

2007 PROSPECTUS

For the issue of up to 64,000,000 shares at 25 cents each to raise a total of up to \$16,000,000 with the option to accept oversubscriptions of a further 16,000,000 shares to raise a further \$4,000,000 and a maximum of \$20,000,000.

This is an important document and should be read in its entirety. If you do not know what to do, you should consult your professional adviser. You should regard an investment in the Shares offered by this Prospectus as a speculative investment.

SPONSORING BROKER &
JOINT FINANCIAL ADVISER

Novus
Capital

Novus Capital

ABN 32 006 711 995 | AFS Licence No. 238 168

EUROPEAN BROKER

VSA
Capital

VSA Capital Ltd



COPPERMOLY
Limited ACN 126 490 855

JOINT FINANCIAL ADVISER

sPs

South Pacific Securities
CORPORATE ADVISORS

South Pacific Securities Pty Ltd

ABN 75 002 213 783 | AFS Licence 252984

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IMPORTANT INFORMATION

This Prospectus has been Lodged with ASIC

This Prospectus is dated 25 October 2007 and was lodged with ASIC on that date.

Neither ASIC nor ASX take any responsibility for the content of this Prospectus or the merits of the investment to which this Prospectus relates.

Expiry of this Prospectus

This Prospectus will expire at 5.00pm on 24 November 2008 (**Expiry Date**). No shares will be issued on the basis of this Prospectus after the Expiry Date.

Distribution of this Prospectus

This Prospectus is intended for distribution (electronically or otherwise) only within Australia and to those persons outside Australia to whom it is lawful to distribute this Prospectus. It is intended that this Prospectus will be distributed by the Company's European brokers to professional and institutional investors in the United Kingdom as described in Section 1 of this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No offer or invitation is made by this Prospectus, directly or indirectly to any person, in any other jurisdiction if the offer or invitation would breach the applicable laws in that jurisdiction or require the Prospectus or any other documents to be lodged or registered.

Returns are not guaranteed

The Directors of and advisers to the Company do not guarantee the success of the Company, the repayment of capital, the payment of dividends or the price at which Shares will trade on ASX.

This Prospectus contains general information only

This Prospectus contains general information only. Nothing in it constitutes advice. Its purpose is to enable you to decide whether or not to invest in the Company. It does not take into account your particular needs,

objectives, financial circumstances or investment preferences. You should consider whether the information in this Prospectus is appropriate for you in light of your needs, objectives, financial circumstances and investment preferences, and should seek your own financial advice from an Australian financial services licensee before deciding whether to invest. In particular, it is important that you consider the risk factors that could affect the financial performance of the Company. Some of the risk factors that you should consider are set out in section 4.

This Prospectus is the only source of authorised information about the company

The Company has not authorised any person to make any representation or otherwise provide any information in respect of the Offer that is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by the Company in respect of the Offer.

This Prospectus and the exposure period

This Prospectus will be made generally available to Australian residents during the Exposure Period by being posted on the Company's website at www.coppermoly.com.au. The purpose of the Exposure Period is to enable examination of the Prospectus by market participants prior to the raising of funds. Applications under this Prospectus received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period and they will be treated as having been simultaneously received on the Opening Date. A free print version of this Prospectus is available upon request during the Exposure Period.

Electronic Prospectus

An electronic version of this Prospectus can be obtained from the Company's website at www.coppermoly.com.au or from Novus Capital's website www.novuscapital.com.au. If you download or receive an electronic version, make sure that you have received both a complete Prospectus and Application Form. You can obtain a print version free of charge

by sending an email request to Novus at mail@novuscapital.com.au. The Company considers it unlikely that the electronic version of the Prospectus will be tampered with or altered in any way. However, the Company cannot guarantee that this will not occur. Coppermoly suggests that you request a paper copy of the Prospectus directly from the Company or Novus Capital if you are concerned about the integrity of an electronic version.

Speculative investment

There are risks associated with an investment in Coppermoly. You should regard an investment in the Shares offered under this Prospectus as a speculative investment. The Company is involved in mineral exploration which is highly speculative in nature. Accordingly, there are significant risks associated with investing in the Company. Potential investors should take these factors into account and consider whether this is an appropriate investment in view of their personal circumstances.

Amounts in Australian dollars

All dollar amounts in this Prospectus are in Australian dollars unless otherwise stated.

Applications

The Application Form included in this Prospectus may only be distributed if it is included in, or accompanied by, a complete unaltered copy of this Prospectus. Applications under the Offer must be made by completing an Application Form and submitting it in accordance with the instructions set out at Section 1.0 of this Prospectus. The Company will not accept any completed Application Forms if it has reason to believe that the Application Form lodged by an Applicant, was not accompanied by, or attached to this Prospectus, or if it has any reason to believe that the Application Form has been altered or tampered with in any way.

Glossary

Certain terms and abbreviations used in this Prospectus have defined meanings. These definitions are set out in the Glossary at the end of this Prospectus. A Glossary of Technical Terms may be found in the Independent Geologists Report included at Section 6.0 of this Prospectus.

CORPORATE DIRECTORY

Directors

Mr Bob McNeil

Non-Executive Chairman

Mr Peter Swiridiuk

Managing Director

Mr Doug Hutchison

Chief Operating Officer

Mr Dal Brynelsen

Non-Executive Director

Mr Peter McNeil

Non-Executive Director

Company Secretary

Mr Garry Edwards

Principal Place of Business

Level 1, 94 Bundall Rd

Bundall QLD 4217 Australia

Telephone: +61 7 5592 2274

Facsimilie: +61 7 5592 2275

Email: info@coppermoly.com.au

Web: www.coppermoly.com.au

Share Registry

Registries Limited

Level 2, 28 Margaret Street

Sydney NSW 2000 Australia

Telephone: +61 2 9290 9600

Facsimilie: +61 2 9279 0664

Email: registries@registriesltd.com.au

Web: www.registriesltd.com.au

Stock Exchange Listing

Australian Stock Exchange

Proposed ASX Code: COY

Sponsoring Broker

Novus Capital Limited

Level 24, Royal Exchange Building

56 Pitt Street

SYDNEY NSW 2000

Telephone: +61 2 9375 0100

Facsimilie: +61 2 9247 4844

Email: mail@novuscapital.com.au

Website: www.novuscapital.com.au

European Broker

VSA Capital Ltd

No. 43 London Wall

London EC2M 5TF

Telephone: +44 (0)20 7628 3989

Facsimilie: +44 (0)20 7920 0563

Email: mail@vsacapital.com

Website: www.vsacapital.com

Joint Financial Advisers

Novus Capital Limited

Level 24, Royal Exchange Building

56 Pitt Street

SYDNEY NSW 2000

South Pacific Securities Pty Limited

Level 24, Royal Exchange Building

56 Pitt Street

SYDNEY NSW 2000

Solicitor to the Offer

Hynes Lawyers

178 Montpelier Road

Brisbane QLD 4217 Australia

Telephone: +61 7 3828 5555

Facsimilie: +61 7 3257 2215

Email: info@hyneslawyers.com.au

Web: www.hyneslawyers.com.au

Independent Geologist

Project Geoscience Pty Ltd

(A.B.N) 89 002 280 266

Ralph Stagg

5 Creek Street, Forest Lodge

NSW 2037 Australia

Telephone +61 2 9660 5650

Facsimilie +61 2 9566 4927

Email: progeo@bigpond.net

Auditor

BDO Kendalls

Level 18, 300 Queen Street

Brisbane QLD 4000

Telephone: +61 2 3237 5999

Facsimilie: +61 7 3221 9227

Accountant

RDG Accountants & Advisors

Kevin Rogers

Ground Floor, 10 Cloyne Road

Southport QLD 4215

Telephone: +61 7 5531 1288

Facsimilie: +61 7 5531 4844

INVESTMENT HIGHLIGHTS

Coppermoly Limited is a newly formed copper-gold explorer that was established to evaluate advanced porphyry copper-molybdenum-gold projects in Papua New Guinea.

Highly prospective tenements

Coppermoly has acquired two advanced exploration tenements, named Simuku and Nakru, on the island of New Britain in Papua New Guinea. The islands of New Guinea have a relative abundance of large copper-gold-(molybdenum) deposits including Ertsberg/Grassberg, Ok Tedi, Freida River, Porgera, Yandera, Lihir and Panguna.

The Simuku and Nakru projects are easily accessed and are highly prospective for large, porphyry-style, copper-molybdenum-gold deposits.

Exploration well advanced

The properties offer:

- three large mineralised systems already defined, related to quartz diorite intrusions;
- exploration is well advanced with numerous trench and drill intersections of significant grade copper and/or gold, including the following drill intersections:

Simuku	Nakru
63m at 0.52% Cu and 0.12g/t Au	94m at 0.43% Cu and 0.46g/t Au
77m at 0.49% Cu and 0.11g/t Au	205m at 0.40% Cu incl
58m at 0.53% Cu and 0.10g/t Au	74m at 0.78% Cu
7m at 0.61% Mo	44m at 0.85% Cu (Plesyumi)

- evidence for copper grade enhancement through secondary enrichment;
- significant molybdenum mineralisation on the Simuku property with potential for high grade molybdenum deposits;
- numerous targets ready for immediate drill testing; and
- potential for a JORC compliant resource within 2 years.

Potential for large deposits

Porphyry deposits are large systems typically extending vertically for several hundred metres. Neither of Coppermoly's properties has been extensively drill-tested at depth - only two holes are deeper than 200m - and the Directors believe there is significant potential for the discovery of large deposits at depth and adjacent to the known mineralization.

Availability of Geological Data

A very large geological and mineral database is available for the Simuku and Nakru properties. The database has been compiled from government survey and open file company reports, and includes data not in the public domain but available to Coppermoly.

Accessibility and proximity to infrastructure

The Simuku and Nakru properties are both well located near the town of Kimbe and close to essential infrastructure including roads, an airfield and a deep water port. This should result in lower exploration and development costs.

Board and management team with a wealth of experience

The Company has assembled a quality Board and management team highly experienced in exploration projects in Papua New Guinea. Their experience encompasses most aspects of resource exploration, evaluation and development.

Risks

There are risks associated with investing in Coppermoly. Coppermoly is a minerals exploration company. Minerals exploration is inherently risky and uncertain.

You should regard an investment in Coppermoly as speculative.

A further explanation of risks is set out in Section 4 of this Prospectus.

CHAIRMAN'S LETTER

25th October 2007

Dear Investor,

On behalf of my fellow Directors, it is my pleasure to offer you the opportunity of becoming a Shareholder in Coppermoly Limited (the Company or Coppermoly). Coppermoly is a mineral exploration company with copper, molybdenum and gold tenements located on the island of New Britain in Papua New Guinea (PNG).

The purpose of the Offer is to raise up to \$20,000,000 by the issue of 80,000,000 shares at 0.25 cents each. These funds will be used to fund a continuing exploration programme on the Company's PNG tenements with the aim of defining a JORC compliant resource within two years. The projects will be acquired from Canadian-listed New Guinea Gold Corporation.

We believe that this is an exceptional opportunity to become involved in potentially very significant copper/molybdenum/gold projects located close to essential infrastructure for exploration and mine development.

Why do we believe this is an excellent investment opportunity? Let me outline briefly some of the salient points.

- PNG is known to contain major copper/gold and copper/molybdenum deposits such as the Ok Tedi mine, the former Panguna mine, and the Yandera, Frieda River and Kodu deposits. The country hosts very large orebodies, which means Coppermoly is exploring in the right geological environment.
- Coppermoly has an agreement to acquire two exploration tenements that provide title over three separate porphyry systems, namely Simuku, Nakru and Plesyumi, in New Britain. The prospects were first discovered in the 1960's and 1970's but low metal prices during the ensuing two decades discouraged their detailed evaluation. All three systems are prospective for copper/gold or copper/molybdenum deposits, and Simuku is also prospective for high grade molybdenum deposits.

- These projects are not grassroots. Much surface exploration, including some 54 drill holes and approximately 40km of bulldozer trenching, has already been completed, and widespread copper/gold mineralisation has been defined over at least 3 to 5 sq km at each prospect, including the following drill intersections:

Simuku

63m at 0.52% Cu and 0.12g/t Au
77m at 0.49% Cu and 0.11g/t Au
58m at 0.53% Cu and 0.10g/t Au
7m at 0.61% Mo

Nakru

94m at 0.43% Cu and 0.46g/t Au
205m at 0.40% Cu incl
74m at 0.78% Cu
44m at 0.85% Cu (Plesyumi)

- With most necessary surface exploration already completed, Coppermoly's objective is to define, over the next 2 years, JORC compliant resources with grades greater than 0.5% copper equivalent, and to advance at least one prospect to the pre-feasibility stage.
- The projects are comparatively well situated for development, with nearby road access and access to the deep water port and existing infrastructure of Kimbe (capital of West New Britain Province). The logistics are relatively easy compared to other similar deposits in PNG.
- With the present copper, molybdenum and gold prices, three to eight times higher than in the 1990's, the properties are now very attractive for sustained exploration and mine development. With low worldwide inventories for copper and molybdenum, sustained demand from China and India, we believe that metal prices will remain high and attractive for the foreseeable future.

- The Board and Management of Coppermoly has very extensive experience in PNG and brings together an excellent combination of corporate, financial and technical expertise, ensuring sound management in future development.

On behalf of the Directors, I commend this Offer to you and recommend that you study this Prospectus carefully. I look forward to you participating in this Offer as a Shareholder.

Yours sincerely,



Robert D McNeil
Chairman

“ We believe that this is an exceptional opportunity to become involved in potentially very significant copper/molybdenum/gold projects located close to essential infrastructure for exploration and mine development. ”

1.0 DETAILS OF THE OFFER

1.1 The Offer

This Prospectus invites investors to apply for up to a total of 64,000,000 Shares at an issue price of 25 cents per Share to raise up to \$16,000,000. All Shares issued pursuant to this Prospectus will be issued as fully paid and will rank equally in all respects with the Shares already on issue.

Applications must be for a minimum of 10,000 Shares (\$2,500) and thereafter in multiples of 2,000 Shares (\$500), and can only be made by completing the Application Form attached to this Prospectus.

The Company reserves the right to reject any Application or to allocate an Applicant fewer Shares than the number for which the Applicant applied.

1.2 Over Subscriptions

The Company may accept oversubscriptions of up to \$4,000,000 through the issue of up to a further 16,000,000 Shares at an issue price of 25 cents per Share.

The maximum amount which may be raised under this Prospectus is \$20,000,000.

1.3 Minimum Subscription

The minimum subscription to the Offer is \$8,000,000 through the issue of 32,000,000 Shares.

Coppermoly will not issue any Shares under this Prospectus until the minimum subscription is reached.

If the minimum subscription has not been raised within 4 months after the date of this Prospectus, Coppermoly will not issue any Shares and will refund all Application Money (without interest) to Applicants within 7 days of that date.

1.4 Pro-Forma Capital Structure

The pro-forma capital structure of Coppermoly under each of the minimum, full and maximum subscription scenarios under the Offer is summarised in the table below:

	Minimum Subscription (\$8,000,000)	%	Full Subscription (\$16,000,000)	%	Maximum Subscription (\$20,000,000)	%
Shares on issue pre Offer (vendors/founders & seed investors)	50,000,000	61	50,000,000	44	50,000,000	38
Shares offered for subscription	32,000,000	39	64,000,000	56	80,000,000	62
Issued capital on completion of the Offer	82,000,000	100	114,000,000	100	130,000,000	100
Total market capitalisation at issue price	\$20,500,000		\$28,500,000		\$32,500,000	

1.5 Indicative Timetable

Prospectus Lodged with ASIC	25 October 2007
Offer Opening Date	12 November 2007
Offer Closing Date	7 December 2007
Expected Share allotment date	13 December 2007
Dispatch of Statements of Shareholdings	14 December 2007
Quotation of Shares on ASX expected to commence	19 December 2007

These dates are indicative only and may vary. Coppermoly reserves the right to close the Offer early, or extend the Closing Date without prior notice. Applicants are encouraged to submit Applications as soon as possible after the Opening Date.

1.6 Proposed Entitlements Options Issue

The Company proposes to make an entitlements issue of Options approximately 3 months after the commencement of trading of the Company's Shares on ASX. Shareholders registered on the applicable record date will be invited to subscribe for Options on the basis of 1 Option for every 4 Shares held. The Options will have an issue price of 1 cent each and an exercise price of 30 cents each and an expiry date of 30 April 2011. The terms and conditions of the Options are summarised in Section 5 of this Prospectus.

1.7 Purpose of the Offer

The net proceeds from the Offer will be used to evaluate and develop the Tenements and as working capital to fund the administration costs of the Company.

The proposed work programs and budgets for exploration and evaluation of the Company's tenements are detailed in Section 1.8 below. A further breakdown of the indicative exploration expenditure is included at Section 2.8 of this Prospectus.

The work programs that the Company currently proposes to undertake principally comprise:

1. Resource drilling at the Simuku property aimed at defining a resource and taking the project to pre-feasibility stage.
2. At the Nakru property, step out and deep drilling will be undertaken at Nakru 1 Prospect. At Nakru 2, 3 and 4 Prospects, additional surface work, including geochemistry, geological mapping and trenching will be undertaken, followed by initial drill testing.
3. At the Plesyumi Prospect, in the Mt Nakru tenement, a detailed review of all historical data dating from the 1960-70s will be undertaken before planning the initial work program.

1.8 Proposed Use of Funds

In the two years after listing on ASX, the Company proposes to apply the funds raised from the Offer as follows:

Use of Funds	Minimum Subscription \$	Full Subscription \$	Maximum Subscription \$
Pre-Offer cash	500,000	500,000	500,000
Total raised in the Offer	8,000,000	16,000,000	20,000,000
Total Funds Available	8,500,000	16,500,000	20,500,000
Exploration year 1 – Simuku Project	2,244,000	4,290,000	5,027,000
Exploration year 1 – Nakru Project	539,000	2,266,000	3,080,000
Exploration year 2 – Simuku Project	2,497,000	4,840,000	6,314,000
Exploration year 2 – Nakru Project	872,300	2,046,000	2,750,000
New project generation and acquisition	81,000	190,000	221,000
Expenses of the Offer, including broker fees	1,040,000	1,530,000	1,770,000
Administration and compliance costs	1,226,700	1,338,000	1,338,000
Working capital	0	0	0
Total Funds Applied	8,500,000	16,500,000	20,500,000

Notes:

1. Exploration expenditures will be reviewed on an on-going basis, depending upon the nature of results forthcoming from the respective work programs.
2. If more than the minimum subscription and less than the maximum subscription is raised, the Company intends to allocate the funds primarily towards evaluation and exploration.
3. The above table represents statements of the intended use of the funds raised by the Company as at the date of this Prospectus. However, it must be recognised that all exploration budgets may change as the conducted programs provide encouragement or disappointment and new opportunities may be identified elsewhere.
4. Further, it is the Company's intention to increase and accelerate its exploration and drilling programs to achieve results as soon as practicable and, subject to encouraging results being obtained, to delineate resources.

The Tenement exploration budgets set out in the table above are presented in summary form. A more detailed breakdown of the exploration budgets is included at Section 2.8 of this Prospectus.

Following the completion of the Offer, the Company will have sufficient working capital to carry out its stated objectives.

1.9 Underwriting

The Offer is not underwritten.

1.10 Risks

An investment in Shares under this Prospectus should be considered as speculative because of the inherent risks in mineral exploration. A summary of some of the risk factors is set out in Section 4 of this Prospectus. Before submitting an Application, a potential investor should read this Prospectus in full and consult the investor's professional adviser if the investor requires further information on the risks associated with investing in Coppermoly.

1.11 Brokerage & Handling Fees

The Company has an agreement with Novus Capital Limited to act as Sponsoring Broker to the Offer. Full details of the agreement between Novus and the Company are summarised in Section 5 of this Prospectus.

Brokerage and / or handling fees on Applications for Shares will be payable to member firms of ASX or licensed investment advisers on such Application Forms bearing their stamp and accepted by the Company. Any such brokerage or handling fees will be paid by Novus out of its brokerage fee.

The Company also has an agreement with VSA Capital Ltd (**VSA**) to assist with raising funds in the United Kingdom and Europe. Full details of the agreement between VSA and the Company are summarised in Section 5.6 of this Prospectus.

The Company is required to pay VSA brokerage and / or handling fees on Applications procured by VSA. Details are specified in Section 5.6 of this Prospectus.

1.12 Allotment of Shares and Allocation Policy

Subject to ASX granting approval for the Company to be admitted to the Official List, the allotment of Shares to Applicants will occur as soon as practicable after the Offer is closed, following which statements of Shareholdings will be dispatched. It is the responsibility of Applicants to determine their allocation prior to trading in Shares. Applicants who sell Shares before they receive their holding statements will do so at their own risk.

Pending the issue of the Shares, or return of the Application Money, the Application Money will be held in trust for the Applicants.

An Application constitutes an irrevocable offer to acquire Shares on the terms and conditions as set out in this Prospectus. The Directors will at all times have absolute discretion with respect to the acceptance of any Application.

The Directors have the right to allocate Shares in their absolute discretion. The Company may reject any Application or allocate an Applicant fewer Shares than the number for which the Applicant applied under the Offer.

If the Company does not accept an Application, or accepts an Application in part only, the Company will refund the relevant part of the Application Money. The Company will not pay interest on Application Money that it refunds.

1.13 ASX Listing

The Company will apply to the ASX within 7 days after the date of this Prospectus for admission to the Official List of ASX and for quotation of the Shares offered under this Prospectus (apart from any Shares that may be designated by ASX as restricted securities).

If approval for Quotation is not granted within 3 months after the date of this Prospectus, the Company will not allot or issue any Shares, and will repay all Application Money without interest as soon as practicable.

Quotation of the Shares (if allotted) under this Prospectus will commence as soon as practicable after the issue of Holding Statements to successful Applicants. If Coppermoly is admitted to the Official List, it is anticipated that the Shares will trade under the ASX code "COY".

ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may admit the Company to its Official List is not to be taken in any way as an indication of the merits of the Company or the Shares offered pursuant to this Prospectus.

1.14 Chess

The Company will apply to participate in the Clearing House Electronic Subregister System (**CHESS**), operated by ASX Settlement and Transfer Corporation Pty Ltd (**ASTC**) (a wholly owned subsidiary of ASX), in accordance with the Listing Rules and ASTC Settlement Rules. On admission to CHESS, the Company will operate an electronic issuer-sponsored subregister and an electronic CHESS subregister. The two subregisters together will make up the Company's principal register of securities.

Under CHESS, the Company will not issue certificates to Shareholders. Instead, the Company will provide Shareholders with a holding statement (similar to a bank account statement) that sets out the number of Shares allotted to that Shareholder under this Prospectus.

This statement will also advise investors of either their Holder Identification Number (**HIN**) in the case of a holding on the CHESS sub-register, or Securityholder Reference Number (**SRN**) in the case of a holding on the issuer-sponsored sub-register.

A statement will be routinely sent to holders at the end of any calendar month during which their holding changes. A holder may request a statement at any other time however a charge may be incurred for additional statements.

1.15 Enquiries in Relation to the Offer

This Prospectus provides information for potential investors in Coppermoly, and should be read in its entirety. **If, after reading this Prospectus, you have any questions about any aspect of an investment in Coppermoly, please contact your stockbroker, accountant or independent financial adviser.** Additional copies of the Prospectus or further advice on how to complete the Application Form can be obtained by contacting or visiting:

Novus Capital Limited

Level 24, Royal Exchange Building
Sydney NSW 2000 Australia
Phone: (02) 9375 0100
Fax: (02) 9247 4844
Email: mail@novuscapital.com.au
Website: www.novuscapital.com.au

Coppermoly Limited

Level 1, 94 Bundall Rd
Bundall QLD 4217 Australia
Phone (07) 5592 2274
Fax (07) 5592 2275
Email: info@coppermoly.com.au
Website: www.coppermoly.com.au

1.16 How to Apply

Applications for Shares under the Offer can only be made on the Application Form attached to this Prospectus.

The Application Form must be completed in accordance with the instructions set out on the back of each Application Form. **Completed Application Forms and accompanying cheques should, at any time after the Opening Date, be:**

Posted to:

Coppermoly Limited
C/- Novus Capital Limited
PO Box R1 464
Royal Exchange NSW 1225
AUSTRALIA

OR

Delivered to:

Coppermoly Limited
C/- Novus Capital Limited
Level 24, Royal Exchange Building
56 Pitt Street
Sydney NSW 2000
AUSTRALIA

Cheques must be made payable to "Coppermoly Limited – Share Offer" and crossed "Not Negotiable".

Applications must be for a minimum of 10,000 Shares (\$2,500) and thereafter in multiples of 2,000 Shares (\$500) at the issue price of 25 cents per Share.

1.17 Applicants Resident in the UK and Europe

This Offer is also open to acceptance to those classes of Applicants described below (**Eligible UK Investors**), who are resident in the United Kingdom (**UK**) and to institutional or professional investors resident in Europe to whom it is lawful to make the Offer.

In addition to seeking Applications under this Prospectus from Australian resident investors, the Company has engaged VSA Capital Ltd (**VSA**) on a best endeavours basis, to procure applications for up to 40 million Shares to raise up to a maximum of \$10 million from Qualified Investors resident in the UK and other institutional and professional investors resident in Europe to whom it is lawful to make the Offer.

This Prospectus will not be lodged in the UK or Europe or issued in the UK to persons other than Qualified Investors or issued in Europe to persons to whom it would not be lawful to make the Offer. The Offer to Eligible UK Investors is an exempt offer within the meaning of the *Financial Services and Markets Act 2000 (UK) (FSMA)* and there is no requirement for this Prospectus to be issued in that jurisdiction in connection with the Offer. VSA is authorised under the FSMA to carry out the offering to Eligible UK Investors and may distribute this Prospectus in order to promote the Offer to Eligible UK Investors which it identifies as falling within any of the following classes of investor:

- Investment Professionals;
- High Net Worth Individuals;
- High Net Worth Companies; and
- Sophisticated Investors.

An Eligible UK Investor who wishes to take up the Offer must complete and submit an Application Form.

1.18 Applicants outside Australia

This Prospectus does not constitute an offer of securities in any jurisdiction where, or to any person to whom, it would not be lawful to issue the Prospectus or make the Offer. It is the responsibility of any Applicant who is resident outside Australia to ensure compliance with all laws of any country relevant to their Application, and any such Applicant should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed to enable them to apply for and be allotted Shares.

No action has been taken to register or qualify the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

1.19 Escrow Provisions

ASX may, as a condition of granting Coppermoly's application for Official Quotation of its Shares, classify all or some of the existing Shares in Coppermoly as restricted securities. If so, these restricted securities will not be officially quoted during the escrow period. In addition, prior to Official Quotation of the non-restricted Shares, the holders of the restricted shares will be required to enter into restriction agreements with Coppermoly in accordance with the Listing Rules.

The Directors expect that the restriction agreements will prohibit the transfer of effective ownership or control of:

- (a) all of the Shares held by NGG Canada and Kanon Canada from 24 months from the date of quotation; and
- (b) some or all of the Shares (based on the application of the cash formula described in the Listing Rules – the Company expects this will result in 80% of these Shares being restricted) held by:
 - (i) related parties of the Company for 24 months from the date of quotation; and
 - (ii) other existing shareholders for 12 months from the date of issue of those Shares.

The application of the escrow provisions of the Listing Rules is a matter for ASX to determine. ASX may impose restrictions on Shares different to the restrictions anticipated by the Company as described above.

1.20 Forward-Looking Statements

Coppermoly is predominantly a copper exploration company. Given the speculative nature of exploration, there are significant uncertainties associated with forecasting future revenue. On this basis, the Directors believe that reliable forecasts cannot be prepared and accordingly have not included forecasts in this Prospectus.

Notwithstanding the above, this Prospectus includes, or may include, forward-looking statements including, without limitation, forward-looking statements regarding the Company's financial position, business strategy, and plans and objectives for its projects and future operations (including development plans and objectives), which have been based on the Company's current expectations about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future.

Matters not yet known to the Company or not currently considered material to the Company may impact on these forward-looking statements. The statements reflect views held only as at the date of this Prospectus. In light of these risks, uncertainties and assumptions, the forward-looking statements discussed in this Prospectus might not occur. Investors are therefore cautioned not to place undue reliance on these statements.

