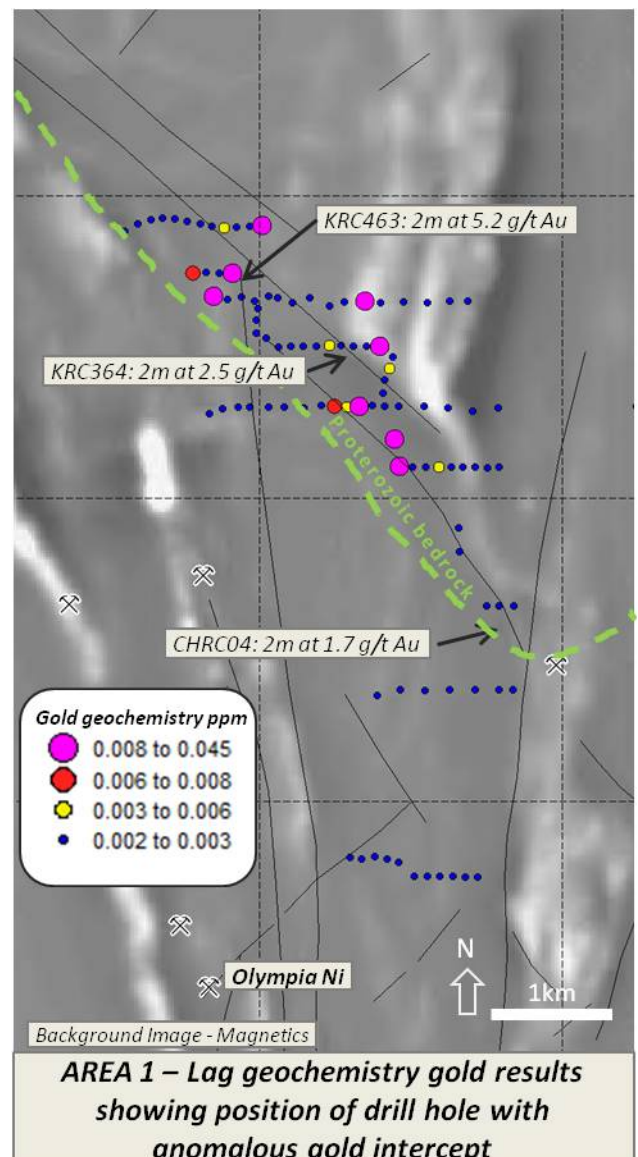
Area 2 - KRC424: 6m at 0.7 g/t Au from 142m hosted by altered veined and sulphidic ultramafic rock;

Area 2 - KRC465: 2m at 1.0 g/t Au from 156m hosted by sheared ultramafic;

The gold intercepts of Area 1 occur beneath shallow Proterozoic cover (20-50m) whilst those in Area 2 occur beneath much thicker Proterozoic cover (>100m). The surface geochemical survey was undertaken to evaluate if these buried zones of mineralisation have a surface geochemical expression.

A total of 122 lag samples were collected along access tracks and old drill tracks at nominal 100 / 200m intervals. Lag samples are the coarser fraction of the material on the soil surface and include grains of lithic and ferruginised lithic material. For this survey a +1mm – 5mm sample was collected at each site. Samples were tested for gold and trace elements.

Area 1 is characterised by subcropping Proterozoic sandstone and conglomerate. The conglomerate marks the Archaean unconformity and contains cobbles and boulders of reworked Proterozoic sediments and Archaean greenstone. Lag sampling over this area has generated a number of anomalous gold results (maximum of 45 ppb Au) and it is not known whether the geochemistry is highlighting gold within the basal unconformity conglomerate or the Archaean bedrock. Some minor geochemical follow-up work is planned around the better results to help resolve the prospectivity.



Area 2 is characterised by widespread surficial iron pisoliths. Historical drilling has shown that the Proterozoic bedrock is 50-100m thick and that weak gold mineralisation is reported in bedrock. Lag sampling of iron pisoliths failed to detect any anomalous gold. It is likely that in these areas of thicker Proterozoic cover that surface geochemistry is not an effective search tool for mineralisation in buried Archaean basement.

During the site inspection in Area 2, it was noted that the historical holes drilled through zones of hematite rich material (estimated at 10 to 20m's thick). Three samples were collected from drill spoils of oolitic hematitic sandstone to ironstone (probably Frere Formation). The best sample returned 30.2% Fe (~ 43% Fe₂O₃). A brief study will be undertaken on the hematite potential but no follow-up field work is planned at this stage.

Saxby Project – Mt Isa Block QLD

Gold, copper-gold (Falcon 100%)

A decision has been made to divest this project given the difficulties and expense associated with exploring the buried basement. Tenement reductions and surrenders have been activated to reduce holdings costs whilst the Company searches for a joint venture partner.

During the quarter the rehabilitation of diamond drill hole sites was completed.

