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Company Announcement

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SECOND QUARTERLY ACTIVITY REPORT TO 30TH DECEMBER 2005

HIGHLIGHTS

- During the December quarter five of eight holes were completed at the Collurabbie Joint Venture. This includes two holes at both Olympia and Paros, and one of four holes at Rhodes.
- Results have been received from the two deep holes below Olympia, confirming the continuation of the basal mineralised horizon.
- At the Duketon and North Duketon Joint Venture 114 Aircore holes were completed for a total of 9,486m. Surface Electromagnetic surveying was also carried out for a total of 127 line kilometres.
- As previously reported gravity modelling has been completed at Racehorse. This model fits with the desired parameters for potential mineralisation. Drilling of the Racehorse anomaly is now confirmed for the beginning of February.
- Final payment of $179,339.40 (GST inclusive) has been received for the Tutunup Project.

COLLURABBIE JOINT VENTURE – W.A.
(Nickel and Platinum Group Elements Project)
(Falcon 30%, BHP Billiton 70%)

Background

The Collurabbie Project is located 160 km east of the Mt Keith and 200 kilometres north of Laverton in the North Eastern Goldfields of Western Australia.

In July 2003 disseminated nickel-copper-platinum group element (Ni-Cu-PGE) sulphide mineralisation was discovered at Collurabbie, followed by the first massive sulphide intersections in late 2004. The

discovery is significant in that it represents a style of mineralisation not encountered previously in Australia, and potentially a new Ni-Cu-PGE province.

During the quarter, drilling commenced at the Collurabbie Joint Venture. Planned holes were completed at Olympia and Paros. Three holes remain to be completed at Rhodes. The status of drilling progress to date is presented in Table 1. Following a break in activities over the Christmas period and subsequent rain delays, drilling is planned to recommence shortly and should be completed by early February.

CURRENT EXPLORATION

In the December Quarter exploration completed by the joint venture partners comprised the following events:

- Drilling of two planned diamond drill holes at the Olympia prospect
- Drilling of two planned RC drill holes at the Paros prospect
- Completion of the first of four holes at Rhodes.
- Downhole physical properties logging of holes CLD179, CLD183 and CLD185.
- Results have been received from the two deep holes below Olympia, confirming the continuation of the basal mineralised horizon.

At Olympia deep holes CLD179 and CLD178 were completed respectively (see Table 1). As previously reported to the ASX, CLD179 intersected a broad band of variably mineralised ultramafics. At the upper (footwall) contact with the felsic porphyry, 3.9m of ultramafic stratigraphy was intersected, containing a moderate to weak amount of disseminated sulphides. Below the porphyry 41.3m of variably mineralised ultramafic was intersected. The best interval within this zone was 7.3m of heavily disseminated sulphide mineralisation and is now awaiting downhole electromagnetic (EM) surveying. Peak results from this interval are shown in Table 2.

Diamond hole CLD178 intersected similar geology to that in CLD179, however with overall less disseminated nickel sulphide mineralisation. Eleven metres of variably weak to moderately disseminated mineralised ultramafic rocks were intersected on the upper (footwall) contact of the porphyry. Below the porphyry, 42m of trace to weakly mineralised ultramafic rocks were intersected. Peak results from these intervals are shown in Table 2. This work supports the continuance of the prospective mineralised horizon at depth, and shows an apparent thickening of the ultramafic host. Downhole EM surveying will be used to access off-hole potential.

Table 1: Collurabbie Drilling Status

Hole No	Prospect	Northing (m)	Easting (m)	RL (m)	Depth (m)	Drill Method	RC Pre-Collar	Completed
CLD178	Olympia	7026000	421820	516	633	Diamond	Yes	Yes
CLD179	Olympia	7025840	421820	516	605.9	Diamond	Yes	Yes
CLD183	Rhodes	7023100	422250	510	407.9	Diamond	Yes	Yes
CLD185	Paros	7029300	421730	526	240	RC	No	Yes
CLD186	Paros	7029300	421850	526	351.1	Diamond	Yes	Yes
*CLD152**	*Rhodes*	*7023197*	*422161*	*511*	*410.2*	*Diamond*	*Yes*	*No*
*CLD181**	*Rhodes*	*7022800*	*421790*	*507*	*120*	*Diamond*	*Yes*	*No*
*CLD182**	*Rhodes*	*7023400*	*421630*	*510*	*162*	*Diamond*	*Yes*	*No*

