



COPPERMOLY COPPERMOLY ATTRACTS MAJOR INTEREST

In the two years since its listing on the ASX, Coppermoly has defined a large copper resource in PNG, outlined some promising targets and attracted the interest of one of mining's most powerful players.

THE BRISBANE-BASED explorer began its life on the Australian Securities Exchange in January 2008 with a relatively small float raising \$A8 million.

Headed up by experienced Papua New Guinea explorers Peter McNeil as executive chairman and Peter Swiridiuk as managing director, Coppermoly was listed on the back of several tenements on New Britain Island originally held by Canada-listed company New Guinea Gold.

During the course of 2008, Coppermoly launched a vigorous exploration program with 3000 kilometres of drilling at one of these tenements.

By May this year, the company had defined an inferred mineral resource estimate at that tenement, now called Simuku.

The resource came to 200 million tonnes grading 0.47% copper equivalent containing 700,000 tonnes of copper, 12,000t of molybdenum, 400,000 ounces of gold and 13 million ounces of silver, using a cut-off grade of 0.3% copper.

At its other main prospect, Mt Nakru, Coppermoly pursued smaller scale drilling and induced polarisation geophysics, which produced some very distinct drilling targets.

Coppermoly director and company secretary Maurice Gannon told *RESOURCESTOCKS* that since the company had started work on Nakru,

it had emerged as the most promising of the company's projects.

"We focused our energy on Simuku and we had a serious exploration program at Nakru, but not of the same scale," he said.

"It is just with the benefit of hindsight the money could have been better spent the other way around – Nakru has turned out to be potentially a higher grade copper prospect and it is the one which is demanding to take first priority from now on."

The company also has a third prospect in the same area, Talelumas, where sampling has returned some strong polymetallic results.

The three project areas are all on the same geological trend running right across the island from north to south, and all within driving distance of Kimbe, the provincial capital of New Britain Island and a deepwater port.

The size and location of the prospects have attracted the attention of at least one major player, with Coppermoly on the cusp of a company-transforming deal with Barrick Gold.

By the time this magazine is printed, the world's biggest gold miner will have decided whether or not to go ahead with a farm-in to Coppermoly's tenements.

The deal, to be decided in November, could see Barrick earn up to a 72% interest in Coppermoly's three projects on New Britain Island by spending up to \$20 million.

Under the deal, Barrick is obligated to spend \$3 million within the first two years, while the full \$20 million must be spent within eight years.

Once Barrick has earned 72%, Coppermoly can choose to fund its 28% share of costs from 50% of its share of the revenue once the projects are in production.

The agreement is conditional on Barrick completing due diligence.

Once the conditions of the letter agreement are satisfied, Barrick will subscribe for 6.3 million Coppermoly shares at 9c per share for \$567,868, representing 5% of the company, and Coppermoly will have around \$2.8 million in cash following the transaction.

Gannon explained that the farm-in came about when the company had wound back its operations due to the global financial crisis, as did many other explorers.

With cash conservation the main agenda, Coppermoly also began looking for potential joint venture partners to progress the New Britain projects.

"We had four or five companies looking at them and several of them made serious offers," Gannon said.

"But Barrick was already involved in copper in New Guinea and they had done their own research and gave us a call."

From that initial call, the process moved very quickly. Barrick went to

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MAURICE GANNON
COPPERMOLY



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Coppermoly's offices at the Gold Coast to look at the geological records and then visited the tenements.

Only one week after the first phone call, the major put a letter of agreement to Coppermoly over its New Britain Island projects.

"The letter was a nice way for them to make an offer quickly," Gannon said, adding that he was confident the deal would go ahead. And if at some point Barrick does pull out before the farm-in is completed, then ownership of the projects reverts back to Coppermoly.

"If there is a resource there and it is attractive to Barrick, it will be taken through," Gannon said.

"If there is a resource there and it isn't attractive for them, they'll just walk away and leave it to us, and it might be attractive to us.

"From our perspective it is a fantastic deal."

He said Coppermoly was convinced Simuku had much more to offer and that Barrick would be able to go in, drill exhaustively and then take the project to the next level.

Gannon told *RESOURCESTOCKS* the company had identified a region at Simuku called the copper envelope and that only the top third of the geographic area had been explored, so there was potentially a lot more mineralisation to be found.

In contrast, Nakru, geologically, has been a little difficult to explore and it is only with geophysical studies that the tenement has given up its secrets.

"New Britain Island is active volcanically and Nakru is covered in volcanic ash," Gannon said.

"This makes it difficult for geologists to get to the rock strata, so much of exploration there has been a stab in the dark."

Now the geophysics have given a three-dimensional picture of what may be there.

So far, the work has located two "pods", which look particularly exciting to Coppermoly's geologists.

While the mineralisation looks exciting, Coppermoly is also

conscious of the other factors at play for any company exploring and potentially developing projects in Papua New Guinea.

In terms of infrastructure, Gannon said the company's tenements on New Britain Island were relatively easy to get in and out of, with road access to the exploration camps – provided the roads are cleared each year.

"We have our own heavy equipment at Kimbe," he said.

This includes Coppermoly's own crawler rigs, which are mounted on tracks and can cope with PNG's wet season.

Otherwise, while New Britain is logistically a "little difficult" – lying as it does to the east of the Papua New Guinea mainland – there is good air transport and boat transport from the island, with an airport at Kimbe.

"Kimbe itself is a deepwater port and you can see it from the exploration camp at Simuku," Gannon said.

"If there is an orebody there that can be mined, the economics of mining should be quite good.

"It is really quite unusual to have resources of this potential size so close to airports and deepwater ports and New Britain itself has a booming palm oil industry, so there is a lot of industrial infrastructure already in place on the island."

Gannon also said he could understand why some investors might view projects in Papua New Guinea with some hesitation, as other mining projects have been dogged by landowner issues.

However, he said that was more of a mainland experience and not as prevalent on New Britain Island.

"As insurance, we maintain a good relationship with the local people," he explained.

"There are landowner issues all over New Guinea because they are traditional people, their land is their land and that has to be respected.

"We handle that by employing mostly locals. We also employ local public relations officers – people who are from the local community – to be

our PR people.

"Our geologists and project managers and staff are all local people. That overcomes some of the sovereign risk."

The company also has a listing on the Port Moresby Stock Exchange, which Gannon said was another good sovereign risk management technique.

"The more actual investors you have from PNG, the better regarded you are and rightly so," he said.

The exchange operates on the ASX listing rules so compliance is not an issue, and it means Coppermoly can offer not only the prospect of jobs and economic development, but also local ownership.

"We just genuinely try to be a good corporate citizen," Gannon added.

– Kate Havcock

COPPERMOLY AT A GLANCE



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MARKET CAPITALISATION

\$A12.7 million (at press time)

MAJOR SHAREHOLDERS

New Guinea Gold Corporation
23.96%
Pacific Kanon Gold Corporation
8.57%
Citicorp Nominees Pty Limited 3.66%
Vangold Resources Ltd 2.79%



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Coppermoly core samples from Nakru