The Saxby Project is 165 km north-northeast of Cloncurry in the Gulf Country of northwest Queensland. It contains the Lucky Squid Gold Prospect, the Tea Tree Nickel Prospect and two other un-named Cu-U prospects. These prospects are hosted by basement rocks of the Mt Isa Block that are buried beneath 400m of younger sedimentary cover.

Kundi Well – Yalgoo Greenstone Belt, Yilgarn Block WA

Volcanogenic Massive Sulphide search (Application - Falcon 100%)

The Kundi Well (EL59/1914) Exploration Licence Application was lodged in late-2012 to evaluate a highly anomalous copper result detected in a regional regolith sampling survey completed by CSIRO in 2004. A review of the copper geochemistry showed an isolated sample returned 2080ppm Cu associated with iron pisoliths. The anomalous sample site is 8km north of Fields Find and 35km southeast of the Golden Grove base metal mine.

A short field inspection was completed to confirm the validity of the copper anomaly. The GPS site as recorded by CSIRO was inspected and it is clear that no iron pisoliths occur at this site. The site is characterised by channel calcrete and it is concluded that the sample site was incorrectly recorded. Three calcrete channel samples were collected from the area and these did not indicate any anomalous gold or base metals.

A review of historical information indicates that laterite developed upon ultramafic rocks to the south of the Company's tenement application is characterised by elevated cobalt, chromium, copper and nickel levels. It is probable that the CSIRO sample was collected from this area. The due

diligence of historical mineral exploration in the district will be completed and then a decision will be made as to whether to proceed or withdraw the exploration application.

Arunta Block NT

Gold-copper-nickel search (Application - Falcon 100%)

Late in 2012 three exploration licence applications were lodged in the Proterozoic Arunta Block in a district considered to be favourable for gold and base metal mineralisation. Two of these applications have subsequently been withdrawn following a due diligence of the historical mineral exploration. This showed that the areas of interest had been adequately screened by geochemical and geophysical methods. Due diligence of the remaining tenement is proceeding.

Project Divestment

Peak-Denison Project (divested to Monax Alliance)

During the quarter Falcon granted Monax Alliance Pty Ltd (Monax Alliance) an option to purchase Falcon's interest in the Peak-Denison Project. The Peak-Denison Project is located on the western margin of Lake Eyre in northern South Australia. It consists of two granted tenements EL4350 and EL4536 and these tenements are prospective for iron-oxide copper gold mineralisation (IOCG).

Monax Alliance is a wholly owned subsidiary of Monax Mining Limited (ASX code: MOX). They propose to conduct a gravity survey followed by diamond drilling if a suitable target is generated.

The terms of the Agreement are as follows:

Monax Alliance will pay Falcon US\$25,000 for the sole and exclusive option to purchase Falcon's Peak-Denison Project;

Monax Alliance may exercise the option by paying each of the following amounts to Falcon.

On the First anniversary of Agreement the sum of US\$50,000;

On the Second anniversary of Agreement the sum of US\$75,000; and

On the Third anniversary of Agreement the sum of US\$250,000.

In addition to the above, if Monax Alliance makes a discovery on the Peak-Denison Project and there is a Decision to Mine (whether before or after the Option is exercised) it will pay Falcon a further US\$10 million.

Other Projects

No field work was undertaken on the **Cloncurry** Project. The Company is in discussions with a group that has expressed an interest in acquiring and/or joint venturing into this project but at this stage no agreement has been reached.

No significant field activities were undertaken by the **Windanning Hill** joint venture partners (Fe – Au) nor the **Duketon** (Ni – Au) joint venture partner.

Project Generation

The Company continues to review joint venture / acquisition opportunities as well as maintain its own project generation strategy.

Corporate

There were no changes to the capital structure of the Company and the cash reserves at the end of quarter were \$1.5M.

The 2012 **Annual General Meeting** of shareholders was held on Thursday 15 November 2012. All resolutions were passed by members of Falcon Minerals Limited.

For further information on Falcon Minerals Limited please contact:



Ron Smit

Managing Director

Phone: 08-9382 1596

Mobile: 0408 095 452

rsmit@falconminerals.com.au

or visit our website at: **www.falconminerals.com.au**

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 2012

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 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	(57) (127)	(148) (420)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	3	45
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)	79	79
Net Operating Cash Flows	(102)	(444)
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)	(102)	(444)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(102)	(444)
	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	(102)	(444)
1.20	Cash at beginning of quarter/year to date	1,635	1,977
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1,533	1,533

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	97
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	114	69
5.2 Deposits at call	1,419	1,566
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,533	1,635

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	EPM 15851	Surrendered	100%	0%
	EPM 15872	Surrendered	100%	0%
	EPM 13630	Surrendered	100%	0%
	EPM 16715	Surrendered	100%	0%
6.2 Interests in mining tenements acquired or increased	EL 29728	Registered Applicant	0%	100%

+ 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				
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>)				
------	---	--	--	--	--

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: 22 January 2013

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.

== == == == ==

+ See chapter 19 for defined terms.