

*This Week*

Originally Published Vol 5,  
Issue 10 June 11th 2008

**Sale of Copper Project Sets  
a Value Benchmark  
(EXS, HAV)**

Page 1

*Originally Published Vol 5, Issue 10 June 11th 2008*

## *Sale of Copper Project Sets a Value Benchmark (EXS, HAV)*

The sale of Glengarry's Maitland copper project in Queensland to Kagara Ltd for an effective \$9 million sets up a useful yardstick which can be used to value mineralisation in the ground. This process is consistent with a long running rule of thumb which ascribes 4-5% of current metal price to metal contained in a low rank resource category and about 10% of the metal value to metal contained in a mining reserve category. There are many variables which impact on the insitu value of copper mineralisation, including its location, size, grade, mineralogy, geometry and depth of the deposit, however an open market sale best describes how the market values such mineralisation.

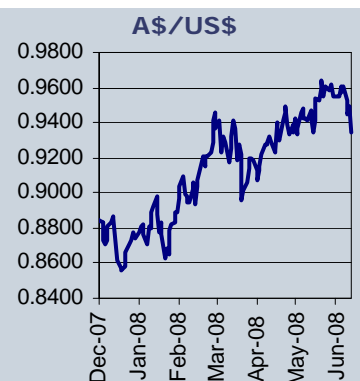
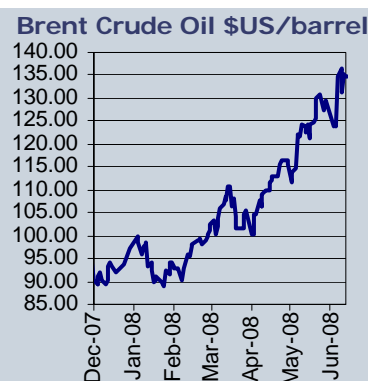
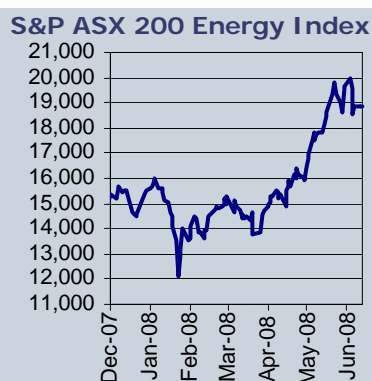
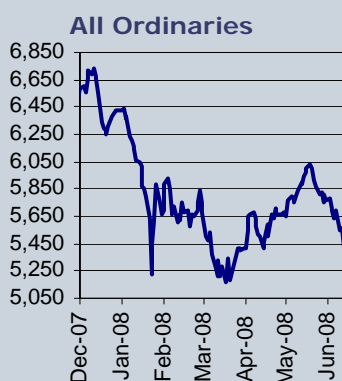
The Maitland deposit is estimated to contain 22,500 tonnes of contained copper at a grade of 1.5%, plus a small amount of associated molybdenum. If I ignore any value for the moly content, this sale produces an insitu value of 18 cps for the copper content.

Applying that multiplier to **Exco Resources'** copper and gold resources in Queensland, produces an insitu value of \$160 million purely for its copper content and \$171 million if I allow a value of \$30 per ounce for associated gold, but nothing for uranium. This value compares with Exco's current market capitalisation of \$90 million. In addition, Exco holds net cash of about \$20 million and has an interest in separate gold projects which I have valued at an additional \$13 million, so based on the Maitland multiple, Exco should have a value of at least \$200 million or over 80 cps.

Similarly, **Havilah Resources** has a current market capitalisation of \$127 million, yet valuing its equity in insitu copper resources by applying the Maitland multiple, produces a value of \$207 million for copper alone. Havilah's Kalkaroo deposit may be lower grade than Maitland, but it has favourable geometry for mining and the Mutooroo project has grades which are similar to those of Maitland, so the comparison is valid. Havilah's deposits contain cobalt, moly and gold. Applying an insitu valuation which is ~4% of their insitu value adds \$178 million, taking the value for its resources to \$385 million. Havilah also holds investments and cash with an estimated value of about \$45 million taking assessed total value to \$430 million or over \$5 per share, compared with its current share price of around \$1.50 per share.

