

# Falcon Minerals Ltd

ACN 009 256 535

## Company Announcement

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### FOURTH QUARTER ACTIVITY REPORT TO 30 JUNE 2004

#### HIGHLIGHTS

- Scanning electron microscope analysis strongly supports the interpretation of sulphides of nickel, copper and PGE's at depth in fresher rock at Collurabbie.
- First pass of 8890m deep drilling by RC and diamond commenced in late June at Collurabbie.
- Geophysical modelling delineates Ridgeway style targets at Cargo for drilling.

#### **Collurabbie Joint Venture, WA – Nickel and Platinum Group Elements Project** (FCN 30%, WMC 70%)

The attached magnetic image plan shows the eight regions currently the subject of deep drilling. These large areas encompassing magnetic zones between 2 and 6km in length are listed as:

- Agora
- Paros
- Argos
- Naxos
- Zeus
- Olympia
- Rhodes
- Leros

The plan indicates the first phase deep drill holes along the extensive prospective ultramafics.

Drilling is progressing in the first of eight zones to be tested commencing with Olympia. As samples are submitted for multi element assays the diamond and RC percussion rigs will commence on the next zone. All samples are generally assayed for up to 12 elements including nickel, copper and platinum group elements. The number of assays and

requirements of field core cutting, logging and quality control checks means that results lag considerably behind the drilling of holes and results are not reported on a hole by hole basis.

It was earlier reported that weathered zone air core drilling to date has indicated long zones of geochemical results indicative of nickel sulphides.

### **Summary of earlier reports**

#### **Analysis of Oxidised Nickel Sulphides**

From the air core drilling, examination of drill chips at hole CLAC 196 showed strong indications of oxidized nickel sulphides and gossanous textures indicating that this hole may have drilled into part of the sulphide system but still within the weathered zone.

Results of optical mineralogical polished chips examination of hole CLAC 196 showed iron oxide (goethite) interpreted to be derived from pyrrhotite (iron sulphide) hosting pentlandite (nickel – iron sulphide).

These results were supported by a Scanning Electron Microscope and x-ray diffraction (XRD) examination that can provide quantitative percentages of elements within goethite grains, confirmed the presence of nickel oxide from 2.1% to 2.4%, copper oxide from 3.2% to 4.9% along with iron oxide. Another goethite grain analysed 4.4% nickel oxide at interval 30-32m.

The Scanning Electron Microscope and XRD was not able to quantify sub percentage levels of PGEs although normal assays recorded them in air core drilling.

The shallow drilling to March 2004 defined zones of anomalous geochemistry indicative of nickel sulphides at depth. That work has defined a number of these zones extending for over 1km to 2.5km in length.

#### **Helimag**

Detailed helicopter magnetics was flown over the project area to define and trace the extent of ultramafic units as they are expressed as magnetic anomalies. This data set has allowed higher resolution of structural and geophysical features and is used in interpretation of the geology and drill hole planning.

#### **RC and Diamond Drilling Program**

The total program approved by the joint venture partners is currently for 5,640m of RC and 3,250m of diamond drilling at a total budgeted cost of \$760,000. The program may be increased and extended beyond the present budget to allow further drilling into late in the year to take advantage of good weather conditions.

### **Duketon and North Duketon Joint Ventures, WA – Gold, and Nickel**

(FCN 20% free carried, Newmont 80% contributing)

The North Duketon and Duketon Projects are located 50km<sup>2</sup> south of the Collurabbie Project along the same greenstone belt.

Given the recent discovery of nickel sulphides further to the north by WMC, the twenty kilometres of ultramafics interpreted by Falcon to exist in this ground is regarded as having potential for nickel sulphides and PGE's.

At North Duketon six holes totalling 461m, of a 17 hole air core programme were completed by Newmont. The drilling is targeting structural positions adjacent to the regional Deleta Shear with low level anomalous gold values identified in previous drilling. All results pending.

Reprocessing of QUESTEM airborne EM data originally collected by MIM Exploration during 1996 covering the project was completed.

At Duketon an air core drilling programme planned for April was delayed due to rain. A total of 33 air core holes (CTAC087-119) for 1,305m were completed at Camel Toe in May targeting stratigraphy in the western part of the tenement north of old gold workings. Results received from 33 air core holes (CTAC087-119) at Camel Toe were generally low with a maximum value of 40 ppb Au.

### **Cargo Project, NSW – Gold and Copper**

(FCN earning 70%, Golden Cross 100%)

Geophysical and geological modelling has identified Ridgeway style gold/copper porphyry intrusions at Cargo.

Previous drilling completed by Falcon in April 2003 at the Cargo area returned a number of significant but sub economic low grade gold intercepts and a few but narrow higher grade gold intercepts.

Past drilling data is being integrated with the geophysics to help with target selection.

RC drilling of the new targets at Cargo is expected towards the latter part of this year.

