

# Falcon Minerals Ltd

ACN 009 256 535

## Company Announcement

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### THIRD QUARTER ACTIVITY REPORT TO 31 MARCH 2004

#### HIGHLIGHTS

- Assay results from second round air core drilling programme at Collurabbie confirms anomalous Ni-Cu-PGE (nickel, copper and platinum group elements) mineralisation considered to be derived from sulphides.
- Drilling on Voisey's Bay or Norilsk style nickel targets identified within the Saxby Project Qld commenced on 21<sup>st</sup> April 2004.
- Second drill program at Black Hill S.A. to detect anomalous nickel, copper and PGEs commenced 20<sup>th</sup> April 2004.

#### **Collurabbie Joint Venture, WA – Nickel, Copper and PGE's** (FCN 30%, WMC 70%)

The joint venture completed 129 air core holes (CLAC102 to 231) in November and December 2003 and assayed approximately 5,200 samples for nickel, copper and platinum group elements; platinum and palladium. Table 1 lists the significant intersections made in these drill-holes where it has been interpreted that anomalism is derived from nickel sulphides.

**Table 1 November to December Aircore Drilling.**

Hole No	Width	Ni%	Cu%	Pt+Pd g/t	From	Sulphide Source	MGA Coordinates
CLAC111	12	0.23	0.07	0.08	46	Yes	7029649N 420878E
CLAC146	2	0.31	0.12	0.15	54	Yes	7028805N 421247E
CLAC169	2	0.42	0.14	0.11	56	Yes	7027509N 421858E
CLAC188	2	0.31	0.21	0.15	54	Yes	7026496N 422050E
CLAC196	10	0.90	0.88	0.95	30	Yes	7025899N 422199E
CLAC197	3	0.22	0.16	0.13	66	Yes	7025892N 422248E

The November to December aircore drilling program and the previous drilling program completed in 2003 identified at least 3 ultramafic horizons. It was reported that geochemical anomalism associated with nickel sulphides was intersected in the two western ultramafic units.

From the recent drilling program there are 6 significant drill holes (Table 1) including CLAC 196 with 10m @ 0.9% Ni and 0.95 g/t PGEs.

Tables 1 and 2 show the western ultramafic units intersected nickel anomalism over several lines of drilling. Whilst these are weathered zone results, the continuity of anomalous results on successive lines over distances of up to 1.6km indicates the presence of nickel sulphides over long strike lengths. Table 2 shows which anomalies have been interpreted to be derived from nickel sulphides from the earlier air core drilling program in July and August 2003.

**Table 2 July to August Aircore Drilling Significant Intersections**

Hole No	Width	Ni%	Cu%	Pt+Pd g/t	From	Sulphide Source	MGA Coordinates
CLAC14	12	0.60	0.20	0.46	12	Yes	7029150N 420895E
CLAC21	32	0.58	0.03	0.07	14	Yes	7027500N 421300E
CLAC37	16	0.18	0.01	0.15	48	Yes	7022800N 421645E
CLAC50	2	0.17	0.03	0.32	40	Yes	7027100N 421305E
CLAC61	4	0.24	0.17	0.31	32	Yes	7028000N 421590E
CLAC63	2	0.26	0.17	0.18	58	Yes	7022800N 421870E

Both units are modified by cross-cutting structures, with CLAC196 to the west of the magnetic high close to a significant northeast trending fault. The mobility of nickel sulphides are commonly influenced by faulting and folding that can effect the distribution of massive sulphides and EM assists in targeting those. The project will be explored for nickel, copper and PGE bearing sulphides in both primary magmatic and structurally remobilised positions.

### **Planned Work – Q2 2004**

The planned schedule of work for the next period includes:

#### **Helimag**

Detailed heli-mag delayed by inclement weather is scheduled to commence next week. The heli-mag will enable a better structural interpretation to assist with drill-hole planning and TEM work.

#### **Fixed Loop Ground Electromagnetics (EM)**

Ground EM is required to establish the potential for massive nickel sulphides associated the prospective ultramafic units identified by aircore drilling. It's planned to survey approximately 3 to 4 strike km of ultramafic over the anomalies in CLAC169 and CLAC196. An airborne EM anomaly coincident with a magnetic anomaly in the eastern portion of the lease on another magnetic horizon also requires surface EM to determine its significance.

## RC / Diamond Drilling

Once the geophysics is complete, a drill program will be conducted to test the aircore anomalies and any EM anomalies generated.

