

Falcon Minerals Ltd

ACN 009 256 535

Company Announcement

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FIRST QUARTER ACTIVITY REPORT TO 30 SEPTEMBER 2004

HIGHLIGHTS

- *Significant results of 8m @ 1.23% Ni, 1.62% Co and 3.84g/t PGE's intersected at Collurabbie.*
- *Second deep drilling programme of 3,780m of RC and diamond drilling at Collurabbie scheduled to commence in November 2004.*
- *Encouraging results of 24m @ 0.62g/t Au at North Duketon will see a follow-up drill programme of 66 holes.*
- *Deep drilling of Ridgeway style targets at Cargo scheduled to commence in November 2004.*

Collurabbie W.A.

Nickel and Platinum Group Elements Project

(FCN 30% WMC 70%)

As previously reported, during the quarter significant results obtained from the Olympia prospect in the first RC percussion and diamond drilling programme at Collurabbie intersected 8 *metres @ 1.23% nickel, 1.62% copper and 3.84g/t PGE's* (platinum group elements) from a depth of 57 metres.

Delays were experienced in receiving assay results since the last report on the first deep drilling however subsequent drilling and down hole electromagnetics have progressed satisfactorily. Also, completion of the planned RC percussion drilling programme was abandoned due to a shallow water table causing difficulties with recovery of samples however a new RC rig that is expected to handle the conditions will be onsite early

November 2004. Most of the intended RC percussion holes were drilled by angle air core as precollars for diamond drilling.

Olympia

Previous results for the initial Collurabbie deep holes CLD 125, 127 and 122 together with assay results from hole CLD 120 are shown below. Results of CLD 118 are still to be received as core cutting was delayed by refurbishment of the core farm at the Mt Keith Nickel Operation. Hole CLD 120 is some 200m metres north of the massive to matrix sulphide intersection in CLD 122 and recorded bands of nickel sulphides with barren ultramafic between them. While the average nickel grade over the 1.6m intercept appears low it is significant due to the 200m from CLD 122 indicating continuity of strike over significant distance. Hole CLD 118, 200m further north again (400m from CLD 122) is anticipated to return similar results. Including the 8m nickel intercept of CLD 125 which is 200m south of CLD 122, the known extent of nickel and PGEs sulphides at the Olympia zone is interpreted to extend over approximately 600m strike length and open both ends.

Hole Id	Thickness	From	Ni%	Cu %	Pt+Pd G/T	Pt	Pd	Rh	Ru	Os	Ir	Total PGE g/t
CLD125	8	64	1.23	1.62	3.64	1.64	2	0.09	0.07	0.02	0.02	3.84
CLD127	4	82	1	0.55	0.97	0.26	0.71					
CLD122	0.08	200.18	2.93	0.26	0.22	0.04	0.182	0.71	0.92	0.17	0.21	2.23
CLD118	1.4	291.7	Assays Pending									
CLD120	1.6	292.6	0.28	0.16	0.34							

Hole No	MGA m Easting	MGA m Northing	Bearing	Inclination Degrees	Incl Depth	Drill Method
CLD125	422140	7025900	East	60	151	RC
CLD127	421915	7026500	East	60	121	RC
CLD122	421950	7026100	East	60	390	D
CLD118	421760	7026500	East	60	384	D
CLD120	421890	7026300	East	60	384	D

Electromagnetic survey work designed to detect massive sulphides has been influenced by a thick zone of semi massive non-nickeliferous iron sulphides about 25m to the west of the disseminated nickel sulphides of CLD 125 and the 8cm intercept in CLD 122 causing interference anomalies and difficulty in differentiating anomaly sources. Electromagnetics is normally effective on detection of massive sulphides but disseminated sulphides such as the 8m intercept of CLD 125 would not be expected to show up on EM.

Despite the strong western conductance, down hole EM may be detecting some off hole conductors in the vicinity of CLD 125 at the southern end of Olympia and in the vicinity of CLD 122 closer to the central part of Olympia.

Rather than conduct additional EM at Olympia it has been decided at this stage to return to deep drilling these areas in November/December 2004 as drill coverage is very sparse.

It is proposed to drill approximately 3,780m of RC and diamond with 20 holes to follow-up the Ni-Cu-PGE mineralisation intersected at the Olympia prospect. Four holes are planned close to the intersections in CLD 125 and CLD 122m with the remaining holes

testing the interpreted strike extension of the same mineralised horizon offset by late structures to the south-west. Where nickel sulphides are intersected, it is expected that diamond tails will be planned in down-dip holes to test the horizon at depth.

Other zones such as Agora 3km north, Zeus 3km to the east and Leros 4km to the south of Olympia also saw some initial deep drilling during the quarter. (See attached Figure 1 for location of planned holes.

Agora

Six of nine planned holes were air core angle drilled to refusal as precollars for diamond drilling. Planned RC percussion was abandoned in favour of air core due to difficulties with percussion. These holes will be completed with diamond drilling in the forthcoming programme commencing in November and December 2004. One of these weathered zone angle holes CLD 69, passed under earlier vertical air core hole CLAC 14 and confirmed the earlier results of CLAC 14 with a new intersection from **20m depth of 10m at 0.66% Ni, 0.28% Cu and 0.175 g/t of PGEs**. This is interpreted to be another nickel sulphide zone well to the north of Olympia that is yet to see any drilling beneath the weathered zone. Initial electromagnetic work is planned for Agora.