2.0 COMPANY OVERVIEW & PROJECT PORTFOLIO

2.1 Company History

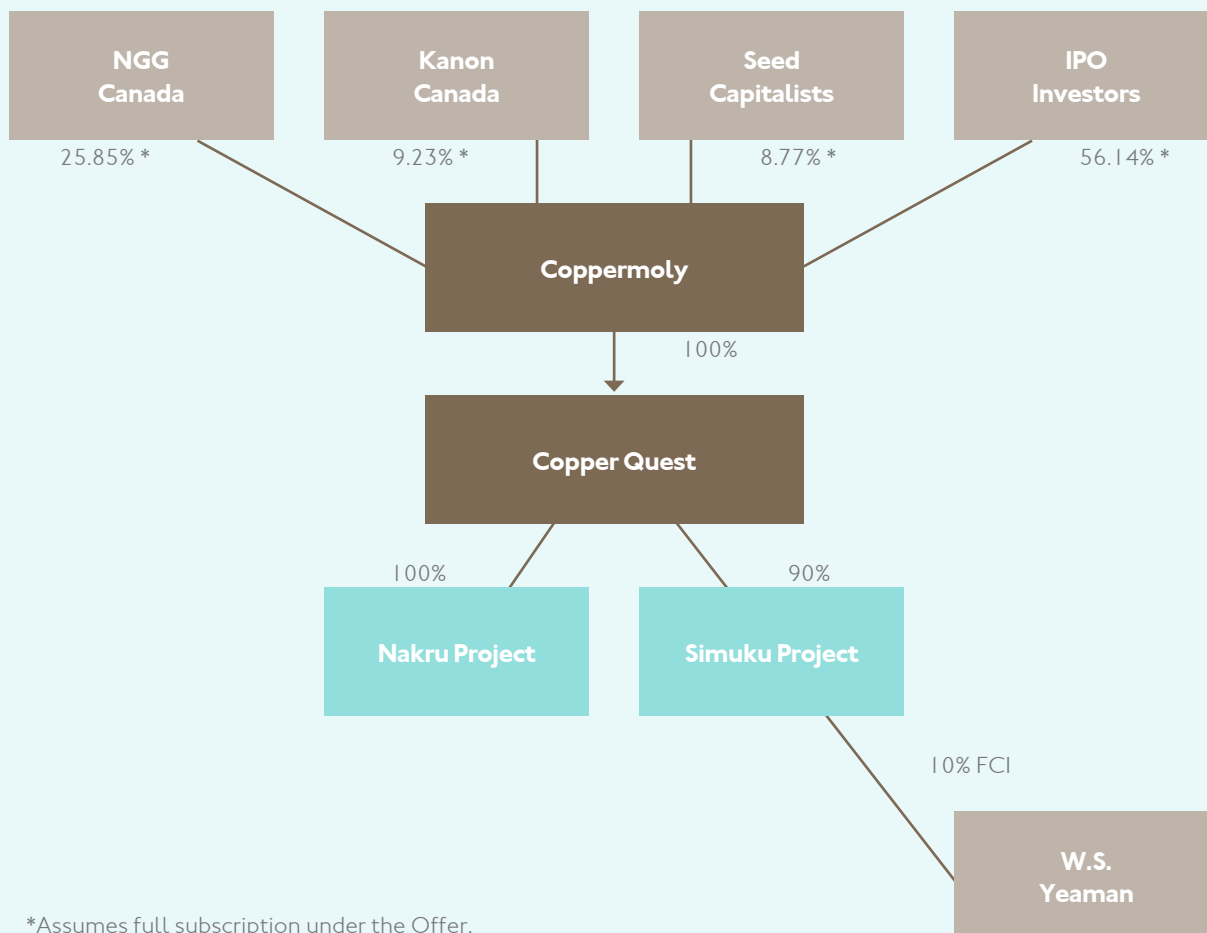
Coppermoly was incorporated on 27 July 2007 to explore for, evaluate, develop and mine copper and molybdenum mineral resources in Papua New Guinea (or PNG) on properties acquired from Canadian-listed New Guinea Gold Corporation (or **NGG Canada**). NGG Canada is listed on the TSX-V and has been exploring for gold and copper in PNG since 1996, through its wholly-owned subsidiary New Guinea Gold Limited (or **NGG PNG**) and partly-owned Pacific Kanon Gold Corp (or Kanon Canada), an unlisted Canadian public company.

NGG Canada had interests in a large suite of tenements in PNG including two properties, Simuku and Nakru, which are prospective for copper deposits. Until recently the Nakru property was subject to a 50/50 joint venture between NGG PNG and Kanon Canada. Being primarily a gold-focussed explorer, the directors of NGG Canada decided in late 2006 to undergo a

reorganisation, including moving its copper properties into a separate, listed company to enable funds to be raised to realise the full value of these assets.

The reorganisation involved NGG Canada setting up a new PNG subsidiary company, Copper Quest PNG Limited (Copper Quest), to hold title to the copper tenements. The companies have entered into an agreement for Coppermoly to acquire all of the issued share capital of Copper Quest from NGG Canada and for Copper Quest, in turn, to acquire ownership of the two exploration tenements (Simuku and Nakru) from NGG PNG and its joint venture partner, Kanon Canada. As part of the acquisition, Kanon Canada has agreed to terminate the Nakru joint venture in return for equity in Coppermoly. Details of the agreement by which Coppermoly has agreed to acquire the Tenements are set out in section 5.4 of this Prospectus. The final corporate structure is illustrated in Chart 1 below.

Chart 1: Corporate Structure



2.2 Tenement Details

The two Tenements acquired by Coppermoly's subsidiary Copper Quest are known as the Nakru Tenement (EL 1043) and the Simuku Tenement (EL 1077). The Tenements total 95.67 sq km in area and are located in West New Britain Province, Papua New Guinea.

Copper Quest will also hold the title of ELA 1445, Talelumas, a new tenement application that surrounds the Simuku Tenement.

Tenement details are set out at Table 1 below.

Table 1: Coppermoly Property Information

Property	Title	Area Sub-blocks	Grant Date	Renewal Date	Status	Owner	Interest
Simuku	EL1077 Simuku	14	29/11/93	28/11/2007	Renewal application is currently pending	Copper Quest*	90%
Talelumas	ELA1445 Talelumas	22	N/A	N/A	Applied for on 11/09/2006	Copper Quest*	100%
Mt Nakru	EL 1043	14	8/12/92	7/12/2006	Renewal application currently pending	Copper Quest*	100%

* Note, Copper Quest has agreed to acquire these tenements, but at the date of this Prospectus NGG PNG is the registered holder of these tenements.

The Tenements enclose three separate, large, porphyry systems on which extensive bulldozer trenching and/or drill testing has been completed. A considerable amount has been spent on the properties by NGG PNG and earlier tenement holders. Both Tenements are considered by the Directors to be highly prospective for copper, molybdenum and gold deposits. Further details in respect of the Tenements are given in the Independent Geologist's Report at Section 6 of this Prospectus.

The Company intends to apply initial funds raised to develop at least one of the porphyry copper-molybdenum-gold deposits to pre-feasibility stage within two years. Additional funds will be required to complete pre-feasibility and full feasibility studies.

2.3 Papua New Guinea

Papua New Guinea is located on a major tectonic boundary between the Pacific and Australian crustal plates. The country is a heavily mineralized region with a relative abundance of large copper-gold and gold deposits, including at Ok Tedi, Porgera, Frieda, Yandera, Lihir and Panguna (Figure 1), yet it remains comparatively under-explored. Currently there are five major operating mines in Papua New Guinea and several projects at the feasibility stage or development stage. There are also intensive exploration activities being undertaken in the country.

Papua New Guinea's long history of mining and exploration, commencing with development of the famous Wau-Bulolo goldfield in the 1930's, has resulted in a very extensive geological database, the development of a significant mining services sector, and a substantial pool of highly experienced, English-speaking, mining professionals.

The Papua New Guinea Government strongly supports foreign investment in the minerals sector. Minerals are owned by the State.

Taxation and Royalties

The corporate tax rate applicable to mining is 30% and there is a dividend withholding tax of 10% payable on dividends paid out of mining income.

A royalty is payable on all mined products to the Government of Papua New Guinea at the rate of 1.25% of:

- free-on-board revenue applicable to deliveries of mine products by the company where the mine products are directly or indirectly for export from PNG; and
- the net smelter returns applicable to deliveries of mine products where the mine products are smelted, or smelted and refined in PNG.

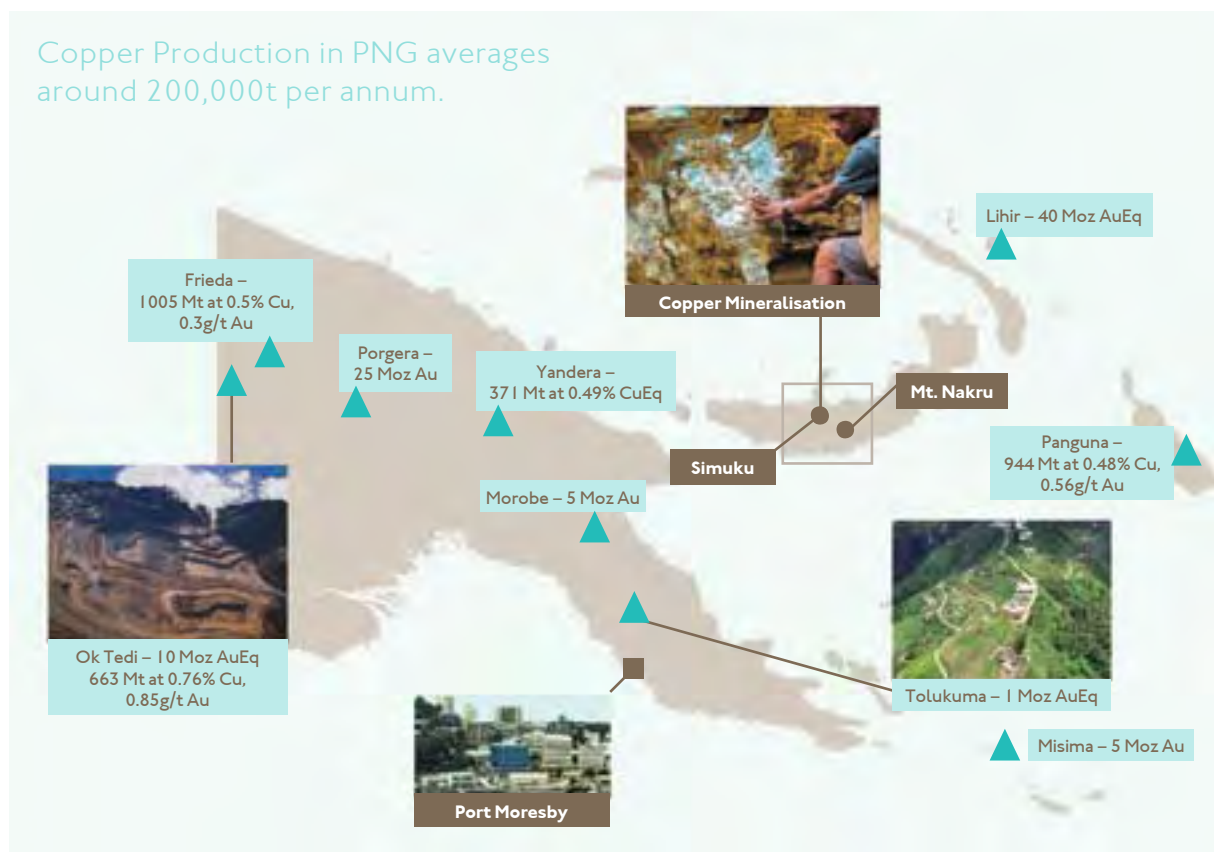
Interests reserved to the State

Under the laws of Papua New Guinea, upon the grant of a mining licence, or special mining licence, the State may elect at its discretion to take, at cost, up to a 30% participating interest in any major mineral development in Papua New Guinea. Upon exercise of that option, the State will fund its share of capital and ongoing costs and the mine developer will be repaid its share of sunk costs.

2.4 Database

Coppermoly's parent company, NGG Canada, has assembled a very large digital and hard copy database for the Simuku and Nakru projects. The database has been compiled over a long period from open file company reports and government survey reports, but also includes a large amount of data not in the public domain acquired by Bob McNeil from Esso (PNG) when Esso ceased working in PNG. The database will be made available to Coppermoly by NGG Canada.

Figure 1: Papua New Guinea showing principal mineral deposits



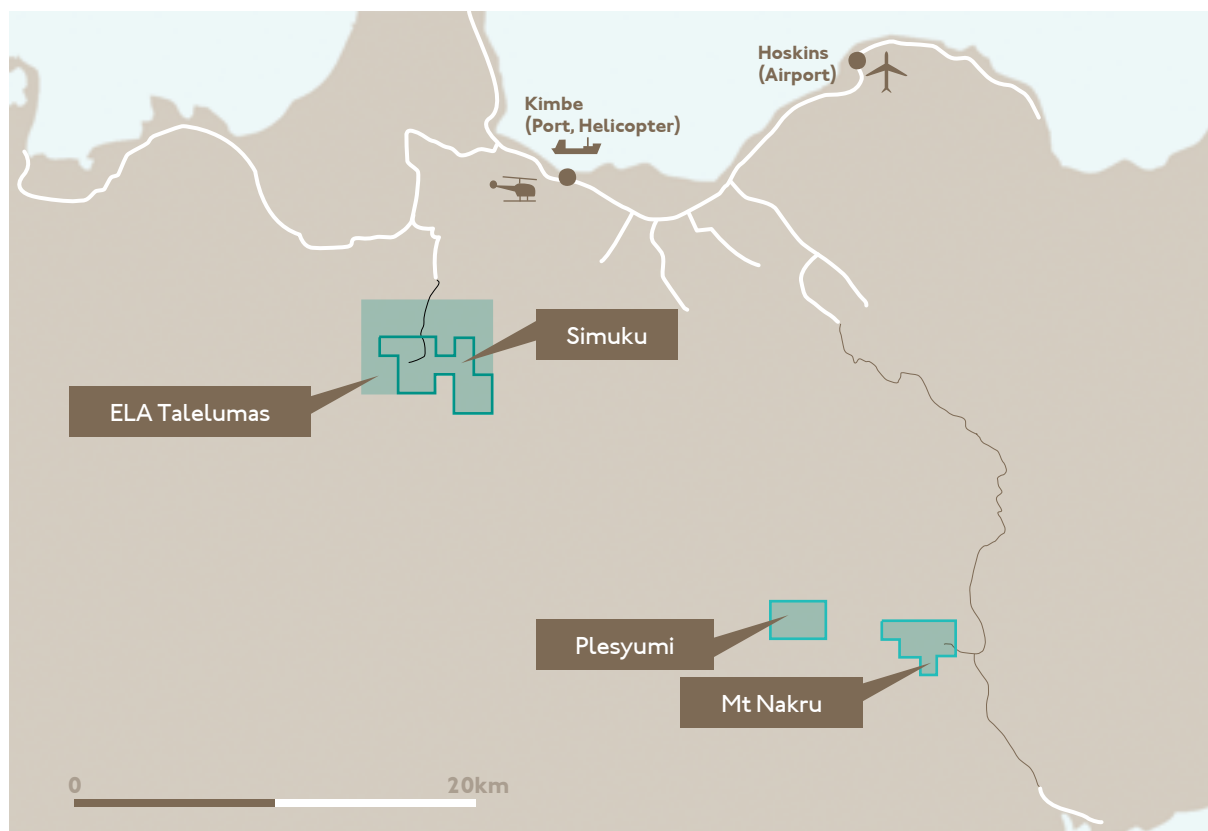
2.5 Location of Tenements and Infrastructure

The Company's project areas are situated in West New Britain Province at elevations of 200m to 800m and are well located near available roads, tracks, towns and port infrastructure (Figure 2).

Access to both areas is possible by road and 4WD track from the town of Kimbe to within 3–4 km of the prospects and then by bulldozer track. Coppermoly intends to upgrade the bulldozer tracks to 4WD standard when funds are in place, allowing vehicle access from Kimbe to each property. The town of Kimbe has a deep water port that services the rapidly expanding palm oil and timber industries of West New Britain Province, and provides an excellent nearby base for logistic support. It is served by daily flights from the capital Port Moresby to the nearby town of Hoskins, 40 minutes drive on a sealed road. A Bell Longranger helicopter is also based in Kimbe.

While the laws of Papua New Guinea recognise the rights of local land owners, Coppermoly's project areas are currently uninhabited. The Company's exploration activities will therefore not impinge directly on any indigenous communities. The Company enjoys good relations with the traditional landowners all of whom live near the coast.

Figure 2: Project locations on New Britain Island



2.6 Simuku (EL 1077 And ELA 1445 – Talelumas)

The Simuku project area contains the large Simuku porphyry copper-molybdenum-gold system, which is one of three mineralised centres associated with the nearby Kulu batholith. Mineralisation and/or geochemical anomalies are known over an area of roughly 60 sq km. Simuku, the focus of most work to date, forms only part of this very large mineralised area, much of which remains unexplored in detail.

A series of large scale, circular structural features up to 17km in diameter are associated with the mineralisation, indicating the presence of deep seated, caldera-like structures related to the nearby Kulu batholith (Figure 3).

Copper-Molybdenum-Gold Targets:

At Simuku, porphyry style copper-molybdenum-gold mineralisation is known over an area of at least 4.5km x 2.2km, closely related to argillic and phyllic altered quartz porphyry and quartz diorite/monzonite intrusions in altered andesitic volcanics. The ore mineral suite includes chalcopyrite, bornite, chalcocite and molybdenite.

More than 23km of bulldozer/excavator trenching and 14 drill holes have defined a large, 3,500m by 650m, anomalous copper envelope (> 1000ppm Cu) enclosing an inner anomalous molybdenum envelope (> 100ppm Mo) (Figure 4). The copper envelope remains open to both the north and south, and additional exploration targets lie outside the presently-defined zone of mineralisation.

Quartz diorite/monzonite intrusions are exposed locally in trenches and have been intersected in drilling near the northern end of the zone, demonstrating a clear connection with sub-surface intrusions related to the nearby Kulu Batholith.

The best drill intersections include 41m at 0.64% Cu; 63m at 0.52% Cu, 0.12g/t Au; 77m at 0.49% Cu, 0.11g/t Au; and 276m at 0.33% Cu. Highlights of the trenching and drilling results are shown in Table 2.

Figure 3: Simuku Structural Setting and Geochemical Zones

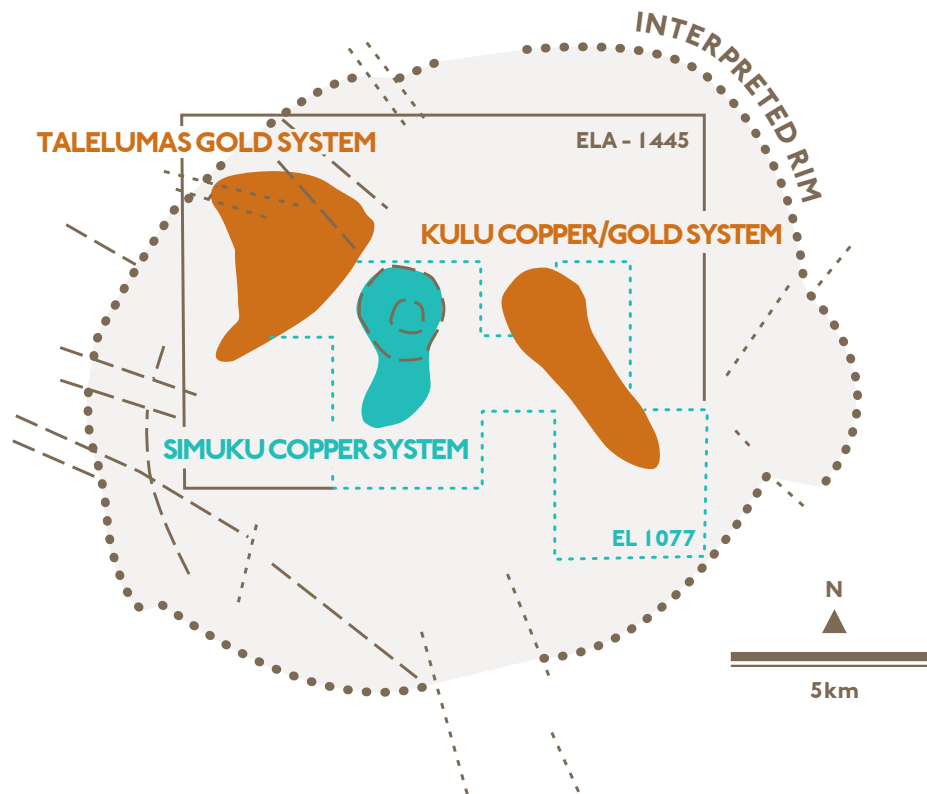


Table 2: Simuku Project – Trenching and Drilling Highlights

Trenching	Drilling
14m at 1.03% Cu, 0.26g/t Au	41m at 0.64% Cu (25-66m, SMD-4)
63m at 0.47% Cu, incl 18m at 0.74% Cu	63m at 0.52% Cu, 0.12g/t Au (0-63m, SMH-7)
approx. 70m at 0.4% Cu, incl approx. 15m at 0.63% Cu*	58m at 0.53% Cu, 0.10g/t Au (24-82m, SMH-10), incl 36m at 0.7% Cu, 0.10g/t Au
78m at 0.13% Mo, incl 15m at 0.25% Mo	77m at 0.49% Cu, 0.11g/t Au (0-77m, SMH-11)
12m at 1.2g/t Au	150m at 0.35% Cu (0-150m, SMD-3), incl 50m at 0.5% Cu (100-150m)
63m at 0.47% Cu, incl 18m at 0.74% Cu	276m at 0.33% Cu (0-276m, SMH-12), incl 25m at 0.54% Cu (22-47m)
48m at 0.50% Cu, 0.16g/t Au	150m at 0.15% Cu, 101ppm Mo (0-150m, SMD-2)
135m at 0.11g/t Au	19m at 0.32% Mo, incl 7m at 0.61% Mo (0-19m, SMD-14)
200m at 0.75% Cu (38% outcrop)*	
(* Old Placer/Esso creek and trench sampling, location uncertain)	

Only one of the 14 holes drilled at Simuku is deeper than 200m. The deepest is 276m, meaning the system remains largely untested at depth.

Several copper-molybdenum-gold drill targets have already been defined at Nayam, Tobarum, Misili and Magipmo (Figure 4). Initial resource drilling will target the northern end of the >1000 ppm copper envelope at Nayam and Tobarum, where the best historical drilling results were obtained. Misili has a lower priority and Magipmo requires additional surface work, including bulldozer trenching, prior to drill testing. Detailed resource drilling of the best targets will follow the first round of drilling.

Highgrade Molybdenum Targets

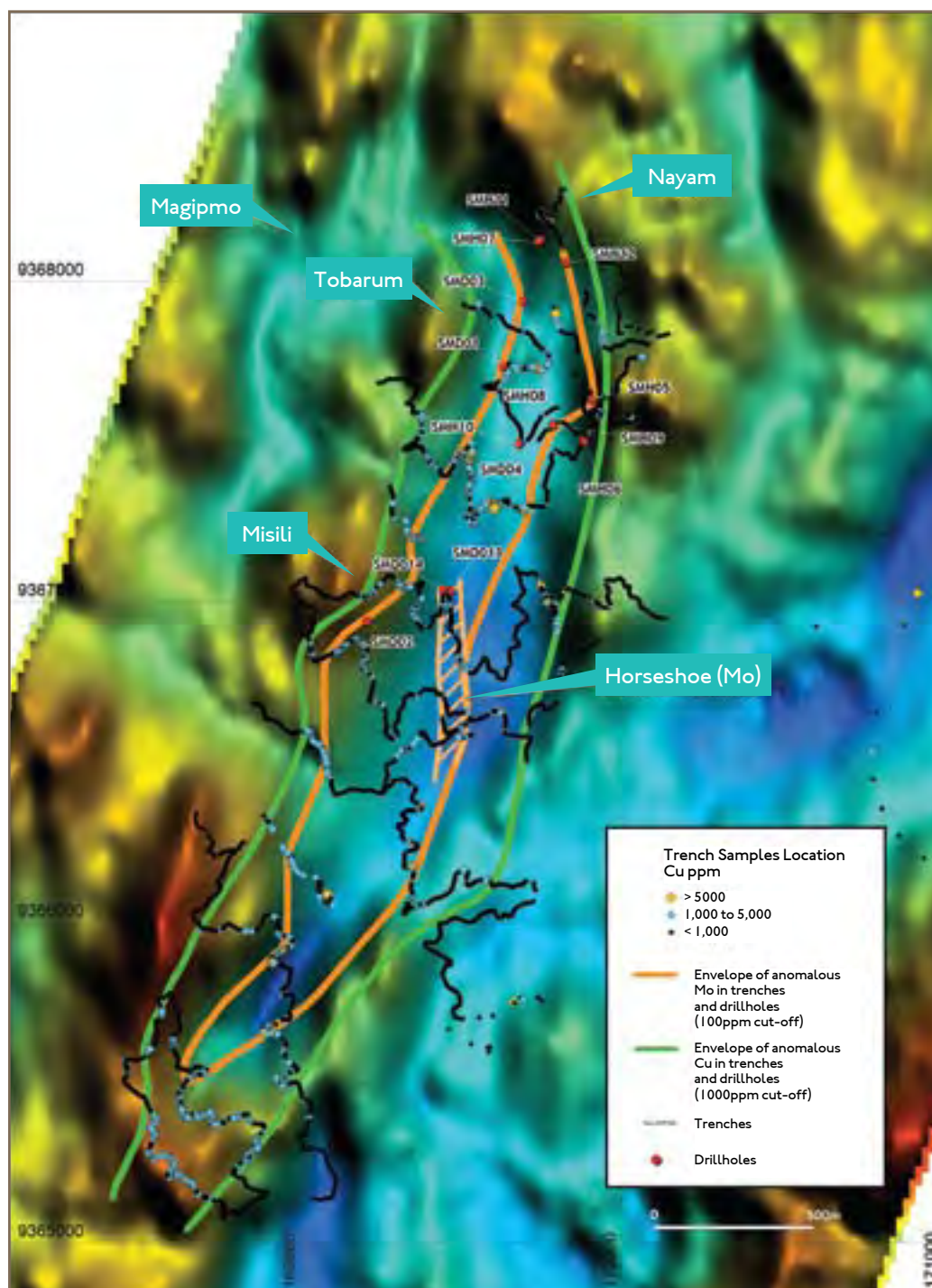
Bulldozer trenching within the >100ppm molybdenum envelope has exposed a 78m interval (sample width) of 0.13% Mo, including 15m at 0.25% Mo at the Horseshoe Molybdenum Target (Figure 4). Initial drill testing with two shallow holes intersected high grade, breccia-hosted molybdenum mineralisation with significant associated copper grades. Drilling highlights using cutoffs of 0.01% Mo and 0.1% Cu include:

- 19m at 0.32% Mo, including 7m at 0.61% Mo (0-19m, SMD-14)
- 16.8m at 0.04% Mo (54-70.8m, SMD-13)
- 26m at 0.36% Cu, including 6m at 0.51% Cu (27-53m, SMD-14)

The initial molybdenum assays were by atomic absorption spectrometry (AAS) using a standard acid leach. Check assaying of selected samples using the more expensive x-ray refraction technique (XRF) showed an average 18% increase in molybdenum grades.

Horseshoe's molybdenum grades compare very favourably with high grade molybdenum deposits elsewhere (e.g. the Henderson Mine in Colorado, USA, which produced 160Mt at 0.24% Mo and Boss Mountain in Canada, which produced 7.5Mt at 0.20% Mo.) There is good potential for discovering high grade molybdenum deposits within the anomalous molybdenum envelope. Follow up drill testing of Horseshoe will be undertaken during year 1 of the exploration program.

Figure 4: Simuku Prospect showing Copper-Molybdenum envelope



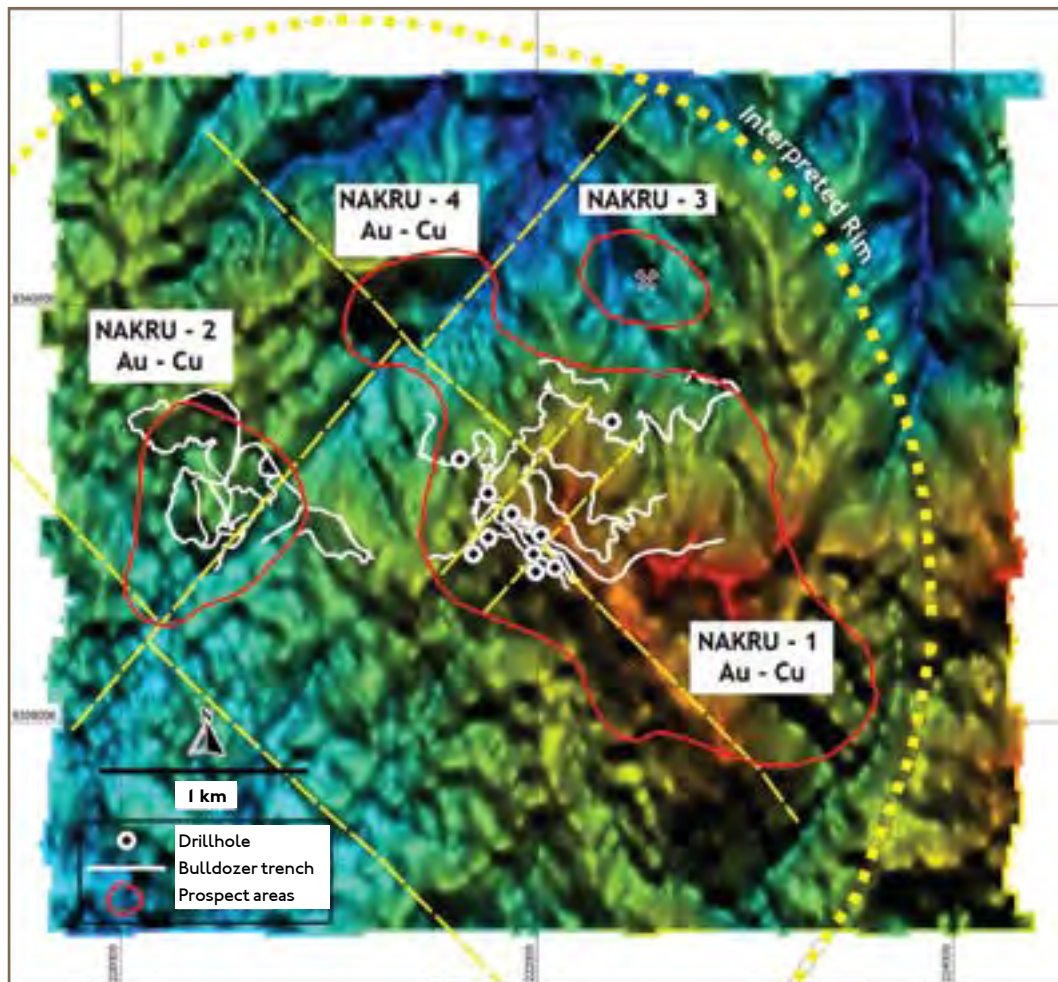
2.7 Mt Nakru (EL 1043)

The Mt Nakru project area within EL 1043 encloses two large porphyry copper-gold (molybdenum) systems located at Mt Nakru and Plesyumi, which are part of a larger cluster of mineralised centres and geochemical anomalies covering an area of about 20km x 7km.

