

## COPPER STRIKE LTD (CSE)

RESEARCH



TOLHURST

Last Price	Price Target	Sector	Risk Rating	Short term <12m	Long Term >12m
\$0.56	\$1.00	Metals	HIGH	BUY	BUY

Company Update	Yes
Recommendation Change	No
Target Price Change	No
Forecast Change	Yes

## DEEP HOLES AT CHLOE CONFIRM EXTENSION OF HIGH GRADE MINERALISATION

### Event

Copper strike announced further mineralised holes at Chloe at depth indicating that the resource should have further extensions. This follows on from the announcement of potential extensions to Jackson made earlier in the week.

### Details

Copper strike announced it had intersected massive sulphides near the base of Chloe deep extension hole, CH054 in an earlier release. They now have received the assay results from this hole, which gave **23.6m @ 7.9% zinc, 3.2% lead, 55g/t silver & 0.4% copper** from 394.2m. The nearby hole CH053, which returned disappointing results now appears to have stopped too high up in the sequence to follow the down plunge extension of the known Chloe mineralisation.

Copper Strike announced earlier in the week that five holes drilled to extend the Jackson resource indicate that the mineralisation remains open at depth and extends considerably further North West than is indicated by the current resource.

These excellent results both at Chloe and Jackson's should translate into further upgrades into the resource positions at both deposits. We haven't seen a huge amount of drilling results from Copper Strike over recent weeks, but this is due to the fact that Teck have 90 days to exercise their right to take an option on Chloe and Jackson of 51% through funding a full feasibility study. Copper Strike are poised to undertake an extensive deep drill program at Chloe, but will not proceed until Teck have given their decision.

### Recommendation and Valuation

We retain our BUY recommendation on Copper Strike on the basis of continued excellent exploration results from both Chloe and Jackson, and also our high initial valuation on the company.

### Market Stats

Market Capitalisation	\$m	39
12 Month Price Range		\$0.19 - \$0.85
Monthly Turnover	\$m	3.2
Monthly Volume	#m	6.8
% of SOI traded per month	%	8.4

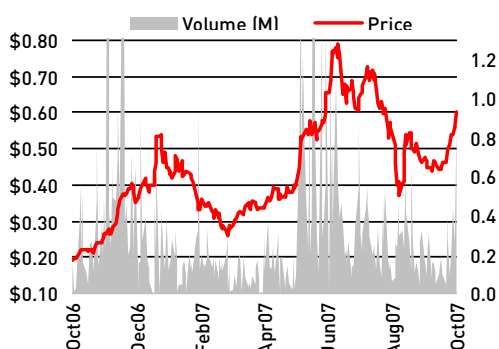
Fundamentals		2007A	2008E	2009E	2010E
Net Profit	\$m	-0.6	-2.0	-4.3	12.8
EPS	¢	-0.8	-2.8	-6.2	18.2
EPS Growth	%	Na	Na	Na	Na
PE	x	Na	Na	Na	3.1
DPS	¢	0	0	0	0
Yield	%	0	0	0	0
Franking	%	0%	0%	0%	0%
P/CF	x	-122.1	-30.7	-10.8	2.0
ROE	%	-5	-25	-130	57

### Forecast Returns

	% Return - 12 Months
Forecast Price Appreciation	79%
Expected Dividend Yield	0%
Total Forecast Return	79%

### Share Price Chart

1 Year



Valuation Summary	A\$m	A\$/share
Einaleigh and Chloe	\$73.76	1.05
Exploration	\$0.00	0.00
Sub Total	\$73.76	1.05
Investments		
PDM	\$1.00	0.01
Syrah	\$1.20	0.02
Financial		
Forward sales	\$0.00	0.00
Cash	2.4	0.03
Total Borrowings	-0.2	0.00
Corporate/Other	-\$5.95	-0.08
Total Financial	-1.5	-0.02
<b>Total Valuation</b>	<b>\$74.41</b>	<b>1.06</b>

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Profit & Loss 30 June	07E	08E	09E	10E	11E
Total Revenue	0.8	0.0	0.3	34.2	57.8
Operating Costs	0.0	0.0	0.0	2.1	-16.4
Royalty	0.0	0.0	0.0	1.5	2.6
<b>EBITDA</b>	<b>-0.7</b>	<b>-2.1</b>	<b>-2.1</b>	<b>28.3</b>	<b>69.2</b>
Depn & Amort	0.0	0.0	0.0	6.0	11.6
<b>EBIT</b>	<b>-0.7</b>	<b>-2.1</b>	<b>-2.1</b>	<b>22.3</b>	<b>57.6</b>
Interest	0.1	0.0	-3.1	-3.3	-2.2
NPBT	-0.6	-2.2	-5.2	18.9	55.4
Tax Expense	0.0	-0.2	-0.9	6.2	19.4
<b>NPAT</b>	<b>-0.6</b>	<b>-2.0</b>	<b>-4.3</b>	<b>12.8</b>	<b>36.0</b>