Zeus

Four preliminary stratigraphic diamond holes (assays awaited) in an east – west line across part of the extensive Zeus zone (no previous air core drilling) was designed to test the magnetic zones for prospective ultramafic. The eastern most hole intersected some ultramafic peridotite identifying a new prospective zone for nickel sulphides that will be further investigated.

Leros

Ten of the planned thirteen RC percussion holes were drilled (only one line of earlier air core holes at Leros) with a zone of prospective ultramafic peridotite being intersected. Assay results are awaited and will be reviewed when completed to assist with further work. Initial electromagnetic surveying is also planned for Leros.

Results to date from Collurabbie are highly encouraging. The mineralisation style and metal association at Collurabbie is regarded as unique in Western Australia and although there are analogous metal suites in some significant Proterozoic aged deposits in mines around the world, no equivalent of the geological setting at Collurabbie has been identified to date.

Duketon and North Duketon JV W.A

Gold and Nickel

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

Newmont completed 60 air core holes testing structural, geochemical and geophysical targets primarily for gold.

17 holes intersected anomalous gold mostly in the range of 0.1 to 0.2 g/t over 4 to 8m intercepts from 20 to 120m depth in weathered zones.

Significant results included:

<u>Hole No</u>	<u>From</u>	<u>To</u>	<u>Interval</u>	<u>Gold g/t</u>
CRAC334	52	60	16	0.41
CRAC352	72	76	4	0.72
	80	84	4	0.12
	116	124	8	0.36
Best result				
CRAC438	56	80	24	0.62
Inc	68	72	4	1.35

Hole CRAC438 (24m @ 0.62g/t Au) is encouraging in that it is associated with the contact between an internal granitoid and sediments. It is open to the SW and NE. A 66 hole follow up programme has commenced for various targets including further testing around CRAC438 and results will be available during the next quarter.

Mulgarrie, WA

Nickel

(FCN 100%, Discovery Nickel earning 51%)

The Mulgarrie joint venture comprises tenement E27/314 covering prospective komatiite stratigraphy, north and along strike from the Silver Swan nickel deposit. Ground EM data collected from the G1 prospect in the late 1990's in the northwest of the Mulgarrie project identified an extremely strong EM conductor, associated with a high amplitude magnetic anomaly, which has not been previously drill tested. Drilling along strike from the G1 conductor previously returned 12m @ 0.42% Ni. RC drill hole MGRC002, drilled in June was terminated at 88m, approximately 70m above the target depth, when swelling clays caused the drill string to jam. The G1 target was re-drilled in September with drill hole MGD001 testing the strong EM target and was terminated at 260m. Intervals of disseminated to semi-massive predominantly iron sulphides were intersected in a 130m thick sequence of mafic stratigraphy inter-bedded with laminated sedimentary units and possible ultramafic layers. A downhole EM survey will be completed on this hole to test for off hole conductors. A series of samples were submitted for geochemical analysis and results are expected in November.

Cargo Joint Venture NSW

Gold and Copper

(FCN earning 70%, GCR 100%)

A new drilling programme to test for deeper seated gold – copper porphyry systems similar to Ridgeway and Cadia is planned to commence in late November 2004. Up to several individual targets will be drilled to about 200m depth and results assessed during drilling with a view to deepening some holes during the same programme. Cargo is considered to be a buried porphyry system with widespread evidence of gold and copper in overlying andesite lavas and late stage porphyry dykes. The initial drilling by Falcon in April 2003 intersected some wide zones of gold anomalism with narrower higher grade results. Considerable work has been completed since then to better understand the database in three dimensional space and arrive at new targets.

Palthrubie/Acraman SA

Gold

(FCN 100%)

Spatially large calcrete gold anomalies were confirmed during 2004 within the 900km² Palthrubie/Acraman tenements located between the better known Tunkillia and Barnes gold occurrences.

Negotiations with an interested party for a farm-out have commenced.

