Falcon Minerals Ltd

ACN 009 256 535

Company Announcement

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FIRST QUARTERLY ACTIVITY REPORT TO 30 SEPTEMBER 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 Mt Keith and 200 kilometres north of Laverton in the North Eastern Goldfields of Western Australia.

Disseminated nickel-copper-platinum group element (Ni-Cu-PGE) sulphides were discovered at Collurabbie during 2003, 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.

CURRENT EXPLORATION

The September quarter saw the completion of drilling and the majority of the Electromagnetic (EM) program. These were designed to test a series of moving loop and Down-Hole Electromagnetic (DHEM) conductors at depth that were discovered in subsequent surveys in early 2006.

Four diamond holes were completed while the fifth planned hole (one of the Rhodes targets) could not be drilled due to poor ground conditions. Table 1 summarises the drilling statistics. The drilling successfully tested the three large DHEM plates below and offset from the known Olympia mineralisation, and the off-hole DHEM plate associated with the massive nickel sulphide intersection in CLD182 at Rhodes. The drilling intersected massive sulphides in most holes, explaining the EM

conductors, as well as disseminated sulphides within the ultramafic stratigraphy. The massive sulphides were located adjacent to or within ultramafic rocks. The small off-hole conductor detected at Rhodes in CLD182 is coincident with a chalcopyrite/pyrrhotite/pyrite massive sulphide (CLD194). All assays are yet to be received from the assay laboratory.

The Geoferret EM survey is close to completion, following weather delays. The preliminary results indicate the survey has detected a number of EM anomalies both within the northern Olympia area and the Rhodes area. A full assessment will be made once the program is complete. DHEM will be carried out following completion of the Geoferret EM survey. The program is scheduled to be completed by late October.

Table 1 – Drilling Summary

Hole ID	Prospect	Northing	Easting	RL	Depth	Start	End	Type
CLD190	Olympia	7025900	421800	516	693.7	04/08/2006	17/08/2006	Diamond
CLD191	Olympia	7026100	421820	516	601.1	19/08/2006	27/08/2006	Diamond
CLD192	Olympia	7026350	421700	516	490	28/08/2006	04/09/2006	Diamond
CLD193	Rhodes	7023300	422200	516	68.3	05/09/2006	09/09/2006	Abandoned
CLD193a	Rhodes	7023305	422190	516	100.6	22/09/2006	24/09/2006	Abandoned
CLD194	Rhodes	7023450	421610	516	452.8	10/09/2006	29/09/2006	Diamond

Olympia Prospect

The drilling program consisted of three diamond holes targeting a series of DHEM conductors that were identified during the last phase of drilling below and offset from the known Olympia mineralisation and interpreted to be adjacent to or within ultramafic stratigraphy. The most southern of these targets was also down dip of disseminated nickel sulphides intersected in previous drilling in CLD178.

CLD190 is the southern most drill hole, targeting DHEM plates within prospective ultramafics down dip of disseminated Ni sulphides. Previous drilling identified two small conductors vectoring towards a larger, deeper conductor. The drill hole was planned to test the large conductor in the centre of the modelled plate. Above the felsic porphyry, two massive sulphide horizons were encountered between 544-550m consisting of pyrrhotite and pyrite. No chalcopyrite was observed, indicating they are unlikely to be nickeliferous. At the lower felsic contact (650m) approximately 1m of deformed massive sulphide was present within a cumulate ultramafic. This unit lacked disseminated sulphides and again no chalcopyrite was observed. From 655m to 683m a thick sequence of cumulate ultramafics contain heavy to weak disseminated sulphides of a magmatic origin, hence are likely to be weakly anomalous. Figure 1 shows the geological interpretation for this intersection.

CLD191 was drilled approximately 200m north of CLD190, targeting the next large DHEM conductor along strike from the conductor tested by CLD190. This conductor was modelled to sit slightly above the upper contact of the felsic porphyry. The hole encountered near identical geology to that of CLD190, intersecting the same massive sulphide horizons above the felsic porphyry. Below the felsic porphyry the same ultramafic is present, with a similar magmatic disseminated sulphide profile.

