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Nevada copper lures Enexco south



INTERNATIONAL ENEXCO

A drill rig at International Enexco's Contact copper project in Nevada.

BY ANTHONY VACCARO

Having some money kicking around from the old uranium boom days has its advantages.

International Enexco (IEC-V) made its name as a uranium play over five years ago at the height of buzz over the radioactive metal, and the prospectiveness of its Mann Lake project in the Athabasca Basin helped it raise \$13 million.

Then the market crash came. With depressed uranium prices but high copper prices, management turned its attention to a project buried in its portfolio.

The Contact copper project in northeast Nevada's Elko County had been in Enexco's president and chief executive Arnold Armstrong's war chest since the 1960s. But copper mining in the area dates further back than that. It goes all the way back to the 1890s, in fact, with 25 million lbs. copper coming out of the ground.

With a good mining history and copper oxide mineralization right at surface,

Contact's promotion to flagship status seemed a no-brainer.

There was, however, one wrinkle in the plan.

While Contact hosted a promising deposit, its true extent remained unknown because Enexco's property claim ran out in the deposit's southeastern portion.

Actually, "pinched out" is a more accurate description, as claims held by **Allied Nevada Gold** (ANV-T, ANV-X) closed in around the deposit's eastern flank.

Bill Willoughby, Enexco's chief operating officer, says the company needed to make a deal for the land to realize the full economics of Contact, so it started negotiations with the larger company. The talks dragged on for the better part of four years.

Willoughby explains that the delay occurred because Allied wanted to poke around a bit more to see what the claims held, but was in no hurry to do so.

When it finally got around to drilling four holes, the copper it found wasn't the gold it was looking for, and it became more open to dealing with Enexco.

That renewed openness led to a deal between the two companies that was announced on Sept. 26. The deal saw Enexco gain control over 33 sq. km of claims that adjoin Contact for 3.2 million of its shares. Enexco now controls 53 sq. km of land in the area.

Enexco's tight capital structure — it has 23 million shares outstanding — means that the deal secured Allied a 12.4% stake in the company and minimized dilution to Enexco shareholders. Enexco's largest shareholder remains Armstrong, who holds a 25% stake.

With the land issue resolved, Enexco is undertaking a feasibility study for completion before June. The company has \$2.5 million in the kitty, which Willoughby says will be enough to get the study completed.

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Core from International Enxco's Contact copper project.

Last year's prefeasibility study envisioned a mine that would produce 25 million lbs. of copper cathode per year. Capital expenditure for the mine was estimated at \$86 million, with operating cash costs of 93¢ per lb. copper. The study calculated a net present value of \$44 million using a 10% discount rate.

Willoughby says the company wants to finance construction of the mine with two-thirds debt and one-third equity issuance.

If the funds are forthcoming the mine could be up and running by 2014, and would have an initial mine life of nine and a half years at current resource levels.

Those levels are made up of measured and indicated resource of 122 million tonnes of 0.263% copper for 712 million lbs. of the red metal. Of that resource, 49 million tonnes are classified as reserves with a 0.29% copper grade.

The site has additional inferred resources of 48 million tonnes grading

0.272% copper for 291 million lbs. copper.

Willoughby says an upcoming drill program will focus on expanding the deposit eastward into the newly acquired claims and put more resources into reserves.

The Mann Lake uranium project sits comfortably in the company's portfolio. Enxco has a 30% stake and **Cameco** (CCO-T, CCJ-N), the operator, has a 52.5% stake. Areva holds the remaining 17.5%.