

Copper Mountain Mining Corp.

CUM : TSX-V : C\$1.52

SPECULATIVE BUY

Target: C\$3.40 ↑

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COMPANY STATISTICS:

52-week Range: \$2.66-1.35
Average daily volume (000): 81
Shares outstanding (M): 31.5
Shares fully diluted (M): 43.0
Cash (M) (US\$): \$24.0
Debt (M): \$0.3
President, CEO: Jim O'Rourke
Market Capitalization (M): C\$47.9
Website: www.cumtn.com

EARNINGS SUMMARY:

	2010E	2011E	2012E
Net revenue US\$(M)	\$46,487	\$278,936	\$220,070
Operating CFPS C\$ (fd)	\$0.31	\$2.09	\$1.39
P/OP CFPS	4.80	0.70	1.06
Payable Cu (000 lbs.)	14,803	103,453	91,424
C1 Cash Costs US\$/lb Cu	\$1.21	\$1.17	\$1.31
Copper price US\$/lb	\$3.00	\$2.63	\$2.30
C\$/US\$	0.95	0.93	0.90

SHARE PRICE PERFORMANCE:



COMPANY SUMMARY:

Copper Mountain Mining Corp. is a small cap Canadian mineral exploration and development company, whose primary asset is the inactive Similco open pit copper mine in southern British Columbia.

All amounts in C\$ unless otherwise noted.

Metals and Mining – Exploration and Development

POSITIVE FEASIBILITY – SIMILCO RISK REDUCED

Event

Copper Mountain released details from an independent final feasibility study (Hatch Ltd.) conducted on its 100%-owned Similco copper project in BC.

Impact: Long-term positive

While the final feasibility study has moderately less robust economics than the November preliminary assessment, we believe that additional optimization work could improve the financials and that the study's level of detail significantly reduces the associated project risk. Similco remains one of very few Cu assets located in a politically safe jurisdiction and with outstanding infrastructure that has to the potential to be producing about 100 million lbs of Cu per year by 2011. We expect financing risk could cap some of the market enthusiasm in the short term. We believe, however, that there is a reasonable likelihood project financing will be achieved by early Q3/08 given the project's relatively low risk profile.

Valuation

Our base valuation uses a long-term Cu price of US\$2.00/lb. We estimate an after-tax NPV (8%) for the Copper Mountain project of US\$153.5 million (was US\$170.0 million). Our total undiscounted NAV (8%) for Copper Mountain is US\$208.5 million (was US\$226.0 million), or US\$4.96/share. Given the positive feasibility study just released by Hatch Ltd on the Similco operation and the higher level of confidence this study provides, we have chosen to increase (reduce risk) our risk multiple from 0.45x to 0.55x. Based on these adjustments, we are maintaining our SPECULATIVE BUY rating on Copper Mountain and are increasing our 12-month target to C\$3.40 (was C\$3.20).

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COPPER MOUNTAIN FEASIBILITY

Copper Mountain has released an independent final feasibility study (Hatch Ltd.) on its 100%-owned Similco Cu project in south-central BC. The project is valued by Hatch at \$154 million (NPV 8%) on an after-tax basis, using three years of forward curve Cu prices and long-term prices of US\$1.80/lb.

As we expected, operating costs and capital costs have increased. Capital is now estimated at \$437.4 million, an increase of 19% from previous expectations of \$366.5 million in the November 2007 preliminary assessment (we have recently been modelling \$435 million). Hatch has incorporated a \$35 million contingency as part of the total (the preliminary assessment included a \$36 million contingency). The company suggests it has locked in prices for about \$80 million of the total capital. The feasibility study is estimated to have a +/- accuracy rating of 15%.

The mineral reserve grade is 0.33% Cu (mineable resource grade was 0.34% Cu in the PA). Copper Mountain believes the reserve grade could be improved, given Hatch's conservative block model, which incorporates significant dilution and a lower pit wall angle than the historical pit walls. This has led to inferred resource blocks being treated as waste. Infill drilling could result in these inferred blocks being upgraded to mineral reserves, which could increase the overall grade in a subsequent mine plan. Also, the overall mineral resource is based on data up to December 2007 and further drilling (50,000 m in 2008) is likely to build on the resource used in the current study. Recent exploration drilling, targeting Titan 24 geophysical targets, has intersected significant Cu mineralization (98 metres grading 1.31% Cu) that could lead to expanded resources at Similco. The company has indicated that it intends to release an updated mineral resource estimate, including drilling results to the end of July, in August 2008. We expect additional optimization to the current plan to be fluid as new information is accumulated.

Our current valuation is based on US\$2.00/lb long-term Cu and generates an NPV 8% of US\$153.5 million and an NAV 8% of US\$208.5 million. We have modified our model with the new assumptions provided in the summary details for the Hatch feasibility. We will further review the current mine plan details as they are made available in the Hatch report (usually released within 45 days). While the final feasibility contains slightly less robust assumptions than we were previously using, we consider it more conservative and its level of detail significantly reduces the associated project risk.