### **Mulgarrie, WA – Nickel**

(FCN 100%, Discovery Nickel earning 51%)

The Mulgarrie Joint Venture comprises a tenement application covering prospective komatiite stratigraphy, north and along strike from the Silver Swan nickel deposit.

Interpretation of ground EM data previously collected by Falcon Minerals identified an untested EM conductor at the base of the komatiite stratigraphy. Aeromagnetic data suggests the conductor is also associated with a thermal erosion feature at the base of the komatiite flow, in a similar geological setting to much of the nickel mineralisation at Kambalda, hence enhancing the prospectivity of this target.

Drilling within the project commenced during June and results are awaited.

### **Saxby, QLD – Nickel, Copper and PGE's** (FCN 100%)

During the quarter diamond drilling of two magnetic targets M1 and M5 were completed to depths of 750m.

The first hole SMD01 over the M1 target intersected magnetic Proterozoic gabbro without significant sulphides. The second hole SMD02 5km further west, intersected extensive zones of disseminated pyrrhotite (iron sulphide) over large intersections including some narrower semi massive zones. The total vertical width of sulphide bearing gabbro is 300m to the bottom of hole and is open at depth. Chalcopyrite (copper-iron sulphide) and pentlandite (nickel-iron sulphide) were interpreted in the core logging, particularly in zones where pyrrhotite was more abundant. Some of those samples are being examined mineralogically to check on the nature of the logged sulphides. The assay levels were anomalous but too low to be of economic significance within the 300m drilled intercept. Nickel and copper assays did not exceed 0.23% and 0.21% respectively. PGE assays were completed on every 5<sup>th</sup> sample with results showing some anomalous but low levels of platinum. Owing to the 300m thick and open intercept of sulphides in SMD02 some research will be conducted to see SMD02 may have intersected a relatively nickel and copper depleted section of a very large sulphide bearing gabbro intrusive. Some other targets exist and the project will be reassessed with a view to offering it for joint venture.

### **Black Hill, SA** (FCN 100%)

Ten percussion holes were drilled and assayed at the Black Hill and Cambrai norite intrusive complex 90km north east of Adelaide. Three holes at Cambrai and seven holes at Black Hill intersected numerous zones of soft clayed altered norite to considerable depths (maximum depth 90m) that is attributed to hydrothermal alteration. Minor iron sulphide was recorded at some intervals.

The assay results were anomalous in nickel (up to 0.1%) and copper (up to 0.1%) with platinum and palladium to 26 and 28 ppb respectively. Gold attained 17 ppb. Although these results are reasonably consistent with the results of the first program, metal abundance levels fall short of what the company was expecting within these extensively altered norite intrusions. The levels of sulphide are not high enough to indicate significant mineralisation and the obvious targets at Cambrai and Black Hill on the second round of drilling again produced only anomalous results.

## **OLYMPIC DAM STYLE EXPLORATION PROJECTS**

Geophysical modelling and rationalisation work progressed on the Olympic Dam style and other copper – gold targets towards drill stage.

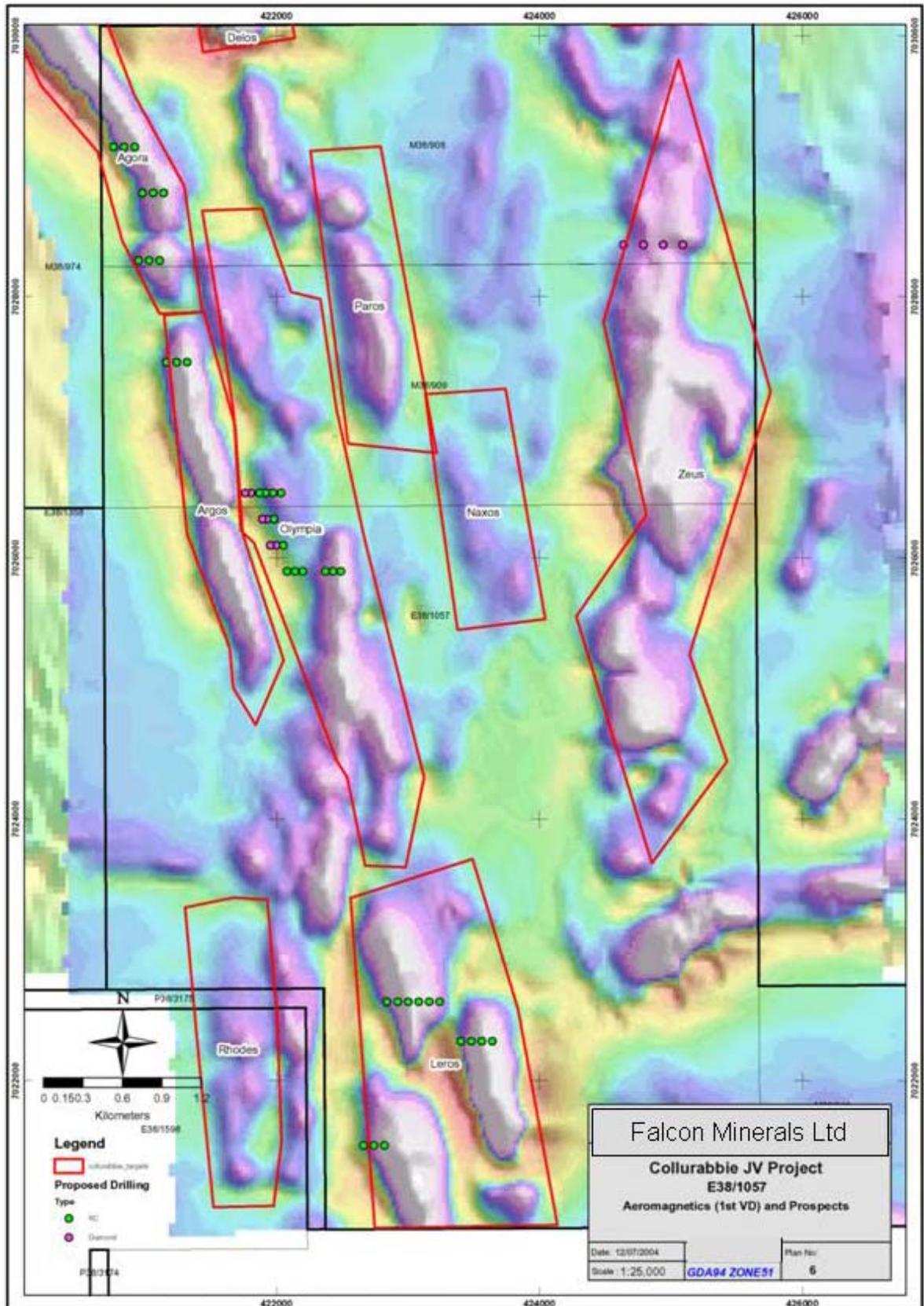
The modelling work has indicated some quite deep targets beyond commercially attractive depth on some tenements and the company is concentrating on its shallower targets towards drill stage.

