

Opinion & Analysis

LETTERS

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Falcon gets a rev-up as directors eye latest drill results and decide to jump in

SOME on-market or hard cash share purchases by directors of **Falcon Minerals** have generated some excitement in the stock, pushing it 9¢ higher on Friday to 57¢.

The rise prompted a "please explain" for the Perth-based explorer from the stock exchange, but all it could add was that everything it could say was already in the marketplace.

What got the market excited was the revelation that the group's non-executive chairman, Kerry Kyriakos Harmanis, and its managing director, Richard Diermajer, had both bought shares in the stock after the release of its June-quarter exploration report on July 25.

Harmanis — he is also executive chairman of **Jubilee Mines**, which holds 17 per cent of Falcon — bought 1 million shares at

44.5¢ each and Diermajer picked up 367,000 at 48.7¢ each.

Buying like that is one way to make sure the market reads the quarterly report. And the resultant buying of the stock has gone a long way to repairing the share price, which was looking OK back in December 2005 before sliding away to a low of 23¢ on June 13.

Having said that, Jubilee will be hoping more than most that there is more to come, as it acquired its initial substantial holding in Falcon in early 2005 for cash and shares, which implied an entry price of \$1.15 a Falcon share.

Back then, as is the case now, the interest in Falcon is based on its 30 per cent interest in the Collurabbie nickel/copper/platinum joint venture, 200 kilometres north of Laverton in Western Australia.

Originally a joint venture with **WMC Resources**, **BHP Billiton** is now the 70 per cent partner. It has been three years since WMC and Falcon reported the first unusual metals mix — an Australian context anyway — at Collurabbie. Its potential to host a potential new nickel/copper/platinum province was used by WMC to great effect in its

defence against last year's unwanted takeover bid from **Xstrata** and, later, in extracting the best price it could from its "white knight" at BHP, Chip Goodyear.

We now know that of all of the exploration properties that WMC delivered to BHP, Collurabbie was ranked high enough by BHP to survive a rigorous culling process. BHP's decision to keep plugging away has had its rewards, judging by Falcon's June-quarter update on the project.

Most significantly was the news that electromagnetic (EM) prospecting for electrically conductive sulphide orebodies, using whiz-bang down-hole techniques, detected a series of four so-called "off-hole" EM conductors. They are now priority drill targets, with a new

field season about to kick off. One of the conductors is much larger than the rest and sits by itself off to the north of the others. According to Falcon, the EM anomaly was "highly encouraging", as it might represent a new parallel zone of

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mineralisation to that discovered 300 metres directly above, and from which high-grade sulphide mineralisation has previously been encountered.

All a bit technical really for the likes of Garimpeiro. All he needs to know is that guys like Harmanis and Diermajer reckon

there might be some interesting times ahead when the conductors get tested by the drill bit.

FROM the update file comes the expectation that **Breakaway Resources** should soon be updating the market on the size of its latest royalty payment from the Eloise copper mine in Queensland. The royalty payments should last for at least another two years and make Breakaway one of the best funded explorers — if not the best.

As noted back in mid-May, Breakaway quit Eloise in 2004 when the copper price was a fraction of what it is today. The deal included a 30 per cent net profit interest (NPI) that took effect from the date that the new owner, **Barrick**, began making a net profit that equalled the total

sale price of \$14.84 million.

The NPI for the March quarter was \$5.06 million, taking the total NPI from September 2005 to the end of March 2006 to \$8.08 million. The June quarter NPI is now being calculated and there will be no surprise if it comes in at about \$6 million.

Garimpeiro wondered back in mid-May what Breakaway would be doing with all of its firepower. We now know that the company has picked up a swag of advanced exploration projects from Canada's **LionOre**, for \$10.55 million in shares and converting notes, as well as LionOre's local exploration team.

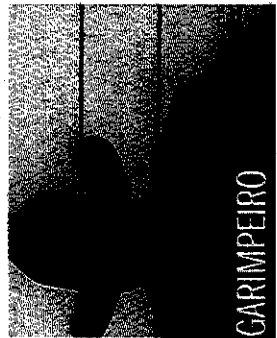
The exploration team is headed by Peter Buck and was associated with three decent nickel sulphide discoveries (Maggie Hays in 1993, Emily Ann in 1997 and Waterloo in 2003), as well as

the 2 million ounce Thunderbox gold deposit (1999). The deal leaves LionOre to pursue its nickel production interests here and in Africa while retaining a foothold on what might come from Breakaway's planned \$6 million-a-year exploration effort.

The budget could be cranked up depending on results. There would be no sweat for Breakaway on that score.

After taking into account the expected \$6 million Eloise NPI for the June quarter, the recent \$13.5 million raised from a placement of (consolidated) shares at 30¢ each and last reported cash-on-hand of \$6 million, this is a company that can get on with the job without worrying where the next exploration dollar is coming from.

Shares in Breakaway closed 2¢ lower on Friday at 35¢.



GARIMPEIRO
BARRY FITZGERALD