



22 June 2010

52-wk Range: A\$0.12-0.35 Market Cap (M): A\$78.9
 12 month target A\$0.67 EV (M): A\$59.3

Mining

On becoming a producer

Summary

Australia headquartered Exco Resources is focusing on developing its Cloncurry Copper Project in Queensland, Australia. Further, the recent strong improvement in the A\$ gold price has resulted in much more attention being paid to its other asset, the White Dam gold project which has been successfully brought into production



Key Metrics

Shares Outstanding (M): 328.6
 Current Price (AUD): A\$0.24
 Fully Diluted Shares (M): 345.0

Event

Exco has announced that up until the 3rd of June, gold production at the White Dam mine was 6,171oz. Of this, Exco's share was 4,628oz.

Comment

Exco made the first gold pour at the White Dam mine in April 2010 and by the 3rd of June had produced 6,171oz on a 100% basis. Production is going exceedingly well with the ramp up to full tonnage proceeding apace and planned production of an annualized 50,000oz is already being exceeded. This is in part due to the metallurgical recoveries being better than expected, something that we alluded to in our previous note.

The partners are also benefitting from a higher than expected gold price and a weaker Australian dollar. The net result is that the average gold price received up until the 3rd of June was A\$1,386/oz resulting in revenues attributable to Exco of A\$2.854M. Consequently, Exco has been able to start repaying the Barclay's loan approximately five months ahead of schedule.

In addition to the increasing production, attention will now turn to near mine exploration and resource development activities with a view to extending the mine life at White Dam. It is planned to test a number of near mine targets in the coming weeks. We believe that there is excellent potential to increase the resources if only because the current gold price is substantially higher than the prices used in the feasibility study.

Recommendation

We retain the Buy recommendation with an unchanged target price of A\$0.67/share. Being so near to the end of the quarter we have decided not to change the model at this point in time but wait until next week when the June quarterly currency and commodity prices forecast become actuals and the new forecasts become available.

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FYE June	2008	2009	2010E	2011E	2012E
Revenue (A\$M):	0.0	0.0	10.7	58.9	59.1
EBITDA (A\$M):	-0.6	-4.5	-1.8	27.7	32.6
NPAT (inc significant items):	0.2	-2.7	-2.8	15.5	16.5
EPS (AUc):	0.1	-1.0	-0.8	3.9	3.0
Cash Flow/Share (AUc):	-0.1	-1.1	0.3	6.9	5.0
Gold Price (US\$/oz)	823.9	874.6	1081.5	1206.3	1175.0
Copper Price (US\$/lb)	352.5	223.2	308.4	340.0	322.5

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Peter Rose

Peter Rose has 20 years experience in equities as a resources analyst, most recently having spent 11 years with Deutsche Bank in Australia. Prior to this he spent three years with Prudential Bache and five years with James Capel. Peter's industry experience includes 16 years as a metallurgist, three years with De Beers in South Africa and eight years in the uranium industry, five of which were spent at the Ranger Uranium mine. Peter holds a BSc degree in Applied Mineral Science from Leeds University UK and a Bachelor of Commerce from the University of South Africa. Peter is also a member of the Institute of Mining & Metallurgy and a chartered engineer.

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Research disclosure as of 22 June 2010

Company Name	Disclosure
Exco Resources (EXS)	1, 2, 8

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Fox-Davies corporate client & coverage universe as of 22 June 2010:

Company	Ticker	Recommendation	Date	Target Price	Last Price
Mining					
African Barrick Gold	ABG LN Equity	SELL	27.05.10	£5.18	£6.48
Angel Mining	ANGM LN Equity	BUY	03.03.10	£0.16	£0.04
Antofagasta	ANTO LN Equity	BUY	28.05.10	£10.33	£8.98
Atlantic Coal	ATC LN equity	BUY	21.01.10	£0.025	£0.005
Discovery Metals	DME LN Equity	BUY	24.05.10	£0.78	£0.45
EMED Mining	EMED LN Equity	BUY	08.06.10	£0.62	£0.09
Exco Resources	EXS AU Equity	BUY	22.06.10	A\$0.67	A\$0.24
Gippsland Limited	GIP LN Equity	BUY	06.10.09	£0.02	NA
Hambledon Mining	HMB LN Equity	HOLD	20.05.10	£0.13	£0.07
Highland Gold	HGM LN Equity	BUY	20.05.10	£1.46	£1.45
Hochschild Mining	HOC LN Equity	HOLD	21.04.10	£3.11	£3.20
KEFI Minerals	KEFI LN Equity	Spec. BUY	06.10.09	NA	£0.01
Kryso Resources	KYS LN Equity	BUY	21.04.10	£0.14	£0.15
Lydian International	LYD CN Equity	BUY	18.03.10	C\$1.22	C\$1.47
Minera IRL	MIRL LN Equity	BUY	22.06.10	£0.94	£0.57
Oxus Gold	OXS LN Equity	BUY	21.04.10	£0.30	£0.08
Randgold Resources	RRS LN equity	BUY	02.06.10	£67.43	£64.45
Stratex International	STI LN Equity	BUY	03.03.10	£0.07	£0.03

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