Mt Nakru Prospects

At Mt Nakru significant copper and gold mineralisation, along with highly anomalous silver, molybdenum and zinc values, are present within a large, hydrothermally altered, acid-intermediate intrusive-extrusive complex occupying an area of at least 40 sq km. The best assay results obtained to date include 37.0g/t Au, 19.9% Cu, 498g/t Ag, 260ppm Mo, and 22% Zn in surface grab samples, and 2939ppm Mo in a near-surface drill sample. Mineralisation has been found over an area of at least 10 sq km and four copper-gold prospects (named Nakru 1 Prospect to Nakru 4 Prospect), have been discovered to date (Figure 5).

Figure 5: Mt Nakru prospects showing potential size of targets



Nakru 1 Prospect to Nakru 4 Prospect

Only Nakru 1 Prospect has been explored in detail and drill tested. More than 10km of bulldozer trenching and 12 diamond drill holes have been completed. The best drill intersections include 94m at 0.43% Cu, 0.46g/t Au (from 91m); and 205m at 0.4% Cu (from surface), including 74m at 0.78% Cu (from 93m). The highest copper grades occur at depths below about 60 metres indicating the main copper system may lie below the level currently tested by drilling. Only one of the 12 holes drilled at Nakru 1 Prospect is deeper than 200m. Almost no deep drill testing of the system has been undertaken.

An extensive blanket of gold-mineralised breccia masks much of the underlying copper mineralisation at Nakru 1 Prospect, and is thought to be derived from a younger, explosive, epithermal mineralising event that overprints the earlier porphyry mineralisation. Trench intersections in breccia blanket include 55m at 4.7g/t Au, 51m at 2.2g/t Au and 245m at 0.8g/t Au. Individual mineralised clasts in the breccia contain values of up to 37g/t Au indicating there is potential for higher grade gold mineralisation in the feeder zones at depth.

The trenching and drilling highlights from Nakru 1 Prospect are included in **Table 3** below.

Table 3: Nakru 1 Project – Trenching and Drilling Highlights

Trenching	Drilling
55m at 4.79g/t Au, incl 15m at 16.01g/t Au (Nakru 1)	94m at 0.43% Cu, 0.46g/t Au (91-185m, NAK-03)
51m at 2.2g/t Au (Nakru 1)	205m at 0.4% Cu (0-205m, Q74E6), incl 74m at 0.78% Cu (93-167m)
45m at 2.5g/t Au (Nakru 1)	50m at 0.40% Cu (32-82m, NAK-01)
245m at 0.8g/t Au (Nakru 1)	
25m at 1.43% Cu (Nakru 2)	
25m at 1.06g/t Au (Nakru 2)	
4m at 6.6% Cu (Nakru 2)	

Nakru 1 Prospect may be much larger than presently drill tested. Airborne magnetic data indicate the probable presence of a large, buried intrusive complex extending more than 2km to the southeast, and soil geochemistry indicates a connection with Nakru 4 Prospect to the northwest, a total target size of roughly 3km by 1km (**Figure 5**).

At Nakru 2 Prospect, bulldozer trenching has exposed significant copper mineralised intervals and local very high copper grades, including 25m at 1.43% Cu; 25m at 1.06g/t Au; 4m at 6.6% Cu; and up to 19.9% Cu in grab samples. No drill testing has been undertaken at Nakru 2 Prospect.

Only limited surface sampling and mapping has been undertaken at Nakru 3 Prospect and Nakru 4 Prospect.

Plesyumi Prospect

Plesyumi (the name means “Our Place” in Pidgin English) was discovered in 1968 and extensively explored up to the early 1970’s but very little work has been undertaken since. A total of 3,157m of historical drilling in 21 holes has been completed. The best drill intersection was 44m at 0.85% Cu and other intersections include 33m at 0.42% Cu, 110m at 0.31% Cu and 153m at 0.20% Cu.

The mineralisation occurs in an elongate zone about 1,400m wide and 4,000m long, associated with quartz-magnetite veining in locally potassic altered quartz diorite and biotite syenite intrusions, which are phases of the Metelen Granodiorite, a multi-phase intrusive complex of Oligocene age. At least four centres of mineralisation have been identified not all of which have been tested by the historical drilling.

The independent Geologist’s Report in Section 6 of this Prospectus contains further details about the location, geology and previous exploration of the Company’s projects.

2.8 Expenditure Summary

The Company proposes to fund its intended activities (as outlined in the tables below) from the proceeds of the Offer. It should be noted that the budgets will be subject to modification on an ongoing basis depending on the results obtained at each exploration stage. Ongoing assessment of each of the Company's projects may lead to increased or decreased levels of expenditure reflecting a change in emphasis.

Subject to the above, the expenditure set out in **Table 4** below is proposed:

Table 4: Proposed Expenditure

Item	Minimum Subscription		Full Subscription		Maximum Subscription	
	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
Simuku Project (Simuku-EL 1077 and Talelumas-ELA 1445)						
Tenement Costs	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Drilling (Diamond and RC)	\$1,200,000	\$1,400,000	\$2,400,000	\$3,100,000	\$2,900,000	\$3,950,000
Earthworks	\$140,000	\$140,000	\$200,000	\$220,000	\$300,000	\$350,000
Helicopter support	\$60,000	\$60,000	\$200,000	\$200,000	\$200,000	\$200,000
Metallurgy	\$20,000	\$50,000	\$30,000	\$80,000	\$50,000	\$120,000
Geology and Geochemistry	\$100,000	\$100,000	\$250,000	\$200,000	\$300,000	\$200,000
Pre-feasibility / Baseline studies	\$0	\$300,000	\$0	\$500,000	\$0	\$700,000
Capital Expenditure for drill rigs and earthmoving equipment	\$500,000	\$200,000	\$800,000	\$80,000	\$800,000	\$200,000
Contingency	\$204,000	\$227,000	\$390,000	\$440,000	\$457,000	\$574,000
Sub-total	\$2,244,000	\$2,497,000	\$4,290,000	\$4,840,000	\$5,027,000	\$6,314,000
Nakru Project (Nakru-EL 1043)						
Tenement Costs	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Drilling (Diamond and RC)	\$0	\$580,000	\$700,000	\$1,000,000	\$1,000,000	\$1,300,000
Earthworks	\$0	\$120,000	\$140,000	\$150,000	\$200,000	\$200,000
Metallurgy	\$0	\$13,000	\$20,000	\$80,000	\$30,000	\$100,000
Helicopter support	\$10,000	\$20,000	\$100,000	\$120,000	\$150,000	\$180,000
Geology and Geochemistry	\$50,000	\$50,000	\$160,000	\$100,000	\$160,000	\$160,000
Pre-feasibility / Baseline studies	\$0	\$0	\$0	\$200,000	\$0	\$350,000
Geophysics	\$220,000	\$0	\$330,000	\$0	\$450,000	\$0
Capital Expenditure for drill rigs and earthmoving equipment	\$200,000	\$0	\$600,000	\$200,000	\$800,000	\$200,000
Contingency	\$49,000	\$79,300	\$206,000	\$186,000	\$280,000	\$250,000
Sub-total	\$539,000	\$872,300	\$2,266,000	\$2,046,000	\$3,080,000	\$2,750,000
Total	\$2,783,000	\$3,369,300	\$6,556,000	\$6,886,000	\$8,107,000	\$9,064,000

3.0 BOARD & MANAGEMENT

3.1 Board of Directors

The Company has assembled a highly experienced management team that encompasses all aspects of resource exploration, evaluation and development. The directors of Coppermoly are:

Chairman	Robert (Bob) McNeil
Managing Director	Peter Swiridiuk
Chief Operating Officer	Doug Hutchison
Non-executive director	Dal Brynelsen
Non-executive director	Peter McNeil

The proposed board has extensive experience in exploration projects in Papua New Guinea, financial management and corporate management of public companies.

Chairman – Bob McNeil

Bob McNeil, BSc (Hons), MSc. F AusLMM, is co-founder and Chairman of Macmin Silver Limited. He identified and applied for projects in Papua New Guinea and Tasmania, then sought and obtained financial support to establish Macmin Silver. During 46 years industry experience Mr McNeil has amassed extensive managerial exploration and mining expertise with multinational mining and oil companies in Australia, USA and the Asia Pacific region. Early in his career he was directly associated with the Juno and Warrego mine discoveries at Tennant Creek in Australia. He was Regional Exploration Manager for Unocal, based in Tucson, Arizona and gained specific expertise in the search for porphyry copper deposits. In 1980, Mr McNeil transferred to Papua New Guinea to establish and manage Exxon's Papua New Guinea mineral exploration group, where he held the position of General Manager from 1980 to 1986.

Managing Director – Peter Swiridiuk

Peter Swiridiuk, BSc (Hons), DipEd, MAIG has over 18 years experience exploring for copper, gold and diamonds. He has spent over 12 years managing the exploration, discovery and resource definition for gold and copper deposits in Papua New Guinea, Solomon Islands, New Caledonia, Mexico, Middle East, Cyprus and Australia. This includes a technical review of all data on the Frieda River deposit in PNG for resource drilling and exploration. Peter has also had extensive management experience of contractors to help with resource definition on numerous deposits including the Hatta copper mine in Oman and a copper-gold-silver deposit in Mexico. As a crew chief on a minesite he was responsible for drilling crews, explosives crews and other technical contractors. He previously spent six years with DeBeers diamond services which involved the management of contractors to discover new diamond deposits including the Seppelt deposit in Western Australia. Peter has also written independent technical geological reports for the British Columbia

Securities Commission (TSX-V). Over the past two years he has been assessing technical data for the promotion of gold and copper assets in Papua New Guinea.

Chief Operating Officer – Douglas Hutchison

Doug Hutchison BSc (Hons), MSc, MAIG is a highly experienced exploration geologist with more than 30 years industry and government experience, specialising in the Asia Pacific region. He has extensive international project management experience in the SW Pacific, SE Asia and South America, and was formerly exploration manager, Pacific Islands, for City Resources Limited. Doug was involved with the early evaluation of the Wapolu epithermal gold deposit in PNG and led the field team that discovered and evaluated the Andranangoo Creek mineral sands deposit in Northern Territory, Australia (now in production). He has consulted on gold, copper and mineral sands projects for more than a dozen companies in the Asia Pacific region and has extensive, first-hand knowledge of Papua New Guinea.

Non-Executive Director – Dal Brynelsen

Dal Brynelsen holds a Diploma in Urban Land Economics from the University of British Columbia and is a licensed real estate broker of the Real Estate Council of British Columbia. During the five years prior to the date of this Prospectus, he has been the President and Chief Executive Officer of Vangold Resources Ltd. Mr Brynelsen has over 30 years of experience in the mining industry, including the discovery, financing and bringing into production of two gold mines in Canada. He is also currently the President of Pacific Kanon Gold Corporation and a founding Director of Griffin Mining NPL, being the first Western company to build a mine in China in 100 years. Griffin operates a Zinc mine and has approximately 400 employees.

Non-Executive Director – Peter McNeil

Peter McNeil holds a B.Sc. in Geology and an M.Sc. in Geochemistry. He has 25 years exploration experience mostly in Papua New Guinea, but also Australia, U.S.A. and Canada. His experience has included programs at the Lihir gold Deposit (+45M ounces of gold) and in the Eastern Goldfields and Kimberley regions of Western Australia, plus Mount Read Volcanics in Tasmania. Mr McNeil has been associated with the discovery of a number of orebodies including the Nimary and Sunrise Dam Mines in Western Australia, that collectively contain more than 16M ounces of gold. Mr McNeil supervised exploration at Coppermoly's Simuku and Nakru Projects initially as Exploration Manager – PNG or Technical Director for Macmin NL from 1993 to 1996, then as Vice President – Exploration for New Guinea Gold Corporation (or NGG Canada) in 1996 – 1997 and then as President of NGG from 1997 –

2003. He is currently Managing Director of Frontier Resources Ltd (ASX), a non-executive Director of Macmin Silver Ltd (ASX) and a non-executive Director of NGG Canada (TSX-Venture).

3.2 Company Secretary

Garry Edwards holds a Master of Business Administration and is a Fellow of the Australian Institute of Company Directors and National Institute of Accountants (Australia). Mr. Edwards currently is Chief Executive Officer of Macmin Silver Limited. Prior to joining Macmin Silver Limited in 1995, he spent 15 years working in Papua New Guinea, the last 11 for accounting firm KPMG and antecedent firms. From 1987 to 1995, Mr Edwards managed KPMG's Arawa and Rabaul offices.

3.3 Disclosures Relating to the Board

On 24 July 2003, the British Columbia Securities Commission issued a cease trade order against Canadian company, International Silver Ridge Inc for failure to file annual financial statements for the financial year ended 31 December 2002 and interim financial statements for the quarter ended 31 March 2003. Mr Dal Brynelsen was a director of the Company at the time and continues to hold office as Director.

The TSX Venture Exchange suspended trading of the company's securities until the cease trade was revoked. A further cease trade order was issued by the Alberta Securities Commission on 12 September 2003 and by the British Columbia Securities Commission in respect of the same financial statements. The company has since rectified the deficiencies. Each of the cease trade orders issued by the Commissions were revoked on 20 September 2007 and 14 September 2007 respectively.

3.4 Corporate Governance

The Board is responsible for the overall corporate governance of the Company, and it recognises the need for the highest standards of ethical behaviour and accountability. The board is committed to administering its corporate governance structures to promote integrity and responsible decision-making. The board has adopted the following corporate governance policies:

- Audit Committee Charter
- Directors' Code of Conduct
- Company Code of Conduct
- Share Trading Policy

Each of these policies is available on the Company's website at www.coppermoly.com.au. In developing these policies, the Company has had regard to the ASX's Corporate Governance Principles and Recommendations and adopted those to the extent the Board considers appropriate for the Company.

4.0 INVESTMENT RISKS

An investment in the Company is subject to risk. The existence of risk means that the performance of the Company could be adversely affected.

The Directors have assessed the risks that may affect the Company and identified what they believe to be the major risks that may impact on the Company's operations. While the Company has endeavoured to disclose all material risks, you should be aware that the risks contained in this section are not exhaustive. This section should be treated as a general guide only.

Due to the existence of risk, the Company recommends that before deciding whether to invest, you:

- read this Prospectus in its entirety;
- consider the nature, probability and materiality of the risks described in this section; and
- seek independent advice from your professional financial adviser, in light of your particular needs, objectives, financial circumstances and investment preferences.

While the Company may be able to minimise the impact of some risks through various risk management techniques, many of the risks identified in this section are beyond the Company's control and as such cannot be eliminated or their impact minimised.

You may personally be able to manage the impact of risk by obtaining independent professional advice tailored to your own investment objectives, financial situation and particular needs. You should:

- consider carefully whether an investment in the Shares is an appropriate investment for you;
- appreciate that the price of shares listed on ASX can fall as well as rise; and
- regard an investment in the Shares as a speculative investment.

4.1 Exploration Risk

The successful exploration and development of mineral properties is speculative. There are currently no defined mineral resources on the Tenements. There is no assurance that exploration of the Tenements, or any future tenements that the Company may acquire, will result in the discovery of a mineral deposit that can be economically mined.

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may differ materially from these estimates and assumptions.

4.2 Land Access

The grant of an exploration tenement in Papua New Guinea is a sufficient right to access the land over which the licence is granted. The grant of a mining licence however does not confer an automatic right of access to the land. Consent for access is required from the customary landowners or other parties who have an interest in the land before commencing mining activities. This consent cannot always be guaranteed. Landowners may require the payment of compensation to allow the Company's work programs to proceed.

The Company considers that it has good relations with landowners. Coppermoly aims to be a responsible and progressive member of the communities in which it operates and to adopt a co-operative approach in its dealings with all interested parties in these communities.

As a result of its geographical location, Papua New Guinea may experience high levels of rainfall from time to time which may impact upon land access or cause delays to the Company's work programs.

4.3 Tenements

Renewals

Exploration licences are subject to renewal every two years. The Minister has a discretion whether or not to grant a renewal, but customarily the Minister will grant the renewal if the tenement holder has met the conditions of the licence. There is a risk however that the Minister will not exercise his discretion favourably and that the Minister will not grant a renewal of the licence.

Typically, the Minister does not confirm the grant of a renewal of a mining exploration licence until several months after the renewal date. Under Papua New Guinea law, an exploration licence that is past the renewal date remains valid unless and until the Minister exercises his discretion not to renew the licence.

If the Minister grants a renewal of a licence, the Minister may impose new conditions on that licence. These conditions may include a requirement to expend additional money on exploration on the relevant Tenement. There is a risk that these conditions will not be commercially viable.

The Simuku Tenement is due for renewal on 28 November 2007. The Nakru Tenement was due for renewal on 7 December 2006.

The Company has submitted renewal applications for each of the Nakru and Simuku Tenements. Consequently, both Tenements will remain valid unless and until the Minister determines not to approve the renewals. The Company has no reason to believe that the Minister will not renew either Tenement.

There are currently delays associated with the renewal process in Papua New Guinea.

Recognition of Interests

Coppermoly has agreed (through its wholly owned subsidiary Copper Quest) to acquire the Simuku Tenement and the Nakru Tenement from NGG PNG. NGG PNG is presently the registered owner of those Tenements. Under the Mining Act, where tenements are acquired by way of a transfer, there will be no recognition of any legal or equitable interest in favour of the acquirer until such time as the transfer is registered.

Copper Quest has applied to have the registration of these Tenements transferred to Copper Quest.

A request to transfer the registration of a tenement is typically granted, although the Minister may exercise a discretion to refuse to register the transfer. There is a risk that the Minister will refuse to register the transfer, in which case Copper Quest will not be recognised as having any title to the Tenements. There are currently delays in the process as discussed above. Consequently, it is likely that the Tenements will not be registered in the name of Copper Quest until some months after the Closing Date.

As at the date of this Prospectus, the Shares to be issued under the Implementation Agreement as consideration for the acquisition of the Tenements and termination of the joint venture affecting the Nakru Tenement will have already been issued. In circumstances where the renewal applications are not approved, or the transfer is not registered by the Minister, the Company will not be able to recover the value of the consideration paid under the Implementation Agreement. To manage this risk, as far as commercially practicable, appropriate warranties have been included in the Implementation Agreement to the effect that no party is aware of any fact or circumstance that may impact unfavourably on the exercise of the Minister's discretion.

4.4 Sovereign and Political Risk

The Company's operations may be adversely affected by the actions of the Papua New Guinean government. Papua New Guinea is subject to political, economic and other uncertainties, some of which may not be found in countries such as Australia, Canada, the United Kingdom and the United States. The country currently ranks in the lower quartile of the Transparency International Corruption Perceptions Index.

Future government actions may impact on land access, the granting of licences, the Company's freedom to conduct operations, title to exploration and mining tenements, taxation and foreign exchange. The outbreak of international or domestic hostilities may also adversely affect the Company.

4.5 Development Risk

Even if the Company discovers significant reserves of minerals, there is a risk that the Company will not be able to economically mine these minerals and produce a satisfactory commercial return. There are significant risks associated with the development of an operating mine. Before the Company can build a mine, the Company will need to obtain various regulatory approvals and licences, including environmental licences. There is no guarantee that the Company will be able to obtain the required approvals and licences or that it will be able to comply with any conditions imposed on those approvals and licences in a cost effective manner.

There are also many operational and technical risks associated with developing and operating a mine. These risks may adversely impact the economic viability of any future mining activities.

Under the laws of Papua New Guinea, upon the grant of a mining licence, or special mining licence, the State may elect at its discretion to take up to a 30% participating interest in any major mineral development in Papua New Guinea, in consideration for paying to the tenement holder 30% of the costs incurred to that point. The price at which the State is entitled to acquire this interest is unlikely to reflect the market value of that interest. If the State exercises this discretion, this is likely to have the effect of transferring value in the Company from the then existing shareholders to the State.

4.6 Future Capital Needs

The Directors consider that the Company will have sufficient working capital for the Company's objectives stated in this Prospectus, following the close of the Offer. However, the Company will require additional funding to progress its projects beyond the work programs identified in this Prospectus. There is no assurance that the Company will be able to access this funding on favourable terms or at all.

4.7 Environmental Risk

Mineral exploration and development carries some level of environmental risk. The Company may require statutory approval from relevant environmental authorities before it can undertake certain activities that may impact on the environment. Development of identified mineral resources will be dependent on the project meeting environmental guidelines and gaining the required approvals from government departments.

It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

4.8 Market Volatility

Share market conditions may affect listed securities regardless of the operating performance of a particular company. Market conditions are affected by many factors including:

- investor confidence
- general national and global economic outlook
- changes in or outlook on interest rates
- changes in or outlook on inflation
- commodity prices
- supply of capital

Investors should recognise that once listed, the Shares of the Company may rise or fall in price depending on market conditions and investor attitude.

4.9 Commodity Prices and Exchange Rate Risk

The Company's share price and future revenues and cash flows may be impacted by changes in the prices of mineral commodities. The prices of commodities are influenced by physical and investment demand and may rise or fall. Fluctuations in commodity prices, specifically copper, molybdenum and gold, may influence individual projects in which the company is involved.

The international prices of most commodities are denominated in United States dollars. Changes in the Australian / United States dollar exchange rate may impact the value of the Company and its Shares. Exchange rates are influenced by numerous macro economic factors beyond the Company's control.

Additionally, the Company's accounts will be presented in Australian dollars, although it will incur most of its expenses in Papua New Guinea Kina. The translation of expenses incurred in Papua New Guinea Kina to Australian dollars for the purposes of the Company's accounts may have an adverse impact on the reported financial performance of the Company.

4.10 Financial Performance

Coppermoly is a mineral exploration company. The Company has no immediate source of revenue. The Company will not generate any revenue until such time as it is able to commercially mine any mineral deposit that the Company discovers or it enters into commercial agreements with other parties for the mining of those deposits.

Consequently, until Coppermoly is able to realise value from its projects, Coppermoly will incur ongoing operating losses.

4.11 Insurance Arrangements

The Company intends to ensure that insurance is maintained within ranges of coverage which the Company believes to be consistent with industry practise and having

regard to the nature of activities conducted. However no assurance can be given that the Company will be able to obtain suitable coverage at reasonable rates or that any such coverage will be adequate.

4.12 Grant of ELA 1445, Talelumas

As disclosed at Section 2.2 of this Prospectus, the Company is the applicant of ELA 1445, Talelumas with respect to land which is adjacent to the Simuku Tenement. This grant is subject to the discretion of the Minister under the Mining Act and compliance with regulatory requirements. While the Company is not aware of any reason for the Minister to exercise his discretion unfavourably, no assurance can be given that ELA 1445 will be approved. There is a risk that the licence may never be granted, or that it will be granted on terms which are not commercially acceptable to the Company.

4.13 Availability of Resources

The Company will require both personnel and equipment in order to carry out the exploration program in accordance with its stated objectives. While the Tenements are located close to local infrastructure, there can be no guarantee that the Company will be able to obtain adequate staff with the required skill set, or other resources, at reasonable rates or rates which are commercially acceptable to it. The Company may also experience delays in its anticipated work program associated with difficulties in securing adequate resources.

In addition, the Company intends to employ some staff who are not citizens of Papua New Guinea who will work on either a fly-in/fly-out or residential basis. Papua New Guinea law requires that a Training and Localisation Program be submitted to the Department of Labour and Employment for approval prior to the engagement of any staff who are not citizens of Papua New Guinea. There is no guarantee that the programs will be approved.

4.14 Reliance On Key Personnel

As an exploration company, Coppermoly is dependent on its senior management and key personnel for the day-to-day operations and strategic management of the Company. The value of the Shares and the operations of the Company could be adversely affected by the departure of any of these employees.

4.15 Competition Risk

The industry in which the Company will be involved is subject to domestic and global competition. While the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

5.0 MATERIAL CONTRACTS

This section sets out summaries of the material agreements to which the Company is a party or which affect the Tenements.

By way of background, the following points are relevant to note:

- Each of the Nakru and Simuku Tenements were originally granted to Macmin NL ACN 056 776 160 (now Macmin Silver Ltd); and
- Macmin Silver Limited then transferred the Tenements to its wholly owned subsidiary Macmin (PNG) Ltd (now NGG PNG).

5.1 Yeaman Trust Deed and Subsequent Deed

Macmin NL applied for EL 1077, Simuku as agent for both itself and Mr William Stanley Yeaman (**Yeaman**) and was granted legal title to the Simku Tenement on 8 December 1992.

By deed of trust dated 5 June 1994, Macmin NL (as the registered holder of the Tenement), declared a trust pursuant to which it held the beneficial interests in EL 1077 (**Simuku Tenement**) on trust equally for itself and Yeaman, a UK citizen (**Trust Deed**).

By a subsequent deed dated 20 April 1996, Yeaman agreed to reduce his 50% beneficial interest to a 10% free carried interest (**FCI**). Upon the completion of a bankable feasibility study in respect of EL 1077, Yeaman must elect to convert his FCI to either a 10% fully contributing joint venture interest, or a 2% gross royalty interest payable in respect of all mined products from the Simuku property.

5.2 Share Purchase Agreement (Sale Of Shares In Macmin (PNG) Limited)

By an agreement dated 12 June 2002 between Macmin NL, Macmin (PNG) Limited and New Guinea Gold Corporation (NGG Canada), NGG Canada indirectly acquired all rights, title and interests held by Macmin NL in respect of EL 1043, Nakru and EL 1077, Simuku through the purchase of all of the issued capital Macmin (PNG) Limited (being a wholly owned subsidiary of Macmin NL).

Under the terms of the agreement, NGG Canada granted a 1% net smelter return royalty (**NSSR**) in favour of Macmin NL payable in respect of all mineral products produced from the Tenements upon being brought into production (**Macmin Royalty**).

5.3 Purchase / Joint Venture Agreement (50% Interest In EL 1043, Mt Nakru)

By a letter agreement dated 15 December 2003, between NGG Canada, Macmin (PNG) Limited and Kanon Resources Limited (**Kanon PNG**), Macmin (PNG) Limited and Kanon PNG formed a joint venture arrangement pursuant to which Kanon PNG acquired a 50% joint venture interest in EL 1043 (**Nakru JV**).

Kanon PNG also expressly agreed to be bound by the Macmin Royalty. The Nakru JV was terminated pursuant to the Implementation Agreement described below.

5.4 Implementation Agreement

By an agreement dated 12 October 2007, between the Company, Copper Quest, NGG Canada, NGG PNG, Kanon PNG and Kanon Canada, the parties agreed to undertake the following transactions to facilitate the acquisition by the Company of the Tenements with the objective of the Company achieving admission to the Official List:

- the Company agreed to acquire all of the issued capital of Copper Quest from NGG Canada for nominal consideration;
- the Nakru JV was terminated with full releases and reciprocal indemnities effective from the termination date, in consideration for the issue of 10,526,316 fully paid ordinary shares in the Company to Kanon Canada; and
- the Company agreed to acquire all of the rights, title and interests in and to the Tenements from NGG PNG in consideration for the issue of 29,473,683 fully paid shares in the Company to NGG Canada.

After completion of the Implementation Agreement, the Company will be entitled to the Tenements subject only to Yeaman's 10% FCI and the Macmin Royalty.

5.5 Agreement with Novus Capital Limited

By an agreement dated 20 August 2007, the Company has agreed to appoint Novus Capital Limited (**Novus**) as Joint Financial Adviser and Sponsoring Broker to the Offer and has agreed to appoint South Pacific Securities Limited (**SPS**) as Joint Financial Adviser. Novus has agreed to procure applications under this Prospectus, on a best endeavours basis, for up to \$10 million of the Shares offered.

Under the agreement, Novus is entitled (on a GST exclusive basis) to payment of:

- a Financial Advisory Fee of \$150,000;
- a Management Fee equivalent to 1% of total funds raised under the Prospectus; and
- a Brokerage Fee equivalent to 5% of total funds raised under the Prospectus (other than in respect of Applications procured by VSA).

Novus (or its nominees) will also receive one Option for every \$4.00 raised under the Prospectus, exercisable at \$0.30 with an expiry date of 30 April 2011. These Options will be issued on the same terms as the Options summarised in section 5.8 of this Prospectus. These Options are to be subject to escrow as determined by the ASX.

Novus also has the right to be retained:

- in respect of any further capital raising occurring within 24 months of admission of the Company to the Official List:
 - together with SPS, as the exclusive Joint Financial Adviser to the Company and its subsidiaries; and
 - as the exclusive Broker and lead Manager to the Company and its subsidiaries; and
 - for a minimum period of 12 months after the Company's admission to the Official List, as the exclusive Investor Relations Adviser to the Company for a monthly fee of \$6,000 (plus GST).

The Company has also agreed to release and indemnify Novus and SPS (and any related company or entity, or any director, officer, authorised representative, consultant or agent of them) in respect of any potential liability, loss or damage arising out of the provision of services by Novus and SPS.

5.6 Agreement with VSA Capital Ltd

By an agreement dated 24 August 2007, the Company appointed VSA Capital Ltd (**VSA**) as its European broker and adviser to the Offer. Under the agreement, VSA will seek, on a best endeavours basis, to raise up to \$10 million from investors resident in Europe and the UK as part of the Offer.

Under the agreement, VSA is entitled to payment of:

- Due diligence fees of £20,000 payable in advance of any site visit, or £2,000 per day, which ever is the lesser amount. That fee shall also cover the cost of preparing the due diligence report. Two further research notes will be prepared at the cost of £2,500 each, payable in advance of preparation. In circumstances where VSA raises 80% or more of its \$10 million allocation, the due diligence fees shall be deducted from commissions; and
- A commission equivalent to 5% of funds raised from Applications procured by VSA.

The Company has also agreed to issue to VSA (or its nominees) one Option for every \$4.00 raised by VSA, exercisable at \$0.30 with an expiry date of 30 April 2011. These Options will be issued on the same terms as the Options summarised in section 5.8 of this Prospectus. These Options are to be subject to escrow as determined by the ASX.

5.7 Employee Incentive Option Plan

The Company has established the Coppermoly Employee Incentive Option Plan (**Option Plan**) to assist with the motivation and retention of employees of the Company.

