



April 4, 2008

**COPPER MOUNTAIN MINING CORPORATION  
(TSXV-CUM \$1.90)**

**Recommendation: SPECULATIVE BUY**  
**12-Month Target: \$4.40**  
**Risk Rating: ABOVE AVERAGE**

**INITIATING COVERAGE**

We recommend purchase of Copper Mountain Mining Corporation shares as a **SPECULATIVE BUY**, for exposure to the development of a major new copper producer.

- Copper Mountain's project is the former producing Similco open pit mine, located in southern British Columbia, approximately 300 km from Vancouver. It was last operated in 1996, when copper was in the US\$0.65 to US\$0.75 per lb price range.
- The Preliminary Assessment, completed in November 2007, specifies an efficient, large tonnage operation producing over 100 million lbs copper, approximately 40,000 oz gold and 900,000 oz silver annually. This is approximately double the production of the previous operation. Projected cost is expected to be approximately US\$1.00 per lb copper net of gold and silver credits.
- Major operating permits are in-hand, having been kept in good standing from the previous operation.
- Major infrastructure is already in place and is adequate to sustain increased mining rates. Existing infrastructure includes paved government road access to the mine site, nearby town site (15 km), power on site and water supply.
- The existing tailings impoundment facilities at the site are in place from prior operations and initial estimates confirm there is sufficient capacity for tailings from future operations. The Waste Management Permit authorizing discharge of tailings to the impoundment remains in good standing.
- We view Copper Mountain as having mitigated many significant project risks. Our basic investment thesis is that the project has a much lower risk profile than any other project of comparable stage, scope and size.

**We rate the shares of Copper Mountain Mining Corporation as a SPECULATIVE BUY with a 12-month price target of \$4.40 per fully diluted share.**

**Sector: MINING AND METALS**  
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**Company Statistics**

Market Cap Basic	\$41.4MM
Basic Shares O/S	21.8MM
Fully Diluted Shares O/S	27.7MM
52-Week Range	\$2.77-\$1.50
Cash Estimate (04/04/2008)	\$4.5MM
Working Capital - Estimate (04/04/2008)	\$3.8MM
Operating Cost (LOM)	C\$ 1.05 per lb. Cu Produced

**Earnings and Valuation Summary**

FYE: Dec.31	2011E	2012E	2013E	2014E
EPS (FD) (C\$)	\$0.60	\$1.00	\$0.70	\$1.00
FCFF PS (FD) (C\$)	\$1.49	\$1.73	\$1.30	\$1.54
P/E (FD) <sup>†</sup>	4.2x	2.8x	4.4x	3.4x
P/FCF (FD) <sup>†</sup>	1.7x	1.6x	2.4x	2.2x
EV/EBITDA <sup>†</sup>	0.6x	0.5x	0.8x	0.7x

**NAV at 10% Discount Rate** **C\$ 133.8 M**  
**IRR** **19.40%**

<sup>†</sup>E, FCFE and EBITDA have been discounted to present using a 10% rate.



**Copper Mountain Mining Corporation** is a Canadian junior mining company engaged in the development and exploration of its 100% owned Copper Mountain Project. This project is the former Similco Mine, located near Princeton, British Columbia, approximately 300 km from Vancouver. It is scheduled to be in production by the end of 2010, is expected to produce over 100 million lbs of copper in concentrate annually and has gold and silver by-product credits.



Copper Mountain Mining Corporation ("Copper Mountain" or the "Company") owns 100% of the Copper Mountain Project ("CMP"), located 15 km southwest of Princeton, approximately 300 km from Vancouver, British Columbia. The CMP is the site of the former producing Similco open pit mine that was in operation until 1996. At that time, the open pit was operating at a rate of approximately 22,000 tons per day at a grade of 0.45% Cu, for annual production of approximately 56 million lbs Cu per annum. It was shut down due to low copper prices which, at that time, were in the US\$0.65 to US\$0.75 per lb price range.

Copper Mountain completed its IPO in June 2007, and started an aggressive exploration program and drilling campaign designed to confirm historical in-pit resources and to expand the known resource base. In 2007, 44,000 metres of drilling was completed in what was perhaps the largest drilling program in British Columbia that year. The Company also immediately commissioned a Preliminary Assessment ("PA").

It is a lucky coincidence that the Company was also able to obtain a historical database containing 444,000 metres of drilling information. Based on this information and on new drilling completed up to July 2007, an initial resource estimate was prepared at a 0.25% Cu cut-off grade showing 163.1 million tons grading 0.43% Cu in Measured and Indicated resources and an additional 113.6 million tons grading 0.37% Cu in Inferred resources. In total, this amounts to over 2 billion lbs of contained copper. The initial resource estimate did not include estimates for gold and silver which, based on previous mining, usually run at approximately 0.2 g per ton Au and 4 g per ton Ag, which together account for approximately 12% of the value of the concentrate.

Being the location of a formerly producing open pit mining operation, the CMP has excellent property access and infrastructure. It is located 15 km from Princeton, BC (pop. 2,687), which will provide a source of labour, perhaps many of whom formerly worked at the Similco Mine prior to its closing. There is paved, government road access to the mine gates, and numerous buildings and facilities remain on the project site. The property is interconnected to the provincial power grid via a 138KV transmission line that currently terminates at the old concentrator building. It was more than sufficient to supply the former 25,000 ton per day concentrator, open pit mine and related infrastructure. According to the Preliminary Assessment report, the power line is capable of providing in excess of 50 MW, which is more than enough to support the new mining operation. Water for previous operations was pumped from the Similkameen River, and the Water Licence authorizing such use remains in good standing and is sufficient to support higher tonnage than the previous operation.

Many of the environmental considerations confronting new developments have already been addressed and covered off under the existing mine permit. Of course, the Company has environmental review requirements before the mine can be reopened, and this review process has been initiated. The existing tailings impoundment facilities at the site are in place from prior operations, and the Waste Management Permit authorizing discharge of tailings to the impoundment remains in good standing. Initial estimates confirm there is sufficient capacity for tailings from future operations. Mill tailings are considered to be non-acid generating.

With major infrastructure and permits already in place, the PA suggests that the CMP could be in production by the end of 2010.

## A MAJOR NEW COPPER PRODUCER

This will not be the 'same old operation'. The CMP will be a large tonnage, efficient, low-grade mining operation, having significant precious metal by-product credits (i.e. Au and Ag). Efficiencies will come from larger mining throughput, larger mining equipment and modern, up-to-date concentrate processing methods.

The vision for the new mine is to operate the open pit at 35,000 tonnes per day to produce over 100 million lbs of copper in concentrate per year. This is approximately twice the amount of copper produced in the earlier operation.

In November 2007, the Company filed its PA, which showed positive project economics, and recommended a Feasibility Study ("FS"). After reviewing the PA, Copper Mountain commissioned Hatch Associates ("Hatch") in December 2007, to complete the FS. Hatch is expected to deliver the FS in Q2 2008.

### Resources at 0.25%Cu Cut-off (Based on Drilling Completed up to July, 2007)

<b>Category</b>	<b>Tons</b>	<b>Cu%</b>
Measured + Indicated	163,100,000	0.43
Inferred	113,600,000	0.37
<b>TOTAL</b>	<b>276,700,000</b>	<b>0.41</b>

Source: Copper Mountain

Not indicated in the resource table above are gold and silver grades. The reliability of gold and silver assays from historical data excludes them from inclusion in the official resource estimate. However, historical grades were in the range of 0.2 g per ton gold and 4 g per ton silver. Adding these gold and silver grades to the known copper resource grades increases the copper equivalent grade to approximately 0.48% Cu Eq.

