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Company Announcement

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THIRD QUARTERLY ACTIVITY REPORT TO 31st MARCH 2006

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 (Figure 1).

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 of Ni-Cu-PGE at the Olympia prospect, in late 2004. The discovery at Olympia 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 continued approximately 3km south of Olympia, at the Rhodes prospect.

CURRENT EXPLORATION

Following delays from unexpected rains, work completed by the joint venture partners comprised the following:

- Drilling of the final three planned diamond drill holes, at the Rhodes prospect, for 631.5m (See Table 1).
- The down-hole Electromagnetic (EM) program has commenced and will be completed when ground conditions dry.

The Rhodes drill program focused on an array of moving loop EM conductors close to ultramafic and interpreted ultramafic stratigraphy. It is proposed that the Rhodes stratigraphy may be a fault offset

continuation of the Olympia units and therefore has the potential to host massive nickel sulphide mineralisation. A number of massive sulphide horizons were intersected within the drilling, including two that are contained either within, or adjacent to ultramafic units. Each hole is described in more detail below.

No results were returned this quarter. The drill-core from these holes is currently being processed and the assay results are pending.

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
<i>CLD152*</i>	<i>Rhodes</i>	<i>7023197</i>	<i>422161</i>	<i>511</i>	<i>501.7</i>	<i>Diamond</i>	<i>Yes</i>	<i>Yes</i>
<i>CLD181*</i>	<i>Rhodes</i>	<i>7022800</i>	<i>421790</i>	<i>507</i>	<i>387</i>	<i>Diamond</i>	<i>Yes</i>	<i>Yes</i>
<i>CLD182*</i>	<i>Rhodes</i>	<i>7023400</i>	<i>421630</i>	<i>510</i>	<i>435</i>	<i>Diamond</i>	<i>Yes</i>	<i>Yes</i>

* Completed in the March quarter

CLD152

CLD152 was an RC hole drilled at the end of 2004 as part of a program of holes at Rhodes following up elevated nickel encountered in previous air-core drilling. The nearby CLD153 intersected 4m @ 1.34% Ni, 0.24% Cu and 0.58g/t PGE. Two moving loop EM conductors were modelled to the east, and hence it was decided to extend CLD152 with a diamond tail to test all three targets. A number of ultramafic units were intersected in the hole. 30cm of massive sulphides were encountered in a six metre highly sheared ultramafic. These sulphides are believed to be barren sedimentary exhalative sulphides that have been remobilised into a shear zone. The deeper conductor was found to be a thick sequence of sedimentary exhalative sulphides. Assays results are pending.

CLD181

The pre-collar of CLD181 was completed in the previous reporting period. Diamond drilling began at 89.5m within a mafic sequence. At 256m, a thin sequence of black shales and sediments were encountered, followed by another thick mafic horizon to 383m. Massive sulphides were encountered on this contact, and appear to be primarily hydrothermal pyrite. This unit is coincident with the modelled moving loop EM conductor. The remainder of the hole contained brecciated cherts with weakly disseminated pyrite. Assays results are pending.

CLD182

The pre-collar intersected dominantly mafic rocks and ended in a felsic/sedimentary rock. Diamond drilling commenced in mafic material, and at 285m intersected a 7m thick ultramafic with minor weakly disseminated sulphide mineralisation. This was followed by a thin mafic unit, and at 298m the hole again intersected ultramafics. This unit contained no visible sulphides. From 306m to 332.2m basalts dominated the stratigraphy where, within a highly sheared and structurally complex zone, 30cm of deformed massive sulphides are present. Within the shear zone are thin slithers of ultramafic material, indicating that these may have been remobilised into the shear. The sulphides are predominately pyrrhotite. Assay results are pending.

Down-hole EM

The down-hole EM crew mobilised to site during the last week of March after long delays due to weather. A number of real time logs are being performed due to poor ground conditions and it is anticipated that the remaining three holes of the program will be completed next quarter, with results to follow shortly thereafter. No interpretation has been completed to date.

