# Copper Strike Buy CSE around 52 cents

Fat Mining 76, 16 May, 2007

## Chloe gets better looking all the time

| SYMBOL DEFINITIONS | | |
|---|---|---|
| BASE METALS<br>HIGH RISK | MARKET CAP | $33 million |

CLICK FOR ALL SYMBOL DEFINITIONS

Copper Strike has reported tremendous exploration results from its Chloe base metals prospect in northern Queensland. The latest results are the best so far, showing mineralisation extends from surface down to a depth of at least 300 metres. Before the end of 2007, Copper Strike aims to complete a Feasibility Study to examine the economics of a regional mining operation incorporating Chloe.

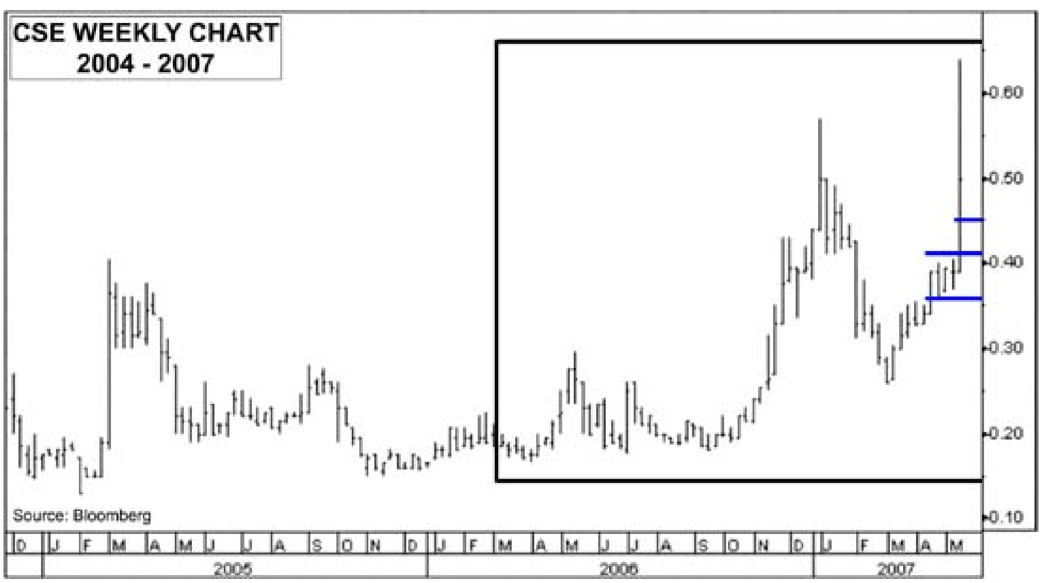
> *"Copper Strike remains well on track to realise its base metal production ambitions."*

Fat Prophets initially recommended buying CSE at 16.5 cents in December 2005 (Fat Mining 6). Our last review of this stock was during December (Fat Mining 55).


As visible on the daily chart, yesterday's drilling announcement had a dramatic impact on the company's share price. Breaking above the previous high of 57 cents in January, the stock touched a new all-time high of 64 cents, before closing at 53.5 cents.

In the near term, we anticipate further volatility, with Monday's high of 45 cents to provide initial support. Below here, the range between 41 cents and 36 cents will serve to limit downside risks.

Once the current period of volatility subsides, we believe that Copper Strike will retain firm underlying upward momentum. In time, we expect to see the stock break above 64 cents, extending the upward trend to new all-time highs.