CLD192 was drilled 250m north of CLD191 and targeted the most northerly of the EM plates, further along strike. Again, the geology intersected in CLD192 was similar to the previous holes. While the drill hole pierced the target area, the hole did not intersect a conductive lithology and is therefore likely to be shear related. It appears the ultramafics and sulphides have been pinched out by this shearing. Assay results from all three holes are pending.

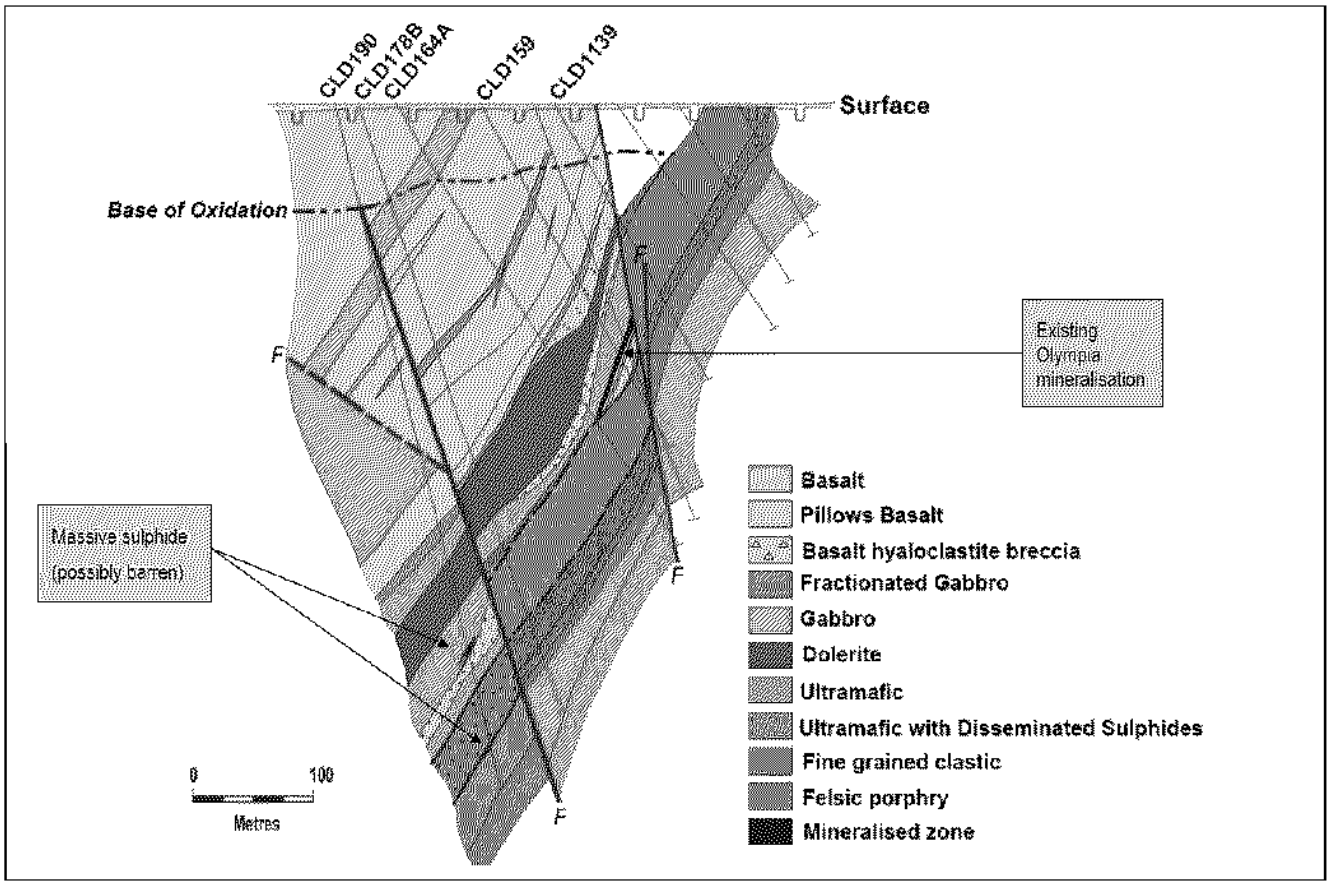


Figure 1: Collurabbie Project - Olympia Cross Section 7025900N.

