

Falcon Minerals Ltd
ACN 009 256 535
Company Announcement

First Floor, 14 Outram Street, West Perth WA 6005
PO Box 913 West Perth WA 6872

Telephone: +61 8 9481 3322
Facsimile: +61 8 9481 3330

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SECOND QUARTER ACTIVITY REPORT TO 31 DECEMBER 2003

HIGHLIGHTS

- Second round air core drilling programme of 129 holes for sulphide derived Ni-Cu-PGE (nickel, copper and platinum group elements) mineralisation completed at Collurabbie in December 2003 and awaiting assay results by WMC.
- Voisey's Bay or Norilsk style nickel targets identified within the Saxby Project Qld being readied for drilling.
- First drill results at Black Hill S.A. detect anomalous copper and PGEs that indicate the likely presence of shallow disseminated sulphides.
- Geophysical modelling identifies three Ridgeway style gold-copper targets to be drilled within the Cargo joint venture area.
- First calcrete auger sampling results confirms the Palthrubie and Acraman projects are prospective for structurally controlled gold deposits in addition to Olympic Dam style mineralisation.

Collurabbie Joint Venture, WA – Nickel, Copper and PGE's
(FCN 100%, WMC earning 70%)

Within the Falcon joint venture ground, air core drilling of 129 holes for 8984 metres drilled to bedrock refusal following up anomalous nickel, copper and PGEs zones in the regolith considered derived from sulphides, was completed by WMC during the quarter. Assay results are awaited.

This drilling program which saw the commencement of FCN funding its 30% share of exploration costs, closed drill line spacing on regional targeted areas down to 400 metres apart or greater. (See Figure 1)

WMC Resources Ltd (WMC) confirmed in their December 2003 Quarterly Report in respect to their area adjacently north west of the Falcon Collurabbie nickel project, nickel, copper and PGE sulphide mineralised zone over seven kilometres.

The Falcon ground in Joint venture with WMC, contains the south eastern extension of two potentially nickel bearing ultra mafic horizons each extending approximately 5km and 6km in strike.

These horizons were the subject of a 79 hole aircore drilling program by WMC from July 2003 designed to test the weathered layer above the ultramafics and did not penetrate fresh rock where the target nickel sulphides may exist.

The following Table showing elevated nickel, copper and PGE grades have been made available by WMC for the 6 most significant holes of the previous drilling program reported last quarter.

Hole ID	Assays			Start Depth	AMG Coordinates
CLAC50	26m@ 0.73% Ni	0.08%Cu	0.03g/t Pt+Pd	From 16m	7027100N 421305E
CLAC21	28m@ 0.61% Ni	0.03%Cu	0.06g/t Pt+Pd	From 14m	7027500N 421300E
CLAC14	14m@ 0.57% Ni	0.19%Cu	0.43g/t Pt+Pd	From 14m	7029150N 420895E
CLAC37	16m@ 0.18% Ni	0.11%Cu	0.14g/t Pt+Pd	From 48m	7022800N 421645E
CLAC61	4m@ 0.23% Ni	0.16%Cu	0.30g/t Pt+Pd	From 32m	7028000N 421590E
CLAC63	2m @ 0.23% Ni	0.04%Cu	0.40g/t Pt+Pd	From 62m	7022800N 421870E

