



52-wk Range: A\$0.06-0.43

Market Cap (M): A\$38.1

12 month target A\$0.65

EV (M): A\$32.6

Mining

Cloncurry Copper Resources grow to 51Mt

Summary

Australia headquartered Exco Resources is focusing on developing its Cloncurry Copper Project in Queensland, Australia. Further, the recent strong improvement in the A\$ gold price has resulted in much more attention being paid to its other asset, the White Dam gold project which could be quickly brought into production.



Key Metrics

EV/EBITDA:	-54.3
Shares Outstanding (M):	254.1
Current Price (AUD):	A\$0.15
Fully Diluted Shares (M):	268.6

Event

The ore resources for the Cloncurry Copper Project have been increased to 51Mt grading 0.84% copper and 0.23g/t gold. Total contained copper now exceeds 500,000t, with 50% of the copper contained within Indicated Resources.

Comment

The Monakoff deposits now contain 4.0Mt grading 1.32% copper and 0.42g/t of which 50% is classified as an Indicated Resource. This is an increase of 53% and we believe it is specifically important as it is an increase of resources in the high grade area of total resources.

At the E1 camp, the North, South and East zones have been combined into one resource and the Central zone included. The E1 Camp now contains a total of 44.9Mt of ore grading 0.76% copper and 0.22g/t gold. It contains 343kt of copper and 312koz of gold, with 43.7% in the Indicated category. This represents an increase of 17% in the total resources at E1. Drilling success in the recently discovered Central Zone has led to a significant increase in total resources at E1, whilst detailed geological logging and modelling now shows that the deposits are geologically very similar and are linked through the geological and structural controls on the mineralisation

Preliminary open pit optimisations have been completed on all the CCP resources highlighting the potential for economic extraction of a significant portion of the resources. Although not yet a reserve (as both Indicated and Inferred resources have been used in the optimisations), the studies suggest an in pit resource (Indicated and Inferred resources) in the order of 23Mt from the E1 camp, approximately 3Mt from the Monakoff Group, and around 1.5Mt from the Great Australia deposit.

The other important factor in the increased resource figure is that Exco has commenced a detailed feasibility study on a slightly larger operation treating between 2.5 and 3mtpa. The Fox-Davies valuations and NPV are based on a 2.5Mtpa plant, which will have marginally higher operating costs.

Valuation and recommendation

Our valuation is based on the net present value, 12 months forward, of the individual operations, and a negative NPV is calculated for head office costs. However, this scenario assumes that EXCO builds its own plant and does not commence production for several years. Under this scenario the net present value at a 10% discount rate is A\$232M. We retain the Buy recommendation with an unchanged target price of A\$0.65/share.

Contact

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FYE June	2008	2009E	2010E	2011E	2012E
Revenue (A\$M):	2.2	0.5	32.1	293.1	302.7
EBITDA (A\$M):	-0.6	-1.3	14.0	141.3	147.1
NPAT (inc significant items):	0.2	-0.6	4.3	71.4	78.9
EPS (AUc):	0.1	-0.2	1.2	18.6	20.5
Cash Flow/Share (AUc):	-0.1	-0.4	3.0	31.0	29.1

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Peter Rose

Peter Rose has 20 years experience in equities as a resources analyst, most recently having spent 11 years with Deutsche Bank in Australia. Prior to this he spent three years with Prudential Bache and five years with James Capel. Peter's industry experience includes 16 years as a metallurgist, three years with De Beers in South Africa and eight years in the uranium industry, five of which were spent at the Ranger Uranium mine. Peter holds a BSc degree in Applied Mineral Science from Leeds University UK and a Bachelor of Commerce from the University of South Africa. Peter is also a member of the Institute of Mining & Metallurgy and a chartered engineer.

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Research disclosure as of 20 April 2009

Company Name	Disclosure
Exco Resources (EXS)	1, 9

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Company	Ticker	Recommendation	Date	Target Price	Last Price
Mining					
Angus & Ross	AGU LN Equity	BUY	07.04.09	£0.06	£0.03
Atlantic Coal	ATC LN equity	BUY	19.01.09	£0.03	£0.006
Baobab Resources	BAO LN Equity	BUY	05.02.09	£0.18	£0.02
Discovery Metals	DME LN Equity	BUY	01.04.09	£0.26	£0.13
EMED Mining	EMED LN Equity	BUY	23.02.09	£0.30	£0.06
Exco Resources	EXS AU Equity	BUY	20.04.09	A\$0.65	A\$0.15
Gippsland Limited	GIP LN Equity	BUY	11.12.08	£0.12	na
Hambledon Mining	HMB LN Equity	BUY	15.01.09	£0.18	£0.04
Highland Gold	HGM LN Equity	BUY	05.02.09	£0.80	£0.55
International Consolidated Minerals	ICMI LN Equity	BUY	24.11.08	£1.95	£0.12
KEFI Minerals	KEFI LN Equity	Spec. BUY	20.03.09	na	£0.01
Kryso Resources	KYS LN Equity	BUY	11.03.09	£0.51	£0.05
Lydian International	LYD CN Equity	BUY	31.03.09	C\$1.00	C\$0.44
Minera IRL	MIRL LN Equity	BUY	02.04.09	£0.80	£0.68
Stratex International	STI LN Equity	BUY	30.03.09	£0.07	£0.02
Van Dieman Mines	VDM LN Equity	NA	27.02.09	na	na

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