Rhodes Prospect

Of the two diamond hole planned at Rhodes only CLD194 was completed. Although CLD193 was attempted twice ground conditions proved to be too difficult.

CLD194 was drilled 70m along strike of an off-hole conductor in CLD183, which had previously intersected 30cm of massive nickel sulphides. At 300m the hole entered an ultramafic sequence containing disseminated sulphides (from 304-318m) adjacent to a large shear zone that is interpreted to have been removed most of the ultramafic. Within the shear zone, and on the interpreted basal ultramafic contact 1.1m of deformed massive sulphides were intersected (326.5-327.6m) comprising of chalcopyrite, pyrrhotite and pyrite, which correlate with the targeted conductor. Assay results for this encouraging intersection are pending.

CLD193 was planned to test a large MLEM plate at a depth of 450m, north of the disseminated nickel sulphides encountered in CLD153. Ground conditions were hampered by extensive fracturing, resulting in a lack of water return in the diamond drilling. A second attempt using RC drilling was abandoned after the drill hole was lost due to collapse. The best option to test this conductor will be to use a more powerful RC rig at a later date.

Geoferret EM

The Geoferret EM program is approximately 80% complete. To date, the survey has identified a number of anomalies at both Olympia and Rhodes. The strongest anomaly detected so far is coincident, and along strike to the north of the sulphides just tested at Olympia. At Rhodes anomalies are present within a number of stratigraphic horizons, including the along strike equivalent of the massive sulphides intersected within CLD194. It is anticipated that the survey and associated modelling will be completed by mid October.

Down-hole Electro-magnetics (DHEM)

The DHEM program will commence once the Geoferret program is completed. The four successful diamond holes have all been cased in preparation for DHEM survey. The results of this survey will be critical in the determining the extent of the sulphides encountered in the drilling and the planning of follow-up drilling.

PROPOSED WORK

Work will continue onsite to complete the Geoferret EM and DHEM surveys. All results will then be analysed and interpreted to determine the next program.

MARYMIA PROJECT – W.A.

(Nickel and Copper)
(Falcon earning 70%)

Falcon has entered into a Joint Venture Agreement with AuDAX Resources Ltd over the Marymia project that is interpreted to lie in the northern continuation of the Wiluna belt, which is host to nickel deposits such as Cosmos, Leinster and Mt. Keith. Under the terms of the agreement, Falcon has the right to acquire a 70% interest in nickel and associated metals by spending $1.75 Million over 5 years.

During the quarter, a total of 2,217 lag samples were collected over two areas, and submitted to Acme Analytical Laboratories in Vancouver, Canada, for nickel suite analysis. Results have verified the initial regional GSWA anomalies and defined eleven Ni/Cu/PGE anomalies (Figure 2). Of these, three are considered high priority (MM001, MM004 & MM007). Principal component chemistry shows the three strongest Ni/Cu/PGE anomalies to be associated with (mafic-ultramafic) rocks suitable for hosting Nickel sulphides.

In the following quarter, infill geotechnical sampling and field inspections will be carried out over the high priority anomalies.