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

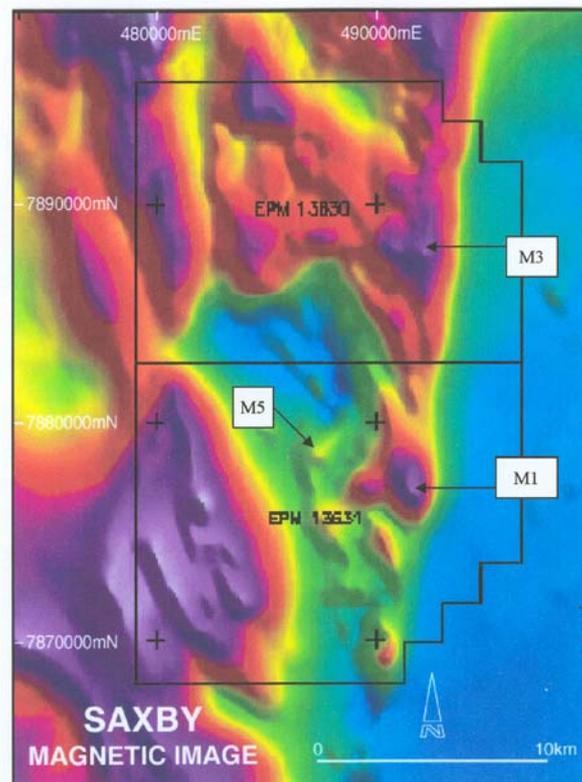
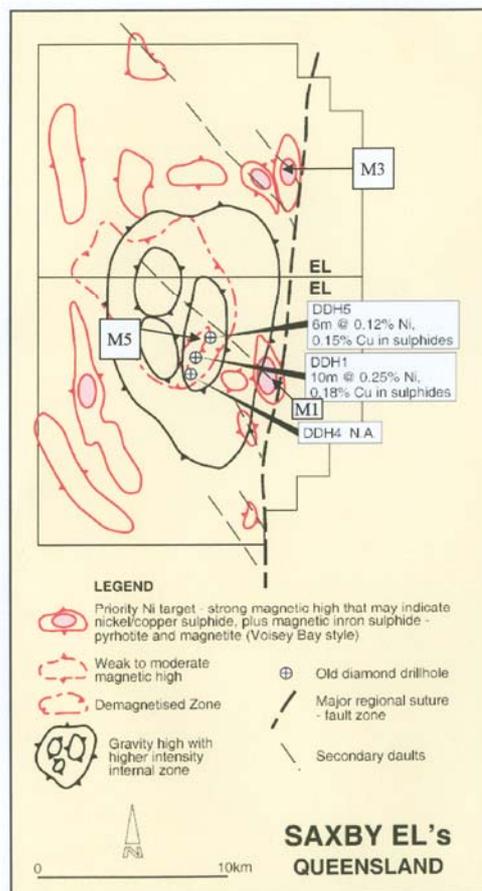
Deep drilling by mud rotary/diamond drilling of two targets commenced 21<sup>st</sup> April 2004, with target M1.

Past drilling of three deep diamond holes near target M5 established the presence of magmatic nickel and copper sulphides.

The tenement contains some large Voisey's Bay and Norilsk style targets. Target M1 is 4km east of the known nickel sulphide bearing zones.

The other targets were reviewed and targets M3 and/or M5 to follow M1.

Figure 2



Saxby Ni, Cu, PGEs 1<sup>st</sup> Drill Target M1, other targets M3 and M5.

## Black Hills, SA – Nickel, Copper, Platinum and Palladium

(FCN 100%)

The Black Hill project in South Australia was drill tested last quarter with the first six very widely spaced RC percussion holes to an average depth of 52m to test the Black Hill and the Cambrai norite intrusive bodies. Currently another 14 percussion holes are underway to further test both areas.

In the previously reported program, assays of a combination of composite and single metre samples returned anomalous copper, PGEs and gold from hole BH11-2 within the Black Hill norite just beneath the base of sedimentary cover at 36m to end of hole at 48m.

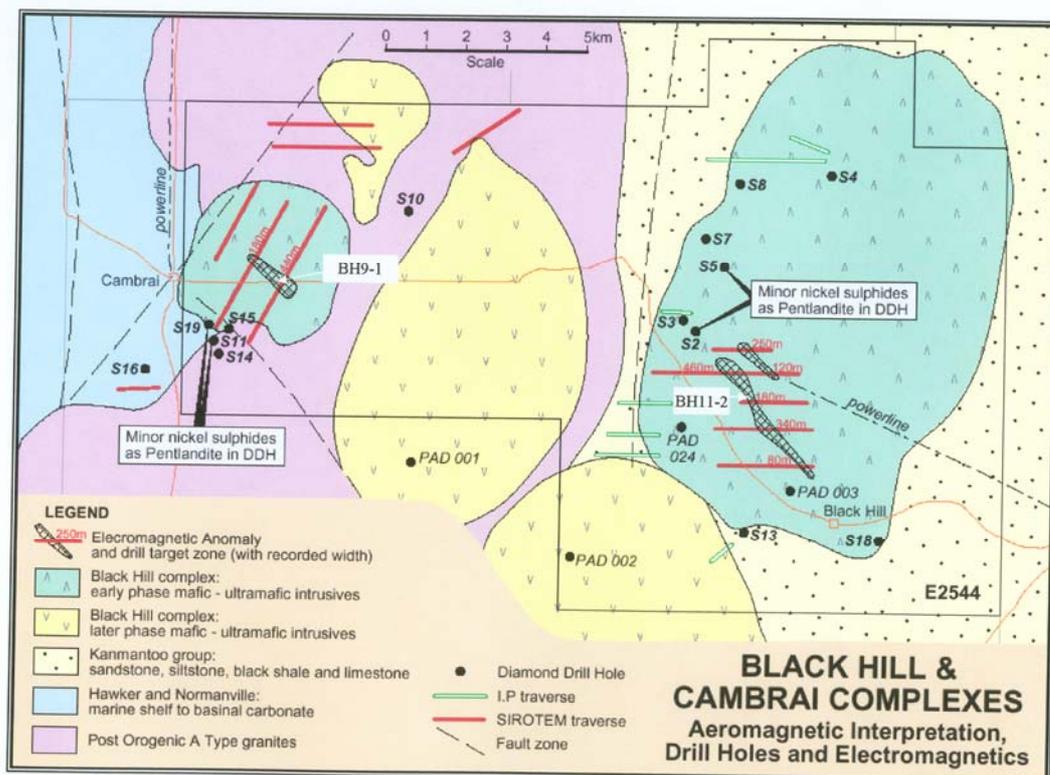
Previously reported results included:

