

February 22, 2012

International Enxco's Shares Power Ahead, As The Contact Copper Project In Nevada Looks Set To Grow Substantially

By Alastair Ford

Shares in [International Enxco](#) were on the move again last week, after the company issued its latest set of drill results from the Contact Copper Project in north-eastern Nevada. Among the highlights were 45 feet at 0.92% copper, 55 feet at 0.43% copper, and 130 feet at 0.24% copper, all from an area of the project made accessible through land acquired last year as the result of a C\$1 million all-share deal with Allied Nevada. That deal was finalised back on September 26, and it's no co-incidence that that was precisely the moment that the company's shares began to power strongly away from a 12-month low of C\$0.26. By the beginning of this year the shares had almost doubled to C\$.050, and in the wake of the recent results they are now riding high at C\$0.71, not too far off a threefold increase in less than nine months.

None of which is any surprise to Bill Willoughby, the company's Chief Operating Officer. With more than 30 years of industry experience behind him, he's a cautious man by nature, and knows how easy it can be for projects to get derailed. Contact has a reserve of 54 million tons at 0.29% copper (49 million tonnes) reserve in place, dating back to 2010, and that, he says, makes for a good foundation for the project. "When you have a reserve", he says, "you have advanced a project through the prefeasibility level, so you have a good idea how things could happen". To put it another way, the market already has some meaningful numbers, so any potential upside seems to offer additional value, rather than just speculative pie-in-the-sky.

And the upside presented by this latest drilling could be substantial. The significance, says Bill, is in the location of the new drill holes. Back in the days before the Allied Nevada deal was done, Enxco drilled one hole right on the eastern edge of what was then the boundary between its ground and Allied Nevada's. It was called EN149, and it returned 185 feet at 0.25% copper. All told, the company was delighted to be hitting that sort of mineralisation 2,000 feet east of its already established 54 million ton reserve. But the hole lay at the eastern end of a narrow strip of land that was surrounded by Allied Nevada ground.

There was only one option: acquire the ground from Allied Nevada and drill it up. With the acquisition duly completed in September of 2011, the drilling campaign got

underway in the fall, and the results are now coming out. The company focussed initially on an area east of EN149. All of the first twelve holes assayed have hit intervals of greater than 0.1% copper, and the results now allow the company to assert with confidence that the mineralisation at Contact continues more than 3,000 feet east of the existing reserve. An infill drilling programme will provide more certainty on that score shortly.

It already seems fairly clear though, that Enxco's project at Contact could be of greater extent than the one outlined in the pre-feasibility study in 2010. That study envisaged a project supported by the existing 300 million pound reserve producing at a rate of around 25 million pounds a year and offering an internal rate of return (IRR) of 20 per cent, using US\$2.25 copper.

Plenty has changed in the short interval between then and now. "The drilling we have shows mineralization extending well east our 2010 reserve limits", says Bill. "With the addition of the Allied Nevada ground we will be able to design the pit deeper and larger. It's possible we'll be able to run it out a few thousand extra feet."

Which would transform the economics and potential returns in a very attractive way. The company has now expanded its drill programme, even as it works towards the completion of a bankable feasibility study later in the year. And, it'll be interesting to see exactly what sort of numbers that study comes out with. After all, as Bill points out, it isn't all one-way traffic to the upside. Fuel prices are up. Acid prices are up too. There might be cost pressures elsewhere too.

On the other hand, the copper price is well up on the US\$2.25 the company used last time round, at a current US\$3.72 per pound, and few commentators are positing any significant weakening in the price in the months and years ahead as the Chinese and the Indians continue to suck in supply. What's more, this is a project with minimal geopolitical risk, which is well located in terms of power and infrastructure. It'll also be one of the few new copper projects in the world where copper will be plated on site. So all in all, plenty to keep investors' appetites whetted. No wonder they've been piling in in such numbers.