### Preliminary Assessment: Key inputs, Assumptions and Economics

<b>Item</b>	<b>Value</b>
Production Rate	35,000 tonnes/day
Head Grade	0.48% Cu Eq
Annual Production	104 M lbs Cu 37,800 oz Au 878,000 oz Ag
Strip Ratio	1.5
Mill Recovery	Cu @ 87.2% (55% Au/Ag)
Metal Prices	Cu @ US\$1.80
Operating Cost	US\$1.00 per lb Cu (net of US\$0.35 by-product credits)
Capex	C\$366 M
Sustaining Capital	C\$24 M
Mine Life	15 years
NPV @ 5% (pre-tax)	C\$406 M
IRR	25.6%
Payback	2.7 years

Source: Copper Mountain

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We can compare some of the operational parameters proposed in the PA with those established during prior mining. The table below shows data from six years of production near the end of mining at the Similco Mine. With the exception of data presented for the strike-shortened year in 1991, we can see that Copper Mountain will be mining and producing copper (and gold and silver) at a much greater rate than Similco. The efficiencies realized with a larger operation enable a lower cut-off grade to be used. Note that the ratios of gold to copper production (and silver to gold production) in the PA as compared to the historical mining record are similar.

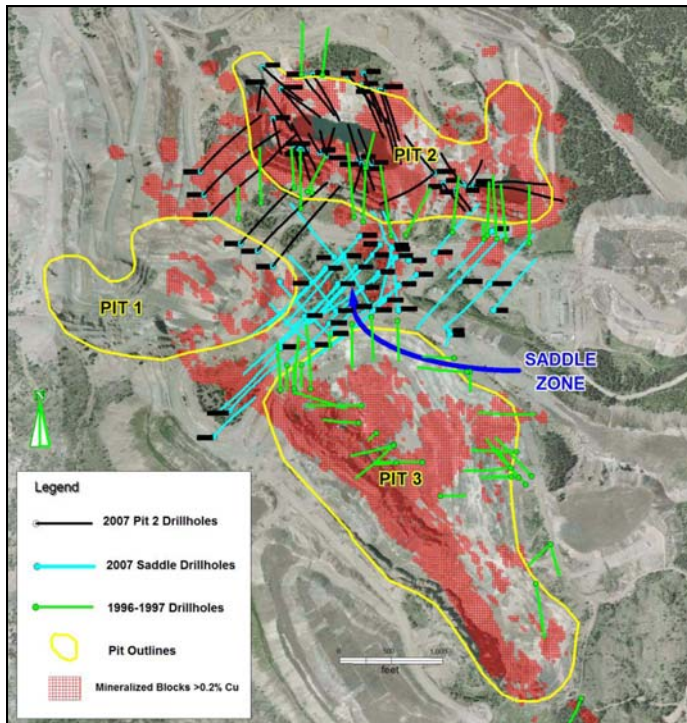
**Subset of Historical Production at Former Similco Mine**

Year	Tonnes Milled (million/year)	Head Grade Cu%	Cu Produced (million lbs/year)	Au Produced (oz/yr)	Ag Produced (oz/yr)	Ratios	
						Au oz / Cu lbs M	Ag oz / Au oz
1988	7.190	0.46	60	16,864	407,863	281	24
1989	7.541	0.46	64	17,277	432,220	270	25
1990	6.750	0.50	56	13,617	311,660	241	23
1991	3.851	0.48	32	7,617	183,354	238	24
1992	7.377	0.45	57	16,039	314,490	283	20
1993	6.700	0.45	53	14,181	370,129	268	26
Avg	7.112	0.47	58	15,596	367,272	264	24
PA	12.700	0.34	104	28,372	658,648	273	23

Source: Metals Economics Group, Company Documents, JCI Note: averages exclude strike-shortened 1991

In general, initial open pit mining at Copper Mountain will focus on three historical mining areas: Pit 1, Pit 2 and Pit 3. Existing haulage routes will be used wherever possible, in order to minimize haulroad construction requirements.

**Location Plan Showing Pits, 1996/97 and 2007 Drill Holes and Historical Block Model**



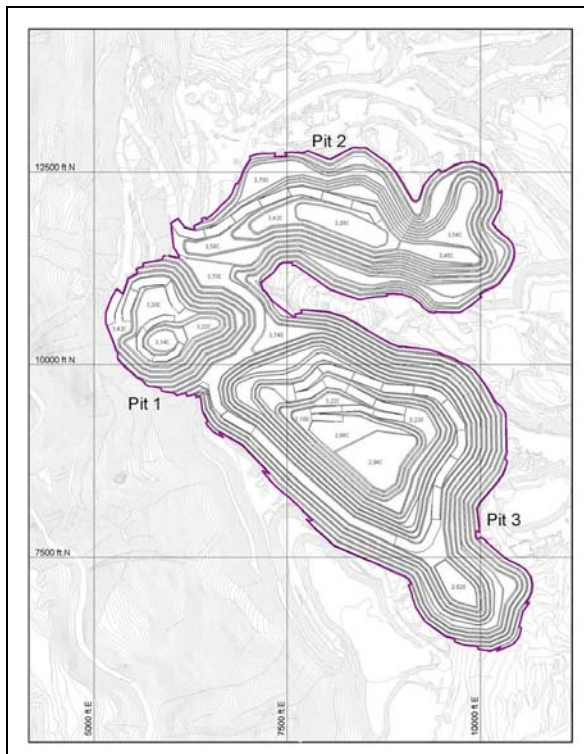
Source: Copper Mountain

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Pit 1 will be mined to the 3,140 ft level, resulting in a total depth of approximately 600 ft. The final pit limit represents a push back of the existing pit limit, to access higher grade mineralization remaining in the base of the pit. Pit 2 will be mined to the 3,380 ft level, resulting in a total depth of approximately 600 ft, will have a total strike length of 4,400 ft and measure 1,750 ft at its widest point. Development of Pit 2 will commence with a push back of the north wall, to allow the existing pit floor to be lowered by an additional 180 ft, to access to mineralization at depth. Access to the upper-and mid-benches will utilize the existing ramp system and entry/exit points. A second push back will take the southern, northern and eastern walls to the final pit limit. At this point, the ramp will be located to the south and utilize the existing pit entry/exit to the west. The second push back will be mined to the 3,460 ft level. The final push back will focus on stripping of the western end of the pit. The access ramp will be relocated to the northern wall and utilize existing external haulroads currently located at the western end of the pit on the edge of the Similkameen valley. Pit 3 is the largest of the three pits and will be mined to the 2,940 ft level, resulting in a total depth of approximately 1,160 ft. Pit 3 will be developed utilizing a series of push backs, to allow access to high grade mineralization at depth while minimizing upfront waste stripping. The pit will have a total strike length of 5,000 ft and measure 2,780 ft at its widest point.

As exploration drilling continues in areas between the pits (referred to above as the “saddle zone”), and in other areas around the perimeter, further push backs in Pit 3 are also planned. Push back 1 will expand the western wall and push backs 2 and 3 will expand the eastern wall, allowing the pit base to be progressively expanded to the East. Push back 4 sees the expansion of all pit walls, with one final push back to extend the pit to the northwest into Pit 1. Throughout the development of Pit 3, ramps will be continuously relocated to allow access to active faces. The final ramp will be located along the western wall running in an anti-clockwise direction. The entry/exit point will be located between Pits 1 and 2 and utilize existing haulage routes.

