

A modestly priced Queensland copper play

Copper Strike is an aggressive copper exploration company, with a geographical focus on northern Queensland. The company was established in 2004 using Teck Cominco Australia's Queensland properties as the foundation for an extensive portfolio of eastern Australian exploration properties. Teck is currently a 16.7% shareholder in the company.

"We believe the company's exploration asset base has the resource potential of its sector peers in Queensland, all of which have market values at least twice that of the company."

The company has a two-fold exploration strategy in Queensland: firstly to focus on the near-term delineation of medium-sized copper resources to allow the establishment of a production operation in the Einasleigh area; and secondly the exploration for world-class base and precious metal deposits in the Mt Isa and Georgetown regions.



The Einasleigh Project is 100%-owned by the company and is located 70km southeast of Georgetown in northern Queensland. It contains many of the more advanced copper prospects in the company's portfolio. The project hosts the old Einasleigh high-grade underground copper mine which operated in the early 1900s and the old Kaiser Bill lower-grade open-cut copper mine. They have been the initial targets in the company's strategy of moving as quickly as possible to joint development of several ore bodies using a single, centralised mill.

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A total of 26 diamond drill holes over the past eight months has identified a previously unknown deposit located down-plunge from the old Einasleigh Copper Mine at a depth 100-300 metres below surface. The work has enabled an initial resource estimation by independent consultants, Golder Associates:

at a 0.5% copper cut-off grade, the Inferred Mineral Resource is 940,000 tonnes @ 3.3% copper, 0.18g/t gold & 15g/t silver;

at a 1.0% copper cut-off grade, the Inferred Mineral Resource is 840,000 tonnes @ 3.6% copper, 0.19g/t gold & 16g/t silver.

The resource estimate, which includes the higher grade East Limb - 520,000 tonnes @ 4.4% copper at a 1.0% copper cut-off grade - is the initial JORC-compliant resource for the projects and we regard it is a major first step in confirming the region's resource potential.

Not included in the Golder Associates resource estimate is a further Inferred Resource of 260,660 tonnes @ 2.13% copper, located in and around the old mine workings, as reported in Copper Strike's October 2004 prospectus.

The company's recent share price weakness is apparently attributable to disappointment in some sections of the market with regard to the size of the initial resource, which some felt might have been larger. In our view this reaction is short-sighted and presents a buying opportunity, as we see excellent potential to outline further high-grade copper mineralization.

The ongoing drilling program is focusing on the area between the newly defined resource and the historical ore body, with a recently announced drillhole in this area intersecting a tremendous 30 metre intercept containing 9.2% copper, 0.38g/t gold and 56g/t silver.

At the Kaiser Bill prospect, which is located 8km to the west of Einasleigh, 17 drillholes (9 diamond and 8 percussion) have been completed. The mineralisation is shallow, mostly from surface to 200 metres depth. An initial JORC-compliant resource estimate has been compiled by Golder Associates, with the Inferred Mineral Resource totalling 11 million tonnes @ 0.84% copper, 0.15g/t gold & 6.3g/t silver, using a 0.3% copper cut-off grade.

This includes an Upper Zone and a Lower Zone with the following Inferred Mineral Resources:

- o Upper Zone - 6 Mt @ 0.77% copper, 0.15g/t gold & 4.4g/t silver
- o Lower Zone - 5 Mt @ 0.92% copper, 0.15g/t gold & 8.5g/t silver

The Kaiser Bill Project has the potential to be a large, lower-grade deposit amenable to open-cut mining. The next stage of work is focused on delineating further shallow resources along strike to the east and west, and down-dip to the south. This extra drilling was recently completed and we expect results early in the new year.

There are several other copper prospects in the Einasleigh area. Black Rock and Narrawa Road occur along the continuous geological trend that links the Einasleigh Copper Mine and Kaiser Bill prospects. Both areas have copper mineralisation at surface, and will be covered with electromagnetic surveys prior to drilling. The Teasdale prospect is more advanced, with a 600-metre long copper soil anomaly associated with an east-plunging conductive feature as identified by electromagnetic surveys.

Over 30 years ago, the geochemical anomaly was drilled at shallow depths, with five holes which intersected up to 26 metres of mineralisation, with intervals of 2.5m @ 2.35% copper, 8.7m @ 1.1% copper and 4.4m @ 1.44% copper. Copper Strike has recently tested the depth extent of this mineralization by drilling, with results expected early in the new year.

The company has a Scoping Study underway that is investigating the feasibility of a development comprising the Einasleigh and Kaiser Bill deposits. This would be the first step in a project that ultimately source ore from several high-calibre deposits to a centralised milling facility, probably located between the Einasleigh and Kaiser Bill deposits.

With the resources that Copper Strike has initially calculated at Einasleigh and Kaiser Bill, we believe the company comfortably justifies its current market capitalization of just \$8 million. Bearing in mind that the company currently has cash resources of around \$3.5 million, this valuation attributes almost no value for any resource upside. Copper Strike therefore represents a significantly undervalued copper play, with plenty of

drilling results to be announced in the new year that should lead to share price appreciation. **We recommend Copper Strike as a buy to all Members around 16.5 cents.**

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Snapshot Copper Strike

Copper Strike

The company is focused on finding and developing copper and other base metals in eastern Australia, specifically concentrating on the development of its advanced projects in northern Queensland. Since listing in late 2004, Copper Strike has successfully taken several prospects in the Einasleigh area of North Queensland from early stage exploration projects up to the feasibility stage. The Einasleigh Project is Copper Strike's main focus, having recently completed a Bankable Feasibility Study. The company now aims to refine this study, where it believes further enhancements to profitability can be made.

Market Capitalisation: \$8m

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