BH11-2 Local Grid coordinates 56650E, 61000 N Significant results

Depth metres	Copper ppm	Nickel ppm		
37-38m	599	120		
38-39m	371	142		
39-40m	1834	206		
40-42m	768	124		
	Palladium ppb	Platinum ppb	Gold ppb	
36-40m composite	17	13	48	

Two other holes in the adjacent sediment covered Cambrai complex returned some weaker anomalous copper, with nickel peaking at 464 ppm. The current drilling will follow up on these intersections to similar depths to further test the local magnetic and electromagnetic anomalies for evidence of copper – nickel – PGE sulphide distribution in a grid pattern.

Figure 3



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

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

It was previously reported that Duketon Project and North Duketon Project are located 50km's and adjacently south respectively of the Collurabbie Project.

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.

No work was reported by Newmont for the quarter.

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

(FCN earning 70%, Golden Cross 100%)

The Cargo project and Belubula tenement to its south have been the subject of geophysical and geological modelling to identify Ridgeway style gold/copper porphyry intrusions. Three Ridgeway style targets in the Belubula area south of Cargo were tested prior to the more highly rated Cargo targets due to agricultural crop timing at Belubula. Each was tested with one hole to depths between 375m to 435m. The Belubula targets used widely spaced magnetic data whereas Cargo has a fivefold closer spaced data set. No Ridgeway style intrusions were encountered in this initial Belubula program. Down hole magnetic data were collected in the drilling. The data are being re-assessed and some more detailed ground geophysical surveys are planned over these targets.

The first percussion drilling program 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. New targets at Cargo are being worked on to follow the Belubula drilling.

### **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. Discovery Nickel has formed a Joint Venture with Falcon Minerals Limited to explore the Mulgarrie Project and has the right to earn a 51% interest in the project.

Interpretation of ground EM data previously collected by Falcon Minerals had identified an untested EM conductor at the base of 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.

Falcon Minerals, on behalf of the Joint Venture has recently signed a Heritage Protection Agreement with the Goldfields Land Council which will expedite the granting of tenement ahead of active field work to commence following the grant of the tenement expected in May 2004.

## **OLYMPIC DAM STYLE EXPLORATION PROJECTS**

While drilling programs at Belubula NSW, Black Hill SA, and Saxby Qld were prepared, only geophysical planning work progressed on the Olympic Dam style and other copper – gold projects discussed in some detail in the last quarterly report.

*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

## Rule 5.3 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")

31 March 2004

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Sales	–	–
1.2 Payments for		
(a) exploration and evaluation	(154)	(355)
(b) development	–	–
(c) production	–	–
(d) administration	(51)	(281)
1.3 Refunds received – EL applications & other	–	–
1.4 Interest and other items of a similar nature received	122	153
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>(83)</b>	<b>(483)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments	(40)	(40)
(c) other fixed assets	(69)	(71)
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)	–	–
<b>Net Investing cash flows</b>	<b>(109)</b>	<b>(111)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(192)</b>	<b>(594)</b>

1.13	Total operating and investing cash flows (carried forward)	(192)	(594)
<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>		(192)	2,697
1.20	Cash at beginning of quarter/year to date	4,245	1,356
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	4,053	4,053

**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	45
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 and technical services
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**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
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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
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**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	150
4.2 Development	–
<b>Total</b>	150

**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	114	44
5.2 Deposits at call	3,939	4,201
5.3 Bank overdraft		–
5.4 Other (provide details)		–
<b>Total: cash at end of quarter (item 1.22)</b>	4,053	4,245

**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	No change	E 70/1057	100%	30%
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	1,000,000	1,000,000		Fully paid
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: 30 April 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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