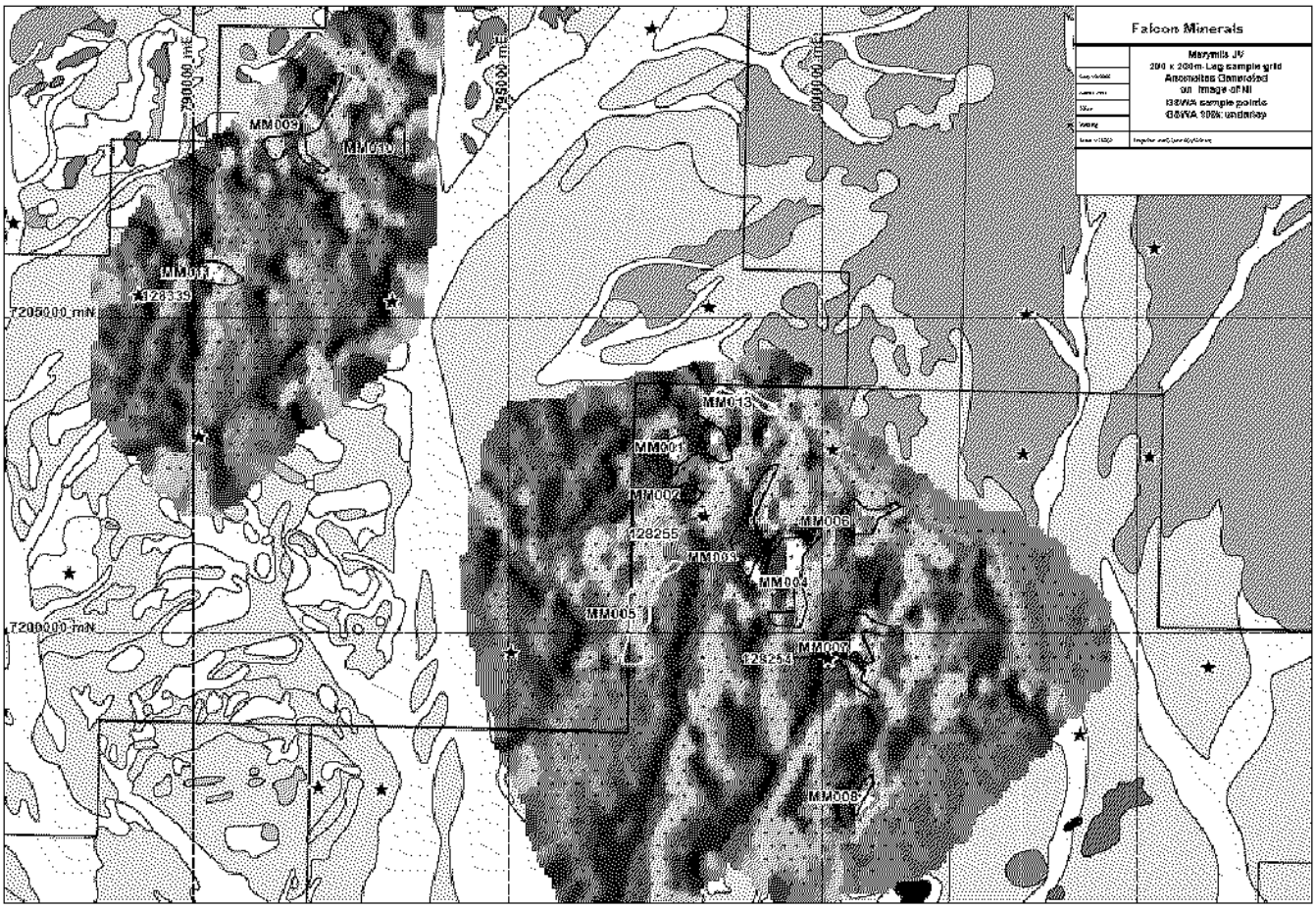


Figure 2: Marymia Project- Planned deflation lag survey over magnetics.

SAXBY – QUEENSLAND

(Nickel and Copper)

(Falcon 100%)

The terms for a Joint Venture with a major international mining Company is being finalised, and completion of the agreement is expected during the next quarter.

The Saxby project is located in 150 km northeast of Cloncurry in Northwest Queensland. Geochemical test work on the diamond core drilled previously by Falcon (Figure 3) has shown that the zone of Ni/Cu anomalous sulphides intersected are of magmatic origin. This validates the Saxby Gabbro body as a potential host for magmatic style Ni/Cu mineralisation.