#### Final Pit Limits after Completion of all Push Backs



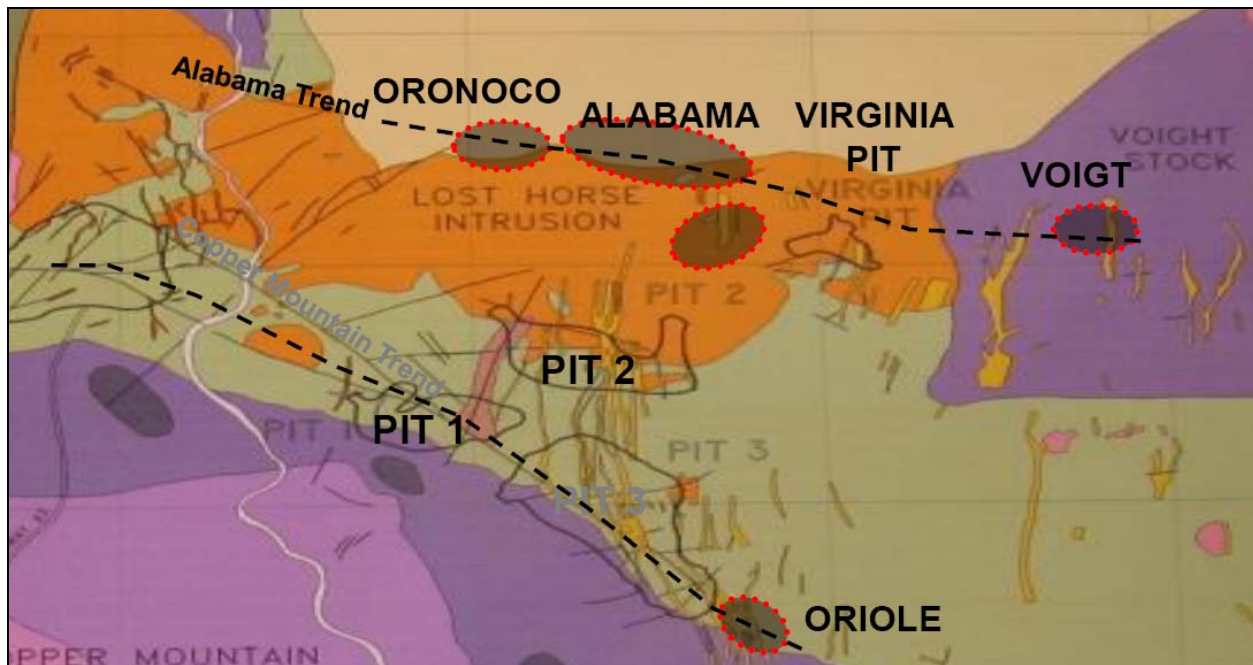
Source: Copper Mountain

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## EXPLORATION UPSIDE

With all the obvious advantages of having been a past producer, it may be easy to overlook the exploration potential of the Company's 18,000 acre (~7,300 Ha) land position. In addition to the 44,000 metres of drilling completed in 2007, the Company also completed a 24 line-kilometre Titan 24 geophysical survey in 2007, and has budgeted for a 30,000 metre drill program planned for 2008. The mineralizing system at the CMP is a very large porphyry system, and there are a number of known and yet unmined targets on the property.

### Generalized Geology of the Copper Mountain Project Highlighting Pits on the Copper Mountain Trend and Targets on the Alabama Trend



Source: Copper Mountain

Pits 1, 2 and 3 are located along the Copper Mountain Trend, which also is known to host the Oriole deposit. The Alabama Trend is known to host a number of zones including Oronoco, Alabama, Mill Zone and Voigt. While initially focused on drilling to increase confidence of resources within the super pit, drilling will eventually be turned to expand and upgrade resources in these other zones, each of which could become a significant source of incremental ore, thereby increasing overall mine life.

None of the drilling completed since July 2007 has been included in any resource estimate. It is our expectation that this drilling will be included with the FS presently being completed by Hatch and will provide a significant increase in resources.

## INVESTMENT THESIS

An investment in Copper Mountain is an investment in a major new copper producer that is expected to be in production in less than three years. *Our basic investment thesis is that the CMP has a much lower risk profile than any other project of comparable stage, scope and size.*

**Low Mining Risk:** Open pit mining requires a combination of site clearing pre-stripping, waste haulage and haulroad construction. Being a past producer means that much of this work has been completed and many of the operational characteristics of the mine are well understood.

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**Low Processing Risk:** The mine was previously operated continuously from 1972 to 1996, and many millions of tons have been processed into concentrate. Clearly, there are very few technical processing risks that need to be overcome. Previous milling flowsheets and metal recoveries are well-known and few, if any, problems are expected to be encountered. Of course, the old mill has been dismantled and most of the equipment salvaged. A new, modern mill will be constructed in close proximity to Pits 1, 2 and 3. A period of mill commissioning will be required in which the overall process will need to be dialled-in. Still, based on many years of historical processing, no significant processing risks are expected.

**Significant Infrastructure Already in Place:** Large mining projects require large infrastructure such as access, town site, power, water and tailings treatment facilities. These are already in place. The mine site is located 15 km from the town of Princeton, BC (pop. 2,687), which will provide a source of labour, and there is a paved government road to the mine gates. The property is interconnected to the provincial power grid via a 138KV transmission line and is capable of providing in excess of 50 MW, which is more than enough to support the new mining operation. Water for previous operations was pumped from the Similkameen River, and the Water Licence authorizing such use remains in good standing and is sufficient to support higher tonnage than the previous operation. The existing tailings impoundment facilities at the site are in place from prior operations, and initial estimates confirm there is sufficient capacity for tailings from future operations.

**Important Permits in Good Standing:** The CMP is covered by existing mining and water permits. The existing tailings impoundment facilities at the site are in place from prior operations and the Waste Management Permit authorizing discharge of tailings to the impoundment remains in good standing. While other permits and authorities are required to reopen the mine, these permits in-hand significantly reduce project risk.

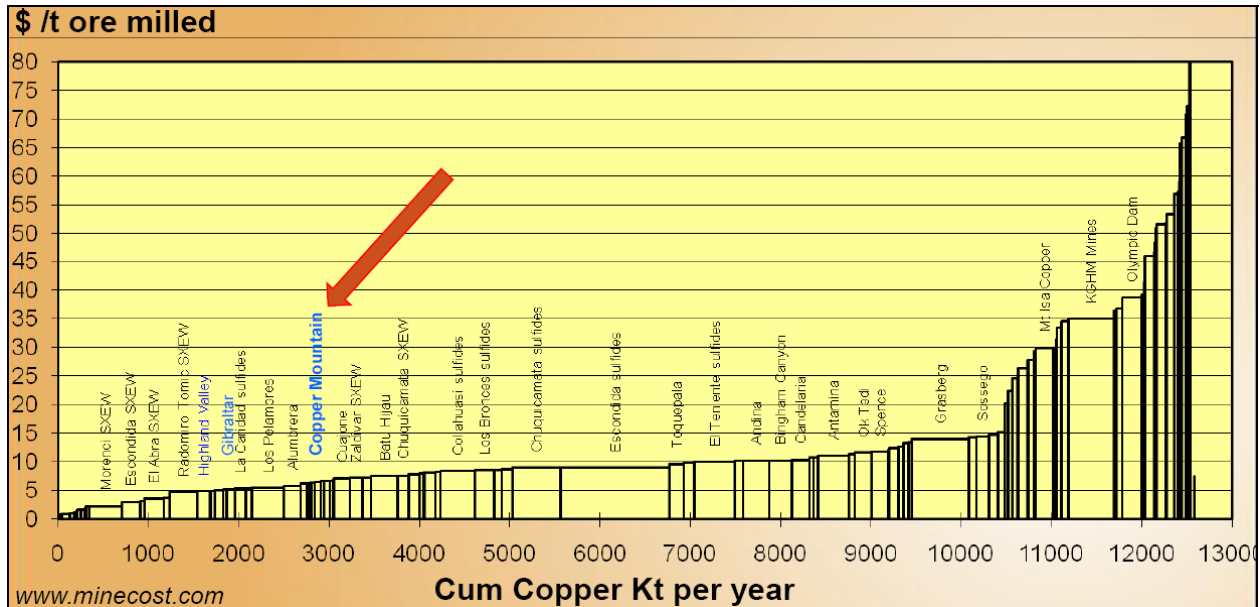
**Historical Database:** Through a lucky coincidence, the Company was able to secure a database of historical drilling. This database consisted of some 444,000 metres of drilling that the Company estimates is worth C\$50 million. While no mining company would ever re-drill this amount of information, it is a vast archive of past exploration and operational history that reduces the number of geological unknowns.