Cashflow (A\$m)	07E	08E	09E	10E	11E
<b>Operating Cashflow</b>	<b>-0.6</b>	<b>-1.5</b>	<b>-3.9</b>	<b>25.7</b>	<b>51.8</b>
-Capex	-1.3	-30.0	-32.1	-4.3	-4.3
-Exploration	-2.8	-2.8	-2.8	-2.8	-2.8
<b>Free Cashflow</b>	<b>-4.7</b>	<b>-34.2</b>	<b>-38.8</b>	<b>18.6</b>	<b>44.7</b>
-Dividends	0.0	0.0	0.0	0.0	0.0
+Equity Raised	3.8	0.0	0.0	0.0	0.0
+Debt Drawdown	0.0	50.0	40.0	-10.0	-40.0
-Other	0.5	0.0	0.0	0.0	0.0
<b>Net Change in Cash</b>	<b>-0.4</b>	<b>15.8</b>	<b>1.2</b>	<b>8.6</b>	<b>4.7</b>
Cash at End Period	2.4	18.2	19.3	27.9	32.6

Balance Sheet (A\$m)	07E	08E	09E	10E	11E
Cash	2.4	18.2	19.3	27.9	32.6
<b>Total Assets</b>	<b>11.6</b>	<b>58.6</b>	<b>94.0</b>	<b>103.0</b>	<b>102.4</b>
Total Debt	0.2	50.2	90.2	80.2	40.2
<b>Total Liabilities</b>	<b>0.7</b>	<b>50.7</b>	<b>90.7</b>	<b>80.7</b>	<b>40.7</b>
<b>Shareholders Equity</b>	<b>10.9</b>	<b>7.9</b>	<b>3.3</b>	<b>22.3</b>	<b>61.8</b>

Production	07E	08E	09E	10E	11E
Contained Cu in concentrate (kt)	-	-	-	1	1
Contained Zn in concentrate (kt)	-	-	-	9	18
Cash Cost (\$/t)	-	-	-	31	32

Resources	Mt	% Cu	% Zn	g/t Ag	Au Eq. grade
Einasteigh	1.1	2.90%	0.61%	15.00	10.10
Kaiser Bill	13.4	0.83%	0.00%	0.06	2.70
Walford Creek	6.5	0.60%	2.10%	25.00	5.02
Chloe					
<b>Total</b>	<b>21</b>	<b>0.87%</b>	<b>0.68%</b>	<b>8.56</b>	<b>3.81</b>

\* Au Eq Grade Calc using our It price forecasts

Assumptions	07E	08E	09E	10E	11E
Gold Price (\$US/oz)	658	691	655	618	582
Average Exchange Rate	0.86	0.85	0.83	0.80	0.78
Silver Price (\$US/oz)	10	10	10	10	10
Copper (\$US/t)	5,884	7,626	6,145	6,232	5,535
Zinc (\$US/t)	3,810	3,120	2,798	2,477	2,156
Lead (\$US/t)	3,197	3,097	2,989	2,295	1,894

Financial Summary	07E	08E	09E	10E	11E
Pre-abnormal eps (cents)	-0.8	-2.8	-6.2	18.2	51.5
PER (x)	na	na	na	3.07	1.09
DPS (cents)	0.0	0.0	0.0	0.0	0.0
Yield (%)	0.00	0.00	0.00	0.00	0.00
CFPS (cents)	-0.5	-1.8	-5.2	27.8	17.5
ROA (%)	-6%	-4%	-2%	22%	56%
ROE (%)	-5%	-25%	-130%	57%	58%
Net Sales Margin	-	na	-1297%	37%	62%
EBIT Margin	-	na	-641%	65%	100%
Net Debt to Equity	-20%	404%	2133%	235%	12%
Debt to Assets	2%	86%	96%	78%	39%
NTA	0.1	0.1	0.0	0.2	0.5

## Directors

Tom Eadie	Managing Director
Dick Potts	Non Executive Director
Peter Topham	Non Executive Director

## Substantial Shareholders

Substantial Shareholders	Shares (m)	%
Teck Cominco	8.68	12.40%
Acorn Securities	5.95	8.50%