* RC Pre-Collar Ready. Diamond Tail Not Completed

Two holes (RC hole CLD185 and Diamond hole CLD186) were completed at Paros (see Table 1) to test surface geochemical anomalism, coincident with an EM anomaly modelled from Moving Loop EM survey results. The pre-collar for CLD186 intersected anomalous ultramafic rocks at the start of the hole. These results (shown in Table 2) are most likely due to lateritic upgrading of the ultramafic rocks. The diamond core tail intersected dominantly mafic rocks, with 21.6m of un-mineralised ultramafic rocks from 284.2m down hole. A shear zone at 290m, coinciding with the location of the modelled plate, is probably the source of the Moving Loop EM conductor, rather than any nickel sulphide mineralisation. CLD185 was planned to obtain more information across strike. It intersected the same ultramafic rocks (seen in the collar of CLD186) down-dip, in fresh rock. This interval produced no anomalous results.

Table 2: Drilling Results at Collurabbie

Hole No	From (m)	To (m)	Interval (m)	Ni (%)	Cu (%)	Pt + Pd (g/t)
CLD179	527.00	532.00	5.00	0.71	0.410	0.807
CLD178	459.60	463.40	3.80	0.45	0.180	0.412
CLD178	545.00	548.00	3.00	0.61	0.290	0.637
CLD185	6.00	14.00m	8.00	0.43	0.004	0.010

At Rhodes diamond hole CLD183 was completed (see Table 1). This hole targeted a weak EM response, modelled from Moving Loop (EM) survey results. The pre-collar intersected some un-mineralised ultramafic rocks, and a further 35.9m of un-mineralised ultramafic rocks were intersected by the diamond hole. There were no ultramafic rocks or massive sulphides in the vicinity of the modelled conductor (approx 280m down-hole), and it is believed that a fault within the basalt generated the conductor. Assays are pending for this hole.

Three holes have been logged for physical properties to date, CLD179, CLD183 and CLD185, using in-house BHPB equipment. Elevated magnetic susceptibility was detected in all ultramafic rocks.

Work will continue in the third quarter. Completion of the drill program is anticipated by the end of January. Remaining work includes three diamond holes (See * in Table 1) at Rhodes, including the completion of the diamond tail to be drilled on CLD152 (in order to undercut the previously reported mineralisation in CLD153, 4.00m @ 1.34% Ni, 0.24% Cu, 0.58g/t PGE) and completion of down-hole EM and physical properties logging .

DUKETON AND NORTH DUKETON PROJECTS SOUTH OF COLLURABBIE – W.A.
(Gold and Nickel and Platinum Group Elements)
(Newmont JV 64%, Falcon 20%, Regis 16%)

The Duketon and North Duketon joint venture comprises of a large area of about 100 square kilometres, located directly south of Collurabbie, along the same greenstone belt (Figure 1). Newmont has conducted gold exploration on the tenements for several years, with sporadic anomalous gold results. Work has since focused on Ni-Cu-PGE. This campaign discussed in the previous quarter has commenced.

Work during the quarter comprised of Aircore drilling and ground EM as follows:

Tenement	Aircore Drilling Hole Range	Number of Holes	Number of Metres
E38/423	*CRAC742 - CRAC 759*	*18*	*1,761*
E38/423	*CRAC778 - CRAC 792*	*15*	*1,441*
E38/423	CRAC793 - CRAC803 CRAC811 - CRAC 821 CRAC831 - CRAC 845 CRAC858 - CRAC 883	63	5,278
E38/419	MXAC001 - MXAC018	18	1,006
Total		**114**	**9,486**

Note: Holes in italics were drilled last quarter, however results were pending at time of reporting.

Tenement	EM Surveying Number of Line Kilometres	Anomalies Detected
E38/423	98.4	1 (Mulla)
E38/1308	28.7	0
Total	**127.1**	**1**

Nickel exploration completed during the quarter (and previous quarter) has focused on the western ultramafic zone, within the Collurabbie belt.

Ultramafic rocks in the western zone, south of Collurabbie, are believed to contain a thick multilayered sequence of komatiitic flows, and hence they are believed to be prospective for Kambalda-style, massive and matrix nickel sulphide deposits.