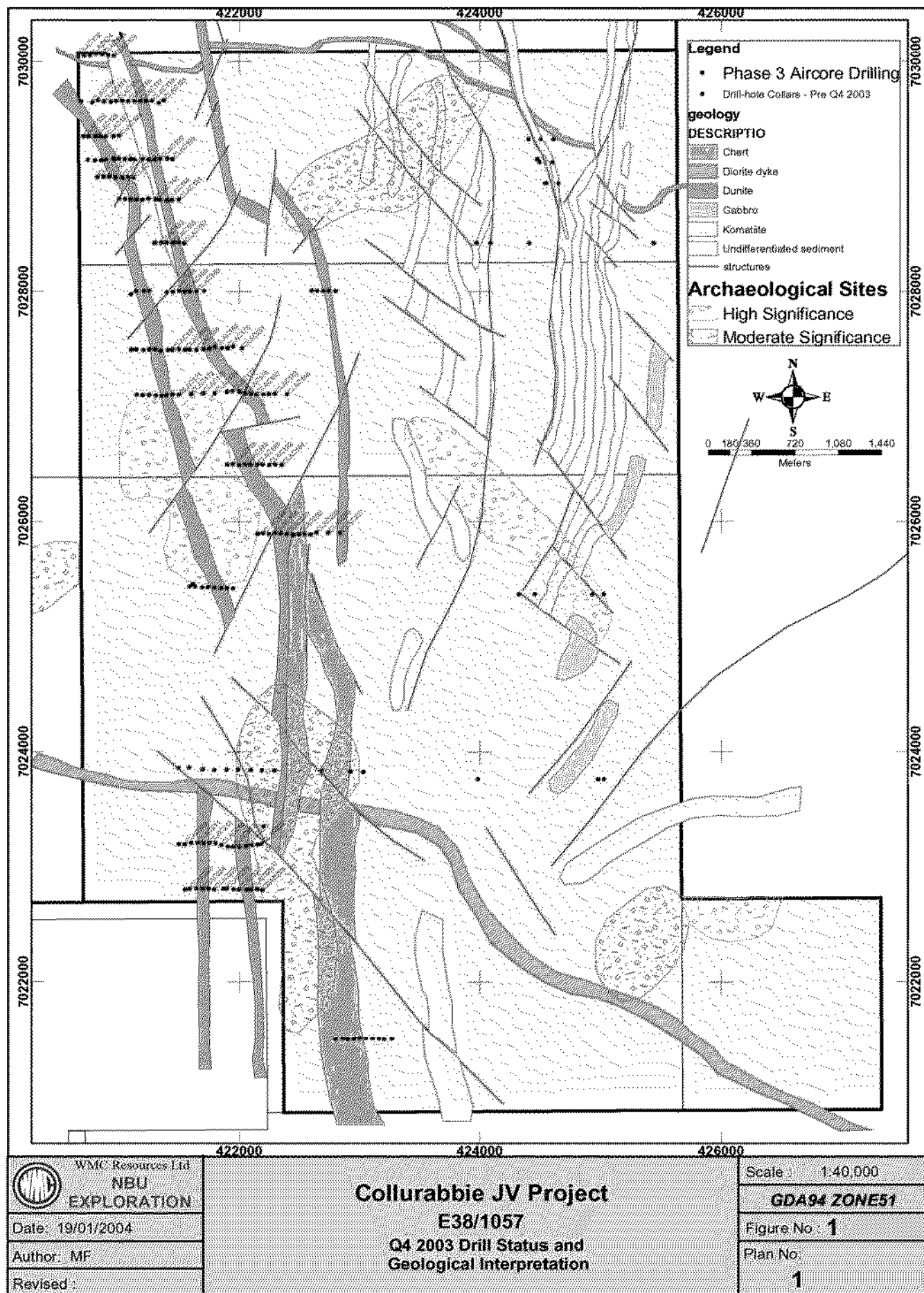
Table 1 – Significant results Aircore Assays from July 2003 program

WMC interpreted anomalous results from holes CLAC14, 37, 61 and 63 to be derived from the weathering of primary nickel, copper and platinum group elements sulphide mineralisation.

Work for the next quarter will include completion of phase 3 aircore drill hole logging, identification of all anomalies on receipt of assay results and plan follow-up percussion and possible diamond drill holes.

The discovery of economic Ni-Cu-PGE mineralisation is the subject of ongoing exploration and the next drilling phase will be designed with the assay results of both the current and previous programs.

Figures 1



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

Planning has advanced for deep drilling of this target in April 2004.

Past drilling undertaken several years ago by another company resulted in three deep diamond holes commencing at approximately 400m depth and spaced 1km apart (see Figure 2). Of only three holes drilled, two returned assays of nickel and copper sulphide intersections with extensive iron sulphides;

Diamond Hole 1 10metres at 0.25% nickel and 0.18% copper as sulphides.

Diamond Hole 5 6m @ 0.12% nickel and 0.15% copper as sulphides.

Assay results of the third hole are not available but it was strongly sulphide bearing as well with some nickel and copper sulphides recorded in drill logging as magmatic pentlandite and chalcopyrite.

