INTERSUISSE

Coppermoly Limited (COY)

Cu-Au porphyry, New Britain

HUGE potential

Recommendation

Speculative

Price

11.5c

ASX / S&P Sector

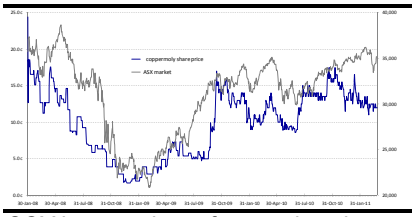
Metals & Mining

- **COY has a 100% interest in 3 exploration leases in New Britain, PNG.**
- **Barrick (ABX.TSX) is farming into these ELs by spending $20m. When completed, ABX will have a 72% interest. COY will not need to contribute cash until after the Bankable Feasibility Study.**
- **COY had reported an Inferred Resource of 200Mt at 0.47% Cu eq on one of these ELs, over an area of less than 1/3 of the known mineralisation in that EL.**
- **COY has applied for further ELs on New Britain.**

Snapshot

Last Price	$0.115
Market Cap.	$17million
Shares on Issue	139.1m FPO 46.1m options, exercisable 7c to 30c
52 Week High	$0.175
52 Week Low	$0.086

Price Chart



COY is an explorer, focussed on the island of New Britain in PNG. There are many large deposits of gold and copper-gold in PNG as part of the Pacific rim of fire.

COY has reported a copper-gold porphyry deposit at Simuku, with an Inferred Resource of 200Mt at 0.47% Cu eq, over an area that is less than 1/3 of the known surface mineralisation.

Barrick Corporation is farming in to 3 of COY's ELs, covering an area of 170km^2, by spending $20m to reach 72%. COY will not need to contribute cash until after the BFS is completed, re-paying ABX our of project cashflows.

COY has 2 other areas in New Britain, covering an area of 1,500km^2.

See : www.coppermoly.com.au

Analyst: Pieter Bruinstroop :

Investment Highlights

- COY has three ELs in New Britain, Simuku, Nakru and Talelumas, covering a total area of 170km^2;
- On 1 May 2009, COY announced an Inferred Resource of 200Mt at 0.47% Cu eq, over an area of less than 1/3 of the known surface mineralisation at Simuku
  - Value of the metal in ground is about $8.0B
- On 12 October 2009, COY announced that ABX had agreed to spend $20m exploring in these three ELs, to earn a 72% interest
  - While COY will be then required to contribute, the agreement is that COY's contributions can be deferred until after the BFS is completed, and then paid back out of project cashflows
  - ABX began on-site activities in May 2010, and spent $9m to the end of 2010
  - Drilling is expected to re-start, after the west season has finished, in April;
- On 12 July 2010, COY announced the results of the first hole drilled by ABX, of 214m at 0.92% Cu and 0.33g/t Au, at Nakru-1
  - Drilling during 2010 confirmed mineralisation extending to over 500m in strike length to at least 200m depth.
- As well as the ELs included in the JV with ABX, COY has applied for 2 further ELs, covering an area of 1,500km^2

Analysis

- .Porphyry deposits can be very large and very valuable. COY has the potential for such a deposit.
- The reported resources appear economic, and it has significant upside, though it might require significant drilling.

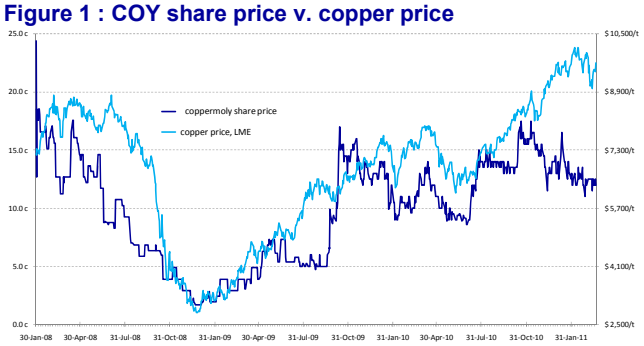
Recommendation

Intersuisse initiates research on COY with a Speculative BUY recommendation.

Coppermoly Limited (COY)

COY listed on the ASX in January 2008 as a spin-out from TSX listed New Guinea Gold of its copper-gold exploration assets on the island of New Britain. As shown in Figure 1, upon listing the share price fell and then tracked the copper price up until late in 2010, since then the COY share price has since been soft.