Three identified prospects have been worked during the quarter and are discussed below.

Mulla Prospect
An EM anomaly was identified on the western margin of the western ultramafic zone beneath shallow (<10m) transported cover. Follow-up EM lines to the north and south were completed to close-off the anomaly and a traverse of Aircore drilling completed.

The drilling intersected 2m of massive pyrite within graphitic shale, explaining the anomaly.

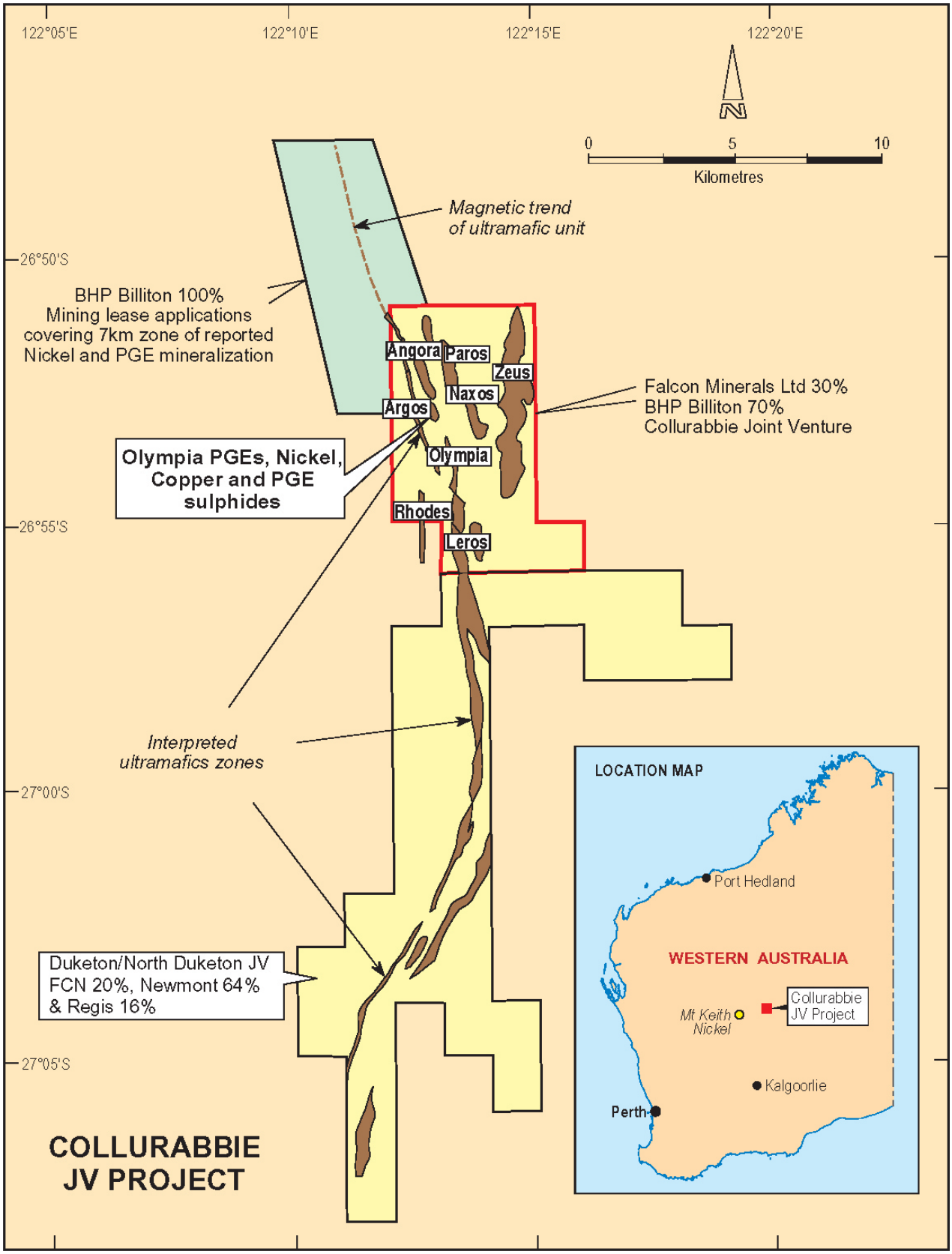

Figure 1: Collurabbie and Duketon Projects showing the contained ultramafic belt.

