



52-wk Range: A\$0.06-0.43
12 month target A\$0.63

Market Cap (M): A\$71.1
EV (M): A\$60.1

Mining

Financing the White Dam Project

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 is expected to be in production in early 2010.



Key Metrics

EV/EBITDA:
Shares Outstanding (M): 254.1
Current Price (AUD): A\$0.28
Fully Diluted Shares (M): 268.6

Event

Exco has announced that it has raised A\$7.2M through the issue of 30.6M shares at a price of A\$0.235/share through a placement agreement.

Comment

The peak funding requirement for the project is estimated to be approximately A\$20m, with the intention that this will be met by a combination of equity and debt. The proceeds of the current placement will be primarily utilised to meet Exco's projected equity contribution. Discussions in relation to the debt financing of the project are well advanced, with indicative offers having been received from a number of interested parties. The JV partners have recently facilitated an independent due diligence process on behalf of these parties and, pending a review of the due diligence outcomes, Exco and Polymetals expect to shortly be in a position to mandate a preferred banking partner. The A\$20M mentioned is higher than our previous estimate as it includes the working capital requirements in addition to the actual capital expenditures which have not changed.

However, perhaps the most important comment on today's press release has nothing to do with White Dam. On the cleansing notice it states "The Company is currently in preliminary discussions with Xstrata Copper in relation to a potential development arrangement involving the Company's E1 Camp tenements in the Cloncurry area of NW Queensland. Whilst negotiations continue to progress with Xstrata Copper these discussions are incomplete and there is no assurance that a transaction will ultimately be concluded."

This is the first time such discussions have been acknowledged, and we regard this extremely positively. But, we highlight the fact that our target price is based on building a stand alone concentrator and mine. If an agreement is reached with Xstrata, then capital expenditures could be greatly reduced and the revenue stream brought forward. This would have a significant impact on the net present value and hence the target price.

Recommendation

We retain the Buy recommendation with a slightly reduced target price of A\$0.63/share, formerly A\$0.65/share, reflecting the increased number of shares now on issue

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FYE June	2008	2009E	2010E	2011E	2012E
Revenue (A\$M):	2.2	0.4	31.2	89.4	321.0
EBITDA (A\$M):	-0.6	-3.7	8.7	42.7	157.0
NPAT (inc significant items):	0.2	-2.3	4.4	21.7	86.4
EPS (AUc):	0.1	-0.9	1.4	7.1	28.2
Cash Flow/Share (AUc):	-0.1	-0.1	3.6	12.8	39.5

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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 11 June 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	12.05.09	£0.06	£0.02
Atlantic Coal	ATC LN equity	BUY	19.01.09	£0.03	£0.007
Baobab Resources	BAO LN Equity	BUY	05.02.09	£0.18	£0.03
Discovery Metals	DME LN Equity	BUY	22.05.09	£0.23	£0.13
EMED Mining	EMED LN Equity	BUY	23.02.09	£0.30	£0.08
Exco Resources	EXS AU Equity	BUY	11.06.09	A\$0.63	A\$0.28
Gippsland Limited	GIP LN Equity	BUY	11.12.08	£0.12	NA
Hambledon Mining	HMB LN Equity	BUY	11.06.09	£0.13	£0.05
Highland Gold	HGM LN Equity	BUY	27.05.09	£0.75	£0.59
International Consolidated Minerals	ICMI LN Equity	BUY	24.11.08	£1.95	£0.09
KEFI Minerals	KEFI LN Equity	Spec. BUY	20.03.09	NA	£0.02
Kryso Resources	KYS LN Equity	BUY	29.05.09	£0.47	£0.06
Lydian International	LYD CN Equity	BUY	29.05.09	C\$1.00	C\$0.42
Minera IRL	MIRL LN Equity	HOLD	11.06.09	£0.63	£0.80
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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