

## Copper Mountain Mining Corp. Begins Processing at 5 Billion Pound Copper Resource

Copper Mountain Mining Corporation (CUM.TO) announced on June 6 that they have begun processing ore at their Copper Mountain project in British Columbia. The 18,000 acre mine site is expected to yield approximately 1.5 billion pounds of copper, 450,000 ounces of gold, and 4.5 million ounces of silver over its lifetime, at an operating cost of approximately \$1.30 per pound of copper. The project, which is proceeding according to schedule, started processing ore in June of this year. At full production, the Copper Mountain project will be the 3rd largest copper mine in Canada and the first major copper mine to commence production in British Columbia in over a decade.



*Rod Shier, Chief Financial Officer of Copper Mountain Mining at the World Resource Investment Conference*

With a relatively low capital cost, only 100 million shares outstanding, and a large copper resource, the company appears very interesting from an investment perspective. We had the opportunity to meet with Rod Shier, Chief Financial Officer of Copper Mountain Mining Corporation, to discuss the project and its prospects.

The Copper Mountain project is an open pit copper mine in an established mining area. The first exploration of Copper Mountain was documented in 1884, and it was first mined in 1927. In 2008, the company completed a feasibility study confirming the economic feasibility of bringing the mine, which had been dormant since 1996, back into production.

### Large Porphyry Copper Mine with Gold & Silver Credits

- ❑ Production started June 2011
- ❑ Annual Production of 105 million lbs of Copper (first 12 years)
- ❑ 5 billion lbs of Copper resource with precious metal credits (NI43-101)
- ❑ Fully financed (Equity & Debt)
- ❑ Mitsubishi 25% Partners
- ❑ Aggressive ongoing Exploration
- ❑ Project located in BC, Canada



Construction began in 2010 on the new mining facility. Since that time, the company has completed construction of a new truck shop, primary crusher, and a concentrator capable of handling 35,000 pounds of copper per day.

While the mine offers a good mid-tier production profile, Shier revealed that the company believes that the project may have further upside potential. “We’ve got a 17 year life as we know it today,” Shier explained, “but if you talk to our geologists, they think we’ll be here 25-30 years. So there’s also very significant exploration upside on the property.”

In addition to the mine’s production capacity, Copper Mountain Mining Corporation has an appealing capital structure. “When the world went through the global economic crisis, we did not have to issue stock. Instead, we took debt,” reflected Shier. They took \$28.75 million in debt from their partner, Mitsubishi Materials Corporation. . “Then, when the economy recovered, we did the equity component of our financing and next raised about US \$322 million through Bank of Tokyo-Mitsubishi and from the Japan Bank for International Cooperation.” As a result of this approach, the company has an investment profile that is a 75/25 ratio of debt to equity, with only 100 million shares outstanding.

“The debt component is 12 year money at 2%, with balloon payments near the end of the 12 years. It’s very, very attractive financing,” Shier expressed, “and we’re pleased that we achieved the 75/25 ratio that we originally set out to get.”

### "Canada's Newest Major Copper Producer"

#### Moving From Concept to Reality



Copper Mountain Mining anticipates that the mine will produce about 105 million pounds of copper per year for the first 12 years. “At a copper price of \$3.50, the net present value of the company’s share of the project is over \$1 billion. With only 100 million shares outstanding, that’s over a \$10 per share value,” remarked Shier. At the writing of this article, the price of copper is approximately \$4.00, and the company’s stock is trading at \$6.95.

An unusual feature of the Copper Mountain project is that, as a previously established mining project, some infrastructure was established prior to the mine’s acquisition by Copper Mountain Mining Corporation. A paved highway to the main gate, power, and an existing water system were all in place. As a result of these advantages and the site’s compact profile, capital costs to build a new mine only costs the company about \$438 million, relatively low for a project of Copper Mountain’s magnitude.

As the company moves into production, investors can begin to consider earnings per share and cash flow per share. Copper Mountain Mining projects that they will be producing just under one pound of copper per share per year, which will contribute significantly to both cash flow and shareholder value. “We’re looking at the \$11 to \$12 area for stock price. We think shareholders are going to be very pleased over the next year with where the company goes,” reflected Shier.

As the company moves from development into production, they expect a stock re-rating to be forthcoming. In addition, Shier told us, “We’ve got continued exploration that’s been successful on this property.” As the only new copper mine going into production in North America in 2011, and one of a handful globally, Shier theorized that there is also the prospect of possible merger and acquisition activity. “There’s a lot of focus on copper mining right now,” he shared.

Even given the production value of this project, Shier believes that the real strength of Copper Mountain Mining is in its management team and leadership. “We’ve brought this project through exploration, feasibility, development, now into operation with minimal hiccups, and I think that speaks to the strength of our management team and directors.” Shier later elaborated, “We’ve proven what we can do in terms of bringing a project from concept through to reality in a very short timeframe. We’ve done that with Copper Mountain here in just over four years.”

Copper Mountain Mining Corporation’s CEO is Jim O’Rourke, a 30-year veteran of the mining industry and 2005 recipient of the Edgar A. Scholz Medal for Excellence in Mine Development in British Columbia and the Yukon. O’Rourke has brought six major mines into production around the globe. On the management side, Shier cites Peter Holbek, Vice President Exploration, whom he called “very instrumental in proving up the 5 billion pound resource on the property.” Holbek has 25 years’ experience in mineral exploration and mine development. The mine is now fully staffed with 270 people who Shier referred to as “a very seasoned group of professionals.”

Shier believes there are four primary reasons investors should consider Copper Mountain Mining Corporation stock: the company’s management caliber, the strength of their financial partner, the 5 billion pound copper resource, and the financial structure, which has minimized share dilution. He believes the financial structure is the key to their investment value. “We have only 100 million shares outstanding. That’s significantly less than any other competitor out there, and we’re unhedged. So an investor looking for copper exposure has found the right place here in Copper Mountain Mining,” Shier concluded.

**In summary**, given current valuation considerations, Copper Mountain Mining Corporation appears to be a relatively low-risk investment with considerable upside. The stock is trading at \$6.95 at the time of writing. At a current copper price of \$4.00 per pound, an operating cost of approximately \$1.30 per pound, and with less than 100 million shares outstanding, the stock price upside is very attractive.