

16 November 2007

Exco Resources (EXS) \$0.40

Company Overview

EXS is part of the very successful Mitchell River Group. This group includes Albidon Ltd, Mirabela Nickel Ltd and Livingstone Petroleum Ltd. The strategy pursued by EXS has changed dramatically in recent times, and copper/uranium is now the primary focus for growth. Development of the White Dam gold mine in SA is of lesser importance after a placement to Ivanhoe Australia. Ivanhoe has recapitalised EXS, which will ensure growth in QLD Cu/Au projects and implement a U3O8 strategy.

Investment View

The research on this company has been commissioned and, as such, Aegis has received a fee for its initiation and ongoing research coverage.

No part of either the fee received by Aegis or the compensation paid to its analysts involved in preparing this report was, is or will be directly or indirectly, related to the valuation, earnings forecast or views expressed in this report.

Peer Comparison

Company	Code	12 Mth Reco	P/E(x)			Dividend Yield (%)		
			07A	08F	09F	07A	08F	09F
BHP Billiton Limited	BHP	HOLD	14.6	12.4	10.3	1.4	2.0	2.4
Rio Tinto	RIO	HOLD	18.5	13.6	11.1	1.0	0.9	1.0
Zinifex	ZFX	HOLD	5.8	4.3	5.9	8.7	11.6	13.2
Oxiana Limited	OXR	BUY	13.7	11.1	8.0	2.0	2.0	2.0
Exco Resources	EXS	NONE	>99	n/a	n/a	0.0	n/a	n/a

Detailed financials and recommendations are only shown for securities that you have access to.

Earnings Summary

Yr to Jun	NPAT Rep \$M	NPAT ¹ Adj \$M	EPS ¹ c	EPS chg %	PER x	PER rel All Ords x	PER rel Sector x	DPS c	Yield %	Franking %	ROE %
2006A	0.7	0.7	0.5	n/a	76.9	3.6	4.2	0.0	0.0	0	10.6
2007A	0.6	0.6	0.3	(39.0)	>99	6.7	7.6	0.0	0.0	0	4.2
2008F	(1.8)	(1.8)	(0.5)	n/a	(72.8)	n/a	n/a	0.0	0.0	0	(4.5)
2009F	3.5	3.5	1.3	n/a	30.7	n/a	n/a	0.0	0.0	0	5.2

¹ NPAT and EPS are adjusted by removing non-recurring items. All the above statistics are derived from normalised earnings.

Key Information

Valuation (\$):	0.90
Market Cap (\$M):	106.4
Shares (M):	266.0
% of Market:	0.01
12 Month Range (\$):	0.22 - 0.51
Last Update:	16-Nov-07

Price Performance



Consensus Recommendations

No consensus recommendations currently available.

Other Information

Sector:	Materials
Industry Group:	Materials
Industry:	Metals & Mining
Price as at:	15-Nov-07 15:38