**Recent Preliminary Assessment:** Copper Mountain completed its PA in November 2007, and moved immediately to an FS. This ought to reduce the risk of Capex blow-out, since costs and prices used in the PA are so recent. Capex inevitably increases when advancing from PA to FS, but we expect minimal increases only. Another reason we do not expect a Capex blow-out is that many of the costs reported in the PA were based on actual quotations from suppliers who are expected to form the basis of firm orders to be placed by the Company upon receipt of a positive FS and subsequent project financing.

**Experienced Management Team:** Copper Mountain's management and board is an experienced mine building team headed by President, CEO and Director, Jim O'Rourke. Mr. O'Rourke has been in the mining business for four decades and has been involved in the building and operation of numerous mines. He also has direct and recent experience with open pit copper mines in British Columbia. Mr. O'Rourke has surrounded himself with experienced mining people, most of whom have over 25 years of direct mining experience.

**League of Low-cost Producers:** One of the greatest insulators against a downturn in the mining business is being a low-cost producer. The lower down on the cost curve a company is, the longer it can continue to make money in an environment of decreasing commodity prices.

**Cumulative Copper Cost Curve: Producers further to the left in this league generally experience higher margins for a given commodity price.**



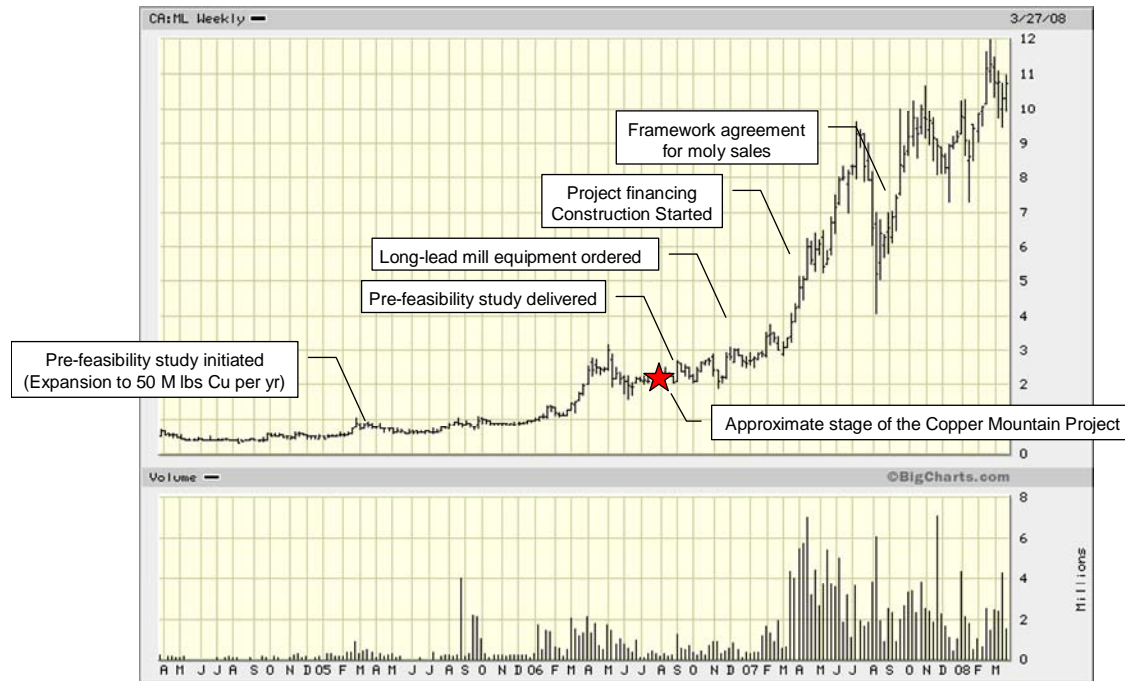
Source: Copper Mountain, Minecost

**Mercator Minerals Ltd. as a Proxy:** For large development projects, we like to use a more advanced-stage company as a proxy to examine potential share price development. We have selected Mercator Minerals Ltd. (ML-TSX), which appears on the figure above as a very low cost producer. We are using the “Phase 4 Expansion Project”, in which Mercator is expanding production from 12 to 50 million lbs of annual copper production. These are both very large open pit development projects that are high tonnage / low grade operations. The proxy is not perfect, since differences do exist. The most significant difference is that Mercator had initial production of approximately 12 million lbs Cu per annum throughout the development project. Two other differences are: 1) by-product credit (Mercator is molybdenum, CMP is gold and silver); and 2) processing method (Mercator is leach with SX/EW, CMP is flotation to concentrate). Nonetheless, the scope and magnitude of the projects are similar.

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## Milestones and Share Price Development of Mercator Minerals



Source: JCI

## CATALYSTS

Considered in our target price is our outlook for how events will unfold for Copper Mountain in the coming years. Our DCF valuation has assumed that significant project milestones as outlined below are accomplished on schedule. We see the following events as providing positive news flow and adding value to Copper Mountain as the CMP continues to be advanced.

### 2008

- deliver feasibility study before end of Q2
- production decision after delivery of positive feasibility study
- secure project financing
- order placement for ball mills and heavy equipment
- start construction
- ongoing results of 30,000 metre drill program
- application for graduation to TSX

### 2009

- Full-scale project construction

### 2010

- construction completion
- mill commissioning
- initial production

### 2011

- first year at full production

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## BALANCE SHEET AND RECENT FINANCINGS

Copper Mountain relies on equity financings to fund its exploration and development efforts on the CMP. To date, the Company has raised C\$12.2 million. We expect that Copper Mountain will need to raise additional funds through further equity financings, in addition to the capital that will be required to finance the project.

### Financings

Closing Date	Total Amount (C\$M)	Hard Dollars (C\$M)	Price (C\$)	Flow Through (C\$M)	Price (C\$)	Warrant	Expiry Date	Exercise Price (C\$)
28-Jun-07	7.0	5.0	\$1.45	2.0	\$1.75	0.5	12/28/2008	\$2.00
5-Dec-07	3.0			3.0	\$2.50			
17-Dec-07	2.2				\$2.50			
<b>TOTAL</b>	<b>12.2</b>							

Source: JCI from Company Documents

### Copper Mountain Balance Sheet

<b>Copper Mountain Mining Corporation</b>		
<b>Balance Sheets As at Dec 31, (Audited)</b>		
	2007	2006
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	6,132,345	3,569,328
Accounts receivable	305,053	148,737
Prepaid expenses	200,875	17,430
Due from related party	600,000	-
	<u>7,238,273</u>	<u>3,735,495</u>
Reclamation bonding	2,046,500	2,039,000
PP&E	1,190,345	81,974
Mineral property	8,468,953	1,224,361
	<u>18,944,071</u>	<u>7,080,830</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable	369,307	150,176
Current portion of lease obligations	353,764	-
	<u>723,071</u>	<u>150,176</u>
<b>Long-term Liabilities</b>		
Capital lease obligations	101,315	-
Accrued site reclamation cost	2,189,000	2,189,000
	<u>3,013,386</u>	<u>2,339,176</u>
<b>SHAREHOLDERS' EQUITY AND DEFICIT</b>		
Share Capital	15,492,498	4,807,622
Contributed surplus	1,512,340	170,625
Deficit	(1,074,153)	(236,593)
	<u>15,930,685</u>	<u>4,741,654</u>
	<u>18,944,071</u>	<u>7,080,830</u>

Source: JCI from Company Documents

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## VALUATION AND RECOMMENDATION

We are initiating coverage on Copper Mountain Mining Corporation with a **SPECULATIVE BUY rating and a 12-month target price of \$4.40 per fully diluted share**. Our 12-month target is based on applying equal weighting to our NAV and enterprise value to attributable copper equivalent approach.