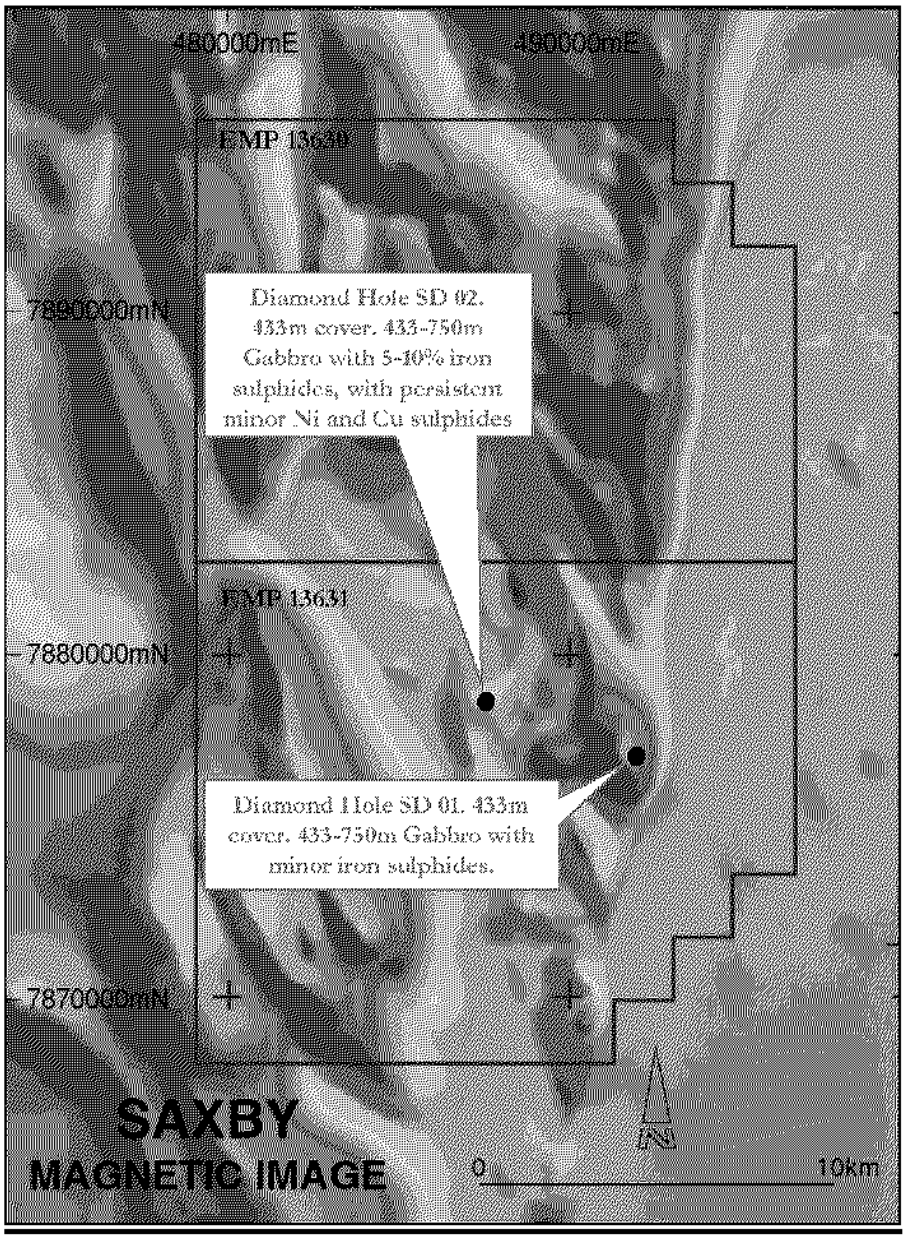


Figure 3: Saxby Project- Magnetics.

MULGARRIE PROJECT – W.A.

(Nickel)

(Falcon 100%)

An Agreement for Joint Venturing this project is being negotiated and is expected to be finalised in the next quarter.

The Mulgarrie Project comprises tenement E27/314, covering prospective komatiite stratigraphy, 15 - 20km north and along strike from the Silver Swan nickel deposit (Figure 4).