Beltra Prospect

Aircore drill results from the oxide zone in hole CRAC788 are encouraging, and potentially indicate the presence of sulphides towards the base of the komatiite olivine mesocumulate sequence. Aircore hole CRAC833 was drilled 430m south of CRAC788 and returned 12m at 1.25% Ni and 263ppm Cu from 36m, also in the oxidised zone, and developed over olivine mesocumulate.

EM was completed over the prospect and although no anomalies were identified, the broad coincidence of anomalous copper and nickel geochemistry holes may reflect the occurrence of deeper sulphide mineralisation. RC drilling of the primary zone and down-hole EM probing has been planned to test for deeper sulphide mineralisation.

Summary of Aircore Drilling Results:

Hole No	From (m)	To (m)	Interval (m)	Ni %	Cu (ppm)	Pt + Pd (ppb)
CRAC788	40	48	8	0.22	1100	33
CRAC789	32	40	8	0.46	213	30
CRAC833	36	48	12	1.25	263	31
CRAC837	36	49	13	0.51	40	26
CRAC841	32	47	15	0.59	44	27
CRAC842	28	44	16	0.49	67	21

Herman's Prospect

Aircore drill results from hole CRAC781 are encouraging and come from the oxide zone developed over the olivine cumulate towards the base of a komatiitic flow unit. RC drilling of the primary zone and down-hole EM probing has been planned to test for deeper sulphide mineralisation within this zone.

Summary of Aircore Drillhole Results

Hole No	From (m)	To (m)	Interval (m)	Ni %	Cu (ppm)	Co %
CRAC781	40	48	8	0.58	290	0.15

Gold Results

Additionally, several anomalous gold results were returned from the recent Aircore drilling and are summarised below.

Hole No	From (m)	To (m)	Interval (m)	Au (ppm)
CRAC781	40	48	8	0.58
CRAC780	75	76	1	1.69
CRAC781	71	72	1	1.76
CRAC790	79	80	1	0.73
CRAC790	91	92	1	1.05
CRAC798	37	38	1	1.08

OTHER PROJECTS

Falcon has developed a series of projects across Australia targeted at both world class Olympic Dam-style copper-gold iron oxide deposits and high-grade gold systems. The strategy is to target new areas that have little competitive activity and to establish an early prospective position.

During the previous quarter geophysical surveys were completed at Shepparton in Victoria, Coonamble in New South Wales and at both Racehorse and Mt McDonald in Queensland. Modelling of these detailed gravity surveys has now been completed at all projects.

RACEHORSE/ Mt. McDONALD – QUEENSLAND
(Gold and Copper)
(Falcon 100%)

The Racehorse / Mt. McDonald Projects are located in south Queensland, where modelling of gravity data has shown two buried high-density targets lying off the flank of a large magnetic target. These may be prospective for gold-copper mineralisation within a large anticlinal feature where surface geochemistry has returned anomalous gold and base metals.

As previously reported gravity modelling has been completed at Racehorse. The anomaly contains high-density material of SG=3.15 @ 350 metres depth, with a maximum density of SG=3.25 @ around 750 metres depth (Figure 2). This density is in line with that anticipated for economic mineralisation, and fits with the desired model parameters. Drilling of the Racehorse anomaly is now confirmed for the beginning of February.

Gravity modelling of the Mt. McDonald target has shown a smaller deeper body of a lower bulk density. As such, it is not considered a worthy drill target at this point, although its close proximity to Racehorse requires that it be reconsidered if drilling at Racehorse is successful.

