

## COPPER MOUNTAIN MINING

RESOURCESTOCKS

# NEW TECHNOLOGY RESURRECTS DEAD MINE

Copper Mountain has yielded high-grade ore off and on for seven decades. Now it's poised to become a major producer again.

**C**OPPER MOUNTAIN Mining chief executive officer Jim O'Rourke always knew there was more ore buried down in the rock atop Copper Mountain.

The problem was getting to it.

In its 75-year life, the mine at the summit of a mountain 270 kilometres east of the Port Metro Vancouver has been shut down several times because low commodity prices and ancient equipment made it uneconomical.

"Well, things change," observes O'Rourke, a veteran miner, who in 40 years of mining in North and South America and Asia, has ridden a lot of commodity cycles – both up and down.

"We now have technology and methods to get that copper out and the price of copper certainly makes it worthwhile."

Indeed it does.

Discovered by a father-and-son prospecting team in the 1880s and opened in 1920, the mine has been opened and closed four times since, a victim of whipsawing commodity prices and inefficient mining processes.

When the open pit copper mine

last closed in 1996, copper was barely clinging to \$US1 a pound, making it extremely difficult not only to turn a profit, but also to replace the 20-year-old trucks and aging infrastructure in use at the mine.

Today, copper is well north of \$4/lb.

"If you had told me then that copper would ever be higher than \$4 a pound, in my wildest dreams, I wouldn't have believed you," O'Rourke said.

O'Rourke was president of Princeton Mining (the mine is only 20 kilometres from the town of Princeton, British Columbia, Canada) when the Copper Mountain open pit mine was last closed, and engineered the purchase of Similco almost a decade later.

"Even when we began plans to reopen it, we didn't think it would be much higher than \$US1.80, the price upon which we based production decisions.

"Really, what we're doing here is building a new mine on an old deposit. If we take advantage of the time, take advantage of the revenue, and do lots of exploration, the mine could be there for 20 plus years."

When he closed the mine,

O'Rourke figured he'd seen the last of his copper mining career and retired.

But as copper prices began rising in the mid-2000s the mountain started to look good again.

It wasn't long before O'Rourke's retirement ended and he formed Copper Mountain Mining to buy the old minesite and take another run at it.

After four years of preparation and the installation of modern mining equipment and methodology, the Vancouver-based junior is reinventing the property and will begin production in June 2011.

At first it will mine three existing pits, but plans to combine them into a "super pit" whose feasibility was confirmed in 2009.

That study also showed that the property had a resource of 5000 million pounds of copper as well as associated gold and silver in the mountain's porphyry deposit.

The site also possesses a strong exploration upside revealed by deep drilling.

In essence, it is loaded with enough copper to continue full production for at least 17 years and likely more after that.

Importantly, the mine requires little development, setting it apart from many other junior-held properties.

After a financing deal with Mitsubishi Materials Corp (which holds a 25% stake in the project) and a consequent \$322 million debt financing with several banks, the mine is fully financed.

This financing means a strong cashbox, and therefore no requirement for hedging, as is common with newer mine projects.

Located in the mining friendly

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**JIM O'ROURKE**  
COPPER MOUNTAIN MINING



and politically stable province of British Columbia, the mine's past operation means it is fully permitted, linked to an existing electrical grid, has an existing water supply and tailings pond, and has passed environmental surveys.

It also has in place an impact benefits agreement with the Upper Similkameen Indian Band that acknowledges and accepts the Copper Mountain project and thus removes any legal impediments to production.

Although much excitement in commodity metals rests on the thrills of exploration, old mining properties such as Copper Mountain clearly have their benefits, including allowing production to ramp up much more rapidly when prices rise.

But, although copper prices are currently much higher than the decision price, Copper Mountain isn't banking on them staying there forever.

O'Rourke has been around too long and seen too many cycles to think the current demand from Asia, and subsequent high prices, will stay that lofty forever.

That's why the company settled on a more prudent decision price of \$1.80/lb.

It is also keeping production costs low – at an estimated \$1.30/lb.

At today's prices, that's a gain of \$3/lb, or \$300 million a year in cash flow.

Of course, expenses are also much higher today, primarily for equipment, which Mr. O'Rourke freely admits was required to make reopening the mine feasible.

Copper Mountain has spent some \$85 million on the most up-to-date Komatsu equipment.

The new 10-storey tall processing mill can produce 35,000 tonnes per day of concentrate, and 108Mlb of copper per year.

In addition, Copper Mountain expects to produce 26,900 ounces of gold and 330,000oz of silver yearly.

In total, the company is planning for production of 211,189,000t over the predicted 17-year life of the new mine.

"The last mine just couldn't produce like that," O'Rourke explained.

"It was using regular dump trucks that couldn't take these kinds of loads. It also couldn't produce as much concentrate.

"Now we have much better equipment that can mine and process much more ore more quickly. That makes the project much more feasible."

While the company has prudently planned using a lower copper price, there is no denying that the increased upside provided by today's high prices make the project exciting for analysts, and subsequently, for investors.

Even before copper cracked the \$US4 mark, industry experts were lining up to trumpet the Copper Mountain story.

Jennings Capital's Peter Campbell said Copper Mountain had a large exploration upside.

"There are a number of known and yet unmined targets [in the large porphyry system] on the property," he wrote.

BMO Capital Markets' John Hayes said "the company's shares provide investors with exposure to an emerging copper producer, with production expected to commence in mid-2011".

"The company also has a strong partner in Mitsubishi Materials Corp, arranging financing and providing an offtake agreement at commercial terms."

Wellington West's Steve Parsons called Copper Mountain a "well advanced and substantially de-risked copper development story".

"We contend that Copper Mountain affords investor exposure to one of few precious large near-term copper development stories," Parsons said.

In August 2010, Haywood Capital Markets' Stefan Ioannou summed up many other analyst reports by describing the Copper Mountain project as "relatively low execution risk with full project financing in hand and construction underway".

"Unlike many of Copper Mountain's peers, the company is well positioned to achieve timely producer status with permits and financing in hand, and construction underway at the project, in our opinion significantly decreasing execution risk," Ioannou said.

After witnessing many price cycles in his career, O'Rourke remains understandably cautious about predictions for copper's price outlook, but does allow himself some excitement at the prospect of its continuance.

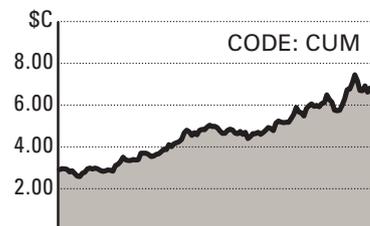
"By this summer we'll be a producing mid-tier company and there's much long-term potential shown in the most recent drilling results," he said.

"An extra \$2.50-per-pound margin on our planned 100-million-pound-per-year production provides huge upside." – **Tony Wanless**



The minesite and new mill on the summit of the mountain

## COPPER MOUNTAIN MINING AT A GLANCE



6 months ending January 28, 2011

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### MARKET CAPITALISATION

\$C615.68 million (at press time)

### QUOTED SHARES ON ISSUE

89,880,000

### MAJOR SHAREHOLDERS

RBC Asset Management 8.68%  
Fidelity Investments Canada LLC  
4.53%  
Carmignac Gestion 3.15%