Under the Option Plan, Options over unissued Shares in the Company will be offered to eligible participants. This Prospectus does not comprise an offer or invitation to acquire Options under the Option Plan.

The Option Plan contains usual provisions dealing with matters such as the administration, variation, termination and suspension of the plan.

Other features of the Option Plan are as follows:

- the persons who are eligible to participate in the plan are employees of the Company;
- the Options are not exercisable until 1 year after the date of issue, and will expire on the first business day 3 years after the date of issue, or such other date as the Directors determine upon issue. Unexercised Options will lapse on expiry.
- Options are only exercisable in multiples of 5,000 unless all remaining Options are being exercised.
- the exercise price of Options issued after admission to the ASX will be at a premium of 10% above the average market closing price for the Shares over the 5 business days prior to the Option issue date, or at a greater price determined by the Directors.
- the Options are not transferable and the Company will not seek their quotation on the ASX.
- all Shares issued under the Option Plan will rank equally in all respects with the Company's existing fully paid ordinary shares.
- the Options do not confer any rights or entitlements upon holders to participate in new issues of capital to shareholders. The Company must however ensure that the record date for the purposes of any such issue, is at least 7 business days after announcement of the issue to enable an opportunity for option holders to exercise their options.
- Directors may not issue Options under the plan if to do so would cause the number of Options issued under the plan and not yet exercised or expired to exceed 5% of the number of issued shares in the Company as at that date.
- Directors have the discretion to cancel all or part of a holder's Options obtained under the plan after giving of 60 days notice, in circumstances where the option holder ceases to be substantially involved in the Company.

5.8 Broker and Entitlements Options

The following is a summary of the terms of issue of the Options to be issued to Novus and VSA and under the proposed entitlements issue.

- Each Option entitles the holder to subscribe for one Share at \$0.30 per Share.
- The Options are exercisable at any time on or before 30 April 2011.
- Options may be exercised by the Holder delivering to the registered office of the Company, a notice of exercise signed by the holder and a cheque payable to the Company for the aggregate exercise price.
- A holder may only exercise Options in multiples of 50,000 Options, unless the holder exercises all Options able to be exercised by him or her at that time.
- The exercise by a Holder of only some of the Options held by the Holder does not affect the Holder's right to exercise at a later date other Options held by the Holder.
- The Shares issued on the exercise of the Option will rank equally in all respects as from the date of issue of those Shares with all existing ordinary shares in the capital of the Company.
- If a holder fails to exercise any Options registered in the holder's name before 5.00 pm on the 30 April 2011, those Options that the holder has not exercised lapse and all rights of the holder in respect of those Options cease.
- If the Shares are listed on ASX, the Company will apply for quotation of the Shares issued on exercise of the Options in accordance with the Listing Rules.
- There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in any new issue to shareholders of the Company during the currency of the Options.
- If there is any reorganisation of the capital of the Company including, without limitation, a consolidation or subdivision of any of the issued capital of the Company, or a pro rata bonus issue of Shares the Options must be reorganised in the way required under the Listing Rules.
- The rights of the holder may be changed to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

5.9 Executive Service Agreements

The Company employs each of Peter Swiridiuk and Doug Hutchison under executive service agreements. The agreements are on standard terms for agreements of their type. Under the agreements, the Company may terminate the executive's employment on 6 months' notice, and the executive may terminate his employment on 3 months' notice. The Company has agreed to pay Peter Swiridiuk an annual salary of \$178,500 plus compulsory superannuation. The Company has agreed to pay Doug Hutchison at the rate of \$900 per day inclusive of superannuation. The Company anticipates that Doug Hutchison will devote approximately 50% of his time to Coppermoly.

6.0 INDEPENDENT GEOLOGIST'S REPORT



Project Geoscience Pty Ltd

Independent Geologist's Report on Mineral Properties in Papua New Guinea

Prepared for

Coppermoly Ltd,
94 Bundall Road, Bundall,
Queensland, 4217

Prepared by

RALPH N. STAGG
BSc, MSc, DIC, FAusIMM, MIMMM, CEng

Effective date

12th October 2007

Project Geoscience Pty Limited A.B.N. 89 002 280 266
Telephone +(61 -2) 9660 5650 Facsimile +(61-2) 9566 4927
5 Creek Street, Forest Lodge NSW 2037, Australia
E-mail: progeo@bigpond.net

12th October 2007

The Directors
Coppermoly Ltd
94 Bundall Road, Bundall
Queensland, 4217

Dear Sirs,

Independent Geologist's Report on Mineral Properties

Purpose of the Report

This report has been prepared for inclusion in a Prospectus for Coppermoly Ltd ('CuMo') to be dated on or about 25 October 2007 for an issue to the public of 64 million shares at \$0.25 (twenty five cents) each payable in full on application to raise \$16,000,000, with the ability to accept oversubscriptions of up to 16 million shares to raise an additional \$4,000,000. The Vendors of the properties will also hold 40 million shares in CuMo.

The objective of the issue is to raise funds to enable CuMo to undertake exploration of two groups of mineral tenements located in Papua New Guinea that are prospective for copper and gold.

This report has been designed to accompany the Prospectus of CuMo. This report is designed to assist the prospective shareholders of CuMo to assess its Mineral Properties and was not prepared for any other purpose.

Qualifications and Experience

R. N. Stagg ('RNS'), who holds a MSc in Mineral Exploration and is a Fellow of the Australasian Institute of Mining and Metallurgy, has prepared this report. As a Geologist he has had over 35 years experience in the exploration industry including copper and gold systems in Papua New Guinea.

Limitations

The information used to prepare the report is drawn from reports prepared by previous tenement holders, consultants, the PNG Department of Mines and from discussions with directors and officers of NGG. We do not doubt the authenticity or substance of previous investigation reports. We have not carried out a total audit of the available information.

The statements and opinions contained in this report are given in good faith, but, in the preparation of this report, the author has relied substantially on information provided by the Directors and Consultants of NGG. We do not have reason to doubt the information so provided.

The report does not examine the possible impact of PNG legislative provisions or their effects or impact on future exploration and other activities of the properties.

Independence

At the date of this report, neither Project Geoscience Pty Ltd ('PG') nor the author does have, nor has had any relationship with CuMo other than as may have occurred as a result of providing consultancy services in the ordinary course of business. R. N. Stagg is paid a monthly retainer by NGG to prepare NI 43-101 compliant reports for its properties in PNG from time to time as required.

Neither PG nor RNS has a relevant interest in or any interest in the acquisition or disposal of any securities in CuMo. Neither PG nor RNS have any pecuniary or other interest that could be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the mineral properties of CuMo.

Neither PG nor RNS have received or may receive any pecuniary or other benefits, whether direct or indirect or in connection with the preparing of this report other than the retainer paid by NGG plus out of pocket expenses.

NGG has advised PG that it will re-coup \$19,000 of the costs to prepare this report from CuMo.

Consents

PG consents to the inclusion of this report in the form and context in which it is included. Apart from that, neither the whole nor any part of this report, nor any references thereto, may be included in or with, or attached to any document, circular, resolution, letter or statement without the prior written consent of PG.

PG has not been involved in the preparation of, nor has authorised or caused the issue of any other part of the Prospectus in which this report has been included except for the figures attached to this report all or parts of which may have been reproduced in other parts of the Prospectus.

Yours faithfully,

PROJECT GEOSCIENCE PTY LTD



Ralph N Stagg
Director

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Summary

Systematic mineral exploration of Papua New Guinea ('PNG') commenced in the 1960's focusing largely on 'porphyry copper' style deposits. By the mid-1970s, four large (eg Bougainville, OK Tedi) and several smaller mineralised systems of this type had been discovered. In the 1980's following the de-regulation of the World gold price exploration focus shifted to gold-bearing systems in both known and virginal areas. This resulted in the discovery and delineation of two large deposits (Lihir and Porgera) that subsequently became mines and numerous smaller occurrences of potential economic interest, some of which have also become mines eg Tolukuma.

The projects and prospects now held by CuMo (Figure 2) were originally outlined by exploration programs by previous explorers in these historic periods. The **Simuku** and **Mt Nakru** projects have all undergone a number of exploration phases. The **Simuku** project has recently undergone a substantial exploration program focussed on its molybdenum potential but further work is required before a resource can be estimated.

Historic work as well as work undertaken by the Vendors has identified valid targets within all the exploration properties that warrant follow-up drilling and other exploration work leading to a better understanding of the mineralised systems.

In New Britain the **Simuku** tenement has known porphyry copper style mineralised systems as well as the Misili molybdenum prospect recently outlined by exploration work. Recent work suggests that historic drilling has not been sited optimally and that drilling other targets for large systems is warranted. Known porphyry copper mineralisation also occurs at **Mount Nakru** and **Plesyumi** and recent surface work has delineated gold mineralisation.

Introduction

PG has been retained by the board and management of CuMo to review all relevant information held in Australia and PNG, in order to prepare an Independent Geologists' Report on it's mineral exploration and development tenements held in PNG.

CuMo is a natural resource company planning to list on the ASX engaged in the acquisition, exploration and, if warranted, the development of mineral deposits in PNG. The geological environments held under tenements are favourable for the discovery and delineation of gold, silver, copper and molybdenum deposits.

CuMo has acquired it's projects from NGG, a company listed on the TSX-V that has been active in PNG for more than 10 years. Extensive drilling and other exploration activities have also been completed on all of the properties and the results of this will be described in detail in this report.

This report has been prepared based upon the following scope:

- The exploration properties have been reviewed with respect to the exploration history, potential and CuMo's exploration strategy;
- Historical plans for work proposed have been reviewed with an emphasis on statutory tenement requirements.
- The geological models and concepts applied have also been reviewed.

This report has been prepared by Mr Ralph N Stagg, BSc, MSc, DIC, FAusIMM, MIMM, CEng.

Mr Stagg visited NGG's Sinivit property in New Britain in August 2005 and NGG's Normanby (Imwauna), Sehulea (Weioko) and Mt Penck (Kavola East) properties in July 2006. Mr Stagg visited the Simuku and Mt Nakru properties between 30th August and 4th September 2007 during the preparation of this report.

During 2005, 2006 and 2007 Mr Stagg visited NGG's offices and examined data and files and held discussions with Mr R D McNeil (Chairman, President and CEO of NGG), Mr Doug Hutchison (Vice President Exploration – Papua New Guinea of NGG) and other NGG personnel.

Various other appropriate data sources external to CuMo were consulted during the preparation of this report.

This report is for use as a support document to be filed with the Australian Stock Exchange (ASX) for an application by CuMo for listing on the ASX and this report has been prepared for that purpose only.

Exploration information always consists of a relatively small and incomplete body of data compared with the complete deposit or area under investigation and study. A number of valid interpretations may be possible from the limited data available at any one time. Diagrams and explanations presented in this report are based upon the best information available at the time of preparation of this report.

Such explanations and diagrams may change or be subject to refinement as further exploration makes more information available or new research requires altered geological concepts.

CuMo has made available a very large body of data from the various properties encompassing exploration and other geological work that has been undertaken over many years, both by NGG and by other parties. CuMo has warranted in writing that to the best of CuMo's knowledge all material information has been disclosed fully, accurately and truly to PG. PG has made diligent efforts to check this data from separate sources but provides no warranties in this regard. By its nature this type of report is largely reliant upon the information supplied by the Company.

Property Descriptions and Location

The legal status of the tenure of the CuMo properties (Table 1 & Figure 2) is subject to a separate report in the Prospectus. CuMo's tenements have not been independently verified by PG. CuMo acquired the rights to the PNG properties through the original vendors, New Guinea Gold Limited, a wholly owned subsidiary of NGG.

Table 1 summarises the status of the titles.

Figure 1 shows the typical mineralisation models applicable to PNG based on published work by Corbett (2002). Some of these models have been demonstrated in CuMo's project areas, some are not or may not be applicable.

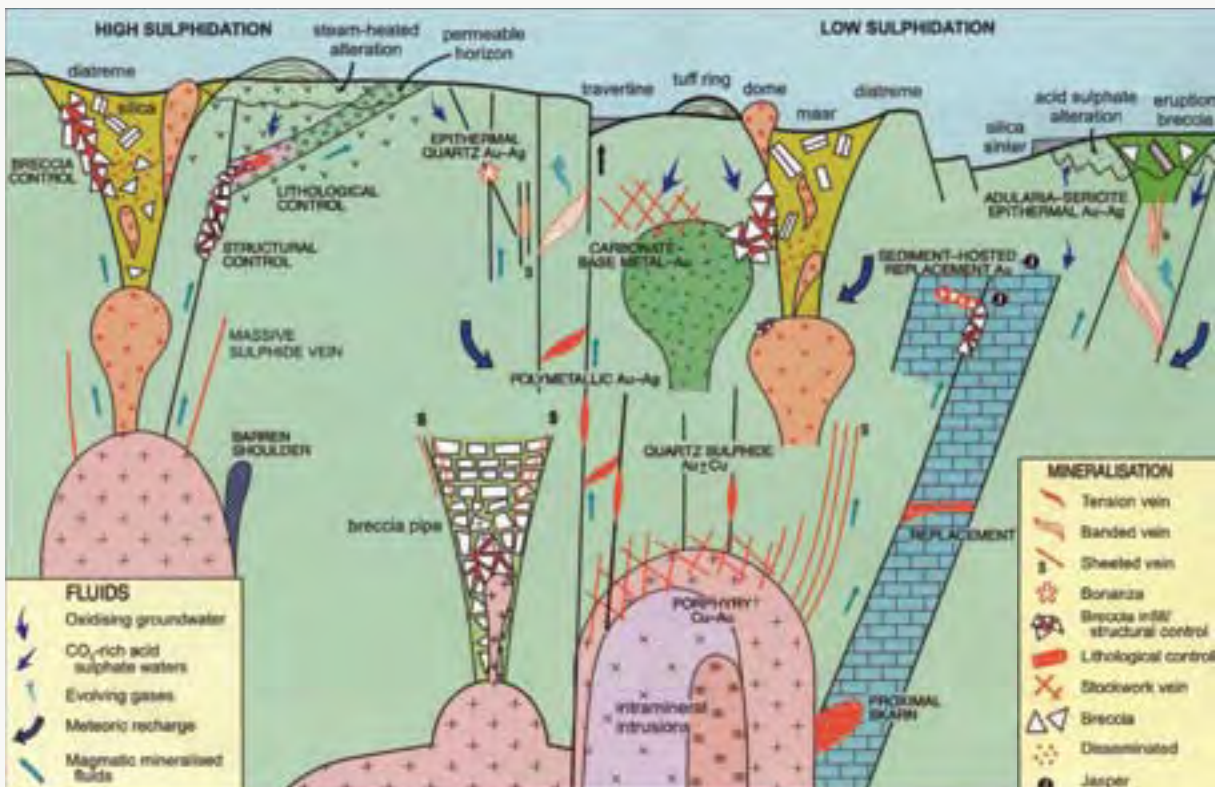
Table 1: CuMo Property Information

Property	Title	Area Sub-blocks	Grant Date	Status	Owner	CuMo Interest
Simuku	EL 1077	14	29/11/93	Renewal date 28/11/2007#	Copper Quest PNG Ltd*	100%
Talelumas	ELA 1445	22		Applied for on 11/09/2006	Copper Quest PNG Ltd*	100%
Mt Nakru	EL 1043	14	8/12/92	Renewal date 7/12/2006#	Copper Quest PNG Ltd*	100%

* Copper Quest PNG Ltd is a wholly owned subsidiary of CuMo. Copper Quest has agreed to acquire these tenements, but at the date of this Prospectus NGG PNG is the registered holder of these tenements.

Application has been made for renewal.

Figure 1: PNG Mineralisation Models (after Corbett, 2002)



Data Verification

Codes of Practice

The Valmin Code of the Australasian Institute of Mining and Metallurgy ('AusIMM') provides the guidelines for the preparation of Independent experts' reports as does the JORC Code for categorisation of resources and reserves. Both of these codes are binding on members of the AusIMM. This report has been prepared in compliance with these codes.

The CuMo tenements have advanced and less advanced exploration projects, prospects and properties.

For illustrative purposes and to enable the reader to make some comparisons with analogous mineralised systems, resource and reserve estimates may be quoted with respect to selected examples of other projects in PNG. CuMo has no beneficial interest in these projects and the data has been sourced from contemporary literature and other sources. PG makes no warranties as to the absolute accuracy of these numbers, they are provided as quoted in the appropriate sources and have not been independently verified.

Under the JORC Code, provision has been made to allow an expert to estimate potential target sizes to provide an opinion as to the potential of a particular mineralised zone. In this report this has been done using three broadly generalised quantitative terms, large, medium and small. For example:

- 'Small' is applied where the deposit potential may range up to a few hundred thousand tonnes;
- 'Medium' is applied where the deposit potential may range from small to a few million tonnes; and
- 'Large' is applied where the deposit potential may range from medium to hundreds of million tonnes.

Identification of promising potential does not imply any warranties as to confirmation. Considerable further exploration and other work needs to be undertaken in order to carefully evaluate this potential. Depending upon the target mineral type, the target potential has some bearing on the economic potential and therefore provides qualified support for the work required to be done.

In many parts of PNG the terrain is very challenging and access can be very difficult. This has an effect on the economics of developing a discovery principally in the capital cost of such a potential development. This has been carefully considered by CuMo in the strategy that has been developed for exploration, development and exploitation and is described in this report.

Information Sources and Assessment Methodology

CuMo has provided PG with full access to all relevant files and reports on all its projects including historical reports. Most documents are not in the public arena. This database is very extensive and comprises of many documents.

A glossary of scientific and technical terms has been prepared for this report and is appended to it. All maps used in this report have been based upon PNG standard datum of ADG66, Zone 56 with UTM projection.

All currency is quoted in AUD\$ which has not been converted to PNG Kina ('K') the legal tender of PNG at the appropriate exchange rate prevailing at the time of this report.

Data Quality

CuMo's projects have been explored by different companies using different methodologies intermittently for many years. This means that a variety of techniques have been applied, some effective, some less effective and some ineffective. Often the exact technique is poorly recorded or simply not recorded at all. This is often the case in exploration in many other parts of the World including Australia and is not unique to PNG or to CuMo's projects in PNG.

In general terms larger and experienced, reputable companies formed the backbone of the earlier exploration in PNG with the consequence that the work was by and large high quality for the period in which the work was done and the techniques were diligently applied. NGG and its predecessors have also generally undertaken well thought out and managed programs even within the limitations of less well endowed resources than their larger corporate predecessors with the consequence that the data they obtained has been good quality as well.

Overview

CuMo's project areas in central New Britain are located within the well-mineralised Kulu-Awit Corridor (Figure 2), a structural zone that trends west-northwest for a distance of 140km. This mineralised belt contains a number of porphyry copper-molybdenum-gold or epithermal gold systems, including – from southeast to northwest – Mt Nakru (Cu-Au), Plesyumi (Cu-Au), Kulu (Cu-Au), Simuku (Cu-Mo-Au) and Mt Penck (Au), as well as numerous smaller mineral prospects and/or geochemical anomalies. The Cu-Au systems are related to late Oligocene, multiphase, intermediate intrusive systems. The Mt Penck epithermal Au system (not held by CuMo) is hosted by a Plio-Pleistocene volcanic complex that may also overlie a porphyry system.

Figure 2: Central New Britain – Kulu-Awit Trend



The island of New Britain developed as a subduction-related volcanic arc and comprises an Eocene-Oligocene basement of volcanics, sediments and intrusives overlain by Miocene to Plio-Pleistocene clastic and carbonate sediments. Quaternary volcanics, derived from young, presently-active, andesitic volcanoes, are widely developed along the north coast. Post-mineral cover of ash and pumice is erratically present over parts of each property and is derived from eruptions along the young volcanic chain.

The largest of the Oligocene intrusive systems is the Kulu batholith, which outcrops over an area of 90 square kilometres and is composed predominantly of diorite with subordinate quartz diorite, monzonite and granodiorite phases and related porphyries. The batholith has been dated at 22-28.7Ma (late Oligocene). Thus, the regional geological environment is similar to that of several classical geological environments that host significant porphyry copper, molybdenum and related ore deposits in other localities.

Simuku Project

The Simuku Project includes the main Simuku porphyry copper-molybdenum prospect and subordinate copper and gold targets including Kulu, Talelumas, Rapisme and Rapilli prospects.

1.0 Locality and Access

The Simuku EL (1077) and ELA (1445) are located 35 kilometres south-west of Kimbe in West New Britain Province. The project is centred at approximately 5° 44' south and 150° 02' east. Vehicular access is by 4WD via a logging road north of the property, although due to heavy rainfall this track requires continuous maintenance to remain in good repair. Walking tracks, along moderate gradients, and a road and track system provide access to most of the prospect locations. Alternate access is by helicopter from Kimbe heliport. No population centres occur in the license, the traditional landowners live in the coastal villages at Ismi, Mingai, Morokeya, Ruango and Kulungi.

The exploration licence is on the northern flank of the Whiteman Range. Rugged terrain results from incised, seasonal streams and relief of about 600m with elevations ranging from about 200m to 800m. Small garden areas are restricted to nomadic developments at lower elevations with the remainder of the license covered by dense tropical forest.

The area has a tropical monsoonal climate with a wet season from November through April. Hoskins, located 20km east of Kimbe, receives about 75% of about 4m of annual rainfall during this wet season.

1.1 Geological Setting

1.1.1 Regional Geology

The island of New Britain formed as a result of Eocene to Oligocene volcanism above a south-west dipping subduction zone. The subduction pattern changed during the Miocene with subduction moving to the New Britain trench to the south of the island. Lower Tertiary island arc volcanics, volcanoclastics and intrusives form the basement rocks for New Britain with Eocene Baining Volcanics, Oligocene Merai Volcanics (East New Britain) and Kapuluk Volcanics and Oligocene intrusives.

Baining Volcanics are mainly massive to well bedded volcanics, volcanic sediments and related intrusives. The volcanics are basic to intermediate and believed to be over 600m thick. Sediments consist mainly of marine conglomerates, sandstones and siltstones with minor limestone lenses.

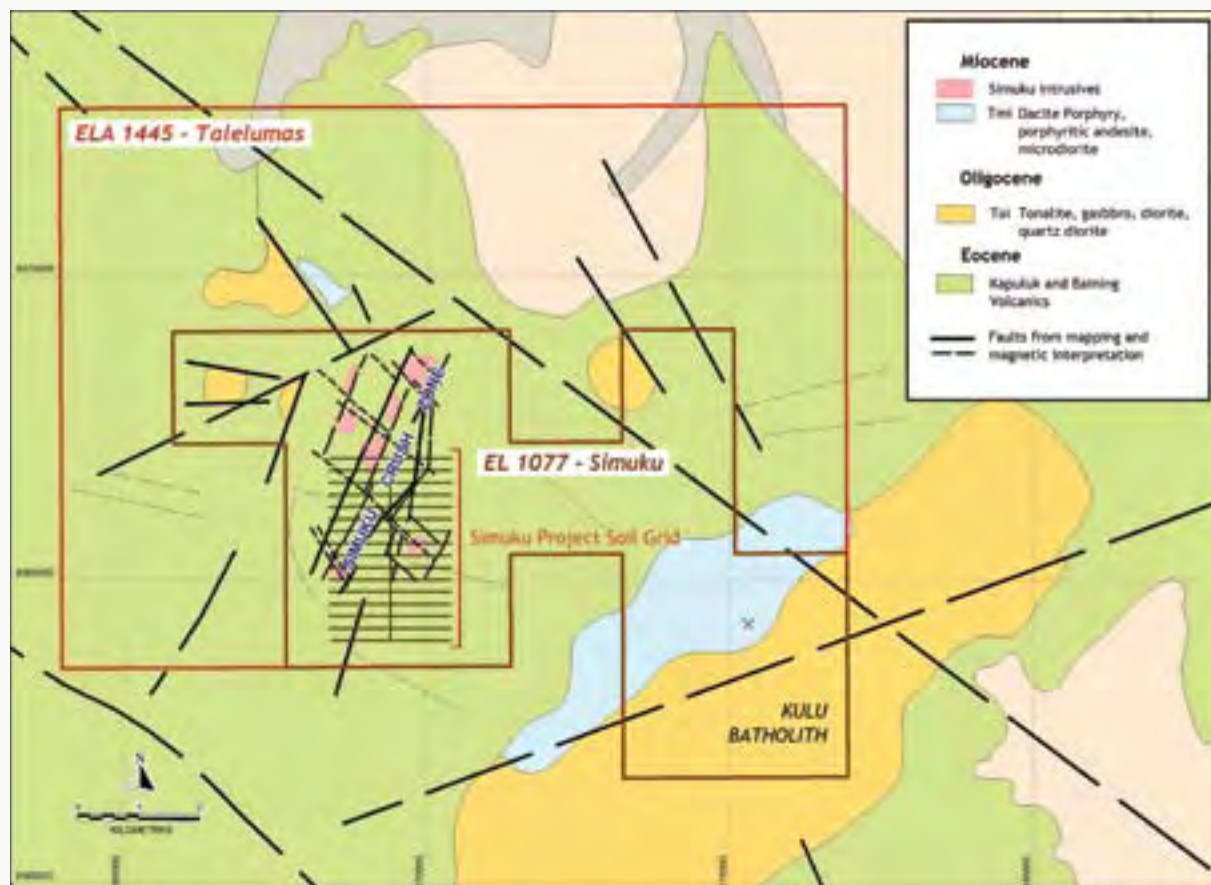
The Kapuluk Volcanics are compositionally similar to the Baining Volcanics and formed under similar island arc conditions. Plutonic and hypabyssal rocks, of granodiorite to gabbro composition, are mainly

co-magmatic with the upper Oligocene volcanics. Porphyry copper style mineralisation is mainly found within the intrusive complex.

Change in the subduction pattern during Early Miocene resulted in a hiatus in volcanic activity, and gradual subsidence accompanied by deposition of thick limestone sequences of the Yalam and Sai Beds. Volcanism resumed in the Pliocene with deposition of tuffaceous sediments, acid tuff and basal conglomerates of the Kapiura Beds. The Quaternary Kimbe Volcanics border the Bismarck Sea and form islands off the north coast of New Guinea. The Kimbe Volcanics are products of strato-volcanoes that produce mainly andesitic lavas. Recent volcanic activity has resulted in extensive post mineral cover of a large part of New Britain with pumice and volcanic ash.

The Simuku property (Figure 3) is mainly underlain by andesitic to basaltic volcanic and volcanoclastic rocks of the Kapuluk Volcanics and felsic, andesitic to dacitic intrusive dykes, sills and stocks belonging to the Upper Oligocene intrusive suite related to the Kapuluk Volcanics.

Figure 3: Regional Geological Map of Simuku Showing Location of Kulu Batholith



1.2 Mineralisation

Anomalous copper, gold and molybdenum analyses from samples of soils, creek float, creek outcrops, trench exposures and drill intersections indicate that copper, gold and molybdenum mineralisation is discontinuously present at Simuku over an area of at least 4.5 km x 2.2 km, within a generally north, north-east trending zone. The mineralisation is hosted mainly by andesitic to basaltic volcanic and volcanoclastic rocks of the Kapuluk Volcanics, which are intruded by andesitic, dacitic, quartz porphyry and quartz diorite dykes, sills and stocks related to the late Oligocene Kulu batholith.

Exploration targets at Simuku include 'porphyry-style' copper-molybdenum or copper-gold deposits associated with the intermediate intrusives and medium to high grade, breccia-hosted molybdenum deposits.

Fifteen holes have been drilled at Simuku, eleven of which are located within an area of only 700m x 400m near the northern end of the 4km long mineralised zone. Clearly, only a small portion of the total mineralised area has been drill tested.

1.2.1 Porphyry Copper-Gold-(Molybdenum) Mineralisation

Bulldozer trenching and drilling within the "crush zone" shown in Figure 3 has demonstrated the presence of leached capping, supergene enrichment, and primary copper mineralisation in the range of 0.1-0.5% Cu in mainly phyllic altered volcanic rocks and subordinate marginal intrusive phases. Higher grade intercepts of up to plus 1.0% Cu are present over narrow intervals. The intrusive rock types include quartz porphyry, quartz diorite and possible monzonite.

Bulldozer trenching has defined an outer copper envelope with dimensions of 4km by 0.7km enclosing an inner anomalous molybdenum envelope (Figure 4). The copper envelope remains open to the north and south.

Twelve holes have been drilled to test porphyry Cu-Mo-Au targets at Simuku with the intercepts summarized in Table 2.

Most of these previous drill holes appear to have tested the phyllic altered, pyritic halos of mineralised intrusive bodies, characterised by magnetic lows (due to magnetite destruction) and lower primary copper grades. In addition, apart from SMH-011 (276.6m) none of the previous holes have tested the system below 174.5m and most are 100m or less. No drilling has been undertaken to test the Simuku system at depth.

Primary sulphides form up to 15% of the rock and consist of pyrite, chalcocopyrite, sphalerite and molybdenite, with some chalcocite development in the supergene zone. Widespread, anomalous copper grades of 0.1-0.5%Cu in the pyritic halos indicate the intrusive centres may have potential for grades exceeding 0.5%Cu.

Three intrusive targets have been identified that have not been tested and will be the focus of further work (Figure 5). These are *Nayam*, *Misili* and *Magipmo*. All three targets have anomalous rock and soil geochemistry, coincident gradient array, chargeability IP anomalies and zones of hematitic, leached capping. Leached, mineralised intrusive porphyry, carrying anomalous copper values of up to 2.9 %Cu, has been identified at *Nayam* and *Misili*.

Only the *Misili* Target has been drill tested (one hole, SMD2) and only two have recently been partly trenched and sampled as part of the 2005 trenching program.

