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MORNING COMMENT
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PLEASE SEE IMPORTANT DISCLOSURES ON PAGES 3 AND 4.

COPPER MOUNTAIN MINING CORPORATION³ (TSX-CUM C\$1.31) MKT CAP C\$41 MM

RECOMMENDATION: SPECULATIVE BUY; TARGET: \$4.40

ANALYST: PETER CAMPBELL

Project Financing and Off-take Agreement for Copper Mountain

Today Copper Mountain has announced a Memorandum of Understanding (MOU) with Mitsubishi Metals Corporation (MMC) for project financing and off-take. **MMC has agreed to purchase a 25% equity stake in the project for \$28.75 million.** This values Copper Mountain at \$115M or \$3.64 per issued and outstanding share. **Mitsubishi also brings \$250 million of debt financing to the project** which we assume to be 100% of the debt requirement (approximately 65% of initial Capex). Terms of the debt financing are to be finalized.

For its contribution to the project, **MMC secures 100% of the concentrate off-take.** Initial smelter contract terms (TC/RC) are reported to be US\$80/tonne concentrate and 8¢ per lb Cu. This is only slightly higher than the terms assumed in the recently released feasibility study of US\$75/tonne concentrate and 7.5¢ per lb Cu. While these terms are higher than those that can currently be negotiated, concentrate will not be produced by the project until late 2010. Contract terms will be renegotiated after 5 years. On the positive side of this contract, **Copper Mountain will receive LME pricing for copper**, probably 3-month prices.

Based on the somewhat limited details available at this time, a possible financing scenario to complete the project might be as follows:

- Assume \$450 million in initial project capital (including a small amount of working capital)
- Less \$250 million in debt financing (balance to be financed = \$200 million)
- Less \$75 million in equipment financing provided by manufacturer (balance to be Financed = \$125 million)
- Less current equity already invested in the project approximately \$12 million (balance to be financed = \$113 million)
- Less 25% project equity purchased by MMC at \$29 million leaves \$84 million remaining to be equity financed

We believe that current market conditions have cast a shadow over the shares of Copper Mountain regarding project financing. This MOU with Mitsubishi is a very positive development for CUM as it significantly reduces project financing risk for this altogether low risk, high quality project.

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