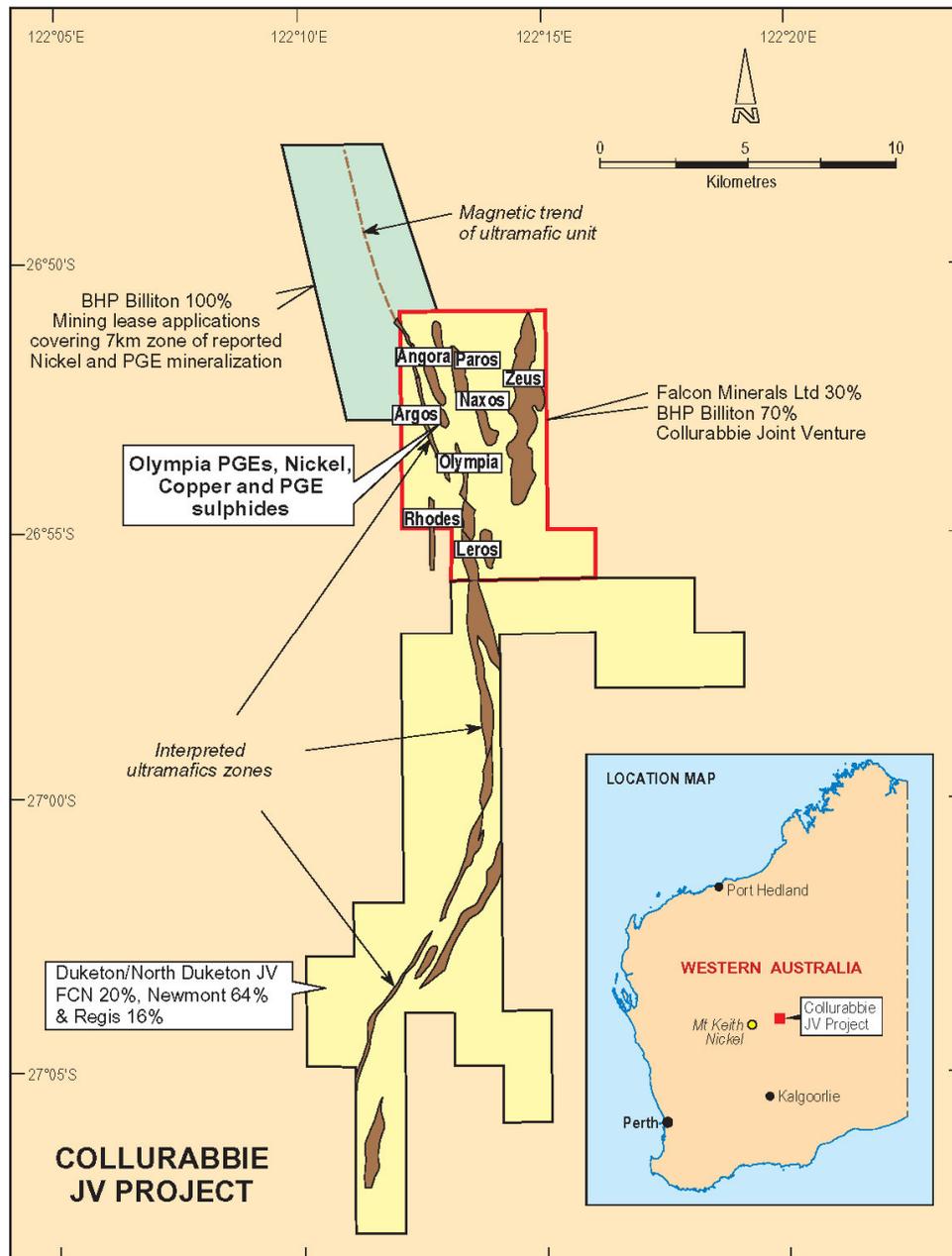


Figure 1: Collurabbie and Duketon Projects showing the contained ultramafic belt.

PROPOSED WORK

The recently completed diamond holes are currently being processed and logged. The assays for these are still pending. Physical properties and down-hole EM logging will also be completed in the following quarter, with some real-time logs required where holes have not been cased.

DUKETON AND NORTH DUKETON PROJECTS– 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. Work in the third quarter has concentrated on interpretation and analysis of the results from the field campaign completed in the previous quarter.

From air-core drilling and ground EM that was completed in the previous quarter, several areas have been highlighted, including the Beltra and Herman's prospects, which are likely to be the focus of ongoing work.

SAXBY – QUEENSLAND
(Nickel and Copper)
(Falcon 100%)

Further geochemical test work on the core drilled previously by FCN has shown that the +100m wide zone of Ni/Cu anomalous sulphides intersected are of definitive magmatic origin. This validates the Saxby Gabbro body as a host for magmatic style Ni/Cu mineralisation. During the quarter FCN commenced negotiations with a joint venture partner over terms for a farm-in agreement.