Figure 4: Simuku 'Crush Zone' geochemistry

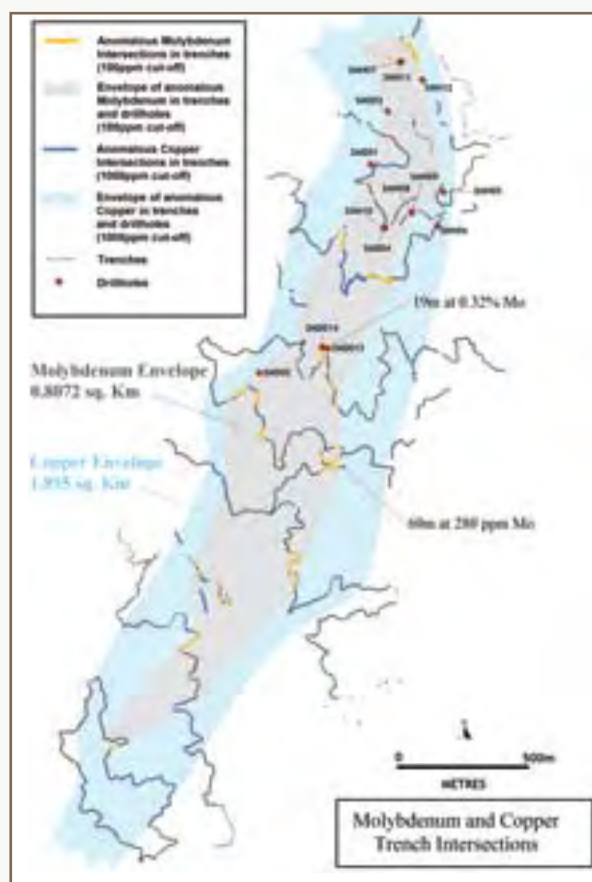
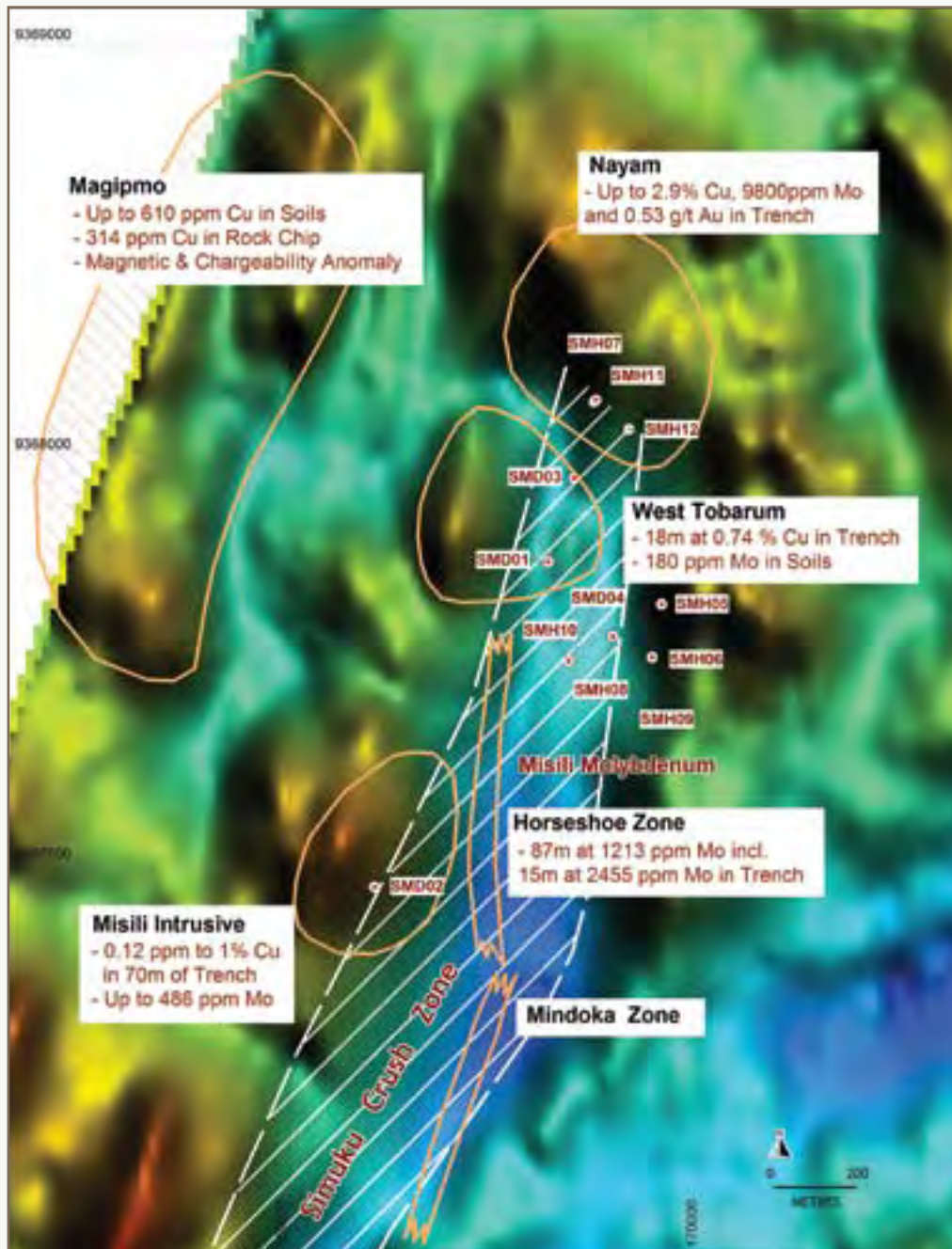


Table 2: Simuku Prospect – Holes 83SM1 ('SMD01') to SMH-12. Drill Intercepts at 0.1% Cu cut-off

Hole No.	Mineralised Intercept				Assays			
	Total Depth (m)	From (m)	To (m)	Intercept (m)	Cu %	Au g/t	Ag g/t	Mo ppm
83SM-1 'SMD01'	174.5	2.5	174.25	171.75	0.19	0.05	1.7	25
	including	5.5	18.95	13.45	0.33	0.03	1.5	449
	including	55.2	125.0	69.80	0.19	0.05	2.4	25
	including	125.0	174.25	49.25	0.28	0.07	1.4	34
83SM-2 'SMD02'	150.0	0.0	150.0	150.0	0.15	0.02	1.4	101
	including	13.6	29.1	15.5	0.30	0.02	1.0	118
83SM-3 'SMD03'	150.2	0.0	150.2	150.2	0.35	0.06	3.4	21
	including	17.2	24.8	7.6	0.47	0.06	0.9	5
	including	51.4	100.0	48.6	0.40	0.08	3.1	19
	including	100.0	150.2	50.2	0.50	0.06	2.5	40
83SM-4 'SMD04'	150.0	0.0	50.0	150.0	0.32	0.04	1.3	23
	including	24.7	65.4	40.7	0.64	0.04	1.9	28
	including	65.4	150.0	84.6	0.28	0.03	1.3	18
SMH-05	100	28	67	39	0.18	0.02	1.5	4
	including	93	100	7	0.17	<0.02	<1.0	<5
		43	55	12	0.20	<0.02	2.8	<5
SMH-06	100				<0.10			
SMH-07	63	0	63	63	0.52	0.12	2.1	65
		18	63		0.58	0.11		79
SMH-08	66	4	66	62	0.24	0.12	3.0	15
SMH-09	93	6	93	87	0.24	0.12	1.0	16
	including	6	16	10	0.46	0.15	1.4	26
SMH-010	82	24	82	58	0.53	0.10	2.3	30
		30	66	36	0.70	0.10	1.8	40
SMH-011	77	0	77	77.00	0.49	0.11	2.0	85
SMH-012	276.6	0	276.6	276.6	0.33	0.06		25
	including	0	91.3	91.3	0.43	0.06		81
		21.5	46.4	24.9	0.54	0.05		82
		65.0	85.5	20.5	0.54	0.08		77
		147.6	203.6	56	0.38	0.10		
		258	276.6	18.6	0.36	0.10		

Figure 5: Simuku – Other Targets



Nayam Target

The Nayam target is located at the extreme northern end of the structural zone and appears to be the most gold rich part of the system. Ridge/spur soil sampling, IP/magnetic surveying, and limited trenching and drilling have been undertaken. A prominent magnetic anomaly, interpreted to be an intrusive body, is located to the north of Nayam Creek and is coincident with a gradient array, chargeability IP anomaly. Silicified quartz diorite porphyry, pyritic hydrothermal breccia and silicified, pyritic, quartz veined intrusive occurs as creek float or outcrop at the northwest end of the anomaly.

Reconnaissance soil and rock chip sampling by Placer over the magnetic anomaly gave scattered anomalous

copper and gold values, including more than 300ppm Cu in ridge/spur soil samples, and up to 2.9% Cu and 1.14g/t Au in rock samples. A gold soil anomaly (generally outlined by >0.5g/t Au analyses) with approximate dimensions of 400m x 400m is located to the east of the combined geophysical anomalies.

Trenching on the southern side of the anomaly has exposed zones of strongly leached, quartz limonite veined, phyllic altered, quartz porphyry and volcanics overlying strongly anomalous copper-gold mineralization possibly in the supergene enriched zone. The Nayam trenching results are summarized in Table 3.

Table 3: Nayam Target – Trenching Results

Trench No	Interval (m)	Au g/t	Cu %	Mo ppm	Geology		
11	21.0	0.17			Leached cap zone		
	21.0	0.06					
	12.0	0.13					
	27.0		0.08				
	6.0		0.13				
	6.0		0.073				
	18.0			215			
	12.0			123			
	1 (Placer)	~70.0		0.40			Possible supergene chalcocite zone
		incl. 15.0		0.63			
30.0		0.17	0.13				
14.0		0.26	1.03				
12.0		0.14	0.50				

Local hematitic limonite is present in the leached zone possibly indicating some leaching and supergene deposition of chalcocite has taken place. The irregular anomalous copper, molybdenum and particularly gold values in the leached zone are considered significant as gold is closely associated with copper mineralisation in a porphyry system but is less mobile when copper is leached.

The strongly anomalous copper values of just over 1.0% Cu present over significant widths in the underlying, possibly supergene enriched, zone provide strong encouragement that the Nayam Target may host primary copper mineralisation.

Holes SMH-07, 011 & 012 were drilled at the southern edge of the magnetic anomaly and intersected copper mineralization over wide intervals, including (see Table 2) as follows:

- SMH-012 – 91.3m at 0.43% Cu, 0.06g/t Au (from surface)
- SMH-011 – 77m at 0.49% Cu, 0.11g/t Au (from surface)
- SMH-07 – 63m at 0.52% Cu, 0.12g/t Au (from surface)

A long section through these drillholes is shown in the Proposed Exploration Program that shows a mineralised trend towards depth and the Nayam target.

The Nayam Target is interpreted to be a sub-surface, mineralised intrusive porphyry with possible dimensions of 1,200m x 300-500m, trending north-west. Most of this target remains untested by trenching or drilling.

Magipmo Target

Magipmo is located about one kilometre west of Tobarum. The target is defined by gradient array and chargeability IP anomalies, argillic alteration and magnetic anomalies interpreted to represent intrusive

bodies. Strongly leached, argillised, silicified intrusive, including microdiorite and quartz feldspar porphyry, and gossanous hydrothermal breccia is present as creek float, scree and outcrop over a north-south distance of at least 1 km. The leached intrusives contain quartz-limonite veining and stockwork, and locally abundant sulphide voids. Limonite is locally present indicating leaching and enrichment of copper.

Bulk cyanide leach (BCL) stream sediment copper analyses including values of 4,817ppm Cu, 3,951ppm Cu, 1,157ppm Cu and 2,056ppm Cu are scattered over an area of about 0.8 square kilometres. Ridge-spur soil and rock chip sampling by Esso and Placer found values of more than 300ppm Cu and more than 10ppm Mo in soil samples and up to 0.69% Cu in rock samples.

These preliminary, reconnaissance exploration results point to the possibility of a mineralised porphyry body at Magipmo. The target has dimensions of about 1,800m x 400-700m and is completely untested by either trenching or drilling.

Misili Target

At the Misili Target bulldozer trenching has exposed 10m to 70m wide intervals with anomalous copper values ranging from 0.12% Cu up to more than 1.0% Cu. The anomalous intervals are mostly confined to a 200m wide north north-east trending zone. However, anomalous copper in the general range of 400ppm to 1,000ppm Cu is also associated with strongly leached, mineralized intrusive found in trench exposures and scree to the west of the structural zone, indicating the possibility of a much larger exploration target.

The trenches expose strongly leached, argillised and silicified intrusive including porphyry and microdiorite with sulphide voids indicating up to plus 5% sulphides in fresh rock. Limonite is irregularly developed over a wide area and locally forms up to 50% of the total limonite, suggesting significant leaching and

supergene enrichment of copper. Intense quartz-limonite-pyrite veining and stockwork is present.

Magnetic and resistivity/chargeability IP anomalies define an inferred mineralized intrusive body at a depth of less than 100m beneath the leached zone.

One hole, 83SM-2 ('SMD-02'), has been drilled at Misili. The hole intersected altered andesitic volcanics with narrow intersections of phyllic altered diorite porphyry (87-103m) and feldspar biotite porphyry (121-139m). The average copper grade for the entire hole was 150m at 0.15% Cu and the best intersection was 4.1m at 0.39% Cu. Molybdenum grades average about 100ppm Mo for the entire hole and include intersections of 120ppm Mo over 3m and 560ppm Mo over 2.5m. The highest Mo grades, up to 560ppm, are associated with intermediate porphyry. Disseminated magnetite is present in the lower 12m of 83SM-02.

The single drill hole has not adequately tested the Misili target.

1.2.2 Molybdenum Mineralisation

Anomalous (up to very high grade) molybdenum values from geochemical sampling of up to 0.60% Mo, with local visible molybdenite are present in highly siliceous fissure breccias and/or silicified felsic intrusives at three locations in trench or creek exposures east and south-east of Mt Misili. Collectively these three zones, and exposure of visible molybdenite in silicified intrusive in Mindoka Creek,

are referred to as the Misili Molybdenum Prospect (Figure 5). The prospect consists of two separate zones, named *Horseshoe* and *Mindoka*, which appear to be partly offset structurally, but if connected along strike comprise a strongly elongate, generally north, north-east trending target zone up to 1,300m long and 30-70m wide. The alteration style in these fissure breccias is intense silica flooding and quartz vein stockworking with significant development of hydrothermal clay.

The results of geochemical sampling of trenches in the principal molybdenum zones are shown in Table 4.

Horseshoe Zone

Molybdenum grades in the Horseshoe Zone average 0.16% Mo (XRF assays) over a true width of 35m, with a high of 0.424% Mo. The main host rocks are siliceous hydrothermal breccias and silicified, quartz veined, quartz feldspar porphyry and quartz microdiorite.

Strongly anomalous copper values, including 9m at 0.28% Cu and 36m at 0.20% Cu (not true widths), possibly represent a high Cu zone peripheral to the high Mo zone within a zoned Mo-Cu deposit. The combined true width of the entire Mo-Cu zone is about 80m.

Two shallow holes, SMD-013 & SMD-014, to 71m and 101m, respectively, were drilled in late 2006 to test the Horseshoe target. SMD-014 intersected 19m at 0.32% Mo from surface, including 7m at 0.60% Mo, confirming the high molybdenum grades found in trenches.

The drilling highlights are shown in Table 5.

Table 4: Misili Molybdenum prospect – Molybdenum and copper grades

Zone	Intercept (m) (Not true width)	Mo %	Analytical Technique	Cu ppm
Horseshoe Trench 6 (true width 35m)	78 incl. 15	0.133 %* (0.246 %*)	ICP aqua regia*	193
Mindoka Trench 1	23 45 30	0.016 % 0.029 % 0.021 %	ICP aqua regia*	872 641 1571
Mindoka Trench 8	9 18 42 18 9 (27m)**	0.017 % 0.014 % 0.019 % 0.024 % 0.019 %	ICP aqua regia*	1200 1750 475 431 230 (2828**)

* XRF analyses show an average 18% increase in Mo grade.

** Between Mo zones

Table 5: Horseshoe Molybdenum Target – Drilling Highlights

Hole No	From (m)	To (m)	Interval (m)	Mo ppm	Cu %
SMD-013	0.0	5.0	5	775	0.022
	13.0	53.0	40	261	0.20
	54.0	70.8	16.8	410	0.16
SMD-014	0.0	19.0	19	3,200	0.10
	23.0	59.0	36	199	0.34
	76.0	100.1	14.1	171	0.27

Mindoka Zone

Anomalous molybdenum values in the range 0.014% Mo to 0.03% Mo (aqua regia assays) are present in Trench 1 and also in Trench 8, 500m further to the south. In Mindoka Creek, 60m south of Trench 1 visible molybdenite is present in silicified felsic intrusive. Together these three exposures define a narrow, elongate north, north-east trending zone at least 500m long and approximately 60m wide.

The anomalous molybdenum values are associated with highly siliceous, sheared hydrothermal/diatreme fissure breccia and intensely fractured, brecciated, silicified, felsic porphyry. The porphyry contains clear quartz veining/stockwork and local disseminated sulphides. In Mindoka Creek visible molybdenite is present in strongly silicified, pyritic, felsic intrusive with veins and stockwork of clear quartz and quartz-pyrite. Molybdenum deposits are commonly zoned downwards and inwards from high pyrite-low Mo to low pyrite-high Mo. The presence of pyrite veining in Mindoka Creek may indicate the presence of higher molybdenum grades at depth. Molybdenum and copper grades for Trench 1 and Trench 8 show an overall average grade of 0.021% molybdenum (aqua regia) and copper values in the range 230 – 1,750ppm Cu.

1.2.3 Base Metals-Gold Mineralisation

A “bulls eye” type magnetic anomaly located about 1.5km south-east of Misili is associated with anomalous gold in bulk cyanide leach (‘BCL’) stream sediment geochemical samples. Gold values in six BCL samples from three creeks range from 10.8 ppb Au to 24.2 ppb Au. All three anomalous creeks contain rock float of highly siliceous breccias and fine pyritic silica. Rock types include dark grey chalcedonic silica with fine disseminated pyrite; pervasively silicified volcanic; silicified, heterolithic, pyritic, hydrothermal breccia; strongly silicified breccia with clasts of pyritic silica and silica-magnetite; and silicified clay-altered breccia with fine quartz-limonite veins. No significant gold results were obtained from 16 rock chip float samples and one sample returned an assay of 0.5% copper.

Historical rock chip sampling by Placer in the east bank of Simuku River near the magnetic anomaly showed a gold assay result of 210g/t Au. Although this result could not be repeated when re-sampled by Macmin, the widespread presence of silica breccia indicates the “Bulls Eye” may be prospective for gold mineralisation. The fine, chalcedonic nature of much of the silica indicates a possible epithermal affinity but the magnetite suggests skarn-style mineralisation.

Rock chip samples of creek float northeast of the “bull’s eye” assayed up to 4.08 g/t Au and 0.18% Cu. This metal suite may indicate skarn-style mineralisation peripheral to the main Cu-Mo porphyry system.

Talelumas, Rapisme and Rapilli Prospects

The Talelumas Prospect, located 2.7 km southwest of Tobarum as discovered in 1984 by Esso following up anomalous arsenic in stream sediment samples and pyritic float draining a circular feature. Gold analyses to date come from samples of narrow shear zones with quartz, sphalerite, chalcocopyrite and pyrite. A grab sample from a 20cm wide sphalerite-quartz vein in the Misek creek area assayed 26.65 g/t Au, 24.0 g/t Ag, 2.14% Cu and 22.4% Zn. A 5m channel taken across the structure averaged 5.0 g/t Au.

Rapisme, Rapilli and Mawaiyuen are collectively referred to as the Kulu prospects and are located 5 km east-southeast of Simuku within the Kulu batholith. These prospects were explored by CRA, BHP and Esso as porphyry copper targets. Drilling on the Rapilli and Rapisme prospects, by CRA and BHP, respectively, intersected mainly primary mineralization grading less than 0.2% copper. No gold analyses were undertaken.

Table 6: Summary of drill intersections – SMH-1 to SMH-4 (> 1m at 0.1% Cu)

Hole No	Depth (m)	From (m)	To (m)	Intercept (m)	Cu %	Au g/t	Ag g/t	Mo ppm	Remarks
83SM-1 Including Including Including	174.5	2.5	174.25	171.75	0.19	0.05	1.7	25	Secondary Primary Primary
		5.5	18.95	13.45	0.33	0.03	1.5	449	
		55.2	125.0	69.80	0.19	0.05	2.4	25	
		125.0	174.25	49.25	0.28	0.07	1.4	34	
83SM-2 Including	150.0	0.0	150.0	150.0	0.15	0.02	1.4	101	Oxide
		13.6	29.1	15.5	0.30	0.02	1.0	118	
83SM-3 Including Including Including	150.2	0.0	150.2	150.2	0.35	0.06	3.4	21	Secondary Primary Primary
		17.2	24.8	7.6	0.47	0.06	0.9	5	
		51.4	100.0	48.6	0.40	0.08	3.1	19	
83SM-4 Including Including	150.0	0.0	50.0	150.0	0.32	0.04	1.3	23	Secondary Primary
		24.7	65.4	40.7	0.64	0.04	1.9	28	
		65.4	150.0	84.6	0.28	0.03	1.3	18	

1.3 Exploration History

After discovery of Bougainville, CRA investigated New Britain Island with a regional stream-sediment geochemical sampling program in 1965. Four areas of anomalous copper in stream sediments were detected within tributaries of the Kulu River. The stream sediments led to location of the Simuku, Kulu, Talelumas, Rapisme and Rapilli prospects. CRA used ridge and spur auger soil sampling and limited rock chip sampling for follow-up. A copper soil sample geochemical anomaly, in the Rapilli prospect area, was tested with three diamond drill holes totalling 916.1m. Primary copper mineralisation with generally less than 0.2% Cu was encountered. Soil sampling in the Central Simuku area revealed a zone 400m x 800m of > 10 ppm Mo associated with weakly anomalous and patchy copper values.

In the early 1970's BHP used rock chip sampling to outline the Rapisme prospect. Four diamond drill holes totalling 607.3m intersected comparable results to those from the Rapilli anomaly.

In 1979 Nord Resources conducted regional surveys that included the Simuku area. Esso worked the area between 1981 and 1986 with programs directed toward evaluation of identified porphyry copper systems. Four diamond drill holes, totalling 624.7m, were drilled at the Simuku prospect in 1983. The drill holes confirmed the presence of a chalcocite enriched zone overlying primary copper mineralisation. A gold enriched system is also suggested with a best intersection of 0.12 g/t Au from hole SM-1. Table 6 summarises the results of this drilling.

City acquired the Simuku property in 1987 and conducted further basic geochemical sampling and mapping for definition of the Talelumas Prospect before financial problems led to termination of City's interest.

In 1993 Macmin conducted a data compilation of the Kulu River in order to select an appropriate EL application area. The Simuku Tenement was granted to Macmin on 29/11/93 with Macmin holding 50% in trust for W.S. Yeaman.

In September 1994 Placer (PNG) Exploration Pty Ltd. (Placer) optioned the Simuku property. Placer's work program consisted of IP and magnetic surveys, detailed mapping, geochemical sampling, pitting and bulldozer trenching on the Simuku prospect. Although Placer's property report contained a positive recommendation for further work, Placer terminated its option in late 1995 without completing the recommended work program.

1.3.1 Exploration by Macmin and NGG

In 1996/1997 a Macmin joint venture with NGG completed 3,200m of bulldozer trenching with large intervals grading 0.2 to 0.5% Cu, and completed 8 drill holes totalling 857m (RC 584m, diamond core 273m).

In February 1999, Cyprus Amax PNG Holdings Inc. ("Cyprus Amax") finalised a farm in agreement with Macmin and Stan Yeaman (on EL 1077 only) to earn up to 80% in 3 exploration licences covering >4,000km². After spending over US \$302,000, a November 1999 merger of Cyprus Amax with Phelps Dodge resulted in restructuring and withdrawal from the joint venture. Creek mapping and prospecting was conducted on the Simuku tenement and supported by 91 rock chip samples. The best rock sample results were

from outcrop of phyllic altered crystal lithic tuffs along Misasuguran Creek where a single grab sample returned a high grade gold assay of 210 g/t Au. A nearby 20m chip channel returned 0.2% Zn, and a 1.5m wide clay silica altered fault zone returned 7.2% Zn.

After Cyprus Amax returned the Simuku property to Macmin, a petrographic study was completed on sixteen drill core samples from hole SMH-012. The analysis concluded that Hole 12 encountered a suite porphyritic acid-intermediate cal alkaline volcanics, pyroclastics and probable high level intrusions. These proved to be moderately to strongly altered and locally mineralised. The alteration and mineralisation is of porphyry style with assemblages that reflect a somewhat proximal setting with regard to the source intrusion.

Recently NGG has completed 20km of bulldozer trenching at Simuku. About 4,000 channel samples

were collected from the trenches at 3m intervals and analysed for Mo by X-Ray Fluorescence (“XRF”) methodology. One trench has intersected 72m at 1,668 ppm Mo about 250m north-east of SMD2 within a section of 132m at 989 ppm Mo. From these results, a number of target areas have been defined.

Satellite imagery over the Simuku mineralized system shows an apparent large circular feature which could represent a volcanic rim suggesting a caldera or intrusive. The Mt. Misili target area (Figure 5) may represent the core of the larger Simuku porphyry (2 km diameter) with a potassic core and halo of magnetite destruction. Alternatively the Simuku system may be a product of multiple intrusives.

Table 7 provides a summary of exploration of the property.

Table 7: Simuku Project Exploration History Summary

Period	Company	Activities
1965	CRA	Discovery of Simuku system Drilled Rapilli Prospect (3 x drillholes totalling 916m)
Early 1970's	BHP	Drilled Rapilli Prospect (4 x drillholes totalling 607m) – 83SM-1 to 83SM-4 Regional Stream sampling
1979	Nord Resources	Regional compilation of data.
1981-86	Esso (PNG)	Drilled Simuku prospect (4 x drillholes totalling 625m) Chalcocite enrichment recognised Mapping and sampling
1987-91	City Resources	Explored Talelumas Prospect for gold with soil sampling and mapping
1993	Macmin NL	Acquired Simuku tenement
1994-95	Placer JV with Macmin/NGG	Geophysics, bulldozer trenching and ridge/spur soils at Simuku Prospect . Placer withdrew despite recommending further work.
1996-97	NGG	3200m of bulldozer trenching Drilled Simuku prospect (8 x drillholes totalling 857m) – SMH-5 to SMH-12
1999	Cyprus Amax JV with NGG	Regional assessment, mapping, geochemical sampling Withdrew after merger with Phelps Dodge
2002-04	NGG	Petrography by Terry Leach. Auger soil sampling. Bulldozer trenches (2 x totalling 3246m) to test copper soil anomalies. 844 trench samples and 55 grab samples taken.
2005	NGG	20km bulldozer trenching including 12km of new trenching which located the Horseshoe high grade molybdenum zone
2006	NGG	Drilled Horseshoe (2 x drillholes totalling 170.9m) confirming the presence of high grade Mo mineralisation.

Mt Nakru Project

2.1 Locality and Access

The Mt. Nakru property is in a belt of porphyry copper and gold prospects in West New Britain Province about 60 km south of the airport at Hoskins and from 50 km to 70 km south-east of the logistics base at Kimbe. The Mt Nakru EL (1043) is centred at 5° 58' south and 150° 25' east.

A newly-opened road to the south coast of New Britain passes within 2km of the eastern boundary of the property. Previous drill access roads could be upgradeable for future use, but generally require maintenance for temporary use. Walking tracks, along moderate gradients provide access to most of the prospect locations. No population centres occur in the license, landownership claims related to traditional hunting grounds and cultivated areas originate from coastal villages.

The exploration licence is situated in the Whiteman Range. Rugged terrain results from incised, seasonal streams and relief is about 500m with the highest peak at 830m. The area is mainly covered by dense tropical forest.

A tropical monsoonal climate occurs in the area with a wet season from November through April. Hoskins receives about 75% of about 4m of annual rainfall during the wet season.

2.2 Geological Setting

2.2.1 Regional and Prospect Geology

The large Mt Nakru and Plesyumi 'porphyry copper' systems are part of a large cluster of mineralised centres and/or geochemical anomalies within an area of about 20km x 7km. Both major systems are located where northeast trending structures intersect the northwestern trending structures of the Kulu-Awit Corridor. Other known prospects in the area include Mololo Creek, Lae River Skarn, Mingoe, Mickeyek, Raingnu and Armi.

Published geology maps show the area is underlain by the late Eocene Baining Volcanics, which consist of strongly jointed and fractured, basaltic to andesitic lavas, pyroclastics, and epiclastic sediments including abundant breccia and rudite, and minor limestone. However, dacitic volcanics are present at Mt Nakru and may be related to a younger volcanic unit. Dykes and small stocks of late Oligocene intermediate intrusives invade the volcanics locally.

Plesyumi is related to an elongate intrusive stock of late Oligocene age, with dimensions of 13km by 6km, which intrudes the older volcanics and is partially covered by Pliocene-age, post-mineral sediments.

Mt Nakru is a large extrusive-intrusive complex occupying an area of approximately 40 square kilometres, consisting predominantly of fine to

coarse rhyodacitic, dacitic and andesitic volcanics cut by rhyodacitic and andesitic/dioritic dykes. Sulphide-bearing, silicified rock float occurs in all creeks draining the complex and a large area, up to 14 square kilometres, of pervasive silica-sericite-clay-pyrite alteration has been identified.

Recent post-mineral ash cover, derived from eruptions in the belt of active volcanoes along the north coast of New Britain, is present on most ridges and upper slopes to depths of 0.5m to 15m, averaging 1-2m. This extensive post-mineral cover masks much of the underlying geology and has slowed progress in evaluating the property.

2.2.2 Mineralisation

A total of four copper-gold (+/-silver+/-molybdenum+/-zinc) prospects, named Nakru 1 to Nakru 4, have been discovered to date within a 4.5km diameter circular topographic feature, which may represent a caldera-type structure or a zone of up-doming and tensional fracturing above a rising intrusion. Nakru 1, the most advanced prospect, is located at the northwestern end of a sub-surface intrusive body inferred from magnetic data with dimensions of about 2.5km x 1.0km. The inferred intrusive is coincident with an area of weakly anomalous copper and/or gold in stream sediment samples and suggests the Nakru porphyry system may be much larger than the area currently tested.

