



# MarketCap

## A Commentary on Investment in the Resource Sector

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### OUR OBJECTIVE

Our objective is to assist investors to better understand the fundamentals of investment in the resource sector. Commentary is focussed on three areas: company-specific research; interpretation of technical matters in company releases; the impact of technical issues on project valuation. We may occasionally stray into tenuously related areas, but only with the best of intentions.

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## Coppermoly Limited (ASX: COY): Interesting Times Ahead

Coppermoly is an ASX-listed exploration company focussed on copper-gold-molybdenum projects. All its projects are on New Britain Island in PNG. The Nakru, Simuku and Talelumas projects are all joint ventured with Barrick (PNG Exploration) Ltd, wherein Barrick holds 72% and Coppermoly 28%. Barrick earned its interest through exploration expenditure of \$22 million.

The Nakru copper-gold project hosts an inferred resource of 38 million tonnes at a grade of 0.82% copper, 0.29 g/t gold and 1.8 g/t silver. A Conceptual Mining Study completed in September 2012 showed Net Present Value, at a 10% discount rate, of \$291 million. That is \$81 million for Coppermoly's share. Further, there is excellent potential for the discovery of additional copper and gold at Nakru.

The Simuku copper project hosts an inferred mineral resource of 200 million tonnes at a grade of 0.36% copper, 0.06g/t gold, 2.0g/t silver and 0.006% molybdenum.

The company also holds a 100% interest in the Makmak project and in the Fullborn, Wowonga and Powell tenement applications. Makmak appears to be an iron oxide copper gold occurrence ("IOCG") comparable with the very large deposits in Northern Chile and Peru. On April 11<sup>th</sup> 2013, the company announced the re-commencement of exploration at Makmak. I would assume that results are imminent.

On 26 June 2013, the company announced that it was acquiring Barrick's interest in its projects. The deal allows

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### COLUMNISTS

#### Mark Hansen

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Mark Hansen is a director of Market Capital Group Pty Ltd. He is a geologist with over 25 years exploration and development experience. He has worked as a director of listed companies for over 20 years and also has experience both as an analyst and advisor in the securities industry.

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#### Gordon Barratt

Gordon Barratt has over 15 years' experience in the sharemarket, concentrating largely on the resource sector. Working as



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Coppermoly to acquire a 23% interest by payment of \$1 million, a further 21% by payment of a further \$1 million by 31 July 2014, and the final 28% by payment of \$3 million by 31 July 2018. Thus the total cost will be \$5 million for 72%. The board is to be congratulated for negotiating this deal, in particular the staged acquisitions.

The company has a market capitalisation of \$5 million at the current share price of \$0.03. It had around \$0.2 million in cash at 30 June 2013, after the placement referred to below. This is where it gets interesting, as one could easily wonder how the company would fund the acquisition in the current environment.

In addition to a small placement, Jelsh Holdings Pty Ltd has agreed to underwrite a rights issue to raise approximately \$2 million at a price of \$0.045 per share. This is a substantial premium to the current share price, which has hardly moved since the announcement and is now quoted Ex-entitlement.

Jelsh Holdings Pty Ltd is based in Brisbane and was formed on 21 June 2013. It has a single share on issue, held by WXH Holdings, which was registered in Hong Kong on 27 May 2013. The sole director of Jelsh is Dr Wangfu Huang.

#### Last Word

This looks to be a very good outcome for Coppermoly shareholders, and yet the share price has barely moved. This perhaps implies some scepticism by the market, probably regarding the rather mysterious underwriter. Nonetheless this company is well worth watching for future developments.

Disclosure: Market Capital holds securities in Coppermoly Ltd as at the date of publication of this article.

MARK HANSEN 04 JULY 2013 COMPANIES

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both an analyst and an adviser, Gordon has experience on both sides of the share market "fence" and hence has a broad understanding as to what makes the market tick. Gordon regularly travels to mine sites and mining conferences for a hands-on view of the mining industry.

Email Gordon Barratt

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