



Falcon Minerals

Hold FCN

Initial results from Collurabbie drill program

[Fat Mining 47](#), 25 Oct, 2006
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SYMBOL DEFINITIONS

 EXPLORER	 HIGH RISK	 MARKET CAP	\$61 million
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Falcon Minerals in conjunction with joint venture partner, BHP Billiton, has released initial results from the recent five-hole drilling program on its Collurabbie Project in Western Australia. Speculative investors have unfortunately reacted in typical fashion, punishing the stock for results that did not necessarily meet preliminary expectations. What the results do importantly show is the existence of massive sulphides in all of the holes drilled, helping to explain the existence of previously defined electromagnetic (EM) conductors. What is also important from our perspective is the current Geoferrret EM survey, which encouragingly has detected a number of EM anomalies within the Olympia and Rhodes prospect areas. Subsequent to the Geoferrret program, the joint venture will conduct down-hole EM, so there is a long way to go. Collurabbie remains an outstanding prospect and we encourage Members to ignore short-term speculative moves in the share price.

"We encourage Members to remain patient, as Collurabbie remains an outstanding development prospect."

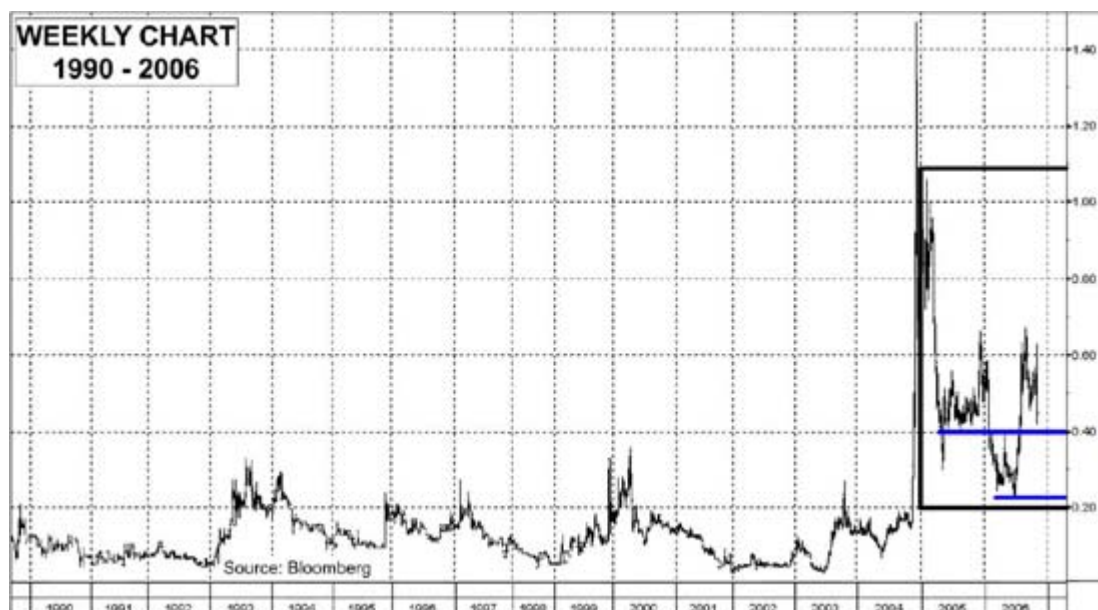
Fat Prophets initially recommended Falcon Minerals (FCN) as a buy around 51 cents in January (Fat Mining 9). Our last review of the stock was in August (FatMin38).



Falcon staged a firm rebound between June and August. From a low of 22.5 cents, the stock almost tripled in price to reach 67 cents two months ago. Since then, upward momentum has stalled.

We anticipate an increase in volatility in Falcon in the near term. This follows today's correction below the September low of 45 cents, which has exposed further support at 40 cents.

In the longer term, we believe Falcon retains potential to revive the upward trend. A clear break above 67 cents will signal a rejuvenation of upward momentum, in our opinion. Such a move would initially return focus to the January high of \$1.06 with further gains achievable in time.



Falcon will remain held in the Fat Prophets Mining and Resources Portfolio.

Falcon and project partner, BHP Billiton, have released initial results from the much-anticipated five-hole drilling program on the Collurabbie Project ground in Western Australia. The focus is on two key prospects, Rhodes and Olympia.

The joint venture completed four diamond holes, while a fifth planned hole could not be completed due to poor ground conditions. The drilling did intersect massive sulphides in most holes, accounting for the previously defined EM anomalies, as well as encountering disseminated sulphides within the ultramafic stratigraphy.