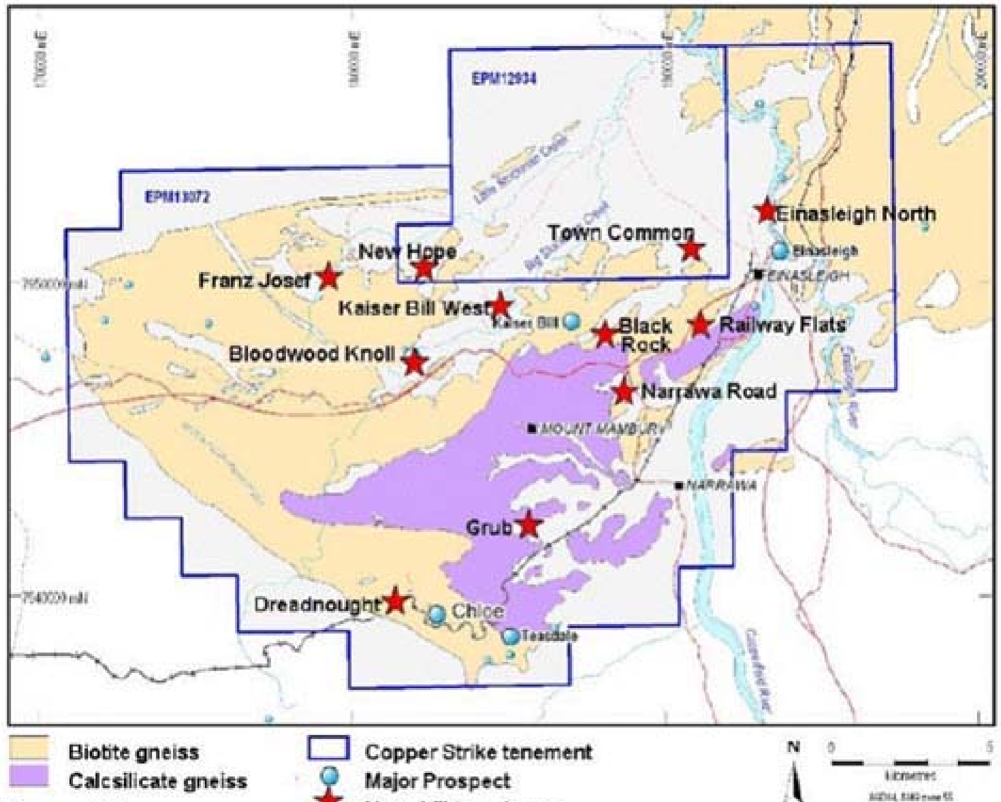



Copper Strike's Chloe exploration target in northern Queensland continues to increase in prospectivity, as highlighted by the most recent drilling results released this week. The results are spectacular from an exploration perspective and important from a development point of view, as they almost certainly support the viability of a regional base metals development.

In our past coverage of Copper Strike, we have consistently emphasised the potential of the emerging Chloe prospect. As a reminder to our Members, Chloe lies 20km southwest of Copper Strike's planned

Einasleigh copper development in northern Queensland, 300km northwest of Townsville.

For more than 12 months, Copper Strike has been assessing the commerciality of establishing a base metals development at Einasleigh, initially comprising treatment of copper ore from two primary sources - Einasleigh and Kaiser Bill. Einasleigh hosts an old underground copper mine of reasonable grade, while Kaiser Bill hosts a relatively low grade but open-pittable copper deposit.




Source: CSE

An initial Feasibility Study was completed during the March Quarter that showed such a development would be economic at current commodity prices.

The study was based on a 1.5 million tonne per annum milling operation that would produce 15,000 tonnes of copper concentrate to be trucked to the Townsville port. Mine life is estimated at seven years and capital costs are around $88 million.

Using copper price assumptions of around US$5,500 a tonne (currently US$7,800), a cash operating cost of US$3,250 a tonne, and lowering estimated capital costs by 20% (to $70 million), total cash generated is around $99 million and Internal Rate of Return is 26%.

A revised Feasibility Study is underway and scheduled for completion before the end of the year. It will assess the viability of joint development of the Einasleigh and Kaiser Bill deposits, but will include the rapidly developing Chloe prospect. We believe the results from this Study will show a dramatic improvement in project returns

Continuous exciting exploration results from Chloe show that its significance to the whole project is growing constantly, and instead of being a bit player, it could eventually be the main project driver and add enormous value to the planned Einasleigh development.

The focus of Copper Strike's exploration program has changed somewhat in accordance with Chloe's growing importance. Chloe is receiving a larger proportion of the company's exploration resources while it attempts to identify a potentially company-making discovery at Chloe and its surrounding area.

Members may ask what makes Chloe so special? The answer is its dimensions, which so far extend from surface down to a depth of more than 300 metres. However, just as significant is the exceptional width of the mineralisation, as well as its relatively high grade.

