



# COPPER STRIKE LTD (CSE)

RESEARCH

TOLHURST

Last Price	Price Target	Sector
\$0.30	\$0.79	Materials – Base Metals

Risk Rating  
**HIGH**

Short term <12m  
**BUY**

Long Term > 12m  
**BUY**

Company update	Drilling Update
Recommendation Change	NA
Target Price Change	Up to \$0.79 from \$0.78
Forecast Change	Due to ExR and metal price modifications

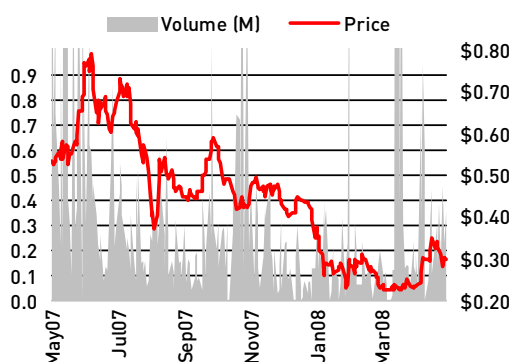
## Market Stats

Market Capitalisation	\$m	\$27.3m (Undiluted)
12 Month Price Range		\$0.21 - \$0.85
Monthly Turnover	\$m	\$1.9m
Monthly Volume	m	6.52m
Monthly Turnover (of total)	%	7.1%

Fundamentals		2007A	2008E	2009E	2010E
Net Profit	\$m	-0.6	-2.1	-3.4	-3.8
EPS	c	-0.8	-2.3	-3.8	-4.2
PE	x	na	na	na	na
DPS	\$	0	0	0	0
Yield	%	0	0	0	0
Franking	%	0	0	0	0
ROE	%	na	na	na	na

Forecast Returns	% Return- 12 months
Forecast Price Appreciation	163%
Expected Dividend Yield	0
Total Forecast Return	163%

## +Share Price Chart 1 Year



## Resource base grows while defining feasibility

### Event

Copper Strike have released updated drilling results from the Einasleigh Project located 380km NW of Townsville in Queensland.

### Key Points

- 10,000m of resource upgrade drilling has been completed since January 2008. Three rigs on site, drilling at Jackson, Chloe and Railway Flat with the aim of initially upgrading the resource status from Inferred to Indicated. Updated resources based on new infill drilling are to be reported by May/June 2008.
- Chloe** drilling has uncovered substantial mineralisation to the south of the existing inferred resource of **1.8mt @ 7.3% Pb+Zn**. The mineralisation intersected is shallow and should add substantial tonnes to the open pittable portion of the deposit while deeper extensions are still to be explored further. Intersections such as 23m @ 7.5% Pb+Zn from 23m have been reported (hole CH057).
- Drill results from **Jackson**, such as in hole JA056 of 8.9m @ 11% Pb+Zn and 136g/t Ag also indicate that infill drilling should substantiate the Inferred resource there up to an Indicated category.

### Valuation and Recommendation

Coverage for CSE has been transferred to N. Aoukar. At this point recommendations and valuations remain essentially unchanged.

Minor amendments to metal and exchange rates have been made to reflect updated Tolhurst internal forecasts. As such our valuation has changed only slightly (by \$0.01) to **\$0.79**. We expect however that our valuation inputs will change going forward given Copper Strike is in the process of completing a detailed feasibility study.

Copper Strike currently has 3 copper deposits and 2 zinc deposits (in the Einasleigh region) and as such, the study challenge will be to optimally schedule ore from a combination of the deposits; both from open cut and under ground and develop an optimal process route to treat the various ore types. Given the number of options to be considered and the potential variability in operating and capital costs it would be premature to modify our view until this study is complete. We believe the company is well advanced in defining the parameters for this project and they have already indicated 2 x 500ktpa mills could be the way forward.

Apart from infill drilling CSE is also to submit (expected May) an environmental study which is required prior to constructing a mine and plant. In addition metallurgical test work is ongoing to evaluate the pyrrhotite rich zinc ores amenability to delivering saleable concentrates.

At present the company has sufficient cash (~\$8.8m) to complete the work and continue resource expansion drilling prior to proceeding to financing. While we recognise there are significant challenges ahead, a market capitalisation of ~\$27m certainly appears to be too low for this emerging producer. In addition the continued exploration success within the Einasleigh area bodes well for a long mine life. We maintain our BUY, HIGH risk rating.

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\$0.30	\$0.79	Materials – Base Metals	HIGH	BUY	BUY

