

31 October 2014

ASX Code: COY

## September 2014 Quarterly Activity Report

The following report details the operating and corporate activities of Coppermoly Limited (**Coppermoly or the Company**) for the 3 months ended 30 September 2014 and to the date of this report.

The Company's current exploration portfolio, all on New Britain Island, Papua New Guinea (PNG), consists of the following tenements:

PROJECT	EFFECTIVE OWNERSHIP
EL 1043 Mt Nakru (47km <sup>2</sup> )	72% Copper Quest PNG Ltd
EL 1077 Simuku (47km <sup>2</sup> )	72% Copper Quest PNG Ltd
EL 1445 Talelumas (75km <sup>2</sup> )	72% Copper Quest PNG Ltd
EL 2014 Makmak (280.1km <sup>2</sup> )	100% Copper Quest PNG Ltd
EL 1782 Powell (758km <sup>2</sup> )	100% Copper Quest PNG Ltd
EL 2272 Wowonga (30.7km <sup>2</sup> )	100% Copper Quest PNG Ltd

- *Copper Quest PNG Ltd is a 100% owned subsidiary of Coppermoly Ltd*



**Figure 1:** Coppermoly's Exploration Licences on New Britain

## SUMMARY

- Internal review of exploration prospects
- Loan Agreement and changes to the Board
- First part of second payment under Barrick Reacquisition Agreement made taking Coppermoly's interest in the West New Britain Project tenements to 72%
- Beneficial Change to Barrick Reacquisition Agreement

## EXPLORATION ACTIVITY

During the quarter the Company undertook an internal review to prioritise and determine the best use of available funds in the immediate future. The Company's most advanced project is Nakru including the Nakru 1 and the adjacent Nakru 2 prospect where drilling in 2014 intersected high grade near-surface copper mineralisation. The Company has maintained a small camp at its Nakru 2 prospect to maintain the site ready for further drilling once funds are available.

The internal review produced a short list of regional targets as candidates for our next field work, subject to a data review. These targets include Nakru 3, Nakru 4, Nakru 2 Northwest, Malolo Creek (on the Nakru tenement), Mt Misusu (on the Talelumas tenement) and Pulding (on the Makmak tenement). More detailed review and field work to further evaluate these targets will be undertaken once funds are available.

## Competent Person Statement

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The information in this report that relates to Exploration Results is based on information compiled by Mr Mike Erceg, who is a Member of the Australasian Institute of Geoscientists. Mr Erceg has sufficient experience which is relevant to the style of mineralisation under consideration and to the activities undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Erceg consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

## CORPORATE ACTIVITY

### Loan Agreement

In July 2014 the Company entered into a bridging loan with its major shareholder, Jelsh Holdings Pty Ltd, for the sum of \$500,000 (**Bridging Loan**).

The Bridging Loan has been provided on an unsecured basis and has provided Coppermoly with additional interim financing which has been used for general working capital purposes and the abovementioned review of exploration prospects.

The Bridging Loan is repayable by Coppermoly on or before 16 December 2014 and attracts interest of 6.5% per annum (subject to additional default interest applying in the event of non-repayment), and may be repaid early by Coppermoly without penalty or additional fees.

### Changes to the Board

Also in July 2014 the composition of the Company's Board of Directors (**Board**) changed.

Mr Maurice Gannon resigned from his role as Managing Director of Coppermoly and Mr Kevin Grice was appointed as a non-executive Director.

### **Election to Issue Shares under Amended Barrick Reacquisition Agreement**

In August 2014 the Coppermoly announced that it had elected to partly satisfy the second payment due to Barrick (PNG Exploration) Ltd (**Barrick**) under the agreement for the acquisition of Barrick's remaining interest in the three Exploration Licences, EL1043 – Nakru, EL 1077 – Simuku and EL 1445 – Talelumas (**West New Britain Project**) situated on New Britain Island in PNG (**Reacquisition Agreement**) (**Second Purchase Price**) by issuing 1,000,000 fully paid ordinary shares in Coppermoly (**Shares**) to Barrick (or its nominee) (**First Election**).

The Shares issued under the First Election were issued on 15 August 2014 under Coppermoly's existing ASX Listing Rules 7.1 capacity. Shareholder approval for the Shares issued will be sought at the Company's AGM on 24 November 2014.

The issue price of the Shares issued under the First Election was \$0.014, being a 10% discount to the VWAP of Coppermoly's Shares over the 30 calendar days preceding the date of the First Election (rounded down to the nearest one tenth of a cent).

After the issue of the Shares issued under the First Election Coppermoly acquired an additional 21% interest from Barrick, taking Coppermoly to a 72% interest in the West New Britain Project tenements.

### **Beneficial Change to Barrick Reacquisition Agreement**

In October 2014 the Company announced that it had renegotiated a favourable arrangement with Barrick which revises the terms of the Reacquisition Agreement for the acquisition of Barrick's remaining interest in the West New Britain Project.

The deferred balance of the second payment due to Barrick under the revised agreement is \$1,317,836 (**Deferred Amount**) and is payable in whole or part by Shares to Barrick or its nominee. This payment was due on 30 November 2014 (**Deferred Payment Date**).

Coppermoly and Barrick have now agreed to further amend the Reacquisition Agreement which provides a more beneficial outcome to Coppermoly.