Exco Resources Limited

Valuation: \$0.90

Company risk ¹: ★★☆☆☆

Share Price risk ¹: ★★☆☆☆

Ethical rating ²: ★☆☆☆☆

Year end Jun. All figures in A\$M

Profit & loss summary					Ratio analysis				
	2006A	2007A	2008F	2009F		2006A	2007A	2008F	2009F
Operating revenue	0.0	0.0	8.2	40.2	Revenue growth (%)	0.0	(100.0)	0.0	392.7
Invest & other income	1.3	1.6	(3.4)	(3.4)	EBITDA growth (%)	n/a	(12.4)	n/a	n/a
EBITDA	0.7	0.6	(0.4)	10.5	EPS growth (%)	n/a	(39.0)	n/a	n/a
Depreciation/Amort	(0.0)	(0.1)	(2.8)	(5.0)	EBITDA/Sales margin (%)	>1000	0.0	(4.6)	26.2
EBIT	0.7	0.6	(3.2)	5.5	EBIT/Sales margin (%)	>1000	0.0	(38.9)	13.7
Net Interest	0.0	0.0	0.6	(0.5)	Tax rate (%)	0.0	0.0	30.0	30.0
Pre-tax profit	0.7	0.6	(2.5)	5.0	Net debt/equity (%)	(5.6)	(47.1)	(34.6)	17.1
Tax expense	0.0	0.0	0.8	(1.5)	Net debt/net debt + equity (%)	(5.9)	(89.1)	(52.8)	14.6
Minorities/Assoc./Prefs	0.0	0.0	0.0	0.0	Net interest cover (x)	n/a	n/a	n/a	11.2
NPAT	0.7	0.6	(1.8)	3.5	Payout ratio (%)	0.0	0.0	0.0	0.0
Non recurring items	0.0	0.0	0.0	0.0	Capex to deprec'n (%)	231.2	>1000	8.9	10.0
Reported profit	0.7	0.6	(1.8)	3.5	NTA per share (\$)	0.01	0.08	0.11	0.21
NPAT add Goodwill & Pref	0.0	0.0	0.0	0.0	ROA (%)	9.9	4.0	(7.3)	6.0
Adjusted profit	0.7	0.6	(1.8)	3.5	ROE (%)	10.6	4.2	(4.5)	5.2
Cashflow summary					Multiple analysis				
	2006A	2007A	2008F	2009F		2006A	2007A	2008F	2009F
EBITDA	0.7	0.6	(0.4)	10.5	Market cap (M)		106		
Working capital changes	0.0	0.0	(1.7)	(1.3)	Net debt (\$M)		(17.5)		
Interest and tax	0.0	0.0	0.6	(1.1)	Peripheral assets (\$M)		(0.5)		
Other operating items	(1.1)	(0.9)	5.4	5.6	Enterprise value (\$M)		88.4		
Operating cashflow	(0.4)	(0.3)	4.0	13.7	EV/EBIT (x)	(<99)	(82.9)	(18.4)	22.7
Required capex	(0.1)	(0.7)	(0.3)	(0.5)	EV/EBITDA (x)	(<99)	(88.3)	(44.4)	9.9
Maintainable cashflow	(0.5)	(1.0)	3.7	13.2	EV/EBITDA All Ind (x)	10.1	9.1		
Dividends	0.0	0.0	0.0	0.0	EV/EBITDA rel All Ind (x)	(15.2)	(9.7)	n/a	n/a
Acq/Disp	(3.1)	(3.5)	(17.0)	(68.0)	P/E (x)	76.9	>99	(72.8)	30.7
Other investing items	0.0	0.0	0.0	0.0	P/E rel All Ind (x)	3.4	6.5	n/a	n/a
Free cashflow	(3.5)	(4.5)	(13.3)	(54.8)	P/E rel All Ind ex banks (x)	3.2	6.3	n/a	n/a
Equity	3.6	21.2	12.3	25.2	P/E sector (x)	18.2	16.7		
Debt inc/(red'n)	0.0	0.0	1.0	29.6	P/E rel sector (x)	4.2	7.6	n/a	n/a
Balance sheet					Assumptions				
	2006A	2007A	2008F	2009F		2006A	2007A	2008F	2009F
Cash & deposits	0.8	17.5	16.5	10.0	US\$/A\$ (\$)	0.74	0.79	0.87	0.86
Inventories	0.0	0.0	0.9	2.2	Copper (US\$/lb)	2.42	3.23	3.30	2.89
Trade debtors	0.3	0.3	1.3	3.3	Gold (US\$/oz)	543.19	642.25	704.98	688.20
Other curr assets	0.0	0.0	0.0	0.0					
Total current assets	1.1	17.9	18.7	15.5					
Prop., plant & equip.	0.1	0.8	10.3	68.8					
Non-curr intangibles	13.1	19.1	19.1	19.1					
Non-curr investments	0.5	0.5	0.5	0.5					
Other non-curr assets	1.6	0.2	0.9	0.9					
Total assets	16.4	38.4	49.5	104.7					
Trade creditors	1.4	1.2	1.3	3.3					
Curr borrowings	0.0	0.0	0.0	0.0					
Other curr liabilities	0.0	0.0	0.2	1.4					
Total current liab.	1.4	1.2	1.6	4.7					
Borrowings	0.0	0.0	0.0	23.1					
Other non-curr liabilities	0.0	0.0	0.2	0.5					
Total liabilities	1.4	1.2	1.8	28.3					
Minorities/Convertible	0.0	0.0	0.0	0.0					
Shareholders equity	15.0	37.2	47.7	76.4					

Notes:1. The risk ratings are on a 12 month perspective, where five stars denotes low risk and one star denotes high risk. Company risk takes into account expected financial, strategic and execution risks associated with the company. Share price risk is a measure of the expected volatility of the price and other trading factors.

2. The Ethical rating rates a company on an ethical investment basis where five stars denote very good and one star a poor rating. The score is based on four key factors: areas of operating, environmental, corporate governance and social factors. For more information see www.aegis.com.au.