**Recommendation:** *StockAnalysis continues to see both Exco and Havilah as under priced explorers and project developers, providing long term exposure to copper and other metals.*

Indices & Prices	
All Ordinaries	5,433.20
Energy Index	18,846.80
Brent US\$/bbl	134.63
AUS\$/US\$	0.9342
As at Close June 12th	



## Contact

Peter Strachan:  
Pex Publications:

[Peter@stockanalysis.com.au](mailto:Peter@stockanalysis.com.au)  
[oilinfo@pex.com.au](mailto:oilinfo@pex.com.au)

5/1 Almondbury Rd Mt Lawley, WA 6050  
Tel: 08 9272 6555 Fax: 08 9272 5556  
Website: [www.stockanalysis.com.au](http://www.stockanalysis.com.au)  
[www.pex.com.au](http://www.pex.com.au)

## Disclaimer

The information or advice (including any financial product advice) herein is believed to be reliable and accurate when issued however, Strachan Corporate Pty Ltd ABN 39 079 812 945; AFSL 259730 ("Strachan"), does not warrant its completeness, reliability or accuracy. Strachan, its Directors and their Associates from time to time may hold shares in the securities mentioned in this report and therefore may benefit from any increase in the price of those securities. Opinions and estimates constitute Strachan's judgment. The author certifies that the views expressed in this document accurately reflect the analyst's personal views about the subject company and are subject to change without notice. Strachan, its officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The investments and strategies discussed herein may not be suitable for all investors. In preparing such general advice no account was taken of the investment objectives, financial situation and particular needs of a particular person. Therefore, before acting on the advice, you should consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. There may be a product disclosure statement or other offer document for the securities and financial products we write about in StockAnalysis. You should obtain a copy of the product disclosure statement or offer document before making any decision about whether to acquire the security or product. If you have any doubts you should contact your investment advisor. The investments discussed may fluctuate in price and changes in commodity prices and exchange rates may have adverse effects on the value of investments. Strachan Corporate Pty Ltd has previously undertaken commissioned research for a Director of Victoria Petroleum, Golden Gate Petroleum, Venture Minerals, Havilah Resources, Victoria Petroleum, Aviva Corporation, Mosiac Oil NL and Albidon Resources. The author holds shares in OEL, VMS, ARQ, ACE, ROC, MGR, SUN, TAP, SBN, EXR, PCL, GLH, RCR, HZN, HAV, GRD, PTM, SRI, MMA & BRT.

*Please register me for one year of StockAnalysis (48 issues) for only \$425 (incl gst)*

I would like to receive StockAnalysis by  email  mail\*

name	<input type="text"/>		
address	<input type="text"/>		
phone #	<input type="text"/>	email	<input type="text"/>

invoice me

mastercard  bankcard  visa  Amex

card name	<input type="text"/>		
card number	<input type="text"/>		
exp date	<input type="text"/>	/	<input type="text"/>
signature	<input type="text"/>		

EFT deposit

bank	National Australia Bank, Melbourne Victoria 3000
account	BSB: 083 004 Account # 558 371 230 Account name Pex Publications Pty Ltd

Please fax to (08) 9272 5556, mail to Pex Publications 5/1 Almondbury Rd Mt Lawley WA or call 1800 739 855 or go to [www.stockanalysis.com.au](http://www.stockanalysis.com.au)

\*Mail subscribers within Australia add \$96pa for postage. International subscribers add \$168pa for postage

Under the Pex Publications Pty Ltd (ABN: 59077704746) subscription policy, a person or corporation is defined as a single entity. A corporation representing multiple organisations may require multiple subscriptions. Prices subject to change. Subscribers to abide by Pex Publications terms and conditions and Australian copyright laws