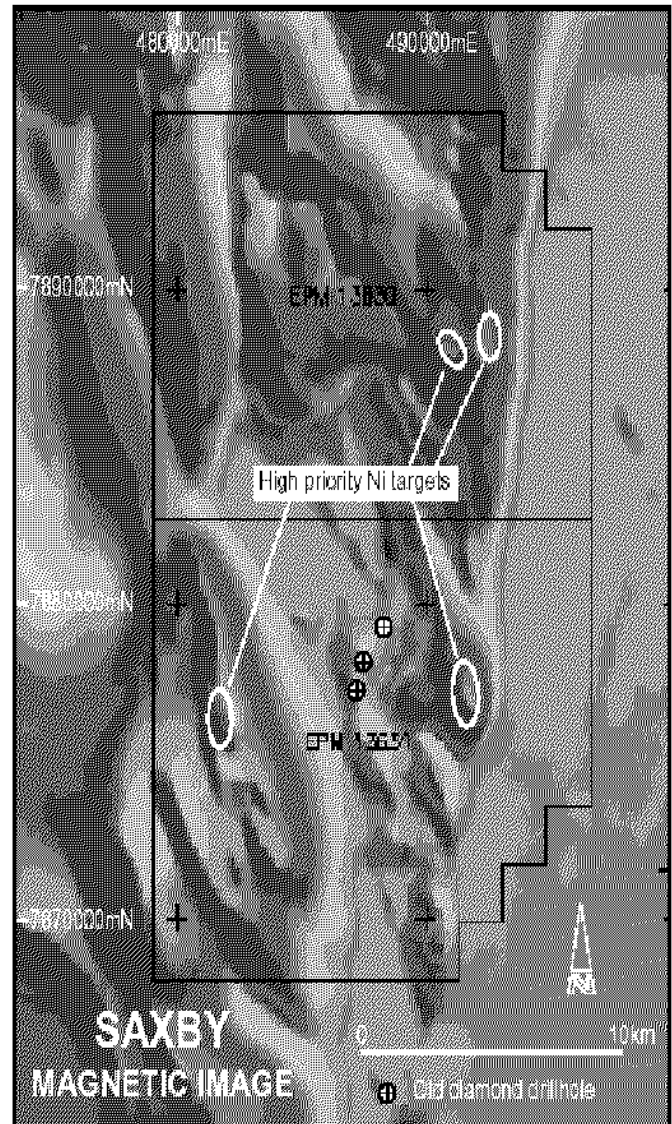
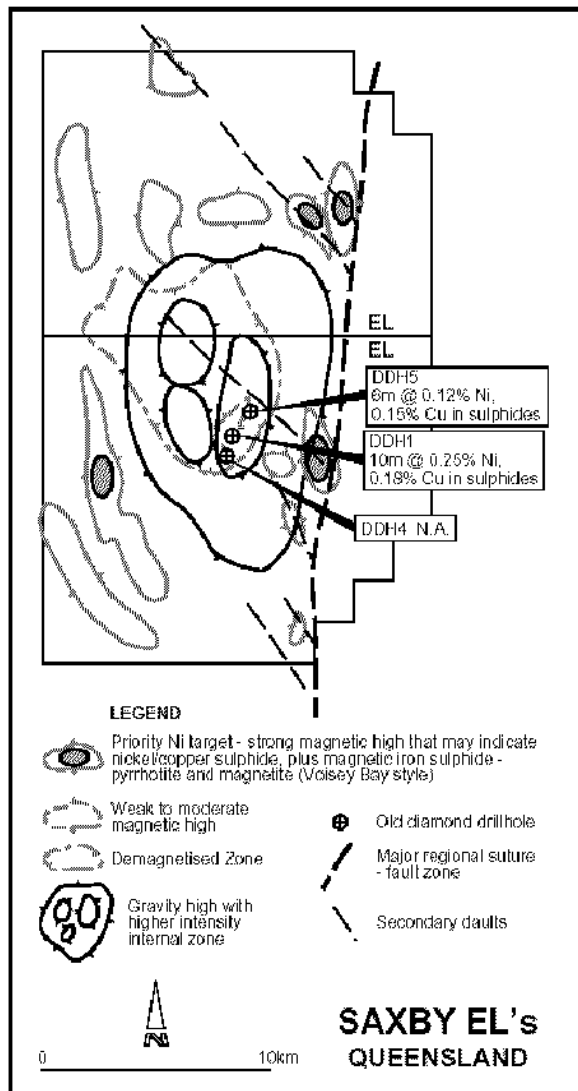
The tenement contains some large Voisey's Bay and Norilsk targets, mostly commencing 4km east of the known nickel sulphide bearing zones. The remarkable extent and thickness of pyrrhotite iron sulphides in olivine bearing mafic rocks recorded in all three holes commenced at about 400m and finished at just over 700m. These holes intersected numerous zones of up to 30% sulphides. These three diamond holes that are 1km or more apart, renders Saxby a very large intrusive sulphide rich system.