The joint venture is undertaking a Geoferrret EM survey, with the preliminary results showing a number of EM anomalies within both the northern Olympia area and the Rhodes area. So far, the strongest anomaly is coincident and along strike to the north of the sulphides just tested at Olympia. At Rhodes, anomalies are present within a number of stratigraphic horizons.

The joint venture partners will make a full assessment once the program is complete. Following this assessment, the joint venture will undertake down-hole EM and the joint venture have cased the four holes in preparation for the survey. The results of this survey will be critical in our view in determining the extent of the sulphides encountered in the drilling so far, as well planning for the follow-up drilling program.

We therefore encourage Members to ignore volatile short-term movements in the share price driven by speculators. Collurabbie remains a potentially world-class prospect in our view and thorough and painstaking evaluation work is required. It is not your typical straightforward exploration play, but with enormous upside if successfully proven. We see no evidence so far to change our view.

It is worthwhile reminding Members about the strategy behind the current work program. Essentially, the program will test BHP Billiton's geological interpretation that the polymetallic sulphide mineralization identified by near surface drilling at Rhodes and Olympia widens with depth. In fact, BHP believes the mineralization could potentially at least double in size, which is where the excitement lies.

Drilling at the Olympia prospect during late 2005 intersected more than 40 metres of disseminated sulphides from the last two holes in the program. The joint venture designed two holes to test below the existing known high-grade near-surface mineralisation at Olympia. They were successful in showing that the predicted stratigraphy does exist at depth and is in fact much wider than expected (in fact more than double the width).

These two holes also detected a series of off-hole electromagnetic (EM) conductors. These were the targets tested in the recent drill program. They are however high-risk targets and purely extensional in nature and their success or otherwise will have no bearing on the already-proven mineralisation about 300 metres closer to surface at Collurabbie.

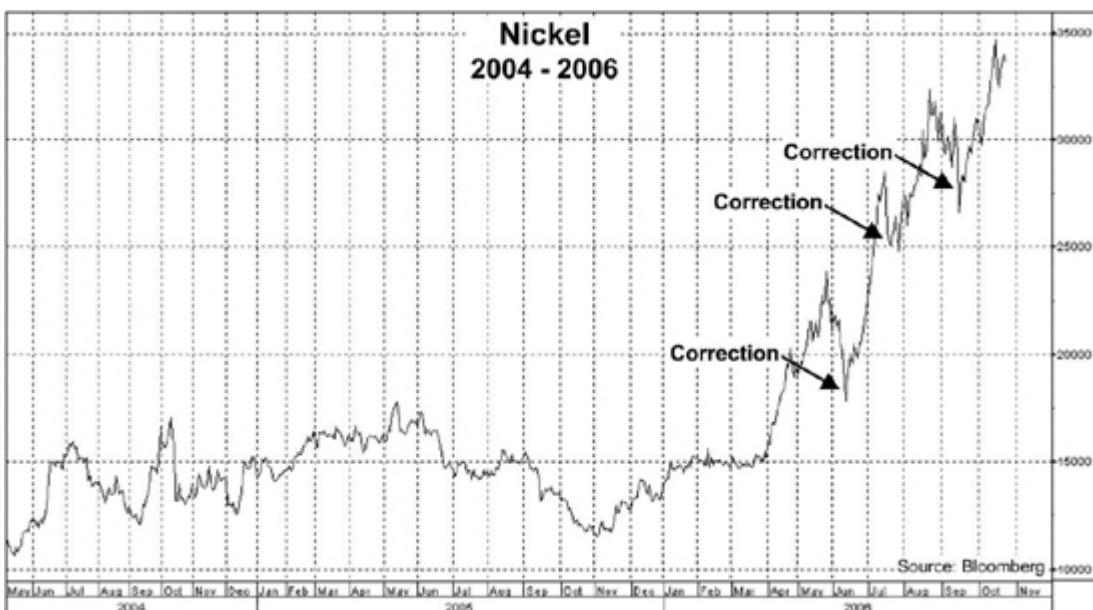
Crucially, we must remind Members that BHP's work has been exclusively extensional in nature, aimed at defining the broad resource limits at Collurabbie. BHP is keen to quickly ascertain whether Collurabbie meets its criteria as a project of world-class dimensions. Drilling has accordingly been aggressive in nature.

A company with more modest ambitions would more than likely already 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.

Should the resource 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.

As we have consistently stated, we believe the Falcon Minerals story has enormous upside and strong credibility, with the potential to reward investors handsomely over the longer-term. It possess all of the key ingredients for success - a high quality and unique ground position, proven management, strong investor backing and a world class joint venture partner.

We remain extremely confident of Falcon's longer-term prospects, as we look past any short-term share price volatility to Collurabbie's potential status as a unique and possibly world-class nickel-PGE province. Patience is required but we believe the pay-off will be worth it.

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

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