

Friedland makes E1 a bigger deal

By Michael Quinn, 4 June 2007, www.highgrade.net



Michael Anderson ... no concerns about exploration success.

WHEN Robert Friedland's new man downunder Peter Reeve phoned Michael Anderson out of the blue back in March, life for Exco Resources suddenly got a whole lot rosier. And, by corollary, a tad more complicated for Xstrata plc.

As the story goes, Reeve, the metallurgist and ex-Newcrest Mining corporate man who'd been appointed chief executive officer of Ivanhoe Australia Pty – a 100% owned subsidiary of mining magnate Friedland's Ivanhoe Mines – wanted to explore possibilities available to the two Cloncurry copper-focused companies.

While one of those possibilities, that of vending Exco's Cloncurry ground into Ivanhoe Australia, was shelved, Ivanhoe subsequently spent \$A7.92 million for a 12.2% stake in the copper-focused junior. Significantly, the transaction also included short-dated options that can increase that stake to 19.9%, giving the set-to-list Ivanhoe a solid foot over one of the key juniors in the region. The Exco-deal plus the planned listing also resulted in a major ramping up of the competitive tension in the region.

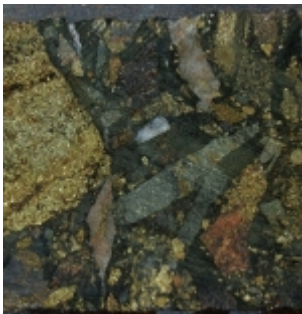
Up to this point, Cloncurry has very much been a one-horse town, with Xstrata and its copper processing infrastructure at Ernest Henry and Mount Isa ensuring the London-listed major has the inside running on whatever opportunities might be on offer. However, a publicly-listed Ivanhoe Australia, sired by the well-performed, influential Friedland stable, and now looming up on the outside, clearly gives Xstrata something new to think about. Especially perhaps in

the case of Exco, and, maybe even Wayne McCrae's CuDeco – depending on whom you believe, how CuDeco's big drill-out proceeds, and whether a mooted Chinese firm turns into a tangible reality.

As has been long flagged, Exco holds significant copper resources at E1, a mere 8km from Xstrata's depleting Ernest Henry operation. While Xstrata contends Ernest Henry has potential for a major underground mining operation, significant opencut resources on the project's doorstep would likely have their attractions.

To date Xstrata evidently hasn't been in any rush to cut a deal with Exco on the E1 resources. And given the major's pre-eminent position in the region, and the often cash strapped nature of life as a junior, who could blame it. However, with both those issues essentially null and void, and Ernest Henry's resources all the while continuing to deplete, Exco now looks comfortably able to cover the distance.

Meanwhile, its bank balance (about \$A18 million plus another \$A10 million worth of options in the wind) also enables it to give its ground throughout the region a serious drill-testing. Exco's annual exploration budget has gone from \$A1-1.5 million to \$A5-6 million, with two rigs secured for the next 12 months.



E1 breccia-style mineralisation in drill core.

The drilling will include extension targeting at primary, high grade copper targets like Mt Colin – where sulphide resources of 584,000t grading 3.61% copper has previously been estimated – Monakoff and Great Australia.

Anderson is very confident as the prospectivity of Exco's ground, telling **HighGrade** he has "no concerns" as to whether the company will achieve exploration success.

And while Exco's broad aim remains the development of a central concentrator facility treating various high grade resources from 2009, he also indicated that Exco's raison d'être remains "shareholder value", such that all possibilities, be they corporate or operational, remain in play.

Clearly, drilling over the next 12 months will tell a large part of the story in the short-to-medium term, with Ivanhoe Australia and Xstrata undoubtedly very interested onlookers.

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