A deeply penetrating magneto telluric survey reported in 1995 (an electromagnetic technique) detected a large and discrete off hole conductor between holes DDH 001 and DDH 004 at 650m depth. As the technology was then new and untested it was considered unreliable and no further drilling took place.

Current geophysical work indicates the extent of the sulphide bearing system overall is likely to be over 5km in width (based on geophysical and limited drilling evidence). Four high priority magnetic targets that have been identified (shown in Figure 2) are considered potentially capable of hosting nickel sulphide (plus copper and PGEs) that could be more like the extensive Voisey's Bay deposit of New Foundland or Norilsk of the Russian High Arctic. Two targets are being readied for drilling.

Native title land access agreement for a deep drilling program was concluded during the quarter.

Figure 2



Black Hills, WA – Nickel, Copper, Platinum and Palladium (FCN 100%)

The Black Hill project in South Australia was tested with six very widely spaced RC percussion holes to an average depth of 52m to test the Black Hill and the Cambrai norite intrusive bodies where weak but persistent TEM anomalies were previously detected but not drilled.

All holes transgressed overlying younger sedimentary cover and penetrated 10m to 20m into basement norite.

Minor iron sulphides were observed over some intervals associated with the targeted altered mafic norite intrusive bodies. Field logging of percussion drill cuttings intersected norite derived clay intervals interspersed with zones of fresher hard norite. Owing to the variable weathering and alteration of the basement norite it can be difficult to observe nickel and copper sulphides in field logging.

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

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.

These results are significant in that they are well above background levels of norite in these complexes that are 50ppm to 100ppm copper, 30ppm to 60ppm nickel and 2ppb each for Pt, Pd and Au. These results for BH11-2 indicate the likely intersection of weathered products of some primary copper, nickel and PGE sulphides at relatively shallow depths. Considering that only 6 holes spaced at least 1km apart were drilled, this result is encouraging and warrants follow up drilling.

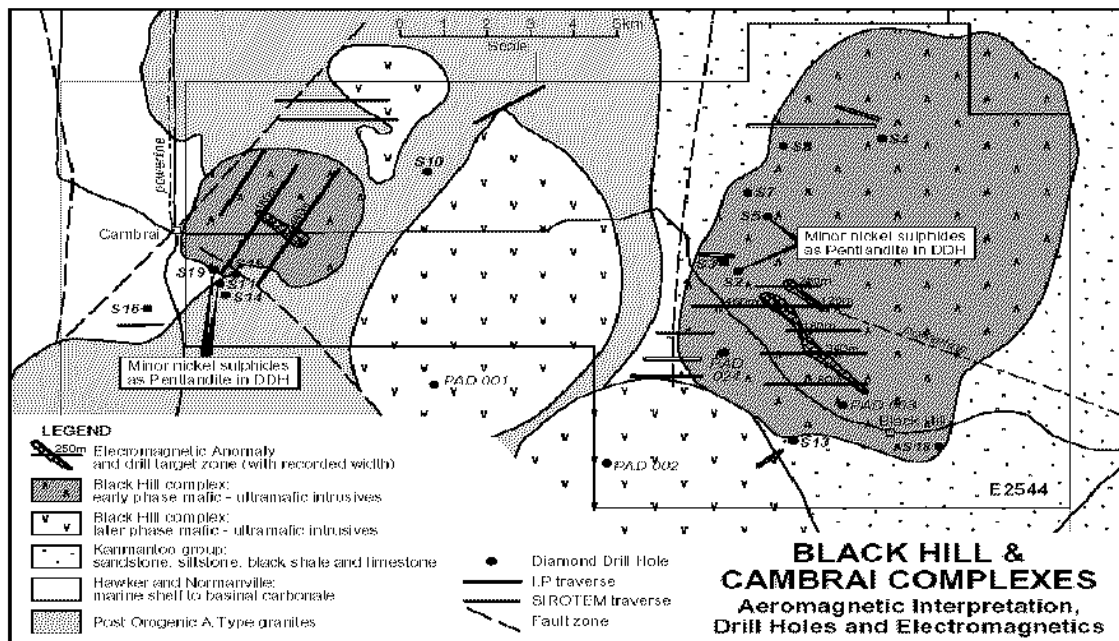
As noted in the last Quarterly Report, the Black Hill project area, covers an 8km wide and oval shaped intrusive mafic to ultramafic body under partial sand, clay and limestone cover. Between 1975 and 1977 this body was deep diamond drilled to test it at depth and those holes returned short and deep intercepts of low grade nickel and copper sulphides along with anomalous platinum group elements.