The extensive 300m thick sulphide intersection in gabbro that commenced at 430m depth at Saxby whilst not of Olympic Dam style is part of this initiative and indicates its tendency to successfully identify large mineralized systems that are difficult to predict prior to any drill holes.

*The information in this report as it relates to mineralisation is based on information compiled by Mr R Muskett who is a geologist of the company and a Competent Person as described in Appendix 5A to the ASX Listing Rules. The report accurately reflects the information compiled by Mr R Muskett.*

**Yours faithfully**

Richard Diermajer  
Director



# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97.

Name of entity

**Falcon Minerals Limited**

ACN or ARBN

**009 256 535**

Quarter ended ("current quarter")

**30 June 2004**

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Sales	–	–
1.2 Payments for		
(a) exploration and evaluation	(306)	(661)
(b) development	–	–
(c) production	–	–
(d) administration	(143)	(424)
1.3 Refunds received – EL applications & other	–	–
1.4 Interest and other items of a similar nature received	50	203
1.5 Interest and other costs of finance paid	–	–
1.6 Income taxes paid	–	–
1.7 Aggregate cashflows from disposals of entities net of cash received	–	–
<b>Net Operating Cash Flows</b>	<b>(399)</b>	<b>(882)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a)prospects		
(b)equity investments	–	(40)
(c) other fixed assets	(3)	(74)
1.9 Proceeds from sale of:		
(a)prospects	–	–
(b)equity investments	2	2
(c)other fixed assets		
1.10 Loans to other entities	–	–
1.11 Loans from other entities	–	–
1.12 Other (provide details if material)		
<b>Net Investing cash flows</b>	<b>(1)</b>	<b>(112)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(400)</b>	<b>(994)</b>

1.13	Total operating and investing cash flows (carried forward)	(400)	(994)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	3,479
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	-	(188)
<b>Net financing cash flows</b>		-	3,291
<b>Net increase (decrease) in cash held</b>		(400)	2,297
1.20	Cash at beginning of quarter/year to date	4,053	1,356
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	3,653	3,653

**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	75
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments for management, technical services and annual directors fees.

**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

Nil

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

Nil

### 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	300
4.2 Development	–
<b>Total</b>	300

### 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	88	114
5.2 Deposits at call	3,565	3,939
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	3,653	4,053

### 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	Naracoorte	EL 2950	100%	Nil
6.2 Interests in mining tenements acquired or increased	No change			

**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.*

	Number issued	Number quoted	Par value (cents)	Paid-up value (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Issued during quarter				
7.3 <b>+Ordinary securities</b>	124,161,673	124,161,673		Fully paid
7.4 Issued during quarter				
7.5 <b>+Convertible debt securities</b> <i>(description and conversion factor)</i>				
7.6 Issued during quarter				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	18,284,630		Exercise price 20 cents	Expiry Date 30 June 2005
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <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 Law 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: ..... Date: 16 July 2004  
(Company Secretary)

Print name: Paul Fromson

## 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 compiled with

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