Recent work included a review of exploration results identifying several nickel and copper geochemical anomalies at the Mulgarrie project that have not been fully tested by previous drilling. Subsequent ground EM surveys have confirmed the presence of bedrock conductors in close proximity to the geochemical anomalies, and justify drill testing.

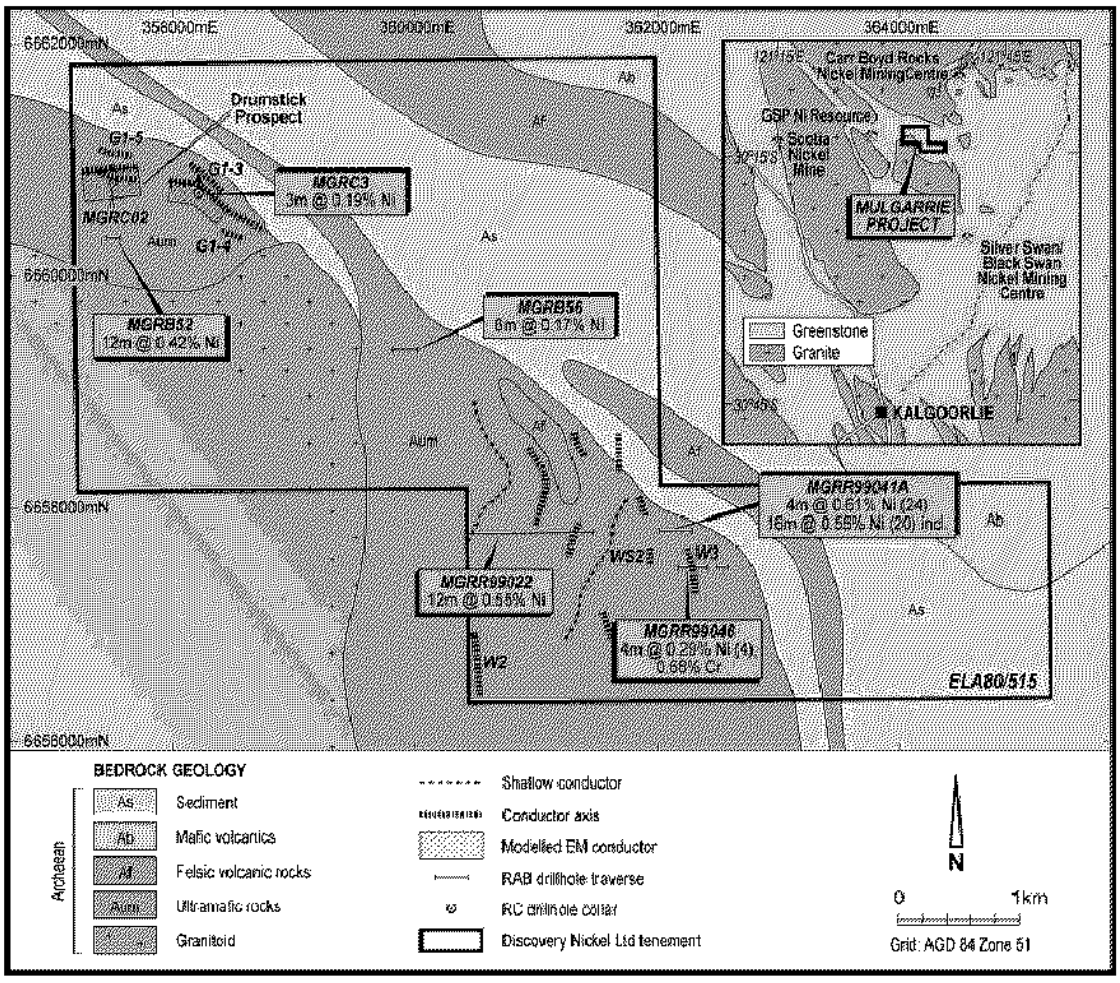


Figure 4: Mulgarrie project location and geology.

TAMBELLUP PROJECT – W.A.