In the western part of the Black Hill intrusive, a 4km long dominant magnetic anomaly rims the central core and may represent a source conduit zone for outflowing ultramafic and mafic magma. It was partly tested with hole BH11-2 being nearest but offset from the centre of the magnetic anomaly and within one of the TEM anomalies.

Another smaller TEM anomaly over 1km strike length with widths of 200m and 400m was detected close to a similar magnetic anomaly in a sister mafic to ultramafic intrusion at Cambrai, several km to the west of Black Hill. A few past deep diamond holes on the edge of that intrusive also intersected low grade nickel sulphides at depth. That target area was tested with two holes spaced 1km apart and both returned weak but anomalous copper, nickel and PGEs at 5 to 8 ppb commencing at 20m to 40m depths.

Falcon has tested both areas in this program in its exploration for large disseminated nickel sulphide systems at shallow depths with sufficiently anomalous results to warrant further step out drilling. (see Figure 3).

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.

Cargo Project, NSW – Gold, and Copper
(FCN earning 70%, Golden Cross 100%)

Three separate Ridgeway style targets for deep drilling have been selected at the Belubula tenement adjoining Cargo following detailed geophysical modelling during the last two quarters. One such target is near the historic but small scale Burley Jacky mine, where modest past mine production recorded grades of about 30% copper and 12g/t gold.

At this stage a drilling program consisting of 6 deep holes to depths of about 400m is planned for Belubula and Cargo to commence in March when a suitable deep percussion rig will be available.

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.

OLYMPIC DAM STYLE EXPLORATION PROJECTS

Coonamble South – New South Wales

(FCN 100%)

This project with sedimentary cover that is expected to be around 150m deep over basement rocks, has seen no past drilling to basement in the area and shows a significant anomaly that is similar to the other targets identified by Falcon in its Olympic Dam Initiative. A recent gravity survey conducted over the project has confirmed a large target that will require drilling.

Sparse readings from gravity data points have not been able to provide near surface definition of the target. An infill gravity survey is to be completed to better define the target prior to drilling.

Shepparton Project, Victoria

(FCN 100%)

At Shepparton, a completed gravity survey by Falcon confirmed and defined this target ready for drilling under soil over an area of 0.5km x 3km. It has some characteristics of both the volcanogenic gold/copper and Olympic Dam style mineralisation due to the presence of anomalous copper, gold, fluorite and hematite in outcrop along strike. As basement rocks are relatively shallow at approximately 100m under soil and sedimentary cover, drilling is planned for later this year. Approvals with authorities and landowners for drilling access are continuing.

Geophysical modelling has shown that an infill gravity survey to better define the target for drilling will need to be completed.

Palthrubie and Bond Hill – South Australia

(FCN 100%)

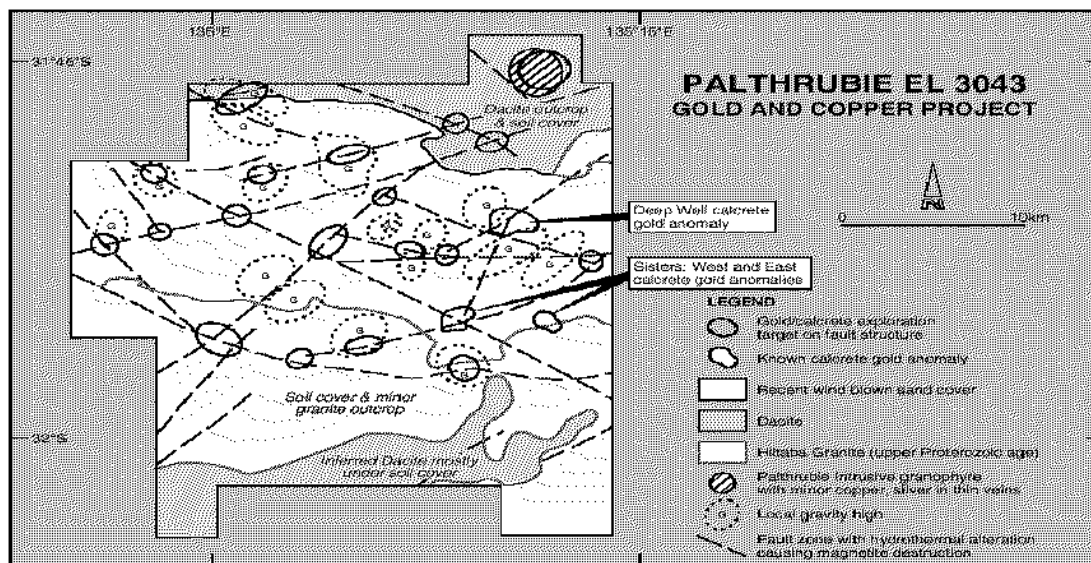
Palthrubie lies between two gold discoveries at Tunkilla and Barnes and is inside the recently recognized Gold Province of Ferris and Schartz 2003. This gold corridor extends from the Barnes region, through Palthrubie and north to Tarcoola.

