

Ascendant Copper Gains US Edge in Undervalued Copper Market

By Katherine Young

Long focused on copper in Ecuador, Ascendant Copper (TSX: ACX), announced on October 21 that it had signed a letter of intent to acquire all outstanding common shares in St. Genevieve Resources (CNQ: SGVL), another copper company with properties in Arizona.

The main attraction at St. Genevieve is its two near-term copper properties, the Zonia and Emerald Isle. Sixty percent of US copper production comes from Arizona; the US is the world's second largest producer of the key metal.

What will most excite Ascendant's shareholders about this transaction is the predicted lead time to bring the Emerald Isle property back into production – within 12 months of its initial acquisition, or by late 2008.

If you've been watching the newswires, then you'll know that the direction of the price of copper has been forecast again and again to climb. Some say that by the time Ascendant is producing at Emerald Isle, the price of copper will have reached US \$4.08/pound.

At Mining Journal's 20:20 Copper Day in London, Bloomsbury Metals Exchange expert Chris Welch outlined a prediction that the price of copper would hit \$9,000/tonne or \$4.08/pound by 2009. Welch's prediction is founded on the opinion that production estimates are too high because they haven't accounted for closures and halted projects.

A second presenter at the event, Justin Longley of International Copper Resources, agreed and added that supply "figures also do not take into account the amount of copper or concentrate which is, at any given time, tied up in working stocks, in transit, and being processed."

Building the case for a new copper high of US \$9,000/tonne in 2009, Longley also sounded on demand estimates. StockHouse.com commentator Lawrence Williams explained the dynamic like this: Copper demand is growing rapidly in developing countries like South Korea and Taiwan that are building copper-intensive infrastructures. Williams writes, "In the real growth economies like China and India, this growth pattern has hardly started yet, and should this rise to Korean or Taiwanese levels, then the effect on the supply/demand pattern could be enormous with price development which could make \$9,000 copper itself a huge underestimate!"

The primary St. Genevieve asset, the Zonia property, is a past producing mine. Between 1966 and 1975, Zonia produced 33 million pounds of copper. A NI 43-101 report on the property completed in October 2006 estimates an inferred resource of 460 million pounds of copper from 63 million tonnes of ore grading 0.37% copper on average. This estimate did not include certain information from those drill holes where the assay data was not deemed to be 43-101 compliant due to possible difficulties with quality assurance and control.

Numerous pulps from these earlier assays have been found and should allow confirmation of assays for inclusion of this data in an updated 43-101 without the need for significant re-drilling. The company anticipates that these re-assays will both shorten the time and lower the expense of upgrading the classification of the Zonia copper resource. Analysis of these pulps is ongoing.

A project review performed by Gustavson Associates of Boulder, Colorado in August of 2007 indicated that the project would be both economic and expandable. According to Gustavson, the apparent potential to expand upon these inferred resources at depth and along strike and within presently viable stripping limits represents an additional 40 to 50% over the presently defined resource. Gustavson analyzed the permitting, land rights, water availability, infrastructure, drill logs, cores, previous technical reports and resource estimates among other items, and indicated that the Zonia mine and property is economic.

Based on the results from previous metallurgical studies, the resource is responsive to recovery of copper via heap leaching. The Gustavson study supported the conclusion of an existing feasibility study which, although not fully compliant with today's 43-101 requirements, suggests starting with a SX/EW plant to produce 60,000 pounds of copper a day, over a life of 17 years, with the possibility of increasing either future plant capacity or overall project life.

Gustavson is also confident that final permits, plant construction and mine preparations for production will be achieved in less time than the current projection of 3 years. Therefore, sometime in 2010 Ascendant Copper could be on its way to producing 20 million pounds plus per year of cathode grade copper.

The advanced-stage Emerald Isle property also hosts a past producing mine, at which Ascendant expects to produce 5 million pounds of copper

annually. A March 2006 NI 43-101 technical report verifies an indicated resource of 27.5 million pounds of copper from 2.2 million tonnes at an average grade of 0.62% copper. The study also outlined a final estimate of 22 million pounds of copper to be produced over four years and an estimated total net income over the life of the mine of US \$22.7 million. One of the real benefits of this acquisition is that Emerald Isle will begin generating cash flow for Ascendant Copper toward the end of 2008.

The takeover agreement between Ascendant and St. Genevieve stipulates that Ascendant will pay St. Genevieve up to 30 million ACX shares for all of the outstanding shares of SGVL. Additionally, Ascendant will extend credit to St. Genevieve and said Ascendant, "intends to extend two secured credit facilities of a combined aggregate amount of up to C\$400,000 to SGV in order to provide SGV with the funds required to consummate the Transaction." These funds will be deducted against the shares issued to SGV and are secured with an option that allows Ascendant to acquire St. Genevieve's Emerald Isle property for US \$1,250,000 cash should the acquisition not be finalized.

Ascendant is adding the Arizona assets to a pair of properties located in Ecuador. Leading the Ecuadorian portfolio is the 3,000 hectare, flagship Chaucha copper-molybdenum property in southern Ecuador. Ascendant is nearing completion of exploration drilling on Chaucha and hopes to move to pre-feasibility in early 2008. There is a non-43-101 compliant, historical resource estimate on the property of a huge 2.2 billion pounds of copper and 122 million pounds of molybdenum from 216 million tonnes of ore. An NI 43-101 compliant resource calculation should be released in early 2008 increasing the historical estimates.

Also, Ascendant's second Ecuadorian property, the 23,475 acre Junin property, has an NI 43-101 compliant inferred resource estimate of 982 million tonnes of ore for 9.2 billion pounds of copper and 864 million pounds of molybdenum at an average grade of 0.4% copper, for another enormous resource in Ecuador.

Unique to Ascendant's position in Ecuador is an affiliation with Rio Tinto and its expertise in Ecuador. In October of 2006, Ascendant Copper purchased from Rio Tinto exclusive use, for five years, of a document that could potentially unlock mineral exploration in Ecuador. Before 1997, when Rio Tinto withdrew from Ecuador, the company had completed extensive and detailed exploration of the South American country. Qualified person John King described the geological work detailed in the package as, "analyses of nearly 16,000 stream sediment samples, over 5,000 rock chip samples, numerous detailed topographic and geologic maps, hundreds of both internal and external reports, miles of site-specific geophysics (IP), and assays and logs of over 10,000 meters of drilling on very site-specific properties."

As Ascendant President Gary Davis stated, "no other company, large or small, has committed anywhere near the time and effort to exploration in Ecuador as has Rio Tinto."

So with the advantage of Rio Tinto's data and two properties with potentially enormous copper and copper-molybdenum resources in Ecuador, Ascendant's new acquisition of St. Genevieve could prove up the cash flow necessary for its South American projects – and substantial shareholder growth. Regardless of what transpires, it's clear that Ascendant is on the rise.

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