## Valuation Summary

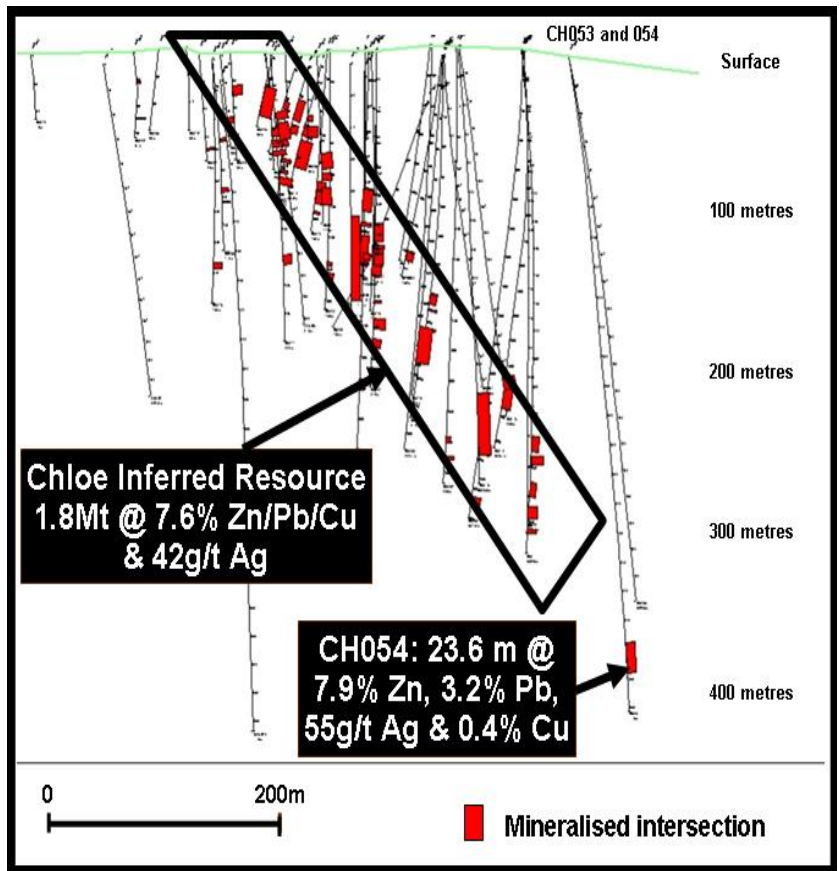
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Hole	From (m)	To (m)	Int (m)	Zn %	Pb %	Ag g/t	Cu %	Comments
JA009	106	108	2	5.1	1.4	88	0.2	
JA010	111	113	2	4.2	1.2	77	0.2	
&	116	118	2	4.9	1.0	51	0.1	
&	120	122	2	3.6	0.1	3	0.1	
&	178	180	2	4.4	0.3	22	0.1	
&	183	199	16	5.0	2.6	34	0.3	
Including	184	190	6	5.3	2.8	52	0.1	
&	192	199	7	5.7	3.2	29	0.5	
JA011	?	?	?	Visual	Results	Only		5-7% Zn+Pb
&	?	?	?	"	"	"		<5% Zn+Pb
&	?	?	?	"	"	"		>7% Zn+Pb
JA012	?	?	?	Visual	Results	Only		5-7% Zn+Pb
JA013	?	?	?	Visual	Results	Only		<5% Zn+Pb
&	?	?	?	"	"	"		>7% Zn+Pb
&	?	?	?	"	"	"		Hole terminated at ?m due to drilling problems

Further Details

The diagram below shows the location of the most recent drill hole relative to the recently released resource on Chloe. The recent hole shows excellent widths and grades and also indicates that hole 53 did not go deep enough to intersect the mineralisation. Whilst CSE does plan to undertake a number of further deeper holes into Chloe, we would not expect this occur until after a decision has been made on a 51% earn in by Teck.



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### Tolhurst's Recommendation and Risk Rating system:

Recommendations are assessments of each Tolhurst Analyst's view of potential total returns over Short Term and/or Long Term time horizons. A Short Term time horizon is less than 12 months; a Long Term time horizon is greater than 12 months.

Expected total Return is measured as (capital gain (or loss) + dividend)/purchase price

We have divided our recommendations into four main categories:

**Buy:** Expected Total Return more than 20%

**Accumulate:** Expected Total Return between 5% - 20%

**Hold:** Expected Total Return between -5% and 5%

**Sell:** Expected Total Return less than -5%

### Risk Ratings:

Risk is a subjective assessment of overall risk within a company including price volatility and earnings variability, external liquidity, and size.

We divide our risk into three categories:

**High:** Company typically has high price volatility and earnings variability, low external liquidity and has a small market capitalisation.

**Medium:** Company typically has moderate price volatility and earnings variability, external liquidity and a medium size market capitalisation.

**Low:** Company typically has low price volatility and earnings variability, high external liquidity and is a large size market capitalisation.

### Disclosure of Interest:

Tolhurst Ltd ("Tolhurst") was appointed Lead Manager in Cooper Strike's May 2007 placement. Tolhurst received a 1% management fee and a 3% selling fee for the funds it raised.

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### Analyst verification

I verify that I, Cathy Moises, have prepared this research report accurately and that any financial forecasts and recommendations that are expressed are solely my own personal opinions. In addition, I certify that no part of my compensation is or will be directly or indirectly tied to the specific recommendation or financial forecasts expressed in this report.

This report has been reviewed by peers within the research department.