

Copper Strike Ltd

CSE Last \$0.595 52wk Hi-Lo: \$0.640-\$0.175 68M fpo

- CSE's cash at 31-Mar: ~\$2.3M, with forecast cashburn of ~\$1.75M for June quarter to accelerate Einasleigh development and Chloe drilling.
- Private placement in May at 50¢ raised A\$1.48M for Einasleigh work.
- This gives an estimated net cash position at end of June 2007: ~\$2M.
- On 30-Jun-06 we recommended CSE as a 12-month Spec Buy at \$0.185.
- Its main attraction was emerging copper production from its **Einasleigh** underground and **Kaiser Bill** open pit projects in Far North Queensland.
- The stated resources then were:
Einasleigh inferred: 0.94Mt at 3.3% Cu, 0.18gAu/t, 15gAg/t
Kaiser Bill inferred: 11 Mt at 0.84% Cu, 0.15gAu/t, 6.3gAg/t for 123,000t total contained copper.
- Revised resource calculations increase confidence and metal to **143,000t (+16%)** contained copper.
Einasleigh indicated and inferred: 1.1Mt at 2.9% Cu, 0.2gAu/t, 15gAg/t
Kaiser Bill indicated and inferred: 13.4Mt at 0.83% Cu, 0.1gAu/t, 6gAg/t.



- 15km SW, the Chloe prospect continues to impress. Latest drilling included, from 244m: 40m @ 6.6%Zn; 2.8%Pb; 41gAg/t; 0.3% Cu.
 - Estimated true thickness: 32m. Other holes nearby have also hit zones of 5-10% Pb/Zn.
 - Chloe is now known to extend from surface to below 300m, where it remains open.
 - Similar Broken Hill style of mineralisation is seen at nearby prospects. Drilling in May-June will test a further eleven such targets.
 - Work continues on integrating a potential development at Chloe into the current BFS.
- The interim feasibility study uses 1.5Mtpa milling rate, producing 15,000tpa copper in concentrate for trucking to the Townsville port. Mine life would be about 7 years based on Einasleigh and Kaiser Bill.
 - Capital expenditure is estimated at ~A\$88M. Mill to be at Kaiser Bill, with power from national grid.
 - Base case financial model uses a copper price of US\$5,500/t for an average 20% IRR over 7 years.
 - This assumes operating costs of US\$3,250/t to generate total cash of about A\$85M.
 - However, copper is currently trading at about US\$7,200/t (~US\$2.75/lb): 31% above the base case.
 - It is estimated that at today's metal prices, project payback would be in about 18 months.
 - At \$40M market cap, CSE appears undervalued on the Einasleigh / Kaiser Bill copper project alone.
 - Chloe and nearby targets offer further significant upside potential. Chloe public data shows 250m gossan surface trace extending to >300m down plunge, with average widths ~8m. Assuming SG>3.5 for massive sulphide, this could represent >2Mt of Broken Hill type lead-zinc-silver mineralisation.
 - Add in the Zinifex JV at Walford Creek (6.5Mt inferred at 0.6%Cu; 1.6%Pb; 2.1%Zn; 25gAg/t; 0.07%Co) as well and CSE offers development and exploration blue sky in copper, lead and zinc.
 - CSE anticipates making a development decision for Einasleigh in the second half of calendar 2007.
 - Teck Cominco holds 14.6% of CSE. Clawback provisions allow it to buy 51% of a project, but it declined to exercise its rights in respect of Einasleigh or Kaiser Bill, which thus remain 100% CSE.

Speculative Buy: emerging Cu producer; Broken Hill style Pb-Zn exploration drilling results awaited.

Speculative Buy

Market Cap: \$40M



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