“New” Exco is being created out of a recent sales agreement under which Exco Resources Limited (ASX: ESX) is selling its Cloncurry Copper Project (CCP) to Xstrata Copper for A$175 million.

The proposed sale of the CCP assets, which was still to be finalised at the time of The Pick going to press, will provide Exco with a return of approximately seven times its investment in the north Queensland project.

Once the proposed sales agreement is completed, Exco intends returning up to A$100 million of surplus funds to its shareholders.

“We expect to have around A$220 million in cash when the sale is completed. We will return approximately A$100 million of that as a reward to our shareholders, and that should provide Exco with around A$100 million to utilise to progress our other projects and for possible asset acquisition,” Exco Resources’ Managing Director, Michael Anderson, told The Pick.

“The expression ‘win/win’ is probably overused in business, but we believe this transaction fits that description. Exco and its shareholders are receiving around a seven times return on the A$25 million or so that the Company has spent on the CCP assets.

“We will be able to reward our shareholders, many of whom have supported us in developing the CCP assets through the global financial crisis and highly volatile external markets, with a nice return to them from the proceeds of the agreement and Exco’s shareholders will also be left with a stronger company, with a healthy cash balance sheet.

“That means we will not need to go out to the market to raise funds. And the Company will also have solid cash earning assets which are estimated to provide around A$50 million in near term cash flow from our 75% share in the White Dam gold mine and our increasing flow of royalties from the CopperChem Alliance.

“Just as importantly, we will have the same team in place at Exco which has been so successful in developing the CCP assets and the opportunities to develop or sell them and, of course, the tremendous success we have had with our Joint Venture partner Polymetals Mining Limited at White Dam. When you remember that White Dam was far from being a tier 1 asset when we acquired it, it has become a fantastic money earner for Exco and Polymetals.

“And don’t forget that the CCP assets being sold to Xstrata are only a very small proportion of Exco’s portfolio. We really believe there is some great potential within those other

“New” Exco well placed to continue Company’s great run of success

Take a large cash balance, add in an experienced team of mining developers with a proven record of creating shareholder returns, mix it together with some nice cash earning projects and you have a great recipe for success. In fact you have the recipe for “new” Exco.
assets, and the funds that the Company will have on hand after the Xstrata deal will really give us the opportunity to go out and test that potential,” Michael Anderson said.

Some of Exco’s cash in hand will be utilised on ongoing exploration and resource development to extend the life of operation of the White Dam Gold Project, located in South Australia, approximately 80km west of Broken Hill. The project consists of the White Dam Deposit and the nearby Vertigo Deposit and White Dam North, and Ambush Prospects.

The JV partners have commenced a new A$500,000 programme of near mine exploration with a view to extending the life of the project.

An extension to the mine life at White Dam will provide a valuable, near term stream of cash flow for Exco and its shareholders with the mine currently producing at a cash cost of approximately A$500 per ounce. At the same time, Exco has achieved a life of project average sale price of A$1,368/oz, approximately 30% above budget.

Michael Anderson is excited about the potential of Exco’s exploration interests in North West Queensland, and in particular the Hazel Creek project located to the north of Cloncurry.

“Exco will be well funded for a major programme of work at the new discoveries made last year at Hazel Creek, where results have shown the existence of large areas of copper-gold-magnetite mineralisation with the potential to define large tonnage, open-pit style deposits.

“Thanks to the knowledge we have gained from our previous copper exploration efforts, which were focussed on the CCP, we are keen to rapidly advance work at Hazel Creek with a substantial drilling program on identified targets to be undertaken as soon as possible.

“We expect to be able to do at Hazel Creek what we have done at Cloncurry by putting in the time, effort and money.”

Michael Anderson said the Turpentine, Turpentine South and Eight Mile Creek prospects have all shown promise from the limited work undertaken there to date.

Previous drilling at Eight Mile Creek has intersected broad areas of mineralisation implying significant tonnage potential. Best results from the Prospect included: 41m @ 0.72% Cu and 0.17 g/t Au; 18m @ 0.77% Cu & 0.21 g/t Au; 48m @ 0.71% Cu and 0.21 g/t Au; and 54m @ 0.51% Cu and 0.26 g/t Au.

At Turpentine previous drilling has outlined a steeply dipping zone of mineralisation. Results included: 11m @ 2.01% Cu and 0.51g/t Au; and 35m @ 0.44% Cu and 0.09g/t Au, while previous drilling at Turpentine South has located zones of magnetite associated copper-gold mineralisation similar to Eight Mile Creek and Turpentine.

Exco was scheduled to begin its new drilling program at Hazel Creek at the time this publication was going to press.

Apart from Hazel Creek, Exco will continue to hold a substantial portfolio of exploration tenements in the Cloncurry region totalling approximately 2,400 sq. km. This provides the Company with a significant pipeline of further organic growth opportunities including the Pumpkin Gully, Salebury, Fisher Creek and Tanbah, projects.

Michael Anderson has identified Pumpkin Gully as just one of the potential development opportunities within that group of assets.

“We see Pumpkin Gully as being an underexplored area with significant potential for a high-grade, 3 or 4 million tonne resource to be proven up. That in turn may provide us with the potential to treat relatively small tonnages of high-grade ore through third party facilities, such as those operated by CopperChem.

Key targets for follow up work at Pumpkin Gully include:

• Salebury, where results to date include: 48m @ 2.18% Cu and 1.97 g/t Au; and 20m @ 2.07% Cu, 1.53 g/t Au and 873 ppm Co;
• Tanbah, where results have included: 23m @ 1.52% Cu, 0.75 g/t Au and 206ppm Co; and 202m @ 0.32% Cu, 0.32 g/t Au and 676ppm Co; and
• Fisher Creek, which has produced results such as 28m @ 3.7% Cu and 3.1 g/t Au; and 24m @ 3.2% Cu & 1.0 g/t Au.

**ASSET ACQUISITION**

“And apart from being extremely well funded to work on our organic portfolio, for the first time, we will be well placed to look at asset acquisition, and that could be anywhere in the world and just about any mineral commodity.

“We are not currently advanced in discussions on any particular opportunities, however, we regularly consider potential acquisition opportunities as they arise, and the sale of the CCP asset will strengthen our balance sheet and allow the management team to increase its focus on appropriate new growth acquisitions,” Michael Anderson said.

“It is very important that our current shareholders and any potential investors recognise that Exco will still have the same experienced team that successfully developed and achieved a strong return from the CCP assets, and which developed a great, cash earning project at White Dam and we are very confident we can replicate the successes of White Dam and Cloncurry,” he said.