Olympic Dam Style Exploration Projects

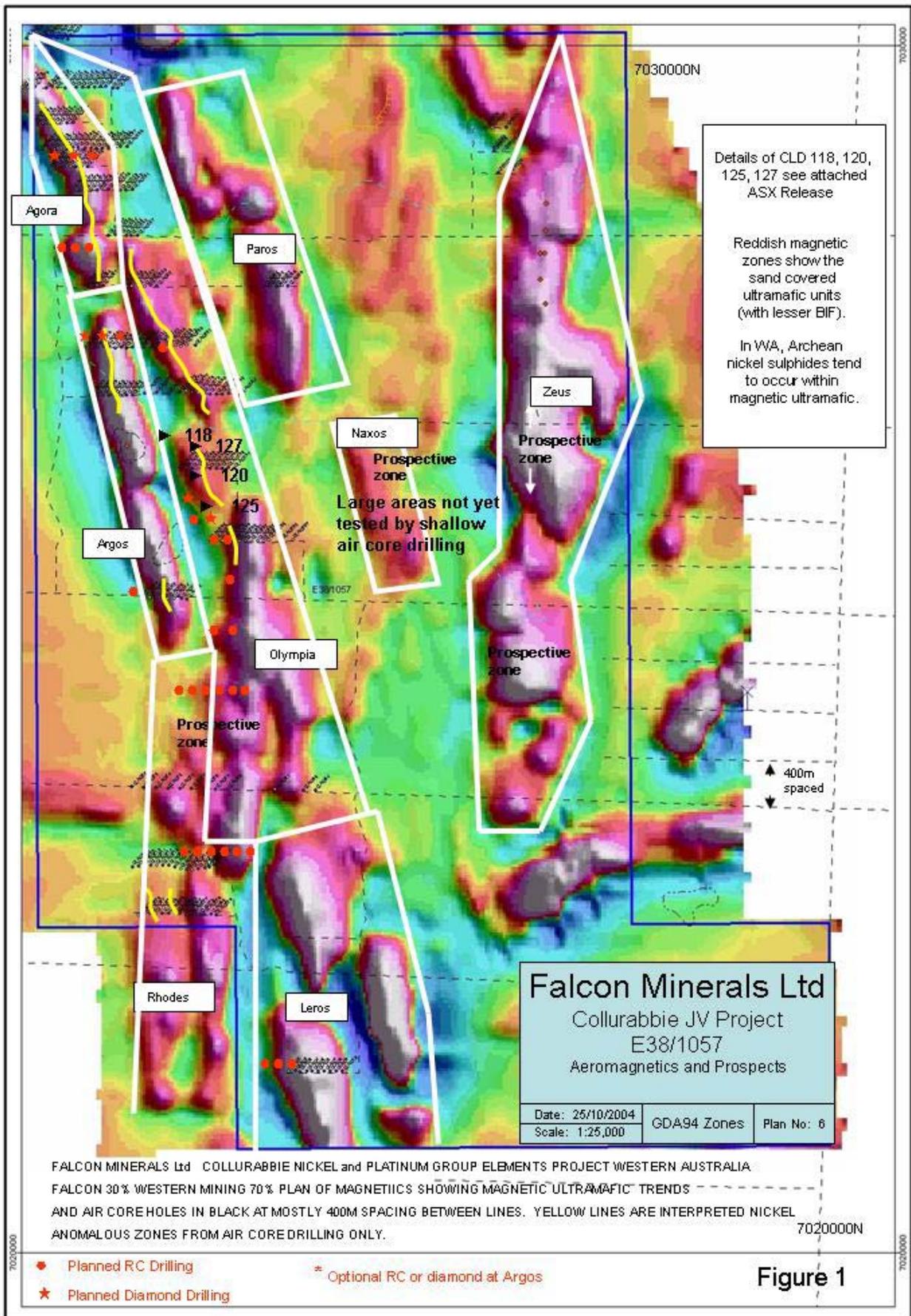
Geophysical modelling and rationalisation work progressed on the Olympic Dam style and other copper-gold targets towards drill stage. Drilling at Shepparton Victoria and Coonamble NSW was delayed while Cargo targeting was progressed as a priority. Work towards drilling these two has recommenced but as only a few holes are required as an initial test it will require locating and contracting a rig that is between larger jobs in the area.

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

A handwritten signature in black ink, appearing to read 'Richard Diermajer', with a stylized flourish at the end.

Richard Diermajer
Director



Please refer to our website www.falconminerals.com.au for a coloured version of this map

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 September 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	(278)	(278)
(b) development	–	–
(c) production	–	–
(d) administration	(39)	(39)
1.3 Refunds received – EL applications & other	–	–
1.4 Interest and other items of a similar nature received	46	46
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	–	–
1.8 Net GST Refund/(Paid)	17	17
Net Operating Cash Flows	(254)	(254)
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 from other entities	–	–
1.12 Other (provide details if material)		
Net Investing cash flows	--	--
1.13 Total operating and investing cash flows (carried forward)	(254)	(254)

1.13	Total operating and investing cash flows (carried forward)	(254)	(254)
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		(254)	(254)
1.20	Cash at beginning of quarter/year to date	3,653	3,653
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3,399	3,399

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	41
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

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	–
Total	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	78	88
5.2 Deposits at call	3,321	3,565
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	3,399	3,653

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	Black Hills	EL 2544	100%	Nil
	Keith Townsite	EL 2962	100%	Nil
	Mulandry	EL 6043	100%	Nil
	Manildra	EL 6044	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 Preference +securities <i>(description)</i>				
7.2 Issued during quarter				
7.3 +Ordinary securities	124,161,673	124,161,673		Fully paid
7.4 Issued during quarter				
7.5 +Convertible debt securities <i>(description and conversion factor)</i>				
7.6 Issued during quarter				
7.7 Options <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 Debentures <i>(totals only)</i>				
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 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:
(Company Secretary)

Date: 26 October 2004

Print name: Graham Anderson

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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