The new agreement is conditional on Coppermoly raising at least \$1.5 million through the issue of equity securities and repaying the unsecured loan it received from Jelsh Holding Pty Ltd in July 2014. These conditions can only be waived by Barrick. The latest agreement also includes changes to the following items in the agreement:

1. Previously the share issue price for the Deferred Amount was at a 10% discount to the VWAP of Coppermoly's Shares over the 30 days preceding the Deferred Payment Date which is now 5 December 2014. The share issue price for the Deferred Amount will now be the same as the share issue price for the second tranche of the \$1.5 million capital raising mentioned above as a condition to the new agreement;
2. The Shares issued to Barrick, or its nominee, will be subject to an escrow period of 36 months from the Deferred Payment Date, which shall prohibit the disposal, or any other transfer, of the Shares unless such disposal occurs pursuant to the acceptance of a takeover bid from a third party for all of the Shares in Coppermoly or a merger by way of a scheme of arrangement; and
3. In the event that Coppermoly does not satisfy the Deferred Amount in full by the Deferred Payment Date Coppermoly may, within 10 Business Days after the Deferred Payment Date, satisfy the remaining Deferred Amount (**Residual Amount**) by granting Barrick an irrevocable option to call for the issue of such number of further Shares as is equal to the Residual Amount divided by the Issue Price (**Call Option**) (with no exercise price payable on the exercise of the Call Option), provided that Coppermoly not be required to issue any Shares on the exercise of the Call Option, unless such issue will not cause:
  - Barrick's and any of its associate's voting power in Coppermoly to increase to more than 20% and
  - Coppermoly to breach the ASX Listing Rules.

The final payment under the Reacquisition Agreement, when Coppermoly will acquire the final 28% interest from Barrick, taking Coppermoly to 100% interest in the West New Britain Project, is now deferred until 6 months after the commencement of commercial production at the West New Britain Project. As a concession to Barrick for allowing this extension the final payment amount is now \$4.5 million.

### **Annual Report and AGM**

During the quarter the Company also released its 2014 Annual Report. The Company's 2014 Annual General Meeting will be held on Monday 24 November 2014 at its registered office at Suite 1B 91 Upton Street, Bundall Queensland. The 2014 Annual Report and the AGM Notice of Meeting are both available on the Company's website.

### **About Coppermoly**

Coppermoly's mineral exploration activities are focused entirely on the island of New Britain in PNG where it holds six exploration licences. These licences cover copper, gold, silver, zinc, molybdenum and iron mineralisation. The six current tenements are Nakru, Simuku, Talelumas, Makmak, Powell and Wowonga.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

**COPPERMOLY LIMITED**

ABN

**54 126 490 855**

Quarter ended ("current quarter")

**30 September 2014**

#### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration & evaluation	(109)	(109)
(b) development	-	-
(c) production	-	-
(d) administration	(265)	(265)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(373)</b>	<b>(373)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchase of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net Investing Cash Flows</b>	<b>-</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(373)</b>	<b>(373)</b>

+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(373)	(373)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issue of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	500	500
1.17	Repayment of borrowings	(8)	(8)
1.18	Dividends paid	-	-
1.19	Other (provide details if material) Capital raising costs	(86)	(86)
<b>Net financing cash flows</b>		406	406
<b>Net increase (decrease) in cash held</b>		33	33
1.20	Cash at beginning of quarter/year to date	91	242
1.21	Exchange rate adjustments to item 1.20	1	1
1.22	<b>Cash at end of quarter</b>	125	276

#### Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	137
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Directors' fees and executive salaries.

#### Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows.

Coppermoly Limited issued 1,000,000 fully paid ordinary shares in Coppermoly Limited at an issue price of \$0.014 per share to the nominee of Barrick (PNG Exploration) Limited, AurionGold Limited, on 15 August 2014. The value of the Issue was \$14,000. The shares were issued to partly satisfy the second payment due under a reacquisition agreement with Barrick (PNG Exploration) Limited to acquire their interest in three PNG exploration licences - EL 1043 Nakru, EL 1077 Simuku and EL 1445 Talelumas.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest.

+ See chapter 19 for defined terms.

## Mining exploration entity and oil and gas exploration entity quarterly report

**Financing facilities available***Add notes as necessary for an understanding of the position*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	300 *
4.2 Development	-
4.3 Production	-
4.4 Administration	200
<b>Total</b>	<b>500</b>

\* subject to sufficient funding

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	125	91
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>125</b>	<b>91</b>

**Changes in interests in mining tenements and petroleum tenements**

	Tenement Reference	Nature of Interest (note(2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements and petroleum tenements acquired or increased	EL 1043 EL 1077 EL 1445 Reacquisition of 21% interest in PNG tenements Nakru, Simuku & Talelumas from Barrick (PNG Exploration) Limited.	51%	72%

+ See chapter 19 for defined terms.

**Appendix 5B**
**Mining exploration entity and oil and gas exploration entity quarterly report**
**Issued and quoted securities at end of current quarter**

Description includes rate of interest and any redemption or conversion rights together with prices and dates.


	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> (description)	Nil	Nil		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs redemptions				
7.3 <b>+Ordinary securities</b>	287,837,649	287,837,649		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	1,000,000	1,000,000		
7.5 <b>+Convertible debt securities</b> (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> (description and conversion factor)	4,308,329 3,373,008 2,000,000	Nil 3,373,008 Nil	<i>Exercise price</i> 5 cents 5 cents 5 cents	<i>Expiry date</i> 01-Jul-15 01-Jul-15 04-Feb-16
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.1 Expired/cancelled during quarter				
7.11 <b>Debentures</b> (totals only)				
7.12 <b>Unsecured notes</b> (totals only)				

+ See chapter 19 for defined terms.



## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does / ~~does not~~\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:   
 (Director/Company Secretary)

Date: October 31, 2014

Print name: Paul Schultz

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. Any entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.