The Copper Mountain Project PA completed by Merit Consultants International Inc., November 2007, forms the basis of our NAV model. We have created an after-tax, post-financing model that assumes debt and equity financings that have yet to be determined. Similarly, we have adjusted certain inputs to reflect our biases and opinions.

### Key Inputs, Assumptions and Valuation of JCI NAV Model

Item	Input / Assumption	
Mine Life		19 years
Production Rate	35,000 tonnes/day	
Initial Capital Cost		\$396.5 M
Sustaining CAPEX		\$2.0 M per yr
Debt Financing of CAPEX		65%
Commodity Prices	Copper	US\$2.00 per lb
	Gold	US\$900 per oz
	Silver	US\$16.00 per oz
C\$ to US\$ Exchange		0.95
Operating Cost (LOM)	\$1.05 per lb. Cu Produced	
IRR (after tax)		19.40%
Payback Period (after tax)		5.62 years
NPV of FCFE @ 10%		C\$133.8 M

Source: JCI

Providing for the current stage of development and awaiting further certainty with the delivery of the FS in Q2 2008, we have applied a 10% discount rate to free cash flows available to equity. The resulting NAV is C\$133.8 million or C\$4.83 per fully diluted share.

### NAV Sensitivity to Discount Rate

Discount Rate	NAV (C\$ M)	Value on a FD Share Basis (C\$)
7.0%	238.8	8.61
7.5%	217.8	7.86
8.0%	198.4	7.16
8.5%	180.4	6.51
9.0%	163.7	5.90
9.5%	148.2	5.34
<b>10.0%</b>	<b>133.8</b>	<b>4.83</b>
10.5%	120.4	4.34
11.0%	108.0	3.90
11.5%	96.5	3.48

Source: JCI

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### NAV Sensitivity to Copper Prices

Copper Price (US\$ / lb)	NAV at 10% Discount Rate (C\$ M)	IRR (%)	Value on a FD Share Basis (C\$)
4.00	862.7	70.2%	31.12
3.50	680.5	57.2%	24.54
3.00	498.3	44.3%	17.97
2.50	316.0	31.6%	11.40
2.00	133.8	19.4%	4.83
1.50	(51.3)	7.2%	(1.85)

Source: JCI

### PEER COMPARISON

To compare Copper Mountain on an in-situ copper basis we have compiled a database of peer companies with comparable copper projects. All projects are at the feasibility or advanced reserve development stage and have similar geopolitical risk.

#### Comparable Copper Companies

Symbol	Exchange	Company	Location	Share Price (C\$)	MC (C\$ M)	EV (C\$ M)	MC\$ per Attrib. Eq. Cu lbs	EV\$ per Attrib. Eq. Cu lbs	Attribut. Cu Eq. (M lbs)	Percentage Cu of Cu Eq.
AZC	TSX	Augusta Resource Corp.	United States	3.80	337	313	0.0531	0.0494	6,885	92.0%
CHD	TSX	Chariot Resources Ltd.	Peru	0.91	299	285	0.0600	0.0573	4,980	100.0%
DNT	TSX	Candente Resource Corp.	Peru	1.50	109	97	0.0134	0.0120	8,135	100.0%
IPR	TSXV	Inca Pacific Resources Inc.	Peru	1.56	60	58	0.0210	0.0202	5,070	56.6%
MNA	L	Monterrico Metals PLC	Peru	2.88	76	77	0.0048	0.0049	21,212	73.9%
NOC	TSX	Northern Peru Copper Corp.	Peru	13.73	455	445	0.0480	0.0470	14,450	65.6%
NOM	TSX	Norsemont Mining Inc.	Peru	4.06	197	181	0.0542	0.0498	4,801	75.6%
SRV	TSX	Stingray Copper Inc.	Mexico	0.66	39	39	0.0264	0.0264	1,468	100.0%
TKO	TSX	Taseko Mines Ltd.	Canada	5.47	767	775	0.0660	0.0666	20,356	57.2%
WRN	TSX	Western Copper Corp.	Canada	1.07	78	78	0.0080	0.0080	15,009	64.7%
<b>Arithmetic Average</b>							0.0355	0.0342		
<b>CUM</b>	<b>TSXV</b>	<b>Copper Mountain Mining Corp.</b>	<b>Canada</b>	<b>1.86</b>	<b>41</b>	<b>40</b>	<b>0.0127</b>	<b>0.0125</b>	<b>3,201 *</b>	<b>100.0%</b>

Source: JCI from Company Documents; Bloomberg

At present, Copper Mountain is being valued by the market on an enterprise value basis at 1.25 C¢ per lb of attributable copper equivalent of in-situ resource. Applying the average of the peer group, 3.42 C¢, to Copper Mountain results in an enterprise value of C\$109.8 million or C\$3.96 per fully diluted share.

**Applying equal weighting to our two methodologies, we arrive at a valuation of C\$4.40 per fully diluted share.**

### VALUATION RISKS

To repeat, our basic investment thesis is that the CMP has a much lower risk profile than many other projects of comparable stage, scope and size. We have already described above many of the technical features of the CMP that tend to reduce technical risks to the project. As described below, there are also a number of valuation risks that we believe reflect a lower risk profile for the project.

**Political Risk – LOW:** We have assigned a low political risk rating to the project, as British Columbia and the provincial government are considered to have stable political and socioeconomic environments. For most new mining projects in British Columbia, native land title and permitting can add significantly to risk and uncertainty. The CMP appears to suffer neither of these conditions, primarily due to the fact that it

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was a past producer and was in operation throughout most of the 1970s, 1980s and most of the 1990s. There are no outstanding native land title issues of which we are aware, and two important permits from the previous operation remain in good standing (i.e. mining and waste management permits).

**Project Risk – LOW:** This risk element is basically an extension of the technical risks described above in the “Investment Thesis” section. Our view is that, because the Company will be mining within an established mining and geology environment, most of the technical variances are well understood.

**Exploration Risk – LOW:** At this stage in the development of the CMP, we consider exploration risk to be minimal. According to the PA, there are adequate resources – exclusive of inferred resources – for a 15-year mine life, and these are more than adequate to pay back the capital investment required. While we believe that there is high potential to discover additional resources, especially as indicated by Titan 24 geophysics, as well as recent exploration drilling, exploration successes are not required to ensure the financial success of the project.

**Financial Risk – MODERATE:** In addition to risk associated with financial assumptions in our DCF model, there is risk that Copper Mountain will not be able to obtain adequate capital to fund the project. As the Company does not yet generate cash flow, it is entirely dependant upon the financial markets to raise funds. The Company’s ability to obtain financing and at what cost will depend greatly upon the capital markets. A short time ago, we may have chosen to rate this risk as “LOW”, but the recent disintegration of credit markets has certainly increased financing risk. There are a great many mining projects competing for financing, and we believe that not all of them will be adequately financed due to credit market conditions. However, we believe that the CMP represents a high quality, low risk project that will be successfully debt financed. The Company has indicated that preliminary discussions with potential debt providers have been positive, and it remains optimistic that financing can be arranged on favourable terms.