Only 12 holes have been drilled within this large target area (Figure 6), all at Nakru 1 Prospect. Much of the system remains unexplored in any detail.

Nakru 1 prospect

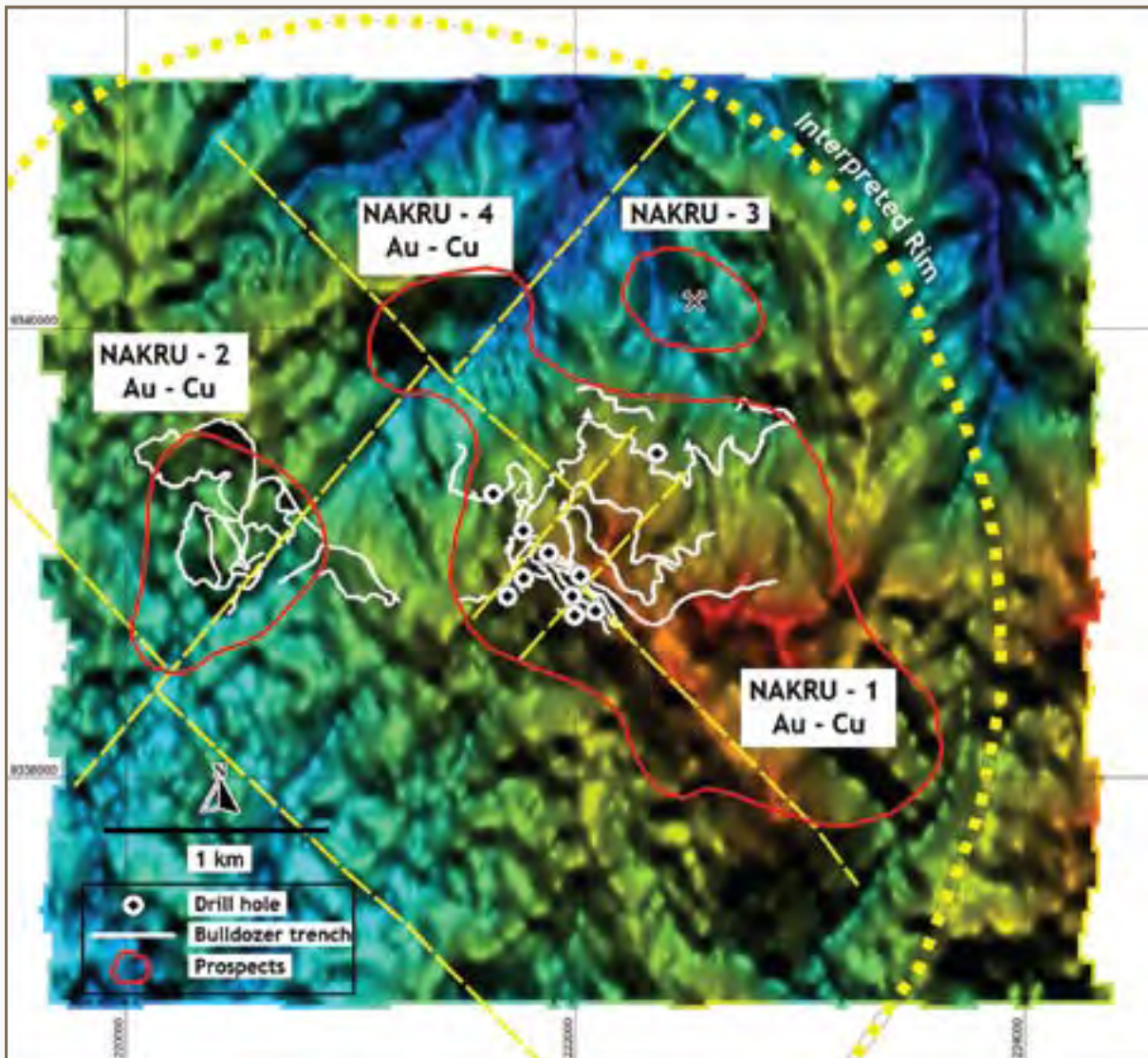
Nakru 1, the most advanced of the four prospects, has the best potential to host a large copper-gold mineralised system. Deep auger and Bulk Cyanide-Leach (BCL) soil sampling, more than 10 kilometres of hand and bulldozer trenching and 12 drill holes has been completed. Two styles of mineralisation are recognised:

- breccia-hosted gold+/-copper+/-molybdenum mineralisation in an upper, near-surface breccia unit; and
- 'porphyry-style' copper+/-gold mineralisation in the underlying volcanic-intrusive complex.

The prospect geology consists of interbedded rhyodacitic to andesitic tuffs, agglomerates and lavas locally intruded by quartz-phyric rhyodacitic and andesitic dykes. Small microdiorite intrusions and monzonitic dykes are present locally. Two generations of quartz-sulphide veining have been recognised:

- early, sulphide-poor stockworks; and
- late, sulphide-rich, sheeted quartz-pyrite veins, with coarse pyrite and chalcopyrite. The quartz veins are anomalous in Au, Mo, Bi, Ag, Te, and Sb.

Figure 6: Nakru Drilling and Trenching



The upper breccia unit is of diatreme or hydrothermal origin, partly structurally controlled. The breccia contains veins of quartz-pyrite-chalcopyrite, opaline silica and dog-tooth quartz.

Auger soil sampling has outlined a combined gold-copper-molybdenum-arsenic soil anomaly with approximate dimensions of 800m x 200-300m trending north north-west. The shape of this anomaly is highly irregular, possibly indicating some control by north-east trending structures. The best gold assay result in soil sampling was 3.5g/t Au and molybdenum values of greater than 30ppm Mo are common.

Bulldozer trenching to test the soil anomaly has exposed wide intervals of gold mineralisation at surface in the upper breccia unit (Table 8). Gold values are roughly in the range 0.1 – 3.0 g/t Au and the average of the more than 1.0g/t Au intercepts is 2.6 g/t Au. However, values of up to 37.0 g/t Au are present in individual breccia clasts, indicating potential for higher grade gold mineralisation at depth.

Table 8: Nakru I Trench Sampling Highlights – Upper Breccia Unit

Interval (m)	Au g/t
245.0	0.80
95.0	2.88
incl 35.0	7.26
42.0	2.70
incl 3.0	16.80
51.0	2.20
45.0	2.50
33.0	2.40
27.0	1.20

Twelve diamond holes (totalling 1,499m) have been drilled at Nakru I. Four of the holes, NAK001-003 and Q74D6, intersected copper mineralisation at depths ranging from 32m to 205m, and three holes intersected more than 1.0g/t gold mineralisation in the upper breccia unit (Table 9).

Table 9: Nakru 1 Drilling summary

Hole No	Intercept (m)	Interval (m)	Cu %	Au g/t	Geology
NAK 001	5.6	0.0 – 5.6	0.20	1.90	Breccia
	52.0	32.0 – 84.0	0.38	<0.10	Volcanic Complex
NAK 002	6.0	0.0 – 6.0	0.032	1.20	Breccia
	16.0	6.0 – 22.0	0.062	0.36	Breccia
	20.0	22.0 – 42.0	0.11	0.11	Volcanic complex
	24.0	62.0 – 87.0	0.23	<0.10	
NAK 003	6.5	0.0 – 6.5	0.14	1.33	Breccia
	94.0	91.0 – 185.0	0.43	0.46	Volcanic Complex
	incl 11.2		0.95	2.55	
Q74D6	205.0	0.0 – 205.0	0.40	<0.10	Breccia + volcanic
	incl 16.0	57.0 – 73.0	0.67	0.14	
	& 74.0	93.0 – 167.0	0.78	<0.10	Volcanic Complex
	incl 21.0	146.0 – 167.0	1.10	<0.10	

There are numerous narrow, higher-grade intervals of copper and gold, including:

- NAK 003: 2.9m at 1.55% Cu and 11.2m at 2.55g/t Au, 0.95% Cu;
- Q74D6: 2.1m at 1.10% Cu, 10m at 1.33% Cu, 6m at 2.0% Cu, and 2m at 3.90% Cu; and
- NAK 002: 1.4m at 1.21% Cu.

Silver values of up to 21g/t Ag over 1.9m were intersected in NAK 003.

Nakru 2 prospect

Nakru 2 Prospect is located 1.0 kilometre west of Nakru 1. Soil sampling, hand trenching and bulldozer trenching has been completed but no drill testing. Copper-gold+/-molybdenum+/-zinc mineralisation has been found in several structurally controlled zones of brecciation and silica-clay-pyrite alteration within a sequence of andesitic to rhyodacitic volcanics. The largest known alteration zone has dimensions of about 300m by 20-50m, and a 50m wide zone of silicified sulphidic breccia has been mapped. The mineralisation is characterized by anomalous levels of Cu, Au, Mo, Ag, As, Zn, Pb, Te and Bi.

Primary pyrite and chalcopyrite is present and bornite was identified in thin section. The primary sulphides are commonly coated with secondary chalcocite and covellite indicating supergene enrichment. Veins of chalcedonic quartz and quartz-pyrite-chalcopyrite are present locally and at least two episodes of brecciation have been identified.

Soil sampling has outlined a copper-gold soil anomaly with rough dimensions of 400m by 200m. Grab sampling of mineralised outcrops has given assay values of up to 19.9% Cu, 22% Zn and 260ppm Mo all in separate samples. Channel sampling of creek outcrops has values of 5m at 3.5% Cu, 6.6% Zn in shear-controlled, semi-massive, pyrite-chalcopyrite-chalcocite mineralisation.

The highlights of hand and bulldozer trenching are shown in the following table.

Table 10: Nakru 2 Prospect – Trench Sampling (0.1% Cu and 0.5g/t Au cut-offs)

Width (m)	% Cu	Au g/t
25.0	1.43	
4.0	6.60	
28.0	0.10	0.78
0.8	11.80	
23.0	0.14	
25.0	1.06	

Nakru 3 Prospect

Nakru 3 Prospect is located approximately 1.7km north of Nakru 1 (Figure 6). Very little work has been completed and no soil sampling, trenching or drilling has been undertaken. Reconnaissance rock chip sampling has demonstrated assays of up to 5.2g/t Au in a silicified shear zone carrying pyrite and magnetite; up to 2.7% Cu in outcropping hydrothermally altered breccia; and up to 4.9% Zn and 498g/t Ag in creek float.

Nakru 4 Prospect

Nakru 4 Prospect is located about 1.3km northwest of Nakru 1. Bulk Leach Extractable Gold (BLEG) soil sampling has outlined a series of plus 5ppb Au soil anomalies, trending north north-east to east south-east, with dimensions of up to 600m by 100m. Extensive post-mineral ash up to 15m thick, averaging about 5m, partly conceals the prospect. Wacker drilling was undertaken to obtain c-horizon soil samples beneath the ash cover.

The Wacker drilling defined a series of narrow, irregular, northeast-trending, low order gold anomalies (plus 0.01g/t Au) over a distance of at least 2.5km probably aligned along a structure. The largest, semi-coherent anomaly has dimensions of about 600m x 200-400m, possibly located at a structural intersection, with a peak value of 0.21g/t Au. Scattered anomalous copper values of up to 472ppm Cu are also present. The highest soil values found in the survey area were 0.62g/t Au, 896ppm Cu and 202ppm As at the southwest end of the anomalous zone.

Highlights from the Wacker deep soil sampling program are shown in Table 11.

Plesyumi Prospect

The Plesyumi porphyry system is located about 14km west northwest of Mt Nakru (Figure 7). At this stage there is no road access to Plesyumi and the property can only be accessed by helicopter. Plesyumi was discovered in 1968 by Placer and extensively explored, including 21 drill holes, up to the early 1970's.

The system is hosted by the Metelen Granodiorite, a multiphase intrusive complex of late Oligocene age that is exposed within an erosional window of post-mineral sediments and volcanic ash. The complex consists of granodiorite, quartz diorite and minor

biotite syenite, which are intruded by late breccias and intermediate to acid porphyry dykes and stocks.

'Porphyry-style', copper-gold mineralisation is closely associated with pervasive quartz-sericite-pyrite alteration overprinting early propylitic alteration of the intrusive complex. Weak potassic alteration characterised by secondary biotite and K feldspar is developed locally. The strongest alteration and mineralisation is centred on zones of more intense fracturing and veining closely related to late, structurally controlled, dacite porphyry dykes. Drilling has identified the local development of a leached cap. The presence of chalcocite, covellite, cuprite and native copper indicates minor supergene alteration.

At least four centres of mineralisation have been defined at Plesyumi Prospect within a north-east trending, elongate zone measuring 4 kilometres x 1.0 kilometre.

The system has been tested by 21 drill holes totalling 3,123m. The best drill intersection was 44m at 0.85% Cu. Highlights of the drilling results are shown in Table 12.

The mineralisation is characterised by py: cpy ratios of 10:1 and erratic low to high zinc values associated with copper and porphyry dykes, suggesting the drilling has intersected the upper part of a porphyry system. The strongest chalcopyrite-pyrite mineralisation in the primary zone is associated with magnetite veining and an increased density of quartz stockworking. Only selected drill intervals were assayed for gold with the highest reported value of 0.38 ppm Au over 1.5m in hole TD5.

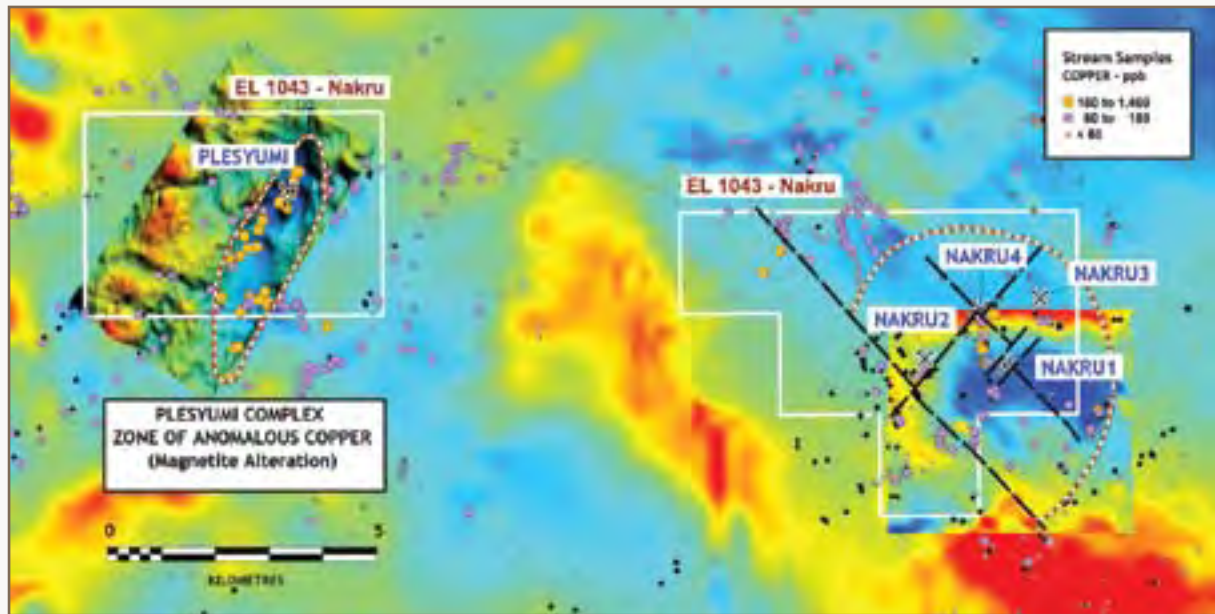
Table 11: Nakru 4 Soil Drilling Highlights

Width (m)	Au g/t (avg)	As ppm (avg)	Cu ppm (avg)	Au g/t (peak)	As ppm (peak)	Cu ppm (peak)
100.0	0.21	73	395	0.62	202	896
incl 50.0	0.40	132	365	0.62	202	896
50.0	0.20	11	216	0.21	11	251
25.0	0.1	21	156	0.21	-	-
50.0	0.12	5	124	0.21	5	126

Table 12: Plesyumi Prospect Drilling Summary

Hole No	Length (m)	Intercept (m)	Grade % Cu
P2	259.8	110.0	0.31
P5	229.3	44.0	0.85
TD1	108.6	33.0	0.42
TD9	152.4	152.4	0.25
P1	207.3	101.0	0.20
TD12	152.5	152.5	0.20

Figure 7: Mt Nakru Property Regional Aeromagnetics



2.3 Exploration History

The discovery of Bougainville prompted the first modern, helicopter-supported exploration of New Britain with CRA geochemical reconnaissance surveys conducted in the mid 1960's. Placer Prospecting (Australia) Pty Ltd ("Placer") acquired PA 54 in 1967. Placer's detailed geochemical reconnaissance resulted in the discovery of the Plesyumi porphyry copper prospect in 1968. After conducting basic geological, geochemical and geophysical surveys, Placer completed a program of trenching and 7 diamond drill holes (totaling 1,178m).

The Mt Nakru system was discovered in 1984 by City Resources and has been explored intermittently by several companies. The exploration history of the property is summarized in Table 13.

Table 13: Mt Nakru Project – Exploration History

Period	Company	Activities
1968-70	Placer	Discovery of Plesyumi in 1968; Geochemical and geophysical surveys; Drilled Plesyumi (7 x holes totalling 1,178m)
1971	Triako JV with Placer	Plesyumi drilling (14 x holes totalling 1,979m) 300m of adit excavation
1975	CEC (purchased from Placer)	Some check sampling
1981-83	Esso PNG	Aeromagnetic survey; Regional geochemical sampling;
1984-87	City Resources (purchased from Esso)	Discovery of Mt Nakru in 1984 Bulldozer trenching; Nakru prospects drilling (3 x drill holes totalling 397m)
1988-89	BHP JV with City	Nakru 1 prospect drilling (5 x drill holes totalling 563m)
1992	Macmin/NGG	Airborne EM, magnetic, radiometric survey Nakru 2 drilling (423 x Wacker drill holes totalling 2,772m)
1999	Cyprus-Amax JV with NGG	Trenching at Nakru 1 Withdrew after merger with Phelps Dodge
2005	NGG	A total of 6km bulldozer trenching at Nakru 1
2006	NGG	Drilling at Nakru 1 (3 x holes totalling 212.6 m) Targeting breccia-hosted gold mineralisation

Proposed Exploration Program

Drilling will be undertaken with the aim of delineating a resource and undertaking a pre-feasibility study of mining and processing the resource.

Simuku Project

Initially, approximately 10,000m of drilling is planned to test the identified targets at Nayam, Tobarum, Misili, Magipmo and the high grade Horseshoe molybdenum area. Drilling will utilize a combination of diamond core and reverse circulation techniques and will include some deep holes to about 500m.

The long section shown in figure 8 demonstrates the limited nature of the current drilling compared with the potential size of the system.

Based on the result of this drilling, closer spaced resource drilling will be undertaken to delineate the extent and continuity of the identified copper and molybdenum mineralisation as warranted.

At the Horseshoe molybdenum target, multi-element scans on selected trench samples will be carried out for a variety of elements that might be associated with molybdenum mineralisation, including tungsten, tin, fluorine and bismuth. The known molybdenum mineralisation is **thought to be** vertically oriented and deeper drillholes to over 300m are planned. A number of drillholes are required to determine the extent of the target (width/depth) to allow resource delineation drilling to be planned and executed.

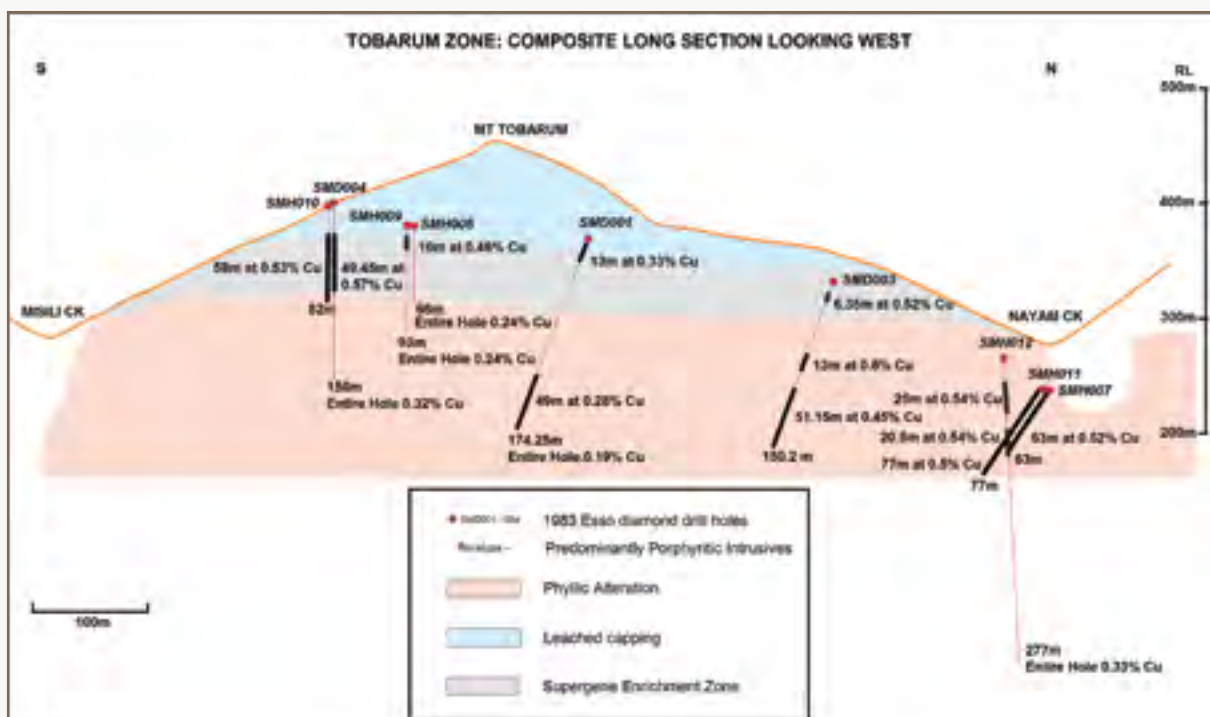
At the Misili intrusive target the magnetic chargeability/resistivity anomaly will be tested for the presence of stockwork molybdenum and/or 'porphyry copper/molybdenum style' mineralisation. The quantum of follow-up resource delineation drilling, will depend on these initial drilling results.

Trenching is required at the Nayam target to expose bedrock above the inferred intrusive body defined by coincident geophysical anomalies, and to expose bedrock within gold soil anomalies. This will be followed by up to ten drillholes to test for copper-gold mineralisation prior to resource delineation drilling.

At the Tobarum target initial drilling will consist of step out holes from the known historical drill-indicated mineralisation and initial testing of the inferred intrusive body, defined by magnetics, at West Tobarum. This will help determine any mineralisation trends prior to considering resource delineation drilling.

The large area (1,500 x 500m) Magipmo target requires some additional soil sampling and bulldozer trenching to expose bedrock to assist in focussing the initial drill sites. This will be followed by initial drill testing to determine if there are mineralisation trends or if it is part of a larger halo of mineralisation related to a porphyry system.

Figure 8: Long Section through Simuku based on current drilling results



Nakru Project

Approximately 10,000m of drilling is planned in Stage 1 to initially test the defined targets at Nakru 1 and Nakru 2 prospects. The drilling will utilise a combination of diamond core and reverse circulation techniques and will include some deep holes to about 500m. Detailed airborne magnetic and ground 3D-IP geophysical surveys may also be undertaken to help further orientate resource delineation drilling by outlining the extent of the mineralisation target beneath volcanic ash cover.

At Nakru 1 Prospect the initial drilling will be designed to help determine the vertical and lateral extent of mineralisation within the breccia-hosted gold target, and also to test the porphyry-style copper-gold mineralisation at depth potentially grading 0.5-0.7% copper. Some holes will be sited to test the inferred intrusive target at depth. Follow up resource delineation drilling will be planned on the basis of the initial drilling results.

At the Nakru 2 Prospect, the initial drilling will test an existing copper-gold soil and (bulldozer) trenching anomaly. The extent of further drilling will depend on the initial drilling results.

For the Nakru 3 Prospect, soil sampling and trenching is planned over a 1 km x 1 km area. Anomalous results will be tested with some follow-up deep drilling.

At the Nakru 4 prospect gold in soil anomalies of up to 600m x 100m have been delineated by 5m deep Wacker drilling. Deep 300m drillholes are planned to test the soil anomalies and based on these results, further drilling may be undertaken to delineate the extent of copper and gold mineralisation.

The Plesyumi porphyry copper-gold system has mineralisation delineated to 152m depth from the existing 21 drillholes. The large area of anomalous copper in stream samples associated with a distinct airborne magnetic low, similar to that of the "Simuku Crush Zone" is expected to be tested with soil and trench sampling prior to further drilling being considered.

Proposed Exploration Budget

CuMo's proposed exploration budget is shown in Tables 14, 15 and 16.

Table 14: Simuku Project (EL 1077 and ELA 1445) – Budget

Item	Year 1		
	Minimum	Full	Maximum
Tenement Costs	\$20,000	\$20,000	\$20,000
Drilling (Diamond and RC)	\$1,200,000	\$2,400,000	\$2,900,000
Earthworks	\$140,000	\$200,000	\$300,000
Helicopter support	\$60,000	\$200,000	\$200,000
Metallurgy	\$20,000	\$30,000	\$50,000
Geology and Geochemistry	\$100,000	\$250,000	\$300,000
Pre-feasibility / Baseline studies	\$0	\$0	\$0
Capital Expenditure	\$500,000	\$800,000	\$800,000
Contingency	\$204,000	\$390,000	\$457,000
Sub-Total (Year 1)	\$2,244,000	\$4,290,000	\$5,027,000
Item	Year 2		
	Minimum	Full	Maximum
Tenement Costs	\$20,000	\$20,000	\$20,000
Drilling (Diamond and RC)	\$1,400,000	\$3,100,000	\$3,950,000
Earthworks	\$140,000	\$220,000	\$350,000
Helicopter support	\$60,000	\$200,000	\$200,000
Metallurgy	\$50,000	\$80,000	\$120,000
Geology and Geochemistry	\$100,000	\$200,000	\$200,000
Pre-feasibility / Baseline studies	\$300,000	\$500,000	\$700,000
Capital Expenditure	\$200,000	\$80,000	\$200,000
Contingency	\$227,000	\$440,000	\$574,000
Sub-Total (Year 2)	\$2,497,000	\$4,840,000	\$6,314,000
Year 1 & 2			
Total (Year 1 and 2)	\$4,741,000	\$9,130,000	\$11,341,000

Table 15: Non-Project Costs (Simuku and Nakru) – Budget

Item	Year 1		
	Minimum	Full	Maximum
New Project Generation and Acquisition	\$31,000	\$50,000	\$71,000
Administration and Compliance Costs	\$613,350	\$669,000	\$669,000
Working Capital	\$0	\$0	\$0
Sub-Total (Year 1)	\$644,350	\$719,000	\$740,000
Item	Year 2		
	Minimum	Full	Maximum
New Project Generation and Acquisition	\$50,000	\$140,000	\$150,000
Administration and Compliance Costs	\$613,350	\$669,000	\$669,000
Working Capital	\$0	\$0	\$0
Sub-Total (Year 2)	\$663,350	\$809,000	\$819,000
Year 1 & 2			
Total (Year 1 and 2)	\$1,307,000	\$1,528,000	\$1,559,000

Table 16: Nakru Project (EL 1043) – Budget

Item	Year 1		
	Minimum	Full	Maximum
Tenement Costs	\$10,000	\$10,000	\$10,000
Drilling (Diamond and RC)	\$0	\$700,000	\$1,000,000
Earthworks	\$0	\$140,000	\$200,000
Metallurgy	\$0	\$20,000	\$30,000
Helicopter support	\$10,000	\$100,000	\$150,000
Geology and Geochemistry	\$50,000	\$160,000	\$160,000
Pre-feasibility / Baseline studies	\$0	\$0	\$0
Geophysics	\$220,000	\$330,000	\$450,000
Capital Expenditure	\$200,000	\$600,000	\$800,000
Contingency	\$49,000	\$206,000	\$280,000
Sub-Total (Year 1)	\$539,000	\$2,266,000	\$3,080,000
	Year 2		
Tenement Costs	\$10,000	\$10,000	\$10,000
Drilling (Diamond and RC)	\$580,000	\$1,000,000	\$1,300,000
Earthworks	\$120,000	\$150,000	\$200,000
Metallurgy	\$13,000	\$80,000	\$100,000
Helicopter support	\$20,000	\$120,000	\$180,000
Geology and Geochemistry	\$50,000	\$100,000	\$160,000
Pre-feasibility / Baseline studies	\$0	\$200,000	\$350,000
Geophysics	\$0	\$0	\$0
Capital Expenditure	\$0	\$200,000	\$200,000
Contingency	\$79,300	\$186,000	\$250,000
Sub-Total (Year 2)	\$872,300	\$2,046,000	\$2,750,000
	Year 1 & 2		
Total (Year 1 and 2)	\$1,411,300	\$4,312,000	\$5,830,000

Opinion On Exploration Programme

CuMo's exploration program for its tenement interests has been planned to meet the requirements of the particular geological environments and exploration methodologies, which have been outlined in this Report.

The exploration program and expenditures covers all of the tenements reviewed in this report and includes expenditure on pre-feasibility studies. The program covers a wide range of technical activities and includes the commencement of new programs. Information derived from previous and future investigations of this type and systematic project exploration will provide targets for drilling.

We consider that the planned exploration program is satisfactory and well defined and that the project and expenditure budgets are reasonable. Having regard to the stated objectives of CuMo, the prospectivity of the individual exploration areas and the exploration database already available, we are of the opinion that sufficient exploration work has taken place on CuMo's tenements and areas of interest over the past 2 years in order to justify the planned exploration programs and expenditure budgets.