Similco remains one of very few Cu assets located in a politically safe jurisdiction and with outstanding infrastructure that has the potential to be producing about 100 million lbs of Cu per year by 2011. Financing risk could cap the market enthusiasm in the short term. However, we believe there is a reasonable likelihood that project financing will be achieved by early Q3/08. Specifically, the company has been engaged in a range of discussions with smelter groups, specific government agencies interested in securing Cu concentrate, and equipment manufacturers.

Figure 1: Life of mine operating assumptions – Similco

	Preliminary Assessment – Nov/07	Feasibility Study – July/08
Mineable Reserves* (tonnes)	180.4 million	194.6 million
Copper Head Grade (% Cu)	0.34	0.33
Copper Recovery	87%	89%
Strip Ratio	1.5	1.8
Capital Cost	C\$366 million	C\$437 million
Throughput (tonnes/day)	35,000	35,000
Total Operating Costs (\$/tonne milled)	C\$6.86	C\$7.31
Production Start	Q4/10	Q4/10
Mine Life	15 years	15 years
NPV (5%, after tax)	C\$250.9 million	C\$226.1 million
IRR	20.3%	18.8%
Copper Price	US\$1.87/lb	US\$2.13/lb

* for PA, in-pit mineral resources considered mineable reserves
Source: Copper Mountain Mining Corp.

VALUATION AND RECOMMENDATION

Our base valuation uses a long-term Cu price of US\$2.00/lb. We estimate an after-tax NPV (8%) for the Copper Mountain project of US\$153.5 million (was US\$170.0 million). Our total undiscounted NAV (8%) for Copper Mountain is US\$208.5 million (was US\$226.0 million), or US\$4.96/share. Given the positive feasibility just released by Hatch Ltd. on the Similco operation and the higher level of confidence this study provides, we have chosen to increase (reduce risk) our risk multiple to 0.55x from 0.45x. Based on these adjustments, we are increasing our 12-month target to C\$3.40 (rounded) (was C\$3.20) based on a 0.55x multiple on our 2009E NPV (8%). Now that the bankable feasibility on Similco is complete, we expect the company to engage in securing project debt. The market has been cautious in endorsing development companies prior to securing project financing. However, we believe there is a reasonable likelihood project financing will be achieved by early Q3/08. We expect the risk profile for the Copper Mountain project to improve as project financing is secured and, as such, our valuation should move closer into line with our estimated NAV (8%).

We are maintaining our SPECULATIVE BUY rating and increasing our 12-month target price to C\$3.40 (was C\$3.20) for Copper Mountain.

Figure 2: Canaccord Adam's base case assumptions

Initial capital	US\$435 million
Mine life	15.0 years
Using Cu US\$2.00/lb, Au US\$750/oz, US\$14.00/oz Ag	After Tax IRR of 15%
	After tax NPV (8%) US\$153.5 million
Sustaining capital LOM	US\$59 million
Throughput	34,900 t/d
Estimated LOM operating costs	US\$6.92/t
Estimated cash cost per lb Cu (C1)	US\$1.18/lb
LOM Strip ratio	1.74:1.00

Source: Company reports, Canaccord Adams

Figure 3: NAV

Shares out (million)	42.0*			
Cu US\$/lb	\$2.00			
Exchange C\$/US\$	0.98			
	8.00%		10.00%	
Company Properties	\$000	per share	\$000	per share
Similco	\$153,482	\$3.65	\$99,486	\$2.37
Others		\$0.00		\$0.00
Total NPV US\$	\$153,482	\$3.65	\$99,486	\$2.37
Other Assets US\$	\$25,000	\$0.60	\$25,000	\$0.60
Exploration	\$0	\$0.00	\$0	\$0.00
Working Cap US\$	\$30,000	\$0.71	\$30,000	\$0.71
Long term debt US\$	\$0	\$0.00	\$0	\$0.00
TOTAL NAV US\$ (000)	\$208,482	\$4.96	\$154,486	\$3.68
TOTAL NAV C\$ (000)	\$213,827	\$5.09	\$158,447	\$3.77
Current share C\$		\$1.52		\$1.52
Disc in price to NAV		70%		60%
Multiple to NAV		0.30		0.40

* assumed 12 months out

Source: Canaccord Adams estimates, company reports

Investment risks

The mining industry by its nature is subject to numerous risks. Investors should be aware that Copper Mountain faces many uncertainties in maintaining or advancing its current projects. While we believe Copper Mountain's current management is qualified and capable of advancing the company's business plan, there are no guarantees they will be successful.

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Site Visit: An analyst has visited Copper Mountain Mining Corp.’s material operations. Partial payment or reimbursement was received from the issuer for the related travel costs.

Price Chart:*



* Price charts assume event 1 indicates initiation of coverage or the beginning of the measurement period.

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Global Stock Ratings
(as of 4 July 2008)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	353	61.8%	38.0%
Speculative Buy	59	10.3%	61.0%
Hold	136	23.8%	24.3%
Sell	23	4.0%	13.0%
	571	100.0%	

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Company	Disclosure
Copper Mountain Mining Corp.	1A,2,7

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