During the quarter an auger drill sampling program covering twenty targets was completed and gold anomalous results are being analysed using calcrete normalizing methods to determine a ranking of their anomalism prior to further drilling.

The 1990s calcrete sampling over parts of the 900km² tenure found three spatially large gold anomalies within these tenements that were not drilled beneath the soil overburden to the basement interface. Recent work has confirmed and extended two of these and indicated that some additional areas under sand cover are also gold anomalous and may develop into new mineralised zones with some infill sampling.

Within Palthrubie, calcrete gold anomalies were found at Deep Well, Sisters West and Sisters East (See Figure 4). These are large area anomalies with the most advanced at Deep Well being 500m wide at the 6ppb gold level. Some recent follow up auger sampling returned similar results and extended the anomalous zone. The more sampled Barnes calcrete anomaly of Adelaide Resources at the lower 5ppb gold contour is 500m to about 1km wide so they are of similar spatial magnitude.

Figure 4



Historic drilling to the start of bedrock using air core and RAB at Deep Well (38 widely spaced) holes detected many strongly anomalous gold results up to 140ppb but no deeper drilling was undertaken. At Sisters West (9 holes), some sulphide as fine pyrite in a hydro thermally altered granite was intersected.

Those results will be used in conjunction with the new auger sampling results being analysed and rated then following work can continue.

Work on interpreting the deeper Olympic style target at Palthrubie is also continuing and its relationship to the near surface gold anomalism detected so far.

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 December 2003

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Sales	–	–
1.2	Payments for (a) exploration and evaluation	(82)	(201)
	(b) development	–	–
	(c) production	–	–
	(d) administration	(139)	(230)
1.3	Refunds received – EL applications & other	–	–
1.4	Interest and other items of a similar nature received	17	31
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	–	–
Net Operating Cash Flows		(204)	(400)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects		
	(b)equity investments	–	–
	(c) other fixed assets	(2)	(2)
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		(2)	(2)
1.13	Total operating and investing cash flows (carried forward)	(206)	(402)

1.13	Total operating and investing cash flows (carried forward)	(206)	(402)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	3,479	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)	(188)
Net financing cash flows		3,291	3,291
Net increase (decrease) in cash held		3,085	2,889
1.20	Cash at beginning of quarter/year to date	1,160	1,356
1.21	Exchange rate adjustments to item 1.20	—	—
1.22	Cash at end of quarter	4,245	4,245

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

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	150
4.2 Development	—
Total	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	44	10
5.2 Deposits at call	4,201	1,150
5.3 Bank overdraft	—	—
5.4 Other (provide details)	—	—
Total: cash at end of quarter (item 1.22)	4,245	1,160

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			
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 (description)				
7.2	Issued during quarter				
7.3	+Ordinary securities	123,161,673	123,161,673		Fully paid
7.4	Issued during quarter	22,884,630	22,884,630		Fully paid
7.5	+Convertible debt securities (description and conversion factor)				
7.6	Issued during quarter				
7.7	Options (description and conversion factor)	18,284,630		Exercise price 20 cents	Expiry Date 30 June 2005
7.8	Issued during quarter	18,284,630		Exercise price 20 cents	Expiry Date 30 June 2005
7.9	Exercised during quarter				
7.10	Expired during quarter	4,300,000		Exercise price 20c	Expiry date 30 November 2003
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

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: 28 January 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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