Copper Strike	CSE	\$0.30										
Profit & Loss 30 June	07A	08E	09E	10E	11E	Financial Summary	07A	08E	09E	10E	11E	
Total Revenue	0.8	0.1	0.5	27.0	89.3	Pre-abnormal eps (cents)	-0.8	-2.3	-3.8	-4.2	33.1	
Operating Costs	-0.2	-0.1	-0.5	-22.4	-22.6	PER (x)	na	na	na	-7.14	0.91	
Exploration Write-off	-0.2	-0.9	-0.7	-0.7	-0.7	DPS (cents)	0.0	0.0	0.0	0.0	0.0	
Administration	-1.1	-1.4	-1.4	-1.5	-1.5	Yield (%)	0.00	0.00	0.00	0.00	0.00	
Royalty	0.0	0.0	0.0	-1.2	-4.0	CFPS (cents)	-0.5	-3.3	-4.5	-8.4	-13.4	
<b>EBITDA</b>	<b>-0.7</b>	<b>-2.3</b>	<b>-2.1</b>	<b>1.3</b>	<b>60.5</b>	ROA (%)	-6%	-13%	-2%	-2%	38%	
Depn & Amort	0.0	0.0	0.0	-3.1	-11.6	ROE (%)	-5%	-12%	-19%	-20%	38%	
<b>EBIT</b>	<b>-0.7</b>	<b>-2.3</b>	<b>-2.1</b>	<b>-1.9</b>	<b>49.0</b>	Net Sales Margin	-	na	-625%	-14%	34%	
Interest	0.1	0.1	-2.0	-3.4	-2.4	EBIT Margin	-	na	-389%	-7%	55%	
NPBT	-0.6	-2.3	-4.1	-5.3	46.5	Net Debt to Equity	-20%	-43%	300%	285%	-12%	
Tax Expense	0.0	0.2	0.7	1.4	-16.3	Debt to Assets	2%	1%	83%	82%	39%	
<b>NPAT</b>	<b>-0.6</b>	<b>-2.1</b>	<b>-3.4</b>	<b>-3.8</b>	<b>30.3</b>	NTA	0.1	0.1	0.1	0.2	0.6	
<b>Cashflow (A\$m)</b>	<b>07A</b>	<b>08E</b>	<b>09E</b>	<b>10E</b>	<b>11E</b>	<b>Directors</b>						
Operating Cashflow	-0.6	-1.0	1.2	5.4	71.9	Tom Eadie					Managing Director	
-Capex	-1.3	0.0	-60.0	-4.3	-4.3	Dick Potts					Non Executive Director	
-Exploration	-2.8	-3.6	-2.8	-2.8	-2.8	Peter Topham					Non Executive Director	
<b>Free Cashflow</b>	<b>-4.7</b>	<b>-4.6</b>	<b>-61.6</b>	<b>-1.7</b>	<b>64.8</b>	<b>Substantial Shareholders</b>					<b>Shares (m)</b>	<b>%</b>
-Dividends	0.0	0.0	0.0	0.0	0.0	Teck Cominco			8.59			9.40%
+Equity Raised	3.8	9.8	0.0	0.0	0.0	Acorn Securities			7.77			8.50%
+Debt Drawdown	0.0	0.0	90.0	0.0	-40.0	<b>Valuation Summary</b>			<b>A\$m</b>			<b>A\$/share</b>
-Other	0.5	0.8	0.0	0.0	0.0	Einasleigh and Chloe			\$68.02			\$0.74
<b>Net Change in Cash</b>	<b>-0.4</b>	<b>6.0</b>	<b>28.4</b>	<b>-1.7</b>	<b>24.8</b>	Exploration			\$0.00			\$0.00
Cash at End Period	2.1	7.8	36.2	34.5	59.4	Syrah			\$0.82			\$0.01
<b>Balance Sheet (A\$m)</b>	<b>07A</b>	<b>08E</b>	<b>09E</b>	<b>10E</b>	<b>11E</b>	Forward sales			\$0.00			\$0.00
Cash	2.4	7.8	36.2	34.5	59.4	Cash			\$8.82			\$0.10
<b>Total Assets</b>	<b>11.6</b>	<b>18.1</b>	<b>108.7</b>	<b>110.2</b>	<b>129.8</b>	Total Borrowings			-\$0.20			\$0.00
Total Debt	0.2	0.2	90.2	90.2	50.2	Corporate/Other			-\$5.95			-\$0.07
<b>Total Liabilities</b>	<b>0.7</b>	<b>0.7</b>	<b>90.7</b>	<b>90.7</b>	<b>50.7</b>	Total Financial			\$3.49			\$0.04
<b>Shareholders Equity</b>	<b>10.9</b>	<b>17.5</b>	<b>18.0</b>	<b>19.5</b>	<b>79.2</b>	<b>Total Valuation</b>	<b>8%</b>		<b>\$72.33</b>			<b>\$0.79</b>
<b>Production</b>	<b>07A</b>	<b>08E</b>	<b>09E</b>	<b>10E</b>	<b>11E</b>	<b>Assumptions</b>	<b>07A</b>	<b>08E</b>	<b>09E</b>	<b>10E</b>	<b>11E</b>	
Contained Cu in concentrate (kt)	-	-	-	1	1	Gold Price (\$US/oz)	658	840	890	850	810	
Contained Zn in concentrate (kt)	-	-	-	5	18	Average Exchange Rate	0.86	0.89	0.88	0.84	0.78	
Cash Cost (\$/t)	-	-	-	31	32	Silver Price (\$US/oz)	11.2	15.7	15.5	14.2	13.0	
<b>Resources</b>	<b>Mt</b>	<b>% Cu</b>	<b>% Zn</b>	<b>g/t Ag</b>	<b>Au Eq. g/t</b>	Copper (\$US/t)	5,734	7,594	5,677	5,788	5,181	
Einasleigh	1.1	2.90%	0.57%	15.00	6.85	Zinc (\$US/t)	3,610	2,610	2,288	2,178	2,048	
Kaiser Bill	12.8	0.82%	0.00%	0.06	1.84	Lead (\$US/t)	3,197	3,014	2,425	1,709	1,506	
Chloe	1.8	0.25%	5.12%	42.00	5.41							
<b>Jackson</b>	<b>0.5</b>	<b>0.11%</b>	<b>5.46%</b>	<b>115.00</b>	<b>6.60</b>							
Railway Flat	0.8	0.20%	4.30%	23.00	4.33							
Walford Creek	6.5	0.60%	2.10%	25.00	3.46							

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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

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### Analyst verification

I verify that I, Naji Aoukar, 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.