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Glossary of Terms

AAS	Atomic Absorption Spectrometry, a common geochemical assay technique.	Diatreme	A vertical, pipe or funnel shaped body of intrusive breccia.
Acid	A type of igneous rock containing 10% or more free quartz.	Diorite	A dark coloured variety of intermediate intrusive rock.
Aeromagnetic survey	An airborne geophysical survey to detect magnetic rocks.	Dyke	A narrow, tabular, near vertical igneous intrusion.
Ag	Chemical symbol for silver.	Eocene	A geological time period ranging from 56 to 35 million years ago.
Alteration	A physical or chemical change to original rock minerals.	Epithermal	Refers to geologic processes taking place at low temperature near the earth's surface.
Andesite	An intermediate variety of lava.	Extrusive	A volcanic rock type solidified from magma extruded onto the earth's surface.
Aqua regia	A mixture of acids used to extract minerals from a sample for assay.	Felsic	An intermediate or acid igneous rock containing feldspar and/or quartz.
Argillic	Refers to alteration of original rock to clay minerals.	Gabbro	A coarse grained basic intrusive rock.
As	The chemical symbol for arsenic.	Geochemical sample	A sample collected for geochemical analysis to determine metal or mineral content.
Ash	Unconsolidated fine volcanic material deposited from erupting volcanoes.	Geophysical	Refers to the physical properties of the earth.
Au	Chemical symbol for gold.	Granodiorite	A variety of coarse grained light coloured acidic intrusive rock.
Basalt	A dark coloured basic lava.	g/t	Grams per tonne.
Batholith	A large igneous intrusion > 100sq km in area.	Hematite	A variety of iron oxide.
BCL (or BLEG)	Bulk cyanide leach, a process of extracting free gold from a sample for assay.	Heterolithic	A fragmental rock with clasts of several different rock types.
Bi	The chemical symbol for bismuth.	Hydrothermal	Refers to geologic processes related to hot fluids.
Biotite	A common, dark coloured, platy silicate mineral.	Hypabyssal	Refers to intrusive igneous rocks solidified near the surface.
Bornite	A copper ore mineral composed of copper, iron and sulphur.	Igneous	Rock types formed from the cooling and solidification of molten magma.
Breccia	A rock type composed mainly of broken angular fragments.	Intermediate	A type of igneous rock containing 45-55% silica and less than 10% free quartz.
Caldera	A circular volcanic depression with a diameter at least three times depth.	Intrusive	An igneous rock solidified from magma beneath the earth's surface.
C-horizon	Lowermost soil horizon above weathered bedrock.	Intrusive complex	An area containing a number of intrusive bodies.
Chalcedony	A fine grained form of silica.	IP	Induced polarisation, an electrical geophysical surveying technique.
Chalcocite	A copper ore mineral composed of copper and sulphur.	Island arc	An arc shaped string of volcanic islands formed above a subduction zone.
Chalcopyrite	A copper ore mineral composed of copper, iron and sulphur.	K-feldspar	A light coloured, potassium-rich, silicate mineral occurring in igneous rocks.
Clast	A fragment of rock or mineral forming part of another rock.	Lava	A volcanic rock solidified from magma extruded onto the earth's surface.
Conglomerate	A coarse grained, clastic sedimentary rock.	Limestone	A sedimentary rock composed mainly of calcium carbonate.
Covellite	A copper ore mineral composed of copper and sulphur.	Limonite	A variety of hydrated iron oxide formed during weathering.
Crust	Outermost layer of the earth.		
Crustal plate	A large, rigid segment of the earth's crust.		
Cu	The chemical symbol for copper.		
Cuprite	A copper oxide ore mineral.		
Dacite	A light coloured acid lava.		
Diamond drilling	A drilling technique using diamond tipped drill bits to extract cylindrical rock core for analysis.		

Magma	Molten rock composed of mineral crystals and dissolved gases.	Resistivity	An electrical geophysical surveying technique.
Magnetic	Refers to rocks or minerals with magnetic properties.	Rhyodacite	A light coloured felsic lava.
Magnetite	A magnetic iron oxide mineral.	Rock chip	A technique of sampling rock outcrops for quantitative assaying.
Mesothermal	Refers to geologic processes taking place at moderate temperatures and depths, commonly 350-1500m below surface.	Ridge/spur	A soil sampling technique where samples are collected along the tops of ridgelines and spurs.
Miocene	A geological time period ranging from 23.3 to 5.2 million years ago.	Sericite	A fine grained platy silicate mineral, commonly formed by alteration.
Mo	The chemical symbol for molybdenum.	Shear	A narrow, linear zone of rock deformation or faulting.
Molybdenite	The main molybdenum ore mineral, composed of molybdenum and sulphur.	Sheeted veins	A zone of closely spaced parallel veins.
Monzonite	A dark coloured intrusive rock enriched in potassium, commonly associated with gold and copper deposits.	Silicate	Rocks or minerals composed predominantly of quartz or silica.
Native copper	Naturally occurring metallic copper in an uncombined state.	Silicified	Alteration of a rock to silica.
Oligocene	A geological time period ranging from 35.4 to 23.3 million years ago.	Sill	A thin, tabular, sub-horizontal igneous intrusion.
Pb	The chemical symbol for lead.	Skarn	A rock type formed by alteration of limestone by heat from an intrusive body.
Phenocryst	A relatively large mineral crystal set in a finer grained groundmass.	Stock	A relatively small intrusive body with generally circular or elliptical outline.
Phyllic	Refers to an alteration mineral assemblage composed of quartz, sericite and pyrite, commonly found in porphyry copper systems.	Stratovolcano	A type of volcano composed of layers of lava and fragmental rocks.
Porphyry	Refers to the texture of hypabyssal igneous rocks containing phenocrysts in a fine groundmass.	Stockwork	A closely spaced network of intersecting veins.
Porphyry copper	Refers to a large, generally low grade copper deposit related to intrusive rocks.	Subduction	The process where one tectonic plate moves towards another, with one sliding beneath the other and moving down into the earth's interior.
Pyrite	A common iron mineral composed of iron and sulphur.	Sulphide	A type of mineral composed of a metal or metals combined with sulphur.
ppb	Parts per billion.	Supergene	Geological processes involving the downward percolation of water in the weathering zone.
ppm	Parts per million.	Syenite	A light coloured intrusive igneous rock enriched in potassium.
Plutonic	Intrusive rocks of deep-seated origin.	Te	The chemical symbol for tellurium.
Propylitic	A type of rock alteration commonly associated with mineral deposits.	Tectonic	A term relating to major structures of the earth.
Potassic	A high temperature type of rock alteration typically associated with porphyry copper deposits.	Tuff	A type of pyroclastic rock formed during volcanic eruptions.
Pyrite	A common iron mineral composed of iron and sulphur.	Vein	A narrow, tabular, or sheet-like body of rock or minerals.
Pyroclastic	A type of fragmental volcanic rock formed by violent volcanic eruptions.	Volcaniclastic	A clastic sedimentary rock containing volcanic rock fragments.
Pumice	A highly vesicular variety of pyroclastic rock.	Wacker	A method of deep soil sampling using a mechanised auger.
Quartz	A common rock forming mineral composed of silica and oxygen.	Zn	The chemical symbol for zinc.
RCDrilling	Reverse circulation drilling, a technique that uses circulating fluids to recover samples of rock fragments for assay.		

7.0 SOLICITOR'S REPORT

Posman Kua Aisi

in association with
Mellieson Stephen Jacques



Our ref: RF/KM270480: km

Your ref:

18 October 2007

The Directors
Coppermoly Limited
Level 1
94 Bundall Road
BUNDALL, QLD
4217
Australia

*Copy by Email
Original by Courier*

Dear Sirs:

Re: Legal Report on Mining Tenements in PNG & Opinion on Corporate Status of Copper Quest Limited

This legal report and opinion (**Opinion**) has been prepared for inclusion in a Prospectus dated on or about 25 October 2007 (**Prospectus**) to be issued by Coppermoly Limited (the **Company**).

The Prospectus relates to an offer of 64,000,000 new fully paid ordinary shares at an issue price of AUD\$0.25 per share which will raise up to AUD\$16,000,000. The Company has reserved the right to accept oversubscriptions of up to 16,000,000 fully paid ordinary shares to raise an additional AUD\$4,000,000.

The Company is a wholly owned subsidiary of Canadian company New Guinea Gold Corporation (**NGG Canada**). The Company does not presently own any assets; however, it is in the process of acquiring interests in Exploration Licence No. 1043 (**EL 1043**) and Exploration Licence No. 1077 (**EL 1077**) located in PNG which will comprise the sole assets of the Company upon listing on the ASX. Those assets are to be acquired from New Guinea Gold Limited (**NGG PNG**) which is a company incorporated in PNG (and also a wholly owned subsidiary of NGG Canada) (**Proposed Acquisitions**). The Company will acquire the tenements through Copper Quest PNG Limited (**Copper Quest**). Copper Quest is also currently a wholly owned subsidiary of NGG Canada, but NGG Canada has or will transfer its share in Copper Quest to the Company. The Proposed Acquisitions have or will eventually be in accordance with an Implementation Agreement between Copper Quest, the Company, NGG PNG, NGG Canada and Kannon Resources Limited (**Kannon**) (**Implementation Agreement**).

LOCATION

LEVEL 1

HOGGRI NOTO BUILDING

DUARISON PWAYE

FORT MORSBY

PAPUA NEW GUINEA

POSTAL ADDRESS:

PO BOX 228

FORT MORSBY 121

PAPUA NEW GUINEA

TELEPHONE: (875) 320 0127

FACSIMILE: (875) 527 6481

EMAIL:

corporate.aud@coppermoly.com

corporate.aud@nggcanada.com

corporate.aud@kannon.com.au

PARTNERS:

Xavier Proulx

Kenneth Kua

Neil Kavanagh

Priscilla Kavanagh

Francis Proulx

1. Scope of Retainer

We have been asked to provide a legal opinion for inclusion in the Prospectus and in particular to:

- (a) advise on the mining legal framework in Papua New Guinea (PNG or Jurisdiction);
- (b) advise on the status of EL 1043, EL 1077 (Tenements) and the application for Exploration Licence No. 1445 (ELA 1445) in PNG; and
- (c) provide a legal opinion in respect of the due incorporation and good standing of Copper Quest.

This Opinion:

- (a) relates only to the laws of PNG and is given on the basis of the laws in PNG as currently applied by the PNG courts; and
- (b) is governed and shall be construed in accordance only with PNG law.

We express no opinion about the laws of another jurisdiction or factual matters.

2. Assumptions and Qualifications

2.1 Assumptions

For purposes of our Opinion, we have assumed that:

- (a) the entries in all registers maintained by public authorities that we have relied upon are correct, complete and up to date and all entries in those registers were validly authorised;
- (b) all copies of documents submitted to us are complete and conform to the originals of those documents;
- (c) no person, upon whom we have relied for information in the preparation of this Opinion, has been, or will be, engaged in conduct that is misleading or deceptive or likely to mislead or deceive;
- (d) the facts and circumstances represented to us by all parties in connection with the drafting of this Opinion are true and correct and were not false or misleading in the form or context in which they were represented to us; and
- (e) each director and secretary of Copper Quest has properly performed his or her duties to Copper Quest (including declarations of directors' interests).

Nothing has come to our attention to cause us to believe that the above assumptions are not correct.

2.2 Qualifications

Our Opinion is based on:

- (a) the status of EL 1043, EL 1077 and ELA 1445 as per the records in the Mining Register maintained by the Registrar of MRA; and
- (b) the status of Copper Quest as per the records maintained in the Environment Register as kept by the Director of the *Environment Act* at the DEC; and
- (c) the assumptions set out in 2.1 above.

In addition, our Opinion is subject to the following qualifications:

- (a) except as specifically stated in this Opinion, we have not undertaken any other legal or other due diligence in respect of Copper Quest or due diligence into tax compliance matters;
- (b) our reports and opinions in this Opinion are given on the basis of and in reliance on information given to us by the Company, Copper Quest, our search agents, A.C. Fox & Associates (**AC Fox**) and our own searches with the relevant Registries, in order for us to prepare this Opinion; and
- (c) we have not made any independent investigations or searches other than those required by the Scope of our Retainer as set out in Part 1 of this Opinion.

3. Mining – The Legal Framework

3.1 Introduction

- (a) All minerals existing on, in or below the surface of any land in PNG including any minerals contained in any water lying on any land in PNG, are deemed at all times by section 5 of the *Mining Act 1992* (**Mining Act**) to have, in their natural condition, been the property of the Independent State of PNG (**State**). Consequently, exploration for minerals and the development of mineral discoveries by a party other than the State must be sanctioned under the Mining Act's licensing system.
- (b) The Mining Act, *Mineral Resources Authority Act* and the *Mining Regulation* provide the legal framework governing applications for and issuance of mining tenements in respect of the exploration, extraction and development of all minerals in PNG. Five types of mining tenements are granted under the *Mining Act*. Additional to EL's are Alluvial Mining Leases (**AML's**), Special Mining Leases (**SML's**), Mining Leases (**ML's**), Mining Easements (**ME's**) and Lease for Mining Purposes (**LMP's**). EL's are granted for exploration purposes and are relevant for the purposes of the Company's current proposed activities.

3.2 EL's

3.2.1 General

- (a) An EL confers on the licensee, subject to the Mining Act and the conditions of the licence, "the exclusive occupancy for exploration purposes of the land in respect of which the exploration licence was granted". [Exploration activities authorised by an EL would be set out in the approved work and expenditure programme contained in the EL itself. Such activities may include:
 - (i) extracting, removing and disposing of such quantity of rock, earth, soil or minerals as may be permitted by the approved work programme;
 - (ii) taking and diverting water situated on or flowing through such land and use it for any purpose necessary for exploration activities in accordance with an environmental permit; and
 - (iii) mapping.
- (b) The grant of an EL is subject to reporting requirements specified in section 32 of the Mining Act.
- (c) The Minister for Mining (**Minister**) may also impose such additional conditions as he or she thinks fit. Additional conditions typically require the holder of an EL to comply with a detailed work and expenditure programme agreed upon with the Minister at the time the application for an EL is granted.
- (d) Conditions may be varied at the discretion of the Minister on an application to the Minister by the holder of an EL.

3.2.2 Rights of Access to EL area and Compensation of Landowners

- (a) The holder of an EL has rights of access in the licence area for the purpose of exercising other rights conferred by that EL.

- (b) If an ML, SML or AML were to be granted over an area covered by an EL, only then would a compensation agreement be required to be entered into between the landholders and the holder of the relevant tenement. For EL's however, there is no legal requirement for compensation arrangements to be put in place with landholders in relation to an EL holder accessing the licence area for licensed exploration purposes. The EL itself is sufficient to grant rights of access for exploration purposes.

3.2.3 Approval and Registration of Transfer of Licence

- (a) A legal or equitable interest in a tenement may only be sold, transferred, mortgaged, or otherwise disposed of or made the subject of any other dealing, in accordance with the requirements of the Mining Act.
- (b) In relation to transfers, the Minister may approve the transfer of a licence or of an interest in a licence and such approval may be subject to such conditions as the Minister sees fit. The transfer of a licence cannot take effect until it has been given Ministerial approval and registered in the Mining Register. The Mining Regulation prescribes the form for an instrument of transfer.
- (c) A licensee may transfer the whole or a part of its interest in its EL, to another party, the transfer of which is not legally binding unless the transaction is contained in an instrument, which has been approved by the Minister and entered by the Mining Tenements Registrar (**Registrar**) into the Mining Register. Furthermore, the Registrar will refuse to process the transfer until such time as stamp duty has been paid. There may also be additional conditions attached to the transfer of EL's or a participating interest in an EL prescribed by the EL licence.

3.2.5 Term of Licence and Extension of Term

- (a) An EL is issued for a maximum term of two (2) years, beginning on the day the licence takes effect. It may be continuously extended for a maximum period of two (2) years (for each extension) where the Minister is satisfied that the work and expenditure proposals will provide for satisfactory exploration of the land in respect of which an application to extend is made. Customarily, the Minister will grant the renewal if he is satisfied with the work proposals and that the tenement holder has met the conditions of the licence.
- (b) The process for granting an application for extension of an EL involves, among other things, holding a Warden's Hearing and deliberation by the Mining Advisory Council (**MAC**). In our experience, this may take up to a year after lodgment of an application.
- (c) Subsection (1) of section 122 of the Mining Act states that an EL "shall continue in force over that portion of land covered by the application until the determination of the application." The application is determined by decision of the Minister, (after he or she has considered the) recommendation of the MAC. Until such time, the licence technically remains in force under section 122(1) of the Mining Act.

3.2.6 Suspension or Surrender of Licence

- (a) If the Minister or the Director believes that an EL holder is contravening or not making reasonable efforts to comply with the Mining Act or the conditions of the relevant EL, either the Minister or the Director may issue an order or direction to the EL holder to remedy the alleged contravention or non-compliance. If the EL holder fails to establish a satisfactory objection to the Minister's or Director's order or direction or to remedy the non-compliance (as the case may be) the EL may be cancelled by the Minister.
- (b) If an EL holder does not wish to continue to comply with any conditions of an EL (including any approved work and expenditure programme) the EL holder may surrender the EL to the Minister.
- (c) Generally all licensees, including EL holders, are required to comply with the Mining Act, licence conditions (express or implied) and orders and directions issued under the Mining Act and the *Mining Regulation*. Penalties for non-compliance are prescribed by the Mining Act and include cancelling or suspending a licence, issuing of directions by the Minister, Managing Director or Chief Warden, refusal by the Minister to consent to the surrender of a licence and refusal by the Minister to grant an application for extension of the term of a licence.

- (d) Where an EL holder fails to comply with directions issued under the Mining Act, and the Minister cancels that licence, the State acquires ownership of any tailings and other materials or mined ore left on the licence area at the expiration of the prescribed period. If a mining plant has been left on the land and is not removed within the prescribed period, the Managing Director of the MRA may arrange for the mining plant to be sold by public auction or public tender and removed and the proceeds of sale shall be retained by the State.

3.3 Development Levies, Royalties and State Participation

- (a) An SML or ML licensee must pay to the affected Provincial and affected Local-level Governments of a mining project, development levies at a rate determined by agreement of the developer and the State through a Mining Development Contract. EL holders are not required to make any such payments.
- (b) A tenement holder is required to pay to the State royalty at the rate of 1.25% of *“Gross revenue applicable to deliveries of mine products by the miner pursuant to sales or other dispositions where the mine products are directly or indirectly for export from PNG and the net smelter returns applicable to deliveries or mine products where the mine products are smelted or refined in PNG.”* However, the requirement to pay royalties only applies to the holders of ML's and SML's and not EL's. Analysis of ML's and SML's is beyond the scope of this Opinion. They would only become relevant if a commercial discovery was made and the Company wished and is able to exploit the discovery. EL holders are not required to pay royalties.
- (c) It is government policy that the State has the right, but not the obligation, to acquire, directly or through a nominee, up to a 30% interest in each mining development project. The consideration for that 30% interest is equal to 30% of the recouped sunk costs attributed to the licence holder's interest in the project. The State's right is reflected in a standard clause contained in the licence document for all EL's reserving the State's right *“to effect at any time, prior to commencement of mining, to make a single purchase up to 30% equitable interest in any mineral discovery arising from this licence, at a price prorata to the accumulated exploration expenditure and then to contribute to further exploration and development in relation to the [tenement] on a pro rata basis unless otherwise agreed.”* This right is also reflected in the terms of any Mining Development Contract that the State enters into with developers.

4. Corporate Status of Copper Quest

- (a) Copper Quest is validly incorporated under Part II of the *Companies Act*. Copper Quest was incorporated on 13 February 2007.
- (b) According to records at the Companies Register at the Office of the Registrar of Companies, Copper Quest's share capital consists of one issued ordinary share. This one ordinary share is held by NGG Canada. NGG Canada has agreed to transfer this share to the Company under the Implementation Agreement.
- (c) Copper Quest is a *“foreign enterprise”* for the purposes of the *Investment Promotion Act 1992* and is required to comply with the certification requirements under that Act. This is because section 25(2) of that Act prohibits a *“foreign enterprise”* from carrying on business in PNG, unless it has first been granted an IPA certificate authorizing it to carry on business in PNG. Copper Quest will be applying for a Certificate Permitting a Foreign Enterprise to Carry on Business (**IPA Certificate**) which will authorize it to carry out mineral exploration activities in PNG. So long as the required information and supporting documentation is lodged together with the prescribed application form, we are of the view that Copper Quest's application will be approved and an IPA Certificate issued by IPA. Our opinion is based on the fact that Copper Quest is related to NGG PNG and Kanon Resources Ltd, which are PNG incorporated companies that are already certified and have good standing with the IPA.

5. Status of Interest in Mining Tenements

5.1 EL 1043

The validity of NGG PNG's interest in EL 1043 depends upon, among other things, those interests being registered in NGG PNG's name in the Mining Register.

We carried out a search of the relevant pages of the Mining Register maintained by the Registrar, pursuant to the Mining Act and confirm the following:

NGG PNG validly holds an undivided 100% participating interest in EL 1043. EL 1043 was granted to Macmin N.L. on 8 December 1992. Its term of two (2) years has expired and been renewed a number of times. Its current term of two (2) years expired on 7 December 2006. An application for extension of term of licence was lodged with the Department and registered on 12 September 2006. The Registrar confirmed receipt and registration of the application via a letter to us of 2 May 2007.

The licence (EL 1043) will remain valid until such time as the application has been dealt with under the Mining Act. We are of the view that the application for extension is likely to be granted.

NGG PNG acquired its 100% interest from Macmin N.L. NGG subsequently entered into a Joint Venture Agreement dated 15 December 2003 with Kamon pursuant to which Agreement Kamon acquired a 50% joint venture interest in EL 1043 (**Joint Venture Agreement**). That joint venture interest has not been registered in the Mining Register. NGG PNG is the sole interest holder in EL 1043 and holds a 100% participating interest in the tenement. The Joint Venture Agreement has been terminated under the Implementation Agreement.

Subject to ordinary procedural matters being attended to, NGG PNG will be able to pass good title to a 100% undivided participating interest in EL 1043 to Copper Quest.

Other than the Implementation Agreement, NGG PNG has not dealt with its interest in EL 1043 since entering into the Purchase/Joint Venture Agreement.

5.2 EL 1077

NGG PNG validly holds an undivided 100% participating interest in EL 1077. EL 1077 was granted on 29 November 1993. Its term of two (2) years has expired and been renewed a number of times. Its last term of two (2) years commenced on 29 November 2005 and will expire on 28 November 2007. An application for extension was lodged in August 2007. The Registrar has confirmed receipt and registration of the application.

The licence (EL 1077) will remain valid until such time as the application has been dealt with under the Mining Act. We are of the view that the application for extension is likely to be granted.

Subject to ordinary procedural matters being attended to, NGG PNG will be able to pass good title to a 100% undivided participating interest in EL 1077 to Copper Quest.

Other than the Implementation Agreement, we are not aware of any other assignment or dealings by NGG PNG with respect to its interests in EL 1077 since the date of initial grant.

5.3 ELA 1445

ELA 1445 has been registered in the name of NGG PNG. NGG PNG has written to the Registrar to change the name of the applicant to Copper Quest. In our experience, such a change will be approved given Copper Quest's relationship with NGG PNG. The Registrar verbally confirmed to Ms. Maha on 17 October 2007 that the requested change will be effected on the Mining Register and that nothing further is required for this purpose from NGG PNG or Copper Quest.

6. Anticipated Legislative Changes

We are not aware of any upcoming legislative changes that would affect the Tenements or ELA 1445.

7. Conclusion

Based on the searches conducted for purposes of this Opinion, it is our view that:

- (a) Copper Quest is properly incorporated in PNG and is in good standing;

- (b) Copper Quest will be able to obtain good title to the Tenements provided that procedural matters identified herein are satisfied;
- (c) Copper Quest will be able to obtain good title to ELA 1445, once the Registrar updates the Mining Register; and
- (d) the Tenements are valid, enforceable and have, to the extent of NGG PNG's control, been kept in good standing.

8. Consent

Posman Kua Aisi Lawyers has given, and has not before the lodgment of this Prospectus withdrawn its consent to the issue of the Prospectus with this Opinion included in the form and context in which it appears.

Yours faithfully,

POSMAN KUA AISI

Posman Kua Aisi

8.0 FINANCIAL INFORMATION



KJR:SWP

23 October 2007

The Directors
Coppermoly Limited
94 Bundall Rd
BUNDALL QLD 4217

Dear Sirs

INDEPENDENT ACCOUNTANT'S REPORT

1. INTRODUCTION

We have prepared this Independent Accountants Report ("Report") at the request of the directors of Coppermoly Limited hereafter referred to as "Coppermoly" or "the Company" for inclusion in a Prospectus ("the Prospectus") to be dated on or about 25 October 2007 relating to the offer by Coppermoly of 64,000,000 fully paid ordinary shares ("shares") at 25 cents per share to raise an amount of \$16,000,000 ("the Capital Raising"). There is an option to accept oversubscriptions of a further 16,000,000 shares to raise a further \$4,000,000.

Expressions defined in the Prospectus have the same meaning in this report.

2. SCOPE

We have been requested to prepare an Independent Accountants Report covering the following financial information:

- Pro-forma financial information comprising the pro-forma balance sheet as at 31 December 2007 which assumes completion of the contemplated transactions as at that date as set out in Section 8 of the Prospectus.

The Directors have prepared and are responsible for the pro-forma financial information. We disclaim any responsibility for any reliance on this report or the financial information to which it relates for any purposes other than that for which it was prepared. This report should be read in conjunction with the full Prospectus.

Review of Pro-forma Financial Information

We have conducted an independent review of the pro-forma financial information in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that:

- a) the pro-forma balance sheet has not been prepared on the basis of the assumptions set out in Section 8 of the Prospectus; and
- b) the pro-forma balance sheet has not been prepared on the basis of applying the measurement and recognition requirements, but not all of the disclosure requirements, of applicable Accounting Standards and other mandatory professional reporting requirements in Australia, as if the pro-forma transactions as set out in Section 8 of the Prospectus had occurred as at 31 December 2007.



RDG Accountants & Advisors
RDG Pty Ltd (ABN 62 000 000 000)
101 Fergusson Street
PO Box 1000
Bundall QLD 4217
Bundall QLD 4217
Bundall QLD 4217
Bundall QLD 4217
Bundall QLD 4217



Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements and has been limited to reading of relevant Board minutes, reading of contracts and other legal documents, inquiries of management personnel and analytical procedures applied to the financial data. We have also determined whether the pro-forma transactions formed a reasonable basis for the preparation of the pro-forma balance sheet. These review procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and accordingly, we do not express an audit opinion on the pro-forma financial information.

3. OPINION AND STATEMENT

Review Statement on Pro-forma Financial Information

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe that the pro-forma financial information as set out in Section 8 of the Prospectus:

- a) has not been prepared on the basis of the assumptions as set out in Section 8 of the Prospectus of Coppermoly as at 31 December 2007; and
- b) is not applying the measurement and recognition requirements, but not all the disclosure requirements, of applicable Accounting Standards and other mandatory professional reporting requirements in Australia, as if the pro-forma transactions set out in Section 8 of the Prospectus had occurred on that date.

4. SUBSEQUENT EVENTS

Apart from the matters dealt with in this Report and having regard to the scope of our report, to the best of our knowledge and belief, no material transactions or events outside the ordinary business of the Company subsequent to 18 October 2007, have come to our attention which would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

6. DISCLOSURES

RDG Accountants & Advisors do not have a pecuniary interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in this matter. RDG Accountants & Advisors will also receive a fee for the preparation of this report.

Consent for the inclusion of the Independent Accountant's Report in the Prospectus in the form and context in which it appears has been given. At the date of this report, this consent has not been withdrawn.

Yours faithfully

RDG ACCOUNTANTS & ADVISORS

Kevin Rodgers
Director
RDG Business Professionals Pty Ltd

Balance Sheet

	Note	Pre Prospectus Subsequent Events \$	Pro-forma Transactions \$	Pro-forma \$
Assets				
Current Assets				
Cash and cash equivalents	3	500,000	14,270,000	14,770,000
Trade and other receivables		-	-	-
Total Current Assets		500,000	14,270,000	14,770,000
Non-Current Assets				
Tenement acquired by share issue & tenement expenditure to be reimbursed	4	1,640,000	-	1,640,000
Total Non-Current Assets		1,640,000	-	1,640,000
Total Assets		2,140,000	14,270,000	16,410,000
Liabilities				
Current Liabilities				
Trade and other payables	5	200,000	(200,000)	-
Total Current Liabilities		200,000	(200,000)	-
Non-Current Liabilities				
Deferred tax liabilities		-	-	-
Total Non-Current Liabilities		-	-	-
Total Liabilities		200,000	(200,000)	-
Net Assets		1,940,000	14,470,000	16,410,000
Equity				
Contributed equity	6	1,940,000	14,230,000	16,170,000
Reserves	7	-	240,000	240,000
Total Equity		1,940,000	14,470,000	16,410,000

This Balance Sheet is to be read in conjunction with the notes to and forming part of the financial statements

Statement of Changes in Equity

	Issued Capital \$	Share Options Reserve \$	Accumulated Losses \$	Total \$
Balance at 30 Jun 2007	-	-	-	-
Loss for the period	-	-	-	-
Placement of shares (net of fees)	1,940,000	-	-	1,940,000
Tax consolidation distribution	-	-	-	-
Balance at 31 Dec 2007	1,940,000	-	-	1,940,000
Placement of shares (net of fees)	-	-	-	-
Issue of options	-	240,000	-	240,000
Pre-Prospectus Subsequent Events	-	240,000	-	-
Prospectus share issue (net of fees)	14,230,000	-	-	14,230,000
Pro-Forma Balance	16,170,000	240,000	-	16,410,000

The Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the financial statements.