**Forecast Risk – MODERATE:** Forecasting for future cash flows in our DCF model depends to a great extent on future commodity prices and currency exchange rates. As the price of copper has increased substantially in recent years, and despite using what we believe to be indicative of future pricing, significant price declines over the life of the project could cause further development of the project to become impractical. Commercial shipment of copper concentrate is anticipated for the end of 2010. Ultimately, the inputs that we have assumed in the intervening time frame may be subject to shocks that will significantly affect our DCF model and thus our forecast. We have used the best available information and estimates, but shocks are impossible to predict and incorporate into our forecast.

## APPENDIX A – PROJECT DETAILS

The CMP dates back to the 1930s, when it was operated as an underground mine. Approximately 34 million tons were mined from underground, at an average grade of approximately 1% Cu. The mine was converted to an open pit mining operation by Newmont, who continuously operated the open pit from 1972 to 1988. The mine was operated at the rate of approximately 22,000 tons per day at a grade of 0.45% Cu, producing approximately 56 million lbs Cu per year, for most of its mining life as an open pit mining operation. In 1988, Newmont sold the operation to Similco Mines, who operated the mine until it was closed in 1996. In 1996, the price of copper had declined to the US\$0.65 to US\$0.75 per lb price range, which was inadequate to cover prime operating costs. The mine was shuttered, and mine and mill equipment was salvaged. The mine remained dormant until it was acquired by Compliance Energy, who then spun off the asset into Copper Mountain Mining Corporation. Compliance Energy remains a significant shareholder of the Company (~9.9%).

### Location and Climate

Topography is gentle to moderate over most of the plateau area of Copper Mountain, where elevations range from 1,050 m to 1,300 m, but becomes rugged in the Similkameen River Canyon. The Copper Mountain area has a relatively dry climate, typical of the southern interior of British Columbia. Summers are typically warm and dry, whereas winters are cool with minor precipitation. Most of the precipitation during the winter months falls as snow, with total snow fall of approximately 200 cm, resulting in accumulated (compacted) snow depths of approximately 60 cm to 70 cm on the ground. Temperatures range from an average annual high of 35 degrees Celsius and an average annual low of -29 degrees Celsius, with the annual mean temperature being 6 degrees Celsius. Total annual precipitation varies widely, ranging from a low of 253 mm to a high of 790 mm, with the average being 400 mm.

### Alkalic Porphyry Copper Deposits of British Columbia

The Copper Mountain deposit is classified as an alkalic porphyry copper deposit with associated gold and silver credits. The alkalic deposits of British Columbia are spatially and genetically associated with the Upper Triassic Nicola-Takla-Stuhini volcanic assemblages and co-magmatic plutons. The plutons have chemistry similar to their volcanic host rocks and are commonly emplaced along regional scale, linear structures, and are typically small and complex. The alkalic mineral deposits occur in zones of intense faulting, fracturing, brecciation and hydrothermal alteration. Hypogene sulphide minerals that formed contemporaneously with the hydrothermal alteration of host rocks include pyrite, chalcopyrite, bornite, chalcocite and pyrrhotite in decreasing order of abundance. Molybdenite may be present in trace amounts, but gold and silver are usually economically significant.

The most common porphyry copper deposits are of the calc-alkalic type, are cylindrical, stock-like composite bodies having elongate outcrops 1.5 x 2 km in diameter and containing an outer shell of medium to coarse-grained equigranular rock with a porphyritic core of similar composition. The most common ore hosts are quartz monzonite to granodiorite felsic plutonic rocks. In addition, a second population of deposits occurs in more mafic intrusive rocks of syenitic to dioritic composition.

### Copper Mountain Mineralization

As a broad simplification, mineralization at Copper Mountain consists of structurally controlled, multi-directional veins and vein stockworks subdivided into four mineralization types:

1. disseminated and stockwork chalcopyrite, bornite, chalcocite and pyrite in altered Nicola and LHIC rocks;
2. hematite-magnetite-chalcopyrite replacements and/or veins;
3. bornite-chalcocite-chalcopyrite associated with pegmatite type veins; and
4. magnetite breccias.

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Each mineralization type can be found in all pit areas, but each pit is unique with respect to the relative quantities and character of mineralization type. The alteration that is associated with each mineralization type has some degree of variation as well. Each pit area also has distinctive Cu:Ag:Au ratios.

Pit 3 was excavated in the area of the old Granby underground workings and hosted the largest amount of mineralization. Descriptions of this mineralization combined with underground stope plans indicate that much of the underground mineralization occurred as large, downward pointing, cone shaped stockwork vein and breccia zones centred on fault intersections. Dimensions of the cones were approximately 100 m to 180 m in diameter, near their tops, at or near surface, with a vertical extent of approximately 350 m. Originally referred to as “bornite ore”, remnants of this material found in collapsed material while open-pit mining, were observed to contain considerable quantities of hypogene chalcocite. Veins, veinlets and disseminated sulphide mineralization surrounded the breccia cones and provided most of the mineralization subsequently mined by open-pit in this area.

The Pit 2 area is geologically more complex than Pit 3. A more pronounced structural control is evident with chalcopyrite mineralization occurring in east and northeast trending veins, vein stockworks and fracture fillings. Some disseminated mineralization is present peripheral to syenite dikes of the Lost Horse Intrusive Complex (LHIC) and in a magnetite breccia that occupied the north central part of the pit area.

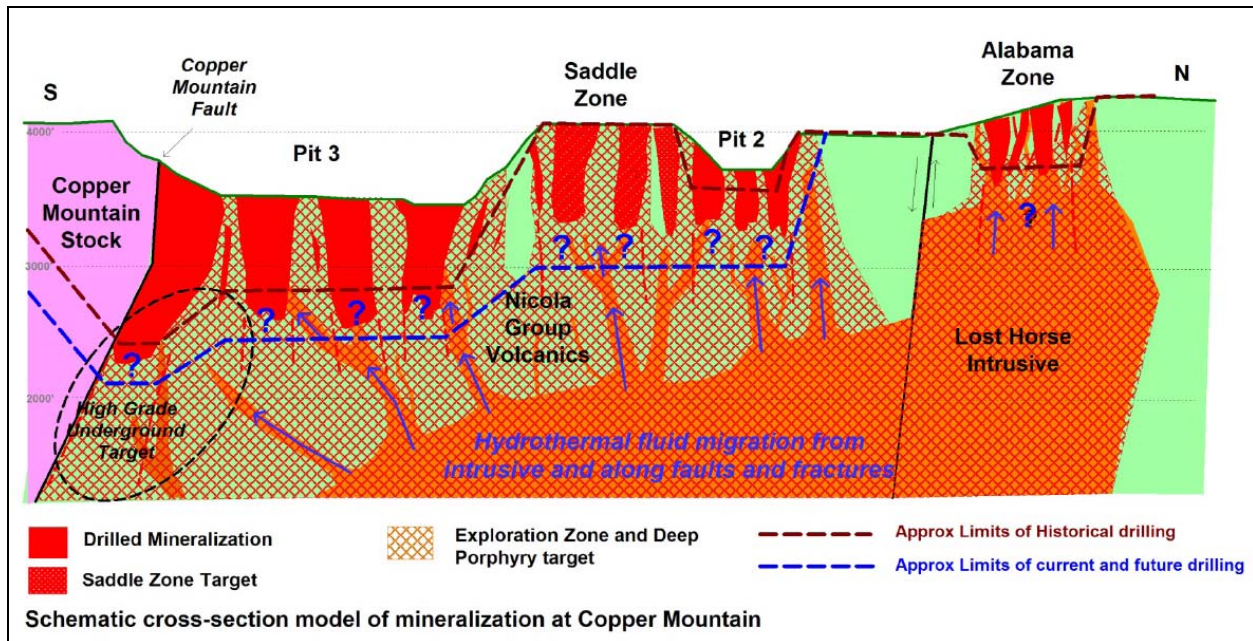
A large variety of alteration types, commonly overlapping, occur throughout the Copper Mountain Camp. Alteration can be classified according to its occurrence: either pervasive or structurally controlled, and its predominant mineral assemblage. The typical alteration assemblages associated with porphyry copper models propylphyllitic, argillic, advanced argillic and potassic, and their zonal or spatial organization arc central intrusion, are not present at Copper Mountain.