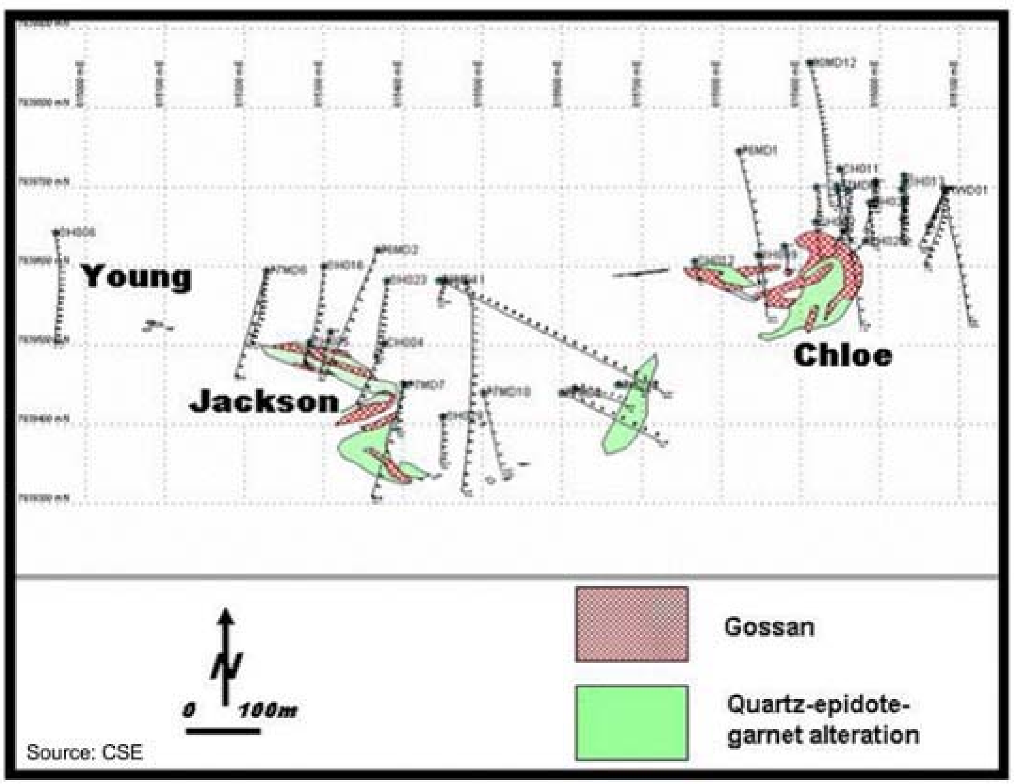
So far, drilling work confirms our excitement. The latest results from the current 20-hole drilling program released on Tuesday this week have returned the best intercepts so far. These include a spectacular intersection (hole CH045) of 32 metres @ 6.6% zinc, 2.8% lead, 41g/t silver and 0.3% copper from 244 metres down-hole.

Results are awaited from another important hole (CH051) that intersected several zones of 5-10% zinc-lead mineralisation within a 45 metre intercept from a depth of 289 metres. We have no doubt that similar results to hole CH045 will generate further significant share price appreciation. Moreover, it appears that the market is already betting on good news.

These recent results demonstrate that the Chloe deposit now continues to a depth of more than 300 metres below surface.

The current drilling program is continuing, with the aim of delineating an Inferred Resource at Chloe down to 300 metres depth. We believe the evidence is clear that mineralisation extends well below this.

But the story does not stop with Chloe.




Regional drilling work comprising a 10-hole program is underway at the Jackson zinc-lead prospect (formerly known as Chloe West) to define a shallow resource down to 300 metres depth. Jackson lies along strike from Chloe and shares the same geology.

The company will also drill two holes to test the Young deposit, which lies just a few hundred metres west from Jackson. The Dreadnought prospect, just a further 2km west, is also due to be drilled.


We believe Copper Strike's recent board and management changes are also significant. In our view, they reflect a confidence in the viability of the proposed Einasleigh development.

Dick Potts was appointed to the board in February. He is a mining engineer with abundant development and production expertise and will be an invaluable acquisition. Meanwhile, Peter Buckle was appointed as Chief Geologist. He has enormous base metals experience in Queensland and his chief role will be to add to the company's Einasleigh resource base.

Despite its recent price strength, Copper Strike's market capitalization of just $33 million is still very modest when compared to most of its Queensland copper peers, some of which have market values up to five times that of Copper Strike.

**Accordingly, Copper Strike will remain held within the Fat Prophets Mining & Resources Portfolio, but for Members with no current exposure we recommend the stock as a Buy around 52 cents.**

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