Cashflow Statement

	For the six months ended 31 Dec 2007 \$
Cash Flows From Operating Activities	
Payments to suppliers and employees	-
Net Cash Flows From Operating Activities	-
Cash Flows From Investing Activities	
Purchase of plant and equipment	-
Expenditure on mining interests	(200,000)
Interest income	-
Net Cash Flows From Investing Activities	(200,000)
Cash Flows From Financing Activities	
Proceeds from issue of shares	16,500,000
Transactions costs of issue of shares	(1,530,000)
Net Cash Flows From Financing Activities	14,970,000
NET INCREASE/(DECREASE)IN CASH AND CASH EQUIVALENTS	14,770,000
Cash and cash equivalents at beginning of period	-
Cash and Cash Equivalents at End of Period	14,770,000

The Cash Flow Statement is for the period 1 July 2007 to 31 December 2007. The Cash Flow Statement is to be read in conjunction with the notes to and forming part of the financial statements.

Notes to and forming part of the Historical Financial Information

It should be noted that Coppermoly Limited was incorporated on 27 July 2007 and therefore does not have any historical data from previous accounting periods.

I. Statement of Significant Accounting Policies

The significant policies, which have been adopted in the preparation of the historical and pro-forma financial information reported under Australian Equivalents to International Financial Reporting Standards ("AIFRS") are shown below:

(a) Basis of preparation of financial information

The financial information has been prepared in accordance with applicable Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board. The financial information has also been prepared on a historical cost basis.

(b) Statement of compliance

The financial report complies with the recognition in measurement requirements, but not all the disclosure requirements, of Australian Accounting Standards, which include AIFRS.

(c) Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(d) Trade and other receivables

Trade receivables, which generally have 30-90 terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Company will not be able to collect the debt.

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Interest revenue is recognised as interest accrues using the effective interest method.

(f) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST") except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(g) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences,

and the carry forward of unused tax assets and unused tax losses can be utilised except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary differences is associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it is has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities are related to the same taxable entity and the same taxation authority.

(h) Recoverable amount

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which the asset belongs. Where the carrying amount of an asset or cash

generating unit exceeds its recoverable amount, the asset or cash generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(i) Exploration expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the Company's entity's rights of tenure to that area of interest are current and that the costs are expected to be recouped through the successful development of the area and exploitation of the area of interest or alternatively by its sale, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves and significant operations in, or in relation to, the area are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Impairment

The carrying values of exploration costs are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of exploration costs is the greater of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

(j) Payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

(k) Share-based payment transactions

The Company provides benefits to employees (including senior executives) of the Company in the form of share based payments, whereby employees render services in exchange for shares or rights over shares ("equity settled transactions").

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of options is determined using the Black-Scholes model.

In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Mineral Sands Limited ("market conditions") if applicable.

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market

performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for the period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

If equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(l) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(m) Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and

salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(n) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

- furniture and fixtures – over 13 years;
- leasehold improvements – the lease term; and
- plant and equipment – over 2 to 10 years.

The assets residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash generating units values exceed its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount. Impairment losses are recognised in the income statement.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal, or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(o) Significant assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Shares based payment transactions

The Company provides benefits to employees (including senior executives) of the Company in the form of share based payments, whereby employees render services in exchange for shares or rights over shares ("equity settled transactions").

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of options is determined using the Black-Scholes model.

Estimation of useful lives of assets

The estimation of useful lives has been based on historical experience as well as manufacturer's warranties (for plant and equipment), lease terms, (for leased equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

2. Pro-Forma Balance Sheet

The purpose of the pro-forma balance sheet is to show the financial effects on Coppermoly as if the following transactions had taken place as at 31 December 2007:

2(a). Pre prospectus subsequent events

(Transactions which have been concluded by the Company subsequent to 30 June 2007 but prior to the issue of the Prospectus)

- the issue of 10,000,000 shares at 5 cents per share to raise \$500,000 for Seed Capital
- the issue of 10,526,316 fully paid ordinary shares for the termination of Nakru JV Agreement to Kanon Canada at the notional value of .036 cents per share in consideration
- the issue of 29,473,683 fully paid ordinary shares for the Tenement transfer from NGG Canada at the notional value of .036 cents per share

2(b). Pro-forma financial information

- the issue of 64,000,000 shares at 25 cents per share pursuant to the Prospectus to raise \$16,000,000; and
- the payment and recognition directly in equity of costs incurred by the Company in relation to the capital raising estimated to be \$1,530,000.

3. Cash And Cash Equivalents

	Pro-forma \$
Cash at bank	14,770,000
Pre Prospectus Adjustments – Note 2(a)	
Capital raising – 10,000,000 shares	500,000
Pro-forma Adjustments – Note 2(b)	
Shares issued pursuant to this prospectus	16,000,000
Prospectus issue costs	(420,000)
Broker's fees	(1,110,000)
Other payables	(200,000)
	<u>14,770,000</u>

4. Non-Current Assets

	\$
Consideration for the termination of Nakru JV Agreement to Kanon Canada by issue of 10,526,316 shares at the notional value of .036 cents per share	378,947
Consideration for the tenement transfer from NGG Canada by a issue of 29,473,683 shares at the notional value of .036 cents per share	1,061,053
	<u>1,440,000</u>
Tenement expenditure reimbursement	200,000
	<u>1,640,000</u>

5. Trade And Other Payables

	\$
Pre Prospectus Adjustments	
– Tenement expenditure	200,000
Pro-forma Adjustments	
Amounts due to NGG PNG for:	
– Tenement expenditure reimbursement	(200,000)
	<u>-</u>

Other payables are non-interest bearing and are normally settled on 30 day terms. They are unsecured.

6. Contributed Equity

	Pro-forma \$
Issued Capital	
Ordinary shares fully paid	16,170,000
Pre Prospectus Adjustments – Note 2(a)	
Seed capital	500,000
Tenement value	1,440,000
Pro-forma Adjustments – Note 2(b)	
Share issue pursuant to this prospectus	16,000,000
Transaction costs on share issue	(1,770,000)
	<u>16,170,000</u>

7. Reserves

	Pro-forma \$
Share based payment reserve	240,000
Share Based Payment Reserve At 31 December 2007	\$ -
Pre Pro-forma Adjustments	
Issue of options (fair value 6 cents)	240,000
	<u>240,000</u>

The fair value of the options to be issued to Brokers is measured at the date of the Prospectus using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. We have further discounted the value of the options by 25% due to their escrow period of two years.

Inputs Into Black-Scholes Model	Pro-forma
Expected volatility (%)	50
Risk free interest rate (%)	6.5
Expected life of option (years)	3
Option exercise price (cents)	30
Historic share price at issue date (cents)	25

8. Contingent Liabilities

The Directors are not aware of any other contingent liabilities requiring disclosure at 18 October 2007.

9. Related Party Transactions

The table below sets out the interests of the Directors (personally and through associates) in Shares and Options in the Company as at the date of this Prospectus.

Director	Ordinary Shares		Options	
	Direct	Indirect	Direct	Indirect
Bob McNeil	-	600,000	1,000,000	-
Peter Swiridiuk	200,000	-	1,000,000	-
Doug Hutchison	-	340,000	1,000,000	-
Dal Brynelsen	300,000	700,000	500,000	-
Peter McNeil	-	1,910,000	500,000	-

9.0 ADDITIONAL INFORMATION

9.1 Company History

The Company was incorporated on July 27, 2007 in Australia as Coppermoly Limited (ACN 126 490 855). The Company has the wholly owned subsidiary "Copper Quest (PNG) Ltd", incorporated in Papua New Guinea to hold the tenements ELI 077 Simuku, ELI 043 Nakru and be the applicant of ELA 1445 Talelumas.

9.2 Rights attaching to Shares

There is only one class of shares in Coppermoly, fully paid ordinary shares.

The rights attaching to shares in Coppermoly are:

- set out in the constitution of Coppermoly; and
- in certain circumstances, regulated by the Corporations Act, the Listing Rules, the SCH Business Rules and the general law.

The following is a summary of the principal rights of the holders of shares in Coppermoly.

Voting

Every holder of Shares present in person or by proxy, attorney or representative at a meeting of Shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of Shares who is present in person or by proxy, attorney or representative has one vote for every fully paid share held by him or her, and a proportionate vote for every partly paid share, registered in such Shareholder's name on Coppermoly's share register.

A poll may be demanded by the chairperson of the meeting, by any 5 Shareholders present in person or by proxy, attorney or representative or by any one or more Shareholders who are together entitled to not less than 10% of the total voting rights of, or paid up value of the Shares of all those Shareholders having the right to vote at that meeting.

Dividends

Dividends are payable out of Coppermoly's profits and are declared or determined to be payable by the Directors. Dividends declared will be payable on the Shares in proportion to the amount for the time being paid or credited as paid in respect of each Share.

Transfer of Shares

A Shareholder may transfer shares by a market transfer in accordance with any computerised or electronic system established or recognised by ASX or the Corporations Act for the purpose of facilitating transfers in shares or by an instrument in writing in a form approved by ASX or in any other usual form or in any form approved by the directors.

The directors of Coppermoly may refuse to register any transfer of shares, other than a Proper ASTC

Transfer where permitted by the Listing Rules.

Coppermoly must not refuse or fail to register or give effect to or delay or in any way interfere with a Proper ASTC Transfer of shares or other securities.

Meetings and notice

Each shareholder is entitled to receive notice of and to attend general meetings of Coppermoly and to receive all notices, accounts and other documents required to be sent to shareholders under the constitution of Coppermoly, the Corporations Act or the Listing Rules.

Liquidation rights

Coppermoly has only one class of shares on issue, which all rank equally in the event of liquidation. Once all the liabilities of Coppermoly are satisfied, a liquidator may, with the authority of a special resolution of shareholders, divide among the shareholders at the time the whole or any part of the remaining assets of Coppermoly. The liquidator may with the sanction of a special resolution of Coppermoly vest the whole or any part of the assets in trust for the benefit of shareholders as the liquidator thinks fit, but no shareholder of Coppermoly can be compelled to accept any shares or other securities in respect of which there is any liability.

Shareholder liability

As the shares offered under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

Alteration of constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of shareholders present and voting at the general meeting. Once Coppermoly is listed, at least 28 days written notice of the special resolution must be given.

9.3 Interests of Directors and promoters

Shareholding qualifications

The Directors are not required to hold any shares in Coppermoly under the constitution of Coppermoly.

Remuneration of Directors

The constitution of Coppermoly provides that the non-executive Directors are entitled to remuneration as determined by Coppermoly in general meeting, but until so determined, such remuneration must not exceed an amount fixed by the Directors, to be apportioned among them in such manner as the Directors in their absolute discretion determine.

For the current financial year ending 30 June 2008, it is expected that the non-executive Directors' fees will not exceed \$80,000 plus superannuation of 9% per annum.

A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

The Directors have determined that:

- Mr Bob McNeil will receive annual director's fees of \$40,000 plus superannuation at the rate of 9% per annum for his role as non-executive chairman;
- Mr Dal Brynelsen will receive annual director's fees of \$20,000 plus superannuation of 9% per annum for his role as non-executive director; and
- Mr Peter McNeil will receive annual director's fees of \$20,000 plus superannuation of 9% per annum for his role as non-executive director.

Each of Peter Swiridiuk and Doug Hutchison will not receive any directors' fees as Executive Directors of Coppermoly. Peter Swiridiuk is employed by the Company as Managing Director and will receive a salary of \$178,500 plus compulsory superannuation. Doug Hutchison is employed by the Company as its Chief Operating Officer and will be paid at the rate of \$900 per day. The Company anticipates that Doug Hutchison will devote approximately 50% of his time to Coppermoly.

Directors' Share and Option holdings

Set out below are details of the interests of the Directors in the securities of Coppermoly immediately prior to lodgment of the Prospectus with the ASIC for registration. Interests include those held directly and indirectly.

Director	Shares	Directors' Options
Bob McNeil	600,000 ¹	1,000,000
Peter Swiridiuk	200,000	1,000,000
Doug Hutchison	340,000 ²	1,000,000
Dal Brynelsen	1,000,000 ³	500,000
Peter McNeil	1,910,000 ⁴	500,000

Notes

1. Held by Bob McNeil's wife, Rosemary McNeil
2. Held indirectly through a superannuation fund
3. 300,000 of which are held indirectly by Mr Brynelsen through his company Secret Cove Management Ltd, 200,000 of which are held by his son Mr John Brynelsen, and 500,000 of which are held by 110980 Investments Ltd (being a Corporation held by Mr Brynelsen's wife)
4. Held by Peter McNeil's wife, Paige McNeil

The Options held by the directors have an exercise price of \$0.30 and an expiry date 3 years after their issue. The options held by Directors will be subject to escrow in accordance with the Listing Rules.

9.4 Interests of Advisers

Hynes Lawyers act as solicitors to the Company and in that capacity have been involved in providing legal advice to the Company in relation to the Offer. The Company will pay approximately \$95,000 to Hynes Lawyers for these services.

RGD Accountants & Advisors has prepared the Investigating Accountant's Report included in Section 10 of this Prospectus. The Company will pay approximately \$5,000 to RDG Accountants & Advisors for these services.

Project Geoscience Pty Ltd (**PG**) has prepared the Independent Geologist's Report included in Section 6.0 of this Prospectus. The Company will pay approximately \$19,000 for the report and site visit.

Posman Kua Aisi has prepared the Independent Solicitor's Report included in Section 7.0 of this prospectus. The Company will pay approximately \$17,000 to Posman Kua Aisi for these services.

Novus has acted as Sponsoring Broker and Joint Financial Adviser to the Offer. The Company will pay Novus as described in Section 5.5 of this Prospectus.

SPS has acted as Joint Financial Adviser to the Offer. SPP will be paid out of amounts paid to Novus as described in Section 5.5 of this Prospectus.

VSA Capital Ltd (**VSA**) has acted as the European Broker to the Offer. The Company will pay VSA as described in Section 5.6 of this Prospectus.

The amounts disclosed above are exclusive of any amount of goods and services tax payable by the Company in respect of those amounts.

9.5 Disclosure of Interests

Except as disclosed above or elsewhere in this Prospectus, no:

- director of the Company;
- expert;
- firm in which an expert is a partner or director;
- party who is named in the Prospectus as having provided advice in connection with the preparation or distribution of this Prospectus; or
- firm in which such a party is a partner or director,

(the above being the **person** or **firm**) has any interest in the promotion or formation of the Company or the Offers of Shares.

Except as disclosed above:

- no payment has been made (or agreed to be made); and
 - no benefit has been given (or agreed to be given),
- by the Company to such person or firm in the two years prior to the date of this Prospectus.

9.6 Expenses of the Offer

The total estimated expenses connected with the Offer are set out in the table in section 1.8 of this Prospectus.

9.7 Privacy Disclosure

The Company collects information about each Applicant from an Application Form for the purpose of processing the Application and, if the Applicant is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information in the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers (including mailing houses), ASX, the ASIC and other regulatory authorities.

If an Applicant becomes a security holder of the Company, the Corporations Act requires the Company to include information about the security holder (name, address and details of the securities held) in its public register. This information must remain in the register even if that person ceases to be a security holder of the Company. Information contained in the Company's register is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.

An Applicant has the right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

9.8 Taxation

The acquisition and disposal of Shares in Coppermoly will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation point of view.

9.9 Consents

The following parties have given their written consent:

- to be named in this Prospectus in the form and context in which they appear; and
- to the inclusion in this Prospectus of the statements and reports attributed to them in the table below, in the form and content in which they appear.

They have not withdrawn that consent before the date of this Prospectus.

Party	Role	Statement/ Report
Hynes Lawyers	Legal adviser to the Offer	Nil
RDG Accountants & Advisors	Independent Accountant	Independent Accountant's Report
Project Geoscience Pty Ltd	Independent Geologist	Independent Geologist's Report
Posman Kua Aisi	Papua New Guinea legal adviser	Independent Solicitor's Report
Novus	Sponsoring Broker and Joint Financial Adviser	Nil
SPS	Joint Financial Adviser	Nil
VSA	European Broker	Nil
Registries Limited	Share Registry	Nil

9.10 Responsibility statements

Each person named in Section 9.9:

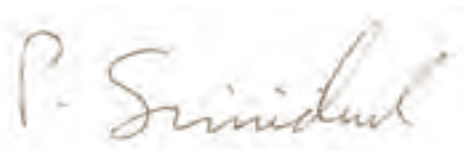
- has not authorised or caused the issue of this Prospectus;
- does not make, or purport to make, any statement in this Prospectus (except any statement specified in Section 9.9); and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus, (other than any statement specified in Section 9.9)

other than consenting to the inclusion of information as detailed in Section 9.9.

10.0 DIRECTOR'S AUTHORISATION

Each of the Directors of Coppermoly Limited has consented to the issue of this Prospectus.

Dated: 25th October 2007.

A handwritten signature in black ink, appearing to read "P. Swiridiuk". The signature is written in a cursive style with a large initial "P".

**Signed for and on behalf of
Coppermoly Limited
By Peter Swiridiuk
Managing Director**

11.0 GLOSSARY OF TERMS

Applicant means a person who submits an Application.

Application means a valid application to subscribe for Shares.

Application Form means the application form attached to and forming part of this Prospectus.

Application Monies means monies received by Coppermoly from Applicants.

ASIC means the Australian Securities and Investments Commission.

ASTC means ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532.

ASX means ASX Limited ACN 008 624 691 and where the context permits, the Australian Securities Exchange operated by ASX Limited.

Auditors means BDO Kendalls.

Board means the board of Directors unless the context indicates otherwise.

Business Day means a day other than a Saturday or Sunday on which banks are open for business in Brisbane, Queensland.

CHES means ASX Clearing House Electronic Sub-registry System.

Closing Date means the date on which the Offer closes.

Company or **Coppermoly** means Coppermoly Limited ABN 54 126 490 855.

Constitution means the constitution of the Company.

Copper Quest means Copper Quest PNG Limited, being a company incorporated in Papua New Guinea and a wholly owned subsidiary of the Company.

Corporations Act means the Corporations Act 2001 of Australia.

Directors means the directors of the Company from time to time.

Dollars or **\$** means Australian dollars unless otherwise stated.

EST means Eastern Standard Time, Sydney, New South Wales.

Expiry Date means 24 November 2008.

Eligible UK Investors has the meaning given in Section 1.17 of this Prospectus.

Exposure Period means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

Glossary means this glossary.

High Net Worth Companies has the meaning ascribed to it by Article 49(2) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (UK).

High Net Worth Individuals has the meaning ascribed to it by Article 48 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (UK).

Implementation Agreement means the agreement pursuant to which (among other things), the Company will acquire the Tenements in exchange for the issue of Shares.

Investigating Accountant means RDG Accountant & Advisors.

Investigating Accountant's Report means the report of the Investigating Accountant contained in Section 8 of this Prospectus.

Independent Geologist means Project Geoscience Pty Ltd.

Independent Geologist's Report means the report contained in Section 6 of this Prospectus.

Issue and **Offer** means respectively the issue and offer, of up to 80,000,000 Shares pursuant to this Prospectus.

Investment Professional has the meaning ascribed to it by Article 19(1) or 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (UK).

Kanon Canada means Pacific Kanon Gold Corporation being a company incorporated in British Columbia.

Kanon PNG means Kanon Resources Ltd, being a company incorporated in PNG and a wholly owned subsidiary of Kanon Canada.

Listing Rules means Listing Rules of the ASX.

Mining Act means the *Mining Act 1992* of Papua New Guinea.

Nakru Tenement or **Nakru** or **Mt Nakru** refers to EL 1043 with respect to land at Mt Nakru on New Britain Island, Papua New Guinea.

NGG Canada means New Guinea Gold Corporation, being a company incorporated in British Columbia and listed on the TSX-V.

NGG PNG means New Guinea Gold Limited, being a company incorporated in Papua New Guinea and a wholly owned Subsidiary of NGG Canada.

Novus Capital or **Sponsoring Broker** means Novus Capital Limited ABN 32 006 711 995, the broker sponsoring the offer.

Offer Period means the period commencing on the Opening Date and ending on the Closing Date.

Official List means the Official List of the ASX.

Opening Date means the date on which the Offer opens.

Option means an option to acquire 1 Share.

Plesyumi Prospect means one of the prospects identified for exploration on EL 1043, Mt Nakru.

Prospectus means this Prospectus dated 25 October 2007 for the issue of up to 80,000,000 Shares at 25 cents including any electronic or online version.

Qualified Investor has the meaning ascribed to it in section 86(7) of the Financial Services and Markets Act 2000 (UK).

Quotation means quotation of the Shares on ASX.

Section means a section of this Prospectus.

Share means 1 fully paid ordinary share in Coppermoly.

Shareholder means a holder of Shares.

Share Registrar means Registries Ltd
ABN 14 003 209 836.

Simuku Tenement or **Simuku** refers to EL 1077, with respect to land at Simuku on New Britain Island, Papua New Guinea and where expressed to do so in this Prospectus, also includes ELA 1445, Talelumas.

Sophisticated Investors has the meaning ascribed to it by Article 50(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (UK) and includes "self-certified sophisticated investors" within the meaning of Article 50A of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (UK).

Solicitor's Report on Tenements means the report contained in Section 7 of this Prospectus.

Tenements means to the Nakru Tenement and the Simuku Tenement.

TSX-V means the Toronto Venture Exchange, being a Subsidiary market of the Toronto Stock Exchange.

HOW TO COMPLETE THE APPLICATION FORM

Applications must be made on the Application Form attached to this Prospectus. Please complete all relevant parts of the Application Form using BLOCK LETTERS.

- A) Enter the NUMBER OF SHARES you wish to apply for.
The application must be for a minimum of 10,000 Shares and thereafter in multiples of 2,000 Shares.
- B) Enter the TOTAL AMOUNT of application money payable.
To calculate the amount, multiply the number of Shares applied for by \$0.25.
- C) Enter the FULL NAME(S) of all legal entities that are to be recorded as the registered holder(s). Use correct forms of registrable name (see below). Applications using the wrong form of name may be rejected.
- D) Enter the POSTAL ADDRESS for all communications from the Company. Only one address can be recorded.
- E) Enter a CONTACT NAME and TELEPHONE NUMBER(S) of a person the share registry can speak to regarding any queries they may have on the Application.
- F) The Company will become an Issuer Sponsored participant in the Australian Stock Exchange CHES System. This enables a holder to receive a statement of their shareholdings from the Company's Share Registrar. If you are already a Broker Sponsored participant in this system, enter your Holder Identification Number (HIN). Otherwise, leave this box blank and your Shares will automatically be issued sponsored on allotment.
- G) Enter the TAX FILE NUMBER(S) of the Applicant(s). Collection of Tax File Numbers is authorised by taxation laws. Quotation of Tax File Number(s) is not compulsory and will not affect the Application.
- H) Enter the details of cheque(s) accompanying the Application Form in payment of application monies.

DECLARATION AND STATEMENTS

Before completing the Application Form the Applicant(s) should read the Prospectus dated 25 October 2007. The Applicant(s) agree(s), upon and subject to the terms of the Prospectus, to take any number of Shares equal to or less than the number of Shares indicated on the Application Form that may be allotted to the Applicants pursuant to the Prospectus and declare(s) that all details of statements made are complete and accurate.

No notice of acceptance of the Application will be provided by the Company prior to the allotment of Shares. Applicants agree to be bound upon acceptance by the Company of the Application.

If your Application Form is not completed correctly, it may still be treated as valid. The Company's decision as to whether to treat your Application as valid, and how to construe, amend or complete it, shall be final.

There is no requirement to sign the Application Form.

PAYMENT

Applications for Shares must be accompanied by the application money of \$0.25 per Share (in Australian currency). Cheques should be made payable to "Coppermoly Limited- Share Offer" and crossed 'Not Negotiable'.

LODGING OF APPLICATIONS

Completed Application Forms and accompanying application monies must be:

POSTED TO:

Coppermoly Limited
C/- Novus Capital Limited
PO Box R1464
Royal Exchange NSW 1225
AUSTRALIA

OR

DELIVERED TO:

Coppermoly Limited
C/- Novus Capital Limited
Level 24,
Royal Exchange Building
56 Pitt Street
Sydney NSW 2000
AUSTRALIA

Applications must be received by **no later than 5.00pm EST on the Closing Date, currently 7 December 2007** (unless varied by the Company).

CORRECT FORM OF REGISTRABLE TITLE

Note that only legal entities are allowed to hold Shares. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to Coppermoly Limited. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the example of the correct forms of registrable names below:

Type of Investor	Correct Form	Examples of Incorrect Form
Trusts (Do not use the name of trust, use trustee(s) personal names)	John Smith <Smith Family A/C>	John Smith Family Trust
Deceased Estates (Do not use the name of deceased, use executor(s) personal names)	Michael Smith <Est John Smith A/C>	Estate of the Late John Smith
Partnerships (Do not use the name of Partnership, use partners' personal names)	John Smith and Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies (Do not use name of club or body, use name of trustee of club or body)	John Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds (Do not use name of fund, use name of trustee of fund)	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

HOW TO COMPLETE THE APPLICATION FORM

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The application must be for a minimum of 10,000 Shares and thereafter in multiples of 2,000 Shares.
- B) Enter the TOTAL AMOUNT of application money payable.
To calculate the amount, multiply the number of Shares applied for by \$0.25.
- C) Enter the FULL NAME(S) of all legal entities that are to be recorded as the registered holder(s). Use correct forms of registrable name (see below). Applications using the wrong form of name may be rejected.
- D) Enter the POSTAL ADDRESS for all communications from the Company. Only one address can be recorded.
- E) Enter a CONTACT NAME and TELEPHONE NUMBER(S) of a person the share registry can speak to regarding any queries they may have on the Application.
- F) The Company will become an Issuer Sponsored participant in the Australian Stock Exchange CHES System. This enables a holder to receive a statement of their shareholdings from the Company's Share Registrar. If you are already a Broker Sponsored participant in this system, enter your Holder Identification Number (HIN). Otherwise, leave this box blank and your Shares will automatically be issued sponsored on allotment.
- G) Enter the TAX FILE NUMBER(S) of the Applicant(s). Collection of Tax File Numbers is authorised by taxation laws. Quotation of Tax File Number(s) is not compulsory and will not affect the Application.
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C/- Novus Capital Limited
PO Box R1464
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AUSTRALIA

OR

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Coppermoly Limited
C/- Novus Capital Limited
Level 24,
Royal Exchange Building
56 Pitt Street
Sydney NSW 2000
AUSTRALIA

Applications must be received by **no later than 5.00pm EST on the Closing Date, currently 7 December 2007** (unless varied by the Company).

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Note that only legal entities are allowed to hold Shares. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to Coppermoly Limited. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the example of the correct forms of registrable names below:

Type of Investor	Correct Form	Examples of Incorrect Form
Trusts (Do not use the name of trust, use trustee(s) personal names)	John Smith <Smith Family A/C>	John Smith Family Trust
Deceased Estates (Do not use the name of deceased, use executor(s) personal names)	Michael Smith <Est John Smith A/C>	Estate of the Late John Smith
Partnerships (Do not use the name of Partnership, use partners' personal names)	John Smith and Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies (Do not use name of club or body, use name of trustee of club or body)	John Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds (Do not use name of fund, use name of trustee of fund)	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

CORPORATE DIRECTORY

Directors

Mr Bob McNeil

Non-Executive Chairman

Mr Peter Swiridiuk

Managing Director

Mr Doug Hutchison

Chief Operating Officer

Mr Dal Brynelsen

Non-Executive Director

Mr Peter McNeil

Non-Executive Director

Company Secretary

Mr Garry Edwards

Principal Place of Business

Level 1, 94 Bundall Rd

Bundall QLD 4217 Australia

Telephone: +61 7 5592 2274

Facsimile: +61 7 5592 2275

Email: info@coppermoly.com.au

Web: www.coppermoly.com.au

Share Registry

Registries Limited

Level 2, 28 Margaret Street

Sydney NSW 2000 Australia

Telephone: +61 2 9290 9600

Facsimile: +61 2 9279 0664

Email: registries@registriesltd.com.au

Web: www.registriesltd.com.au

Stock Exchange Listing

Australian Stock Exchange

Proposed ASX Code: COY

Sponsoring Broker

Novus Capital Limited

Level 24, Royal Exchange Building

56 Pitt Street

SYDNEY NSW 2000

Telephone: +61 2 9375 0100

Facsimile: +61 2 9247 4844

Email: mail@novuscapital.com.au

Website: www.novuscapital.com.au

European Broker

VSA Capital Ltd

No. 43 London Wall

London EC2M 5TF

Telephone: +44 (0)20 7628 3989

Facsimile: +44 (0)20 7920 0563

Email: mail@vsacapital.com

Website: www.vsacapital.com

Joint Financial Advisers

Novus Capital Limited

Level 24, Royal Exchange Building

56 Pitt Street

SYDNEY NSW 2000

South Pacific Securities Pty Limited

Level 24, Royal Exchange Building

56 Pitt Street

SYDNEY NSW 2000

Solicitor to the Offer

Hynes Lawyers

178 Montpelier Road

Brisbane QLD 4217 Australia

Telephone: +61 7 3828 5555

Facsimile: +61 7 3257 2215

Email: info@hyneslawyers.com.au

Web: www.hyneslawyers.com.au

Independent Geologist

Project Geoscience Pty Ltd

(A.B.N) 89 002 280 266

Ralph Stagg

5 Creek Street, Forest Lodge

NSW 2037 Australia

Telephone +61 2 9660 5650

Facsimile +61 2 9566 4927

Email: progeo@bigpond.net

Auditor

BDO Kendalls

Level 18, 300 Queen Street

Brisbane QLD 4000

Telephone: +61 2 3237 5999

Facsimile: +61 7 3221 9227

Accountant

RDG Accountants & Advisors

Kevin Rogers

Ground Floor, 10 Cloyne Road

Southport QLD 4215

Telephone: +61 7 5531 1288

Facsimile: +61 7 5531 4844



COPPERMOLY
Limited ACN 126 490 855