Numerous veins, vein envelopes and fracture-filling mineral assemblages and textures cross-cut or occur within the pervasive alteration types, but the more prominent ones are described below:

- Magnetite veins: with or without copper sulphide minerals, of variable size from fine fracture filling to vein stockworks to sheeted vein swarms to 3-4 m thick veins. These veins are not abundant in the Pit 3 area, but are significant in Pit 2 and comprise much of the ore within areas north of Pit 2 and east of Ingerbelle.
- Pegmatite veins: coarse grained potassium feldspar, biotite, epidote and calcite (+/- albite, apatite, garnet, and quartz). These veins are distinctive and occur with or without sulphide minerals. The veins are of variable size (up to 2 m thick) and orientation and occur in dilatant zones throughout the camp.
- Potassium feldspar veins: these veins range in thickness from 1 mm to 1 m and are generally barren; filling fractures within dilatant zones across the camp.
- Chlorite veins: these veins are fine, 1-10 mm, discontinuous, late and occur throughout the camp.

The figure below represents a schematic cross-section model of mineralization at Copper Mountain, showing the relationships of the intrusions, structures and possible flow paths for hydrothermal fluids. The presence of the “pegmatite veins” and local calc-silicate alteration assemblages can give local areas the appearance of skarn formation. However, the initial calcic minerals are themselves an alteration product, and no carbonate rocks have been recognized within the local stratigraphy. Oxide content of the mill feed can have a deleterious effect on mill recoveries, and blending can be required so as to not have extended periods of low mill recovery. In general, there has been little oxidation of the copper minerals at Copper Mountain.

### Cross-section Model of Mineralization at Copper Mountain



Source: Copper Mountain

### Permitting

The project is not classified as reviewable under the Reviewable Project Regulation of the B.C. Environmental Assessment Act, since it meets the following criteria:

- 1) This is an existing mineral mine that is proposed to be reopened;
- 2) The proposed development will lie primarily within previously active mining areas and areas approved for mining activity; and
- 3) The new disturbance area is projected to be less than 750 ha and less than 50% of the existing disturbed area.

Major operating permits, including Mines Act Permit M-29 authorizing the mine plan and reclamation program, Waste Management Act Permit PE-00261 authorizing effluent discharge associated with operation of the mill and the tailings impoundment, and Water Licence C059533 authorizing water withdrawal and use from the Similkameen River, have been kept and remain in good standing. Reclamation security totalling \$3.35 million is held under a Safekeeping Agreement with MEMPR, pursuant to the requirements of Mines Act Permit M-29.

The existing permits will form the basis for renewed operations at Copper Mountain. Other minor permits, including those for sewage and refuse disposal have also been kept in good standing. Permits will be amended, as required, to reflect current operations. A new permit is expected to be required for construction of a new sewage treatment plant to service the concentrator, administration offices and related facilities. The proposed relocation and construction of new process facilities on the Copper Mountain site will necessitate re-application for an air emissions permit for the crusher and milling facilities, as well as other minor permits associated with fuel storage, radioisotope usage and special waste handling. The selected explosives contractor will require an explosives factory licence. These

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permits will be applied for in advance of operations, as information from detailed engineering and planning become available.

#### **Reference and Acknowledgement**

Much of the material that appears in this appendix has been abridged from the “Preliminary Assessment Report, Copper Mountain Project”, prepared by Merit Consultants International Inc., dated November 16, 2007. This report is available on SEDAR.



**Projected Income Statement and Free Cash Flow**

(C\$M)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Net Sales Revenue</b>	199.74	226.42	196.55	207.25	218.42	199.65	184.70	180.87	195.86	188.39	188.36	188.36	188.36	188.36	124.76	121.00	121.00	121.00	23.75
<b>Operating Costs (C\$M)</b>																			
Mining	61.15	61.15	61.55	51.93	53.06	54.30	55.88	49.54	33.86	41.53	38.10	38.10	38.10	38.10	10.35	9.27	9.27	9.27	1.82
Processing	39.02	39.10	39.13	39.02	39.01	39.00	39.01	38.99	38.99	39.00	38.99	38.99	38.99	38.99	39.00	38.99	38.99	38.99	7.65
G&A	5.85	5.86	5.86	5.85	5.85	5.84	5.84	5.84	5.84	5.84	5.84	5.84	5.84	5.84	5.84	5.84	5.84	5.84	1.15
Offsite Costs	2.12	2.12	2.13	1.94	1.96	1.98	2.01	1.89	1.57	1.73	1.66	1.66	1.66	1.66	1.10	1.08	1.08	1.08	0.21
<b>EBITDA</b>	<b>91.60</b>	<b>118.20</b>	<b>87.87</b>	<b>108.51</b>	<b>118.54</b>	<b>98.52</b>	<b>81.95</b>	<b>84.62</b>	<b>115.59</b>	<b>100.29</b>	<b>103.77</b>	<b>103.77</b>	<b>103.77</b>	<b>103.77</b>	<b>68.46</b>	<b>65.81</b>	<b>65.81</b>	<b>65.81</b>	<b>12.92</b>
Depreciation	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25
<b>EBIT</b>	<b>61.35</b>	<b>87.94</b>	<b>57.62</b>	<b>78.26</b>	<b>88.29</b>	<b>68.27</b>	<b>51.70</b>	<b>54.36</b>	<b>85.34</b>	<b>70.04</b>	<b>73.51</b>	<b>73.51</b>	<b>73.51</b>	<b>73.51</b>	<b>38.21</b>	<b>65.81</b>	<b>65.81</b>	<b>65.81</b>	<b>12.92</b>
Interest	17.62	9.62	2.81	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Income Taxes	14.87	26.64	18.64	26.62	30.03	23.22	17.58	18.49	29.02	23.82	25.00	25.00	25.00	25.00	13.00	22.38	22.38	22.38	4.39
Income Tax Pool	(2.40)																		
<b>Income Taxes Owning</b>	<b>12.47</b>	<b>26.64</b>	<b>18.64</b>	<b>26.62</b>	<b>30.03</b>	<b>23.22</b>	<b>17.58</b>	<b>18.49</b>	<b>29.02</b>	<b>23.82</b>	<b>25.00</b>	<b>25.00</b>	<b>25.00</b>	<b>25.00</b>	<b>13.00</b>	<b>22.38</b>	<b>22.38</b>	<b>22.38</b>	<b>4.39</b>
<b>Net Income</b>	<b>31.25</b>	<b>51.68</b>	<b>36.17</b>	<b>51.64</b>	<b>58.26</b>	<b>45.05</b>	<b>34.11</b>	<b>35.87</b>	<b>56.31</b>	<b>46.22</b>	<b>48.51</b>	<b>48.51</b>	<b>48.51</b>	<b>48.51</b>	<b>25.22</b>	<b>43.43</b>	<b>43.43</b>	<b>43.43</b>	<b>8.52</b>
<b>Free Cash Flow to Equity (C\$M)</b>																			
Net Income	31.25	51.68	36.17	51.64	58.26	45.05	34.11	35.87	56.31	46.22	48.51	48.51	48.51	48.51	25.22	43.43	43.43	43.43	8.52
Depreciation	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25	30.25
CAPEX	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)
Change in Net WC																			
Net Debt Issue (Repayment)	(100.00)	(100.00)	(70.27)																
<b>Free Cash Flow to Equity</b>	<b>(40.49)</b>	<b>(20.06)</b>	<b>(5.85)</b>	<b>79.89</b>	<b>86.51</b>	<b>73.30</b>	<b>62.37</b>	<b>64.13</b>	<b>84.57</b>	<b>74.47</b>	<b>76.76</b>	<b>76.76</b>	<b>76.76</b>	<b>76.76</b>	<b>53.47</b>	<b>41.43</b>	<b>41.43</b>	<b>41.43</b>	<b>6.52</b>
<b>Free Cash Flow to Firm (C\$M)</b>																			
EBITDA	91.60	118.20	87.87	108.51	118.54	98.52	81.95	84.62	115.59	100.29	103.77	103.77	103.77	103.77	68.46	65.81	65.81	65.81	12.92
Taxes	(12.47)	(26.64)	(18.64)	(26.62)	(30.03)	(23.22)	(17.58)	(18.49)	(29.02)	(23.82)	(25.00)	(25.00)	(25.00)	(25.00)	(13.00)	(22.38)	(22.38)	(22.38)	(4.39)
CAPEX	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)
Change in Net WC																			
<b>Free Cash Flow to Firm</b>	<b>77.13</b>	<b>89.56</b>	<b>67.23</b>	<b>79.89</b>	<b>86.51</b>	<b>73.30</b>	<b>62.37</b>	<b>64.13</b>	<b>84.57</b>	<b>74.47</b>	<b>76.76</b>	<b>76.76</b>	<b>76.76</b>	<b>76.76</b>	<b>53.47</b>	<b>41.43</b>	<b>41.43</b>	<b>41.43</b>	<b>6.52</b>