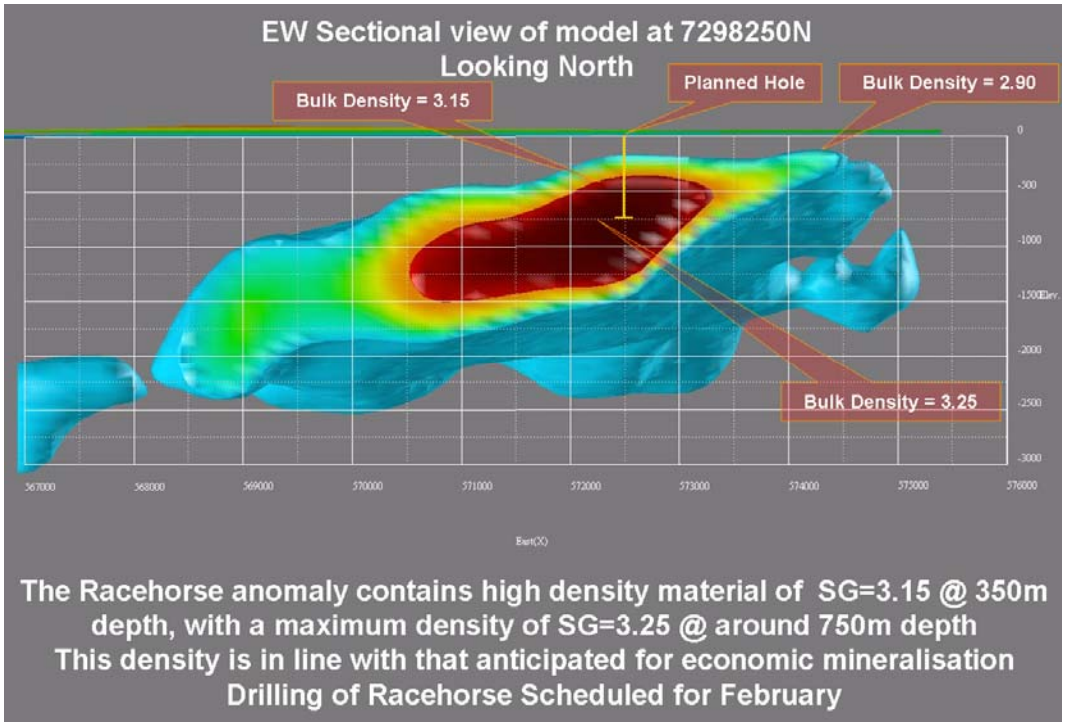

Fig 2: Racehorse Gravity Model. Showing Planned Diamond Drilling

SHEPPARTON – VICTORIA
(Gold and Copper)
(Falcon 100%)

At the Shepparton Project, a large gravity feature has been modelled. It is interpreted to be the possible unexposed basal contact zone to the Mt Major block, where previous work has defined anomalous occurrences of gold, copper and nickel.

The infill, detailed gravity survey has been completed at Shepparton. Modelling of this data has shown the target to be of limited size at a significant depth. This potential of this project will be reviewed prior to further work.

COONAMBLE – NEW SOUTH WALES
(Gold and Copper)
(Falcon 100%)

The Coonamble Project is located in central New South Wales. The target comprises of a large gravity anomaly that indicates the presence of a large domal feature beneath recent sedimentary cover. It forms a ring dome with a lower density core. Such structures can be associated with significant mineral deposits.

The infill, detailed gravity survey has been completed at Coonamble. Modelling of this data has shown the target to be of an insufficient density at significant depth. This potential of this project will be reviewed prior to further work.

PALTHRUBIE AND ACRAMAN – SOUTH AUSTRALIA
(Gold)
(Falcon 100%)

The Palthrubie and Acraman Projects are located in the highly prospective Gawler Craton, South Australia (Figure 5). The primary target is high grade gold. This region has more recently become a major focus of gold exploration with significant results being reported by Adelaide Resources at the Barnes Project and Minotaur-Helix at Tunkillia.

The project covers a strong regional zone of gold-in-calcrete anomalism associated with a series of large cross cutting fault zones. Previously work has returned in shallow Aircore, which given recent discoveries and subsequent advancements in knowledge of the Gawler area, are believed to be far more significant that previously thought.

Drilling is planned at Deep Well and Sisters West to follow up previous shallow Aircore and calcrete gold anomalism. Infill calcrete sampling is also planned over favourable structural positions.

A determination on Native Title Heritage is still pending, and is required prior to the commencement of any work.

TUTUNUP – WESTERN AUSTRALIA

(Mineral Sands Project)

Under an agreement dated January 27th 1998 a final royalty payment of $179,339.40 (GST inclusive) was received in the first week of January 2006 from Bemax Resources N.L.

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 Simon Mottram, a full-time employee of Falcon Minerals Ltd. Mr Mottram is a Member of the Australian 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 "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Mottram 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 all maps are available in colour on our website:
www.falconminerals.com.au

Yours faithfully

Richard Diermajer
Director