(Nickel and Copper)

(Falcon 100%)

The Tambellup project is located in the south west of WA approximately 270km from Perth. Anomalous soil geochemical work by CRC Leme (Cooperative Research Centre for Landscape Environments and Mineral Exploration) has been verified by Falcon during a field visit to the project. Check samples taken from the CRC Leme site show excellent correlation with the original sample, while samples taken traversing up slope from the site showed consistently increasing nickel/copper values. A regional geochemical survey is planned for the project. Efforts are presently focused on land access with landowners, during the tenement grant process.

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.

North Duketon

Within E38/423 a late channel EM conductor traversing across 6 consecutive 200m spaced lines was detected during 28.5line/km of moving loop EM survey work completed in the quarter. The 1.2km anomaly lies to the east of the ultramafic stratigraphy. Modelling of this conductor is underway.

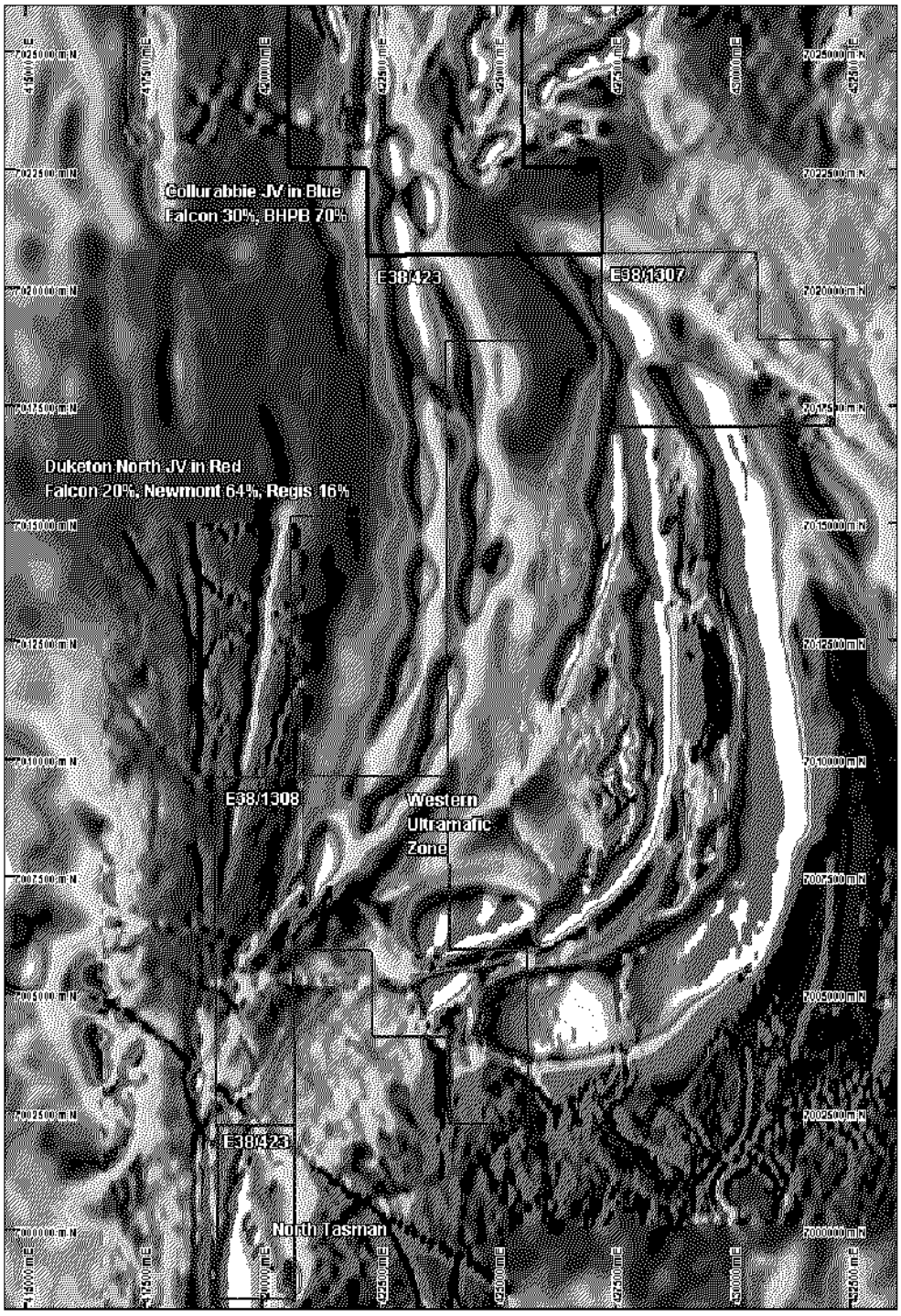


Figure 5: North Duketon Joint Venture- Magnetics.

At the Tasman North area (Figure 5) 25 shallow aircore holes were completed across two interpreted ultramafic units. Preliminary results show some elevated PGE values coincident with anomalous Ni/Cu values. A further 64 aircore holes were completed on the northern extent of the Western Ultramafic Zone. Results from this work are pending.

Ground EM surveying has commenced over the mapped ultramafic sequence in E38/1307, with the intention being to survey its entire 35km strike extent. To date 4.8 line/km have been completed. No results from this work are available yet.

Duketon
During the quarter gold exploration activities comprised drilling of 132 shallow aircore holes (MNAC001-132) along an anomalous gold trend identified by soil geochemistry and compilation of previous historical work. Four metre composite samples were submitted from this work. All samples returning values greater than 100ppb Au have been re-sampled at 1m intervals and submitted for Au, As, Cu, Pb and Zn analyses, with results pending.

PALTHRUBIE AND ACRAMAN – SOUTH AUSTRALIA

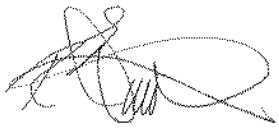
(Gold)
(Falcon 100%)

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

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

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

FALCON MINERALS LIMITED

ABN	Quarter ended ("current quarter")
20 009 256 535	30 September 2006

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (3 months) $A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration and evaluation	(341)	(341)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(127)	(127)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	61	61
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other	-	-