Source: JCI

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## **APPENDIX C – MANAGEMENT – OFFICERS AND BOARD OF DIRECTORS**

### **James C. (Jim) O'Rourke, P.Eng., President, CEO, Director**

Jim graduated in 1964, with a B.A.Sc. degree in Mining Engineering from the University of British Columbia. He gained valuable mine development and operating experience while involved in the start-up phase of five major mines over 14 years with Placer Development Limited. Jim has more than 30 years of hands-on experience in mine evaluations, financing development, marketing and operations in Canada, the United States, South America and the Philippines. As President of Princeton Mining Corporation (1987-1997), he was responsible for the acquisition of the Similco open pit copper mine; the evaluation, financing and development of the Cassiar underground block cave mine; and the acquisition, evaluation, financing and development the Huckleberry open pit copper mine in northern BC. The Huckleberry project was completed on schedule at its budgeted cost of \$140 million.

Currently, Jim is President of Orclann Investments Inc., a private investment company, Chairman of Compliance Energy Corporation, Former President of Huckleberry Mines Limited and a director of numerous public and private companies in mining and property development. Jim has served as a director of the Mining Association of Canada (1987-1990), the Vancouver Board of Trade (1990) and Chairman (1992) and Director (1987-Present) of the British Columbia Mining Association and he was the 2005 recipient of the Edgar A. Scholz Medal for Excellence in Mine Development in British Columbia and the Yukon.

### **Rodney A. (Rod) Shier, CA, CFO, Director**

Rod graduated in 1986, with a Bachelor of Commerce degree from the University of British Columbia and earned his Chartered Accountant designation in 1989. He has extensive experience in all aspects of corporate finance including equity and debt financings, merger and acquisition structuring, negotiation of joint ventures and hedging. Rod has over 15 years' experience with regulatory corporate finance obligations and has participated in the listing of companies in Canada and the United States.

Currently, Rod is also the Chief Financial Officer of Compliance Energy Corporation. He has worked for publicly traded companies as well as a major accounting firm. Rod is a member of the Institute of Chartered Accountants of British Columbia.

### **Peter Holbeck, BSc. (Hons) M.Sc., P.Geo, VP Exploration**

Peter graduated from the University of British Columbia with a BSc (Hons) in 1981, and a Masters of Science in 1988. He has 25 years' experience in mineral exploration and mine development. Prior to joining Copper Mountain Mining, Peter served as Vice President, Exploration for Atna Resources Ltd. for six years and prior to that as Exploration Manager and Mine Geologist for Princeton Mining Ltd. From 1984 to 1993, he was employed as senior exploration geologist for Esso Minerals Canada and then Homestake Canada Ltd.

### **J. Peter Campbell, BSc., VP Environmental**

Peter graduated from the University of British Columbia with a B.Sc. in Marine Biology in 1976, and has over 30 years' experience in environmental and permitting in the mining industry in British Columbia, the Yukon and the Northwest Territories. Prior to joining Copper Mountain Mining, Peter served as Vice President, Environmental, Government and First Nations Affairs with bcMetals Corporation. He was

responsible for managing the environmental affairs of the Red Chris Project since the resumption of bcMetal's activities on the property in August 2003. Peter also managed the environmental assessment and permitting process for the Huckleberry Mine, which is a 20,000 tpd open pit copper mine, and the Similco Mine in the early 1990s.

## **BOARD OF DIRECTORS**

### **James C. (Jim) O'Rourke, P.Eng., President, CEO, Director**

Refer to biography above

### **Rodney A. (Rod) Shier, CA, CFO, Director**

Refer to biography above

### **John Tapics, P.Eng, Director**

Mr. Tapics graduated in 1975 with a B.Sc. degree in mining engineering from Queen's University and has over 25 years of mine planning and operation experience. Since November 2005, Mr. Tapics has been President & Chief Executive Officer of Compliance Energy Corporation, a mining company. Mr. Tapics became a director of Compliance Energy Corporation in April 2006. From October 2001 to February 2005, Mr. Tapics held the positions of President and Chief Executive Officer of the Alberta Electric System Operator and the Balancing Pool of Alberta, statutory corporations responsible for operating the electrical system of Alberta and managing certain pooled purchase arrangements on behalf of Albertans.

### **Marin Katusa, BSc., Director**

Mr. Katusa graduated from the University of British Columbia with a Bachelor degree in Science, and then obtained a Degree in Education. His extensive relationships within the Canadian financial community and have assisted a variety of companies with strategic focus and corporate finance in the junior resource sector. Mr. Katusa is the Chief Investment Strategist, Energy Division, for Casey Research, which specializes in finding undervalued companies in the junior resource sector.

### **Carl L. Renzoni, Director**

Mr. Renzoni is a retired investment banker who worked at BMO Nesbitt Burns Inc. from June 1969, and more recently as a Managing Director, up until his retirement in November 2001. Mr. Renzoni brings over 30 years of experience in the securities business, specializing in the mining industry, and has extensive knowledge of all aspects of corporate finance including mergers and acquisitions. Mr. Renzoni was a director of: Meridian Gold Inc. until its takeover by Yamana Gold Inc. in October 2007, and was a Director of Peru Copper until its takeover by the Aluminum Corporation of China for \$840 million in June 2007. Mr. Renzoni has been a Director of Yamana Gold Inc. since October 2007 and a Director of International Molybdenum since May 2005. Mr. Renzoni received an Honours Bachelor of Science degree in Geology from Queen's University in Kingston, Ontario in 1963. Mr. Renzoni is a citizen and resident of Canada.

*Source: Copper Mountain*

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Company	Ticker
Copper Mountain Mining Corporation	TSXV-CUM

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