

## Copper Mountain starts 2014 on a high note



COPPER MOUNTAIN MINING

Copper Mountain Mining's namesake copper mine, 20 km south of Princeton, British Columbia.

**Copper Mountain Mining** (TSX: CUM) has exited 2013 in high gear, with the December quarter marking the fifth consecutive quarter of production growth at its namesake copper-gold mine near Princeton, B.C.

The 75%-held Copper Mountain mine produced 18.6 million lb. copper, 4,300 oz. gold and 105,800 oz. silver in the three months ended Dec. 31, marking its best quarter since opening in August 2011. Mitsubishi Materials owns the remaining 25%.

"This was achieved despite a week of partial downtime in November due to a transformer failure in one of its ball mills," Raymond James analyst Adam Low wrote. He has a \$3.25 price target and an

"outperform" rating on the stock.

The strong quarter put Copper Mountain's full-year output at 66.2 million lb. copper, within its revised production guidance of 65 million to 70 million lb. copper. Copper production was up 17% over 2012's 57 million lb. The Vancouver-based firm's sole mine also produced 21,600 oz. gold and 320,400 oz. silver, compared to its forecast of 28,000 to 30,000 oz. gold and 255,000 to 275,000 oz. silver.

Copper Mountain, headed by mining veteran Jim O'Rourke, has milled 10.1 million tonnes of ore grading 0.35% copper in the past year. Throughput in September averaged 31,693 tonnes per day compared to 26,000 tonnes per day during the first half of 2013. That rate, how-

ever, declined in November due to the transformer failure. This caused the company to operate with one ball mill for part of the month. But in December throughput climbed to 32,767 tonnes per day and copper production came in at 6.8 million lb. during that month.

Copper Mountain attributes the improved operating results in 2013 to its short-term secondary crushing strategies.

"Following a full-scale test in March 2013 with 100% of the crushed ore, it was clear that design tonnage (of 35,000 tonnes per day) was achievable with finer ore," Galina Meleger, the company's corporate communications manager, said in an email. To reduce the ore size, Meleger says Copper Mountain in-

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troduced high-energy blasting in early 2013 “to improve ore fragmentation and create more fines in the feed,” and added several portable crushers.

“These current crushing strategies are short-term solutions,” she noted. “The combined target of the contractor crusher and our portable crushers is 12,000 tonnes per day of supplemental minus two-inch feed.”

The company, she says, will use these short-term strategies until it finishes building the permanent secondary crusher, slated for mid-2014. Subsequently, the permanent crusher will crush 100% of the SAG mill feed to the minus two-inch size, helping the mill reach its design capacity.

Chris Chang, an analyst at Laurentian Bank Securities, has a more conservative

estimate on when the secondary crusher will be installed. He assumes the crusher will be commissioned in early 2015 — a six-month delay to the company’s third-quarter 2014 guidance. “We believe the operation could be bottlenecked at its current quarter exit rate mill throughput level of 32,767 tonnes per day until the permanent secondary crusher is installed,” he cautioned in a note. But Chang maintains a \$3.15 price target and a “buy” on the stock.

It appears that Copper Mountain may have considered this possible delay along with other factors in its 2014 guidance of 80 million to 90 million lb. copper.

The forecast implies that the mine would need to produce 6.7 million to 7.5 million lb. copper a month, something it has already indicated that it could,

notes Raymond James’ Low. “In our view, the recent optimizations at the mine are making the low-end of that target more likely, and record monthly production of 6.8 million lb. in September and December demonstrates that it should be achievable,” he said.

The cost of the secondary crusher has been pegged at \$40 million. To fund its share of the bill, Copper Mountain closed a \$30-million equity financing last December, where it issued 17.7 million shares priced at \$1.70 apiece to a syndicate of underwriters led by National Bank Financial. Partner Mitsubishi should pitch in the remaining \$10 million.

Copper Mountain shares closed Jan. 17 at \$1.75, within a 52-week range of \$1.36 to \$3.93.