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 were regarded as being prospective for gold-copper mineralisation within a large anticlinal feature where surface geochemistry returned anomalous gold and base metals.

As previously reported gravity modelling completed at Racehorse identified an anomaly containing high-density material of SG=3.15 @ 350 metres depth, with a maximum density of SG=3.25 @ around 750 metres depth. Drill testing of the Mt. Racehorse anomaly was completed during the quarter. Drilling intersected a sequence of basalts which were rich in magnetite. S.G. measurements in the field and the laboratory agree that this material was sufficiently dense to cause the gravity anomaly. Representative samples were submitted for a suite of (IOCG reconnaissance) rare earth element analysis however, no significant results were obtained.

Gravity modelling of the Mt. McDonald target has shown a smaller deeper body of a lower bulk density. This potential of these projects will now be reviewed.

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

The Palthrubie and Acraman Projects are located in the highly prospective Gawler Craton, South

Australia. 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 returned results in shallow air-core drilling (which, given recent discoveries and subsequent advancements in knowledge of the Gawler area) are believed to be far more significant than previously thought.

Drilling is planned at Deep Well and Sisters West to follow up previous shallow air-core 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.

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.

An 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. The potential of this project is currently being reviewed, prior to further work.

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.

Modelling of data from an infill, detailed gravity survey completed at Shepparton, has shown the target to be of limited size at a significant depth. This project has been surrendered.

NEW PROJECTS

WESTERN AUSTRALIA (Nickel)

Marymia (Falcon earning 70%)

Falcon has entered into a Joint Venture Agreement with AuDAX Resources Ltd over the Marymia project. Under the terms of the agreement, Falcon has the right to acquire 70% of nickel and associated metals by spending \$1.75M over 5 years.

The project has the correct komatiite lithology required to host Ni sulphide deposits. Previous work by BHP and International Nickel (in JV) has established the clear presence of komatiite stratigraphy with an MgO of 25-32%. This MgO level is ideal for hosting massive sulphides. Previously, work has only focused on exploring for MgO levels above 40% (prospective for large disseminated bodies, Mt. Keith style). Of additional interest is the location and setting of the project, in that it is adjacent to the same Proterozoic terrane and deep craton scale structure that sits next to both the Collurabbie and Gunbarrel projects. Regional 1:250,000 geochemical mapping and sampling carried out by the GSWA shows several soil samples (in close proximity to the prospective stratigraphy) which have elevated coincident Ni/Cu/Pt. These samples show stronger anomalism than the samples from the same regional GSWA survey which covers the Collurabbie stratigraphy. At this regional sample spacing, and compared to typical background levels, these levels should be considered extremely anomalous. The location of the Marymia project is shown in Figure 2.

Tambellup (Falcon 100%)

The Tambellup project is located in the south west of WA approximately 270km from Perth. This area was selected based on regional interpretation and the recently released geochemistry survey (of the south west of WA) by CRC Leme (Cooperative Research Centre for Landscape Environments and Mineral Exploration). The Tambellup project lies on the Yilgarn Craton margin, in a continental suture zone, coinciding with elevated Ni/Cu geochemistry. The closest analogy for this style of target would be Voisey's Bay, in Canada.

WESTERN AUSTRALIA (Gold)

Muradup (Falcon 100%)

The Muradup project is located in WA approximately 200km south east from Perth. This area was selected based on regional interpretation and the recently released geochemistry survey (of the south west of WA) by CRC Leme. The Muradup project covers a significant splay structure, which emanates from the primary regional NNW structure interpreted to continue to the Boddington Gold Mine. This area coincides with elevated Au geochemistry.

Moora (Falcon 100%)

The Moora project is located in WA approximately 145km north of Perth and was selected based on regional interpretation and the recently released geochemistry survey (of the south west of WA) by CRC Leme. The project area also contains elevated Au geochemistry coinciding with a secondary structural splay, and is 30 km SSE of the recent Au anomalism found on the Independence Group tenements. This project targets structural gold mineralisation.

Kondinin (Falcon 100%)

The Kondinin project is located in WA approximately 230km east of Perth. This area was selected based on regional interpretation and the recently released geochemistry survey (of the south west of WA) by CRC Leme. The Kondinin project area lies on splay structure running SSW from a northerly structure associated with other gold occurrences in the western wheat belt region, and has coincident

Au geochemistry. This project targets structural gold mineralisation.

