

# Falcon Minerals

Hold FCN

Better market appreciation of Collurabbie potential

[Fat Mining 34](#), 19 Jul, 2006  
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**SYMBOL DEFINITIONS**

 EXPLORER	 HIGH RISK	 MARKET CAP	<b>\$51 million</b>
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We maintain our positive view on Falcon Minerals, as one of the country's best-credentialed exploration companies. We believe the recent share price recovery represents better market appreciation of our position that the Collurabbie Project retains substantial longer-term potential at depth, whilst also hosting an attractive near-term near-surface polymetallic deposit. We believe patient investors will reap significant gains from Falcon Minerals.

*"We retain our confidence in Falcon and the long-term attraction of its unique Collurabbie Project."*

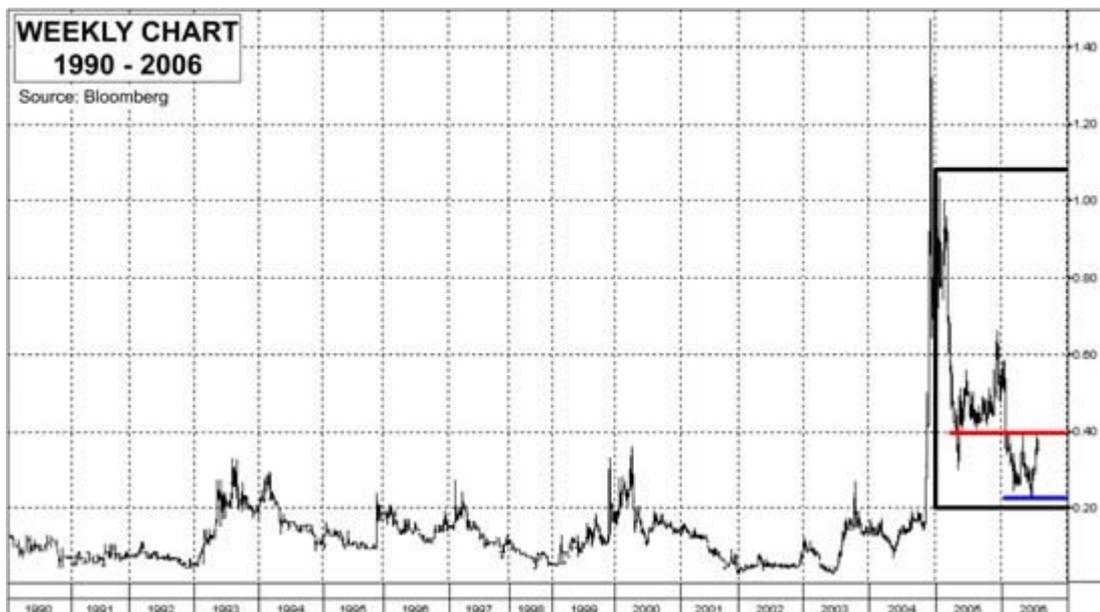
Fat Prophets initially recommended Falcon Minerals (FCN) as a buy around 51 cents in January (Fat Mining 9). Our last review of the stock was in April (Fat Mining 22).



Falcon has staged a firm rebound from June's 19-month low of 22.5 cents. As can be seen on the daily chart, this encouraging move has seen prices return to the upper end of the six-month consolidation band.

Once again, the challenge now for Falcon is to overcome resistance, which lies between 39 cents and 40.5 cents. A clear break above here will signal a broader recovery, in our opinion. Additional gains would then target the December high of 66 cents.

Given the market attention devoted over recent weeks to several very high profile and controversial exploration stories, we thought it appropriate to remind our Members about one of our most highly regarded exploration plays, Falcon Minerals.



Whilst its trading history has been volatile since our initial recommendation, we believe it is undeniable that the Falcon story has real legs, rewarding investors over the medium to longer-term. Falcon possesses what less credible explorers lack - quality ground, proven management, strong investor backing and a well credentialed joint venture partner.

The company's key project is its high profile Collurabbie Project in Western Australia. Initially a joint venture with WMC Resources, the project is now under BHP Billiton's control.

As a reminder to Members, the Falcon-BHP joint venture ground is located 160km east-northeast of BHP's Mt Keith Nickel operation in Western Australia. It hosts Archean rocks under a thin layer of transported sand, which has effectively impeded exploration for nickel sulphides in this area for three decades. Isolated from any previous nickel sulphide discovery in Western Australia, the project attracted attention as a new greenfields discovery by WMC Resources, with geology not seen before in Australia.

The mineralisation style and metal association is unique in an Australian context and appears to have no geological equivalent globally. This is because the combined presence of platinum and palladium of up to several grams per tonne is unprecedented in the context of massive nickel and copper sulphide association in Australia. It is possible to draw parallels between Collurabbie and Falconbridge's large Raglan deposit in Quebec, Canada.

So far, Collurabbie comprises eight target zones - Agora, Argos, Leros, Naxos, Paros, Rhodes, Zeus and Olympia. It is Olympia however, that is of most interest, having returned the bulk of the best intersections so far.

In our view, exploration results from Collurabbie have been highly encouraging indicating potential for a deposit comprising both massive and disseminated sulphide mineralisation. It has all of the characteristics indicative of a new nickel sulphide province in Western Australia.

The Collurabbie style of mineralisation appears from shallow air core drilling to extend over several kilometres of strike between the joint venture ground and BHP Billiton's ground to the north. Air core drilling indicates parallel zones also exist.

Crucially though, it must be emphasized that BHP's work has been exclusively extensional in nature, aimed at defining the broad resource limits at Collurabbie. It is keenly focused on quickly ascertaining whether Collurabbie meets its criteria as a project of world-class dimensions. Drilling has been aggressive in nature, with holes generally drilled 200 metres past the limit of previously defined mineralization.

A company with more modest ambitions would have completed an infill-drilling program that could have identified an initial Inferred Resource base of between 1 and 2 million tonnes by our reckoning, grading around 1.5% nickel, 1.5% copper and around 4g/t PGEs (platinum group elements).

We therefore base our positive view on Falcon on our confidence that the company will prove a commercially exploitable resource at Collurabbie.

Of primary immediate interest is the fact that the most recent program of down-hole electromagnetic surveying (DHEM) identified a series of four conductors that appear to be located down-dip of previous mineralisation. This suggests the potential for mineralisation at depth, something that hasn't previously been examined at Collurabbie. These targets will be tested by drilling during August.

Should the project not fulfill BHP's expectations, this does not dull Falcon's attraction. Falcon's major shareholder is Jubilee Mines, which has a tremendous track record of exploration and development success in its own right. Jubilee holds a 16.2% stake and has appointed several of its key personnel to the Falcon board and management team.

Jubilee is in the box seat to take a leading role in project development in the event of BHP's withdrawal, due to its balance sheet strength. Jubilee's Cosmos nickel project has been a lucrative company-maker and Collurabbie has parallels with Cosmos in our view.

We remain extremely confident of the longer-term picture. In the event of BHP's withdrawal, work would switch from extensional to infill drilling, with the goal of quickly establishing an initial JORC-compliant resource estimate. This would re-focus investor attention on the positives at Collurabbie rather than the perceived negatives.

Whilst volatility will continue in the short-term, with speculators trying to second-guess BHP's moves, we look past these short-term issues and instead to Collurabbie's status as a unique, potentially world-class nickel-PGE province.

### **Falcon Minerals will remain held in the Fat Prophets Mining & Resources portfolio.**

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