Exco Resources Limited

About the Company

Industries Of Operation

Exco operates in the Materials sector, focussing on the exploration of minerals such as gold and nickel. Exploration companies aim to discover and delineate occurrences of metals and minerals that can be economically mined and extracted. The resources industry is closely linked to world economic movements and the supply and demand for raw materials.

Differentiating Factor

EXS has assembled a large (>4,700sqkm), highly prospective land position in NW QLD that hosts a sizeable 35Mt resource base. With substantial funding in place, and following additions to management, the company is poised to effect a step-change in activities. Exploration and resource development will target a major increase in tonnage at key deposits such as Mt Colin, Monakoff, E1, Gt Australia and Kangaroo Rat. Exco has commenced pre-feasibility work targeting production in 2009/10.

Major Customers & Competitors

Major competitors consist of other mining companies in Australia and overseas exploring for gold, precious and base metals. These range from massive international companies to small explorers with one or two projects. Prospective gold customers include governments, banks and international gold brokers whilst for precious and base metals, it would involve arrangements with utilities, large industrial users and steel plants.

Key Issues

Earnings Outlook

The focus is to accelerate exploration at and development of the Cloncurry Cu-Au-U3O8 projects. EXS has a large land package in QLD in excess of 4,700sqkm. With a very high exploration potential, the effort will focus on increasing the current resource base and developing new projects. A number of prospects are being drilled with a budget of \$2.5M for development. Over 80% of the current \$5.5M budget is earmarked for QLD, with \$2M budgeted for regional exploration. Expect good news flow.

Key Financial Issues

EXS has a healthy cash balance following a \$12.7M capital raising. EXS has 32.7M options that are exercisable at 35 cents by 1 June 2008. These options are currently in the money and, if exercised, will raise an additional \$11.4M. These funds will assist in the development of the White Dam Project.

Primary Share Price Catalyst

The focus is firmly on central QLD and several drill programs are underway. Drill results from Mount Colin and Monakoff are imminent, and drilling is planned for six other prospects. EXS has released details of its uranium program. Some of EXS's Cu deposits contain low-grade U that has potential to be a valuable by-product. Drilling will follow up anomalous U in chip samples from the Canteen prospect. Exploration will result in a continual news flow.

Last Result Comment

FY07 NPAT was \$549,823 (FY06 \$668,640). FY07 earnings per share was 0.32 cents per share (FY06: EPS 0.55 cents per share). No dividends were declared for the year ended 30 June 2007. EXS spent \$4.66M on exploration in FY07.

Risks

The Cloncurry Copper Project could face delays in development. This is because of the shortages of technical staff and longer lead times for construction and delivery of major capital items. EXS is an active explorer with excellent exploration potential. However, there is no guarantee of success. The path to first mine production requires many approvals, any of which can delay the development of the new project.

Management

Name	Position
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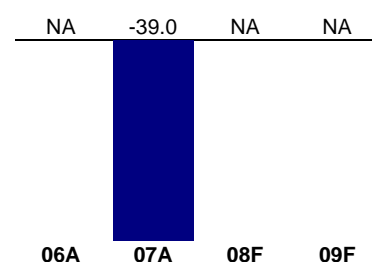
Return on Equity



Substantial Shareholders

No	Name	%Holding
1	Ivanhoe Mines Ltd	12.0
2	Lion Selection	10.6
3	A C Cooke	7.2

EPS Growth



Directors

B Sullivan, M Anderson, C Burton, A C Cooke

Recent Research Reports

16-Nov-07 09:51 Flashnote - Initiation of coverage: Exco Resources Ltd

We are initiating commissioned coverage of Exco Resources Limited (Exco; ASX code: EXS). The company is focused on copper, gold and uranium exploration and development near Cloncurry in Queensland and also owns the White Dam Gold Project in South Australia. Exco has three projects it is looking to develop: the White Dam Gold Project, the Cloncurry Copper Project and the E1 Camp Project. Exco's total resources are 345Kt Cu, 680Koz Au and 3,500t U3O8.