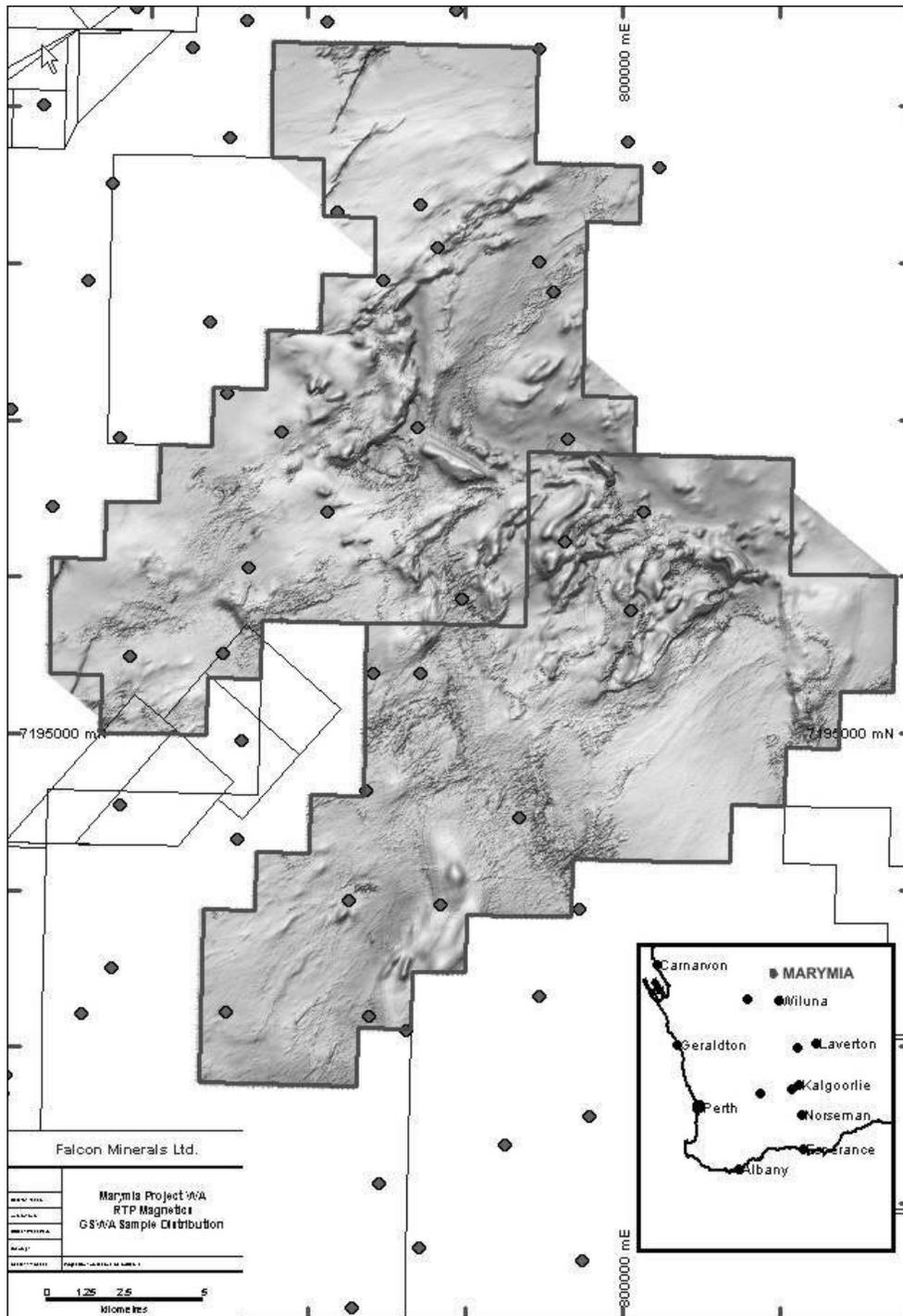


Figure 2: Marymia Project showing the magnetics and GSWA sample locations.

QUEENSLAND (Gold and Copper)

Falcon has developed a series of projects across Australia targeted at both world class Olympic Dam-style iron oxide copper-gold (IOCG) 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 quarter two new projects were acquired in Queensland.

- **Mt. May** (Falcon 100%)
The Mt. May project is located in north east Queensland in the Atherton region.
- **Kalang** (Falcon 100%)
The Kalang project is located in east Queensland in the Clermont region.

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