	Net Operating Cash Flows	(407)	(407)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	(2)	(2)
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
1.10	Loans to employee	-	-
1.11	Loans repaid by employee	-	-
1.12	Loan repaid by director related entity	-	-
	Net investing cash flows	(2)	(2)
1.13	Total operating and investing cash flows (carried forward)	(409)	(409)
1.13	Total operating and investing cash flows (brought forward)	(409)	(409)

	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 (capital raising costs)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(409)	(409)
1.20	Cash at beginning of quarter/year to date	4,401	4,401
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	**3,992**	**3,992**

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'000
1.23	Aggregate amount of payments to the parties included in item 1.2	71
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

All payments to directors and associates are on normal commercial terms.

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

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

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		
3.2	Credit standby arrangements		

Estimated cash outflows for next quarter

$A'000

4.1	Exploration and evaluation	350
4.2	Development	-
	Total	**350**

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	148	218
5.2	Deposits at call	3,844	4,183
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	**3,992**	**4,401**

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				
6.2	Interests in mining tenements acquired or increase	Saxby	EPM 15872	Nil	100%

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.

Appendix 5B
Mining exploration entity quarterly report

		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**				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.3	**+Ordinary securities**	142,526,303	142,526,303		Fully Paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	**+Convertible debt securities**				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	150,000 200,000 200,000 200,000		*Exercise Price* 40 cents 50 cents 75 cents $1	*Expiry Date* 1 July 2008 1 October 2008 1 October 2009 1 October 2010
7.8	Issued during quarter	150,000 200,000 200,000 200,000		40 cents 50 cents 75 cents $1	1 July 2008 1 October 2008 1 October 2009 1 October 2010
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	**Debentures**				
7.12	**Unsecured notes**				

+ See chapter 19 for defined terms

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 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: George Lazarou Date: 25 October 2006

(Company secretary)

Print name: George Lazarou

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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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.