16-Nov-07 Report - Initiation of coverage: Exco Resources (Reco: NONE, Price: \$0.40)

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Important ASX Announcements

Date	Announcement
13-Nov-07 01:32	Further Positive Drilling Results
06-Nov-07 09:47	PDM:Joint Uranium Exploration Initiative with Exco Resources
06-Nov-07 08:53	Joint Uranium Exploration Initiative
31-Oct-07 11:42	First Quarter Activities and Cashflow Report
17-Oct-07 14:28	Drilling and Exploration Update
26-Sep-07 09:20	Positive Results from Monakoff East
29-Aug-07 08:50	Update on the White Dam Approvals Process
23-Aug-07 13:57	Exploration Update - Drilling to Recommence at E1 Camp
31-Jul-07 10:26	Fourth Quarter Activities and Cashflow Report
20-Jul-07 14:08	Canteen Uranium Prospect

Calendar of Events

Date	Event
30-Nov-07	AGM Date for Final Year Result
25-Oct-07	Reporting Date for Final Year Result
20-Jun-07	EGM Date for Special Event
27-Nov-06	AGM Date for Final Year Result
25-Aug-06	EGM Date for Special Event

Exco Resources Limited

Management

Non-executive Chairman: Barry Sullivan - An experienced mining engineer with over 35 years of experience in South Africa and Australia.

Managing Director: Michael Anderson - Mr Anderson has a PhD and Honours in Mining Geology from the Royal School of Mines. He has worked in the South African and Australian mining industries for 14 years.

Company History

EXS is in a strong financial position. This follows a share issue of \$12M and a placement of shares with options of \$8M to Ivanhoe Australia. Ivanhoe has a 12.1% interest in EXS, and if it exercises its options before June 2008, it can increase its holding to 19.9%. This would further strengthen the cash position by \$12M. The total resource at Cloncurry stands at 35Mt, grading 1% Cu and 0.3g/t Au. The company is now in an excellent position to accelerate this project and generate new prospects.

Strategic Direction

Following a recent A\$12.2M capital raising, Exco's strategy is to accelerate exploration, resource development and project activities at Cu-Au-U projects in NW QLD. Exco will increase direct expenditure to A\$5.5M per annum. The investment by Ivanhoe Australia, as part of the capital raising, also provides a catalyst for potential collaboration in the region. In South Australia, Exco awaits mining lease approval at White Dam ahead of a potential development decision in due course.

Capital Structure

EXS has 220.9M fully paid shares on issue plus 45.5M unlisted options. Options are exercisable between 20 cents and 40 cents extending to August 2010.

Glossary of Terms

P / E (x)	Price to Earnings ratio (also known as PER). A common share market indicator that measures the price of a share divided by the earnings per share in one year.
EPS	Earnings Per Share. Calculated by dividing a company's NPAT by the number of shares on issue. EPS is often adjusted, and Aegis uses the NPAT before the expense of goodwill, and any significant non-recurring items. We also adjust the number of shares on issue, if the company has outstanding options that are 'in the money'.
EPU	Earnings expressed in cents per unit rather than shares, applicable to trusts.
DPU	Distribution per unit (applicable to trusts).
P/CF	Price to Cash Flow ratio. Measures the price of a share divided by the operating cash flow per share (after capital expenditure) in one year.
ROA	Return On Assets is an earnings measure that in its simplest form is EBIT divided by total assets.
ROE	Return On Equity measures NPAT divided by shareholders' equity.
NPAT	Net Profit After Tax. The key measure of a company's profitability, contained in the Statement of Financial Performance (formerly known as Profit & Loss). NPAT is often adjusted for significant non-recurring items (previously referred to as abnormals).
EBIT	Earnings Before Interest and Tax. This measures the operational earnings, before the company's debt and tax position is taken into account.
EBITA	Earnings Before Interest, Tax and Amortisation. Calculated by adding amortisation to EBIT but not depreciation which is a proxy for capital expenditure. It is often used as a measure of free cash flow. Used where companies don't provide divisional breakdowns for depreciation.
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation. Calculated by adding amortisation and depreciation to EBIT. It is often used as a measure of operating cash flow, and in valuation / capitalisation multiples
EV	Enterprise Value, which equals the company's market capitalisation plus its net debt.
NTA	Net Tangible Assets, usually per share or unit.
Interest Cover	This measure provides an indication of a company's ability to meet interest payments. It is calculated as EBIT divided by the interest expense.
EBIT Margin	The ratio of EBIT to sales. This is a simple measure of the profit margins.
Net Debt / Equity	A measure of a company's indebtedness, which is simply net debt divided by shareholders' equity.
pcp	previous corresponding period
pa	per annum
Capex	Capital expenditure
YoY	Year on Year
HoH	Half on Half
QoQ	Quarter on Quarter



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