Figure 1 : COY share price v. copper price



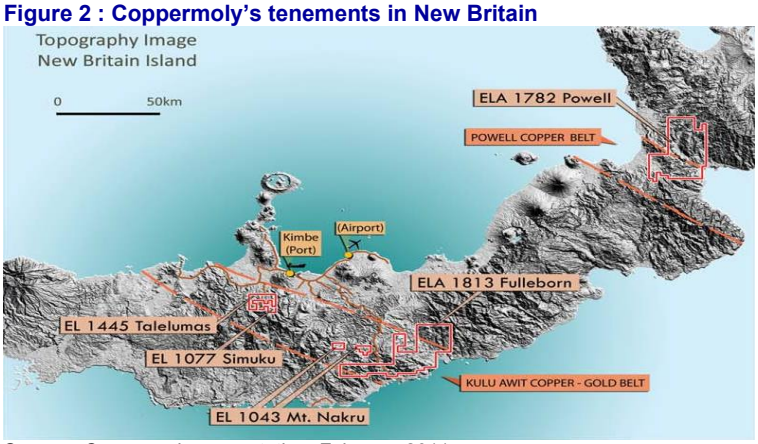
Source : IRESS, Intersuisse

Figure 2 shows COY's tenements on New Britain, which comprise :

- 3 granted ELs, Simuku, Talelumas and Nakru, for a total area of 170km^2 and
- 2 applications for exploration leases (ELAs), Powell and Fullebon, covering 1,500km^2.

COY has exploration in the island of New Britain, in PNG

Figure 2 : Coppermoly's tenements in New Britain



Source : Coppermoly presentation, February 2011

On 1 May 2009 COY announced an Inferred Resource for Simuku, as shown in Figure 3.

COY has reported an Inferred Resources of 196Mt, with an in-ground value of $8.0B, comprising copper with some molybdenum, gold and silver at Simuku

Figure 3 : COY's Inferred Resources, Simuku, May 2009

Coppermoly	cut-off grade	ore	copper	molybdenum	gold	silver	Cu eq	in situ value
Inferred	0.30%	195.5 Mt	0.355 %	61 ppm	0.06 g/t	2 g/t	0.43%	$ 8 B

Source : Coppermoly ASX announcement, 1 May 2009

Figure 3 shows that Intersuisse estimates the value of contained metal is about $8.0B. However, the area included in the resource estimate is less than 1/3 of the mineralised area.

In their quarterly report for September 2009, COY reported the results of a conceptual mining study based on the Inferred Resource. The key data are

- Project capital costs : $671m
- Processing rate : 20Mt/yr; and
- Cash costs $12.09/t.

Intersuisse estimates that this is an economic project.

Intersuisse estimates an IRR, after tax, about 14.4%, assuming $3.20/lb copper price.

Recognising that a porphyry deposit can require significant drilling, on 12 October 2009, COY announced that it had reached agreement for Barrick Corporation (ABX.TSX) to farm into COY's 3 granted ELs.

Under this farm-in, ABX must spend $20m to earn a 72% interest, and COY need not contribute immediately until the feasibility study has been completed, repaying ABX out of project cashflows, at a small penalty of 25% of the funds extended.

Barrick, the world's largest gold producer, is farming in to COY's ELs

Figure 4 shows a selection of companies that are closely comparable, with copper-gold in the arc of Indonesia and PNG, expect for Exeter which is in Chile. Figure 4 also shows that the size and grade of the mineralisation is roughly comparable.

Figure 4 : Comparable companies

Company		shares	share price	market cap	cash	Resources	Cu eq. grade	in situ value'	EV / t
Robust Resoruces	ROL.ASX	84.94m	$ 1.86	$ 158m	$ 30m	n/a			
Marengo Limited	MGO.ASX	994.02m	$ 0.32	$ 334m	$ 71m	775 Mt	0.49%	$ 36 B	$ 70/t
Intrepid Mines	IAU.ASX	520.33m	$ 2.09	$ 1,110m	$ 182m	650 Mt	0.59%	$ 37 B	$ 240/t
Coppermoly	COY.ASX	193.10m	$ 0.12	$ 24m	$ 2m	195.5 Mt	0.43%	$ 8 B	$ 27/t
Exeter Resources	EXR.TSX	98.64m	$ 5.00	$ 493m	$ 85m	1,774 Mt	0.40%	$ 68 B	$ 57/t

Source : IRESS, www.exeterresource.com, Intersuisse

Figure 4 shows that COY is the cheapest.

At Nakru, ABX reported an intercept of 214m at 0.92% Cu and 0.33g/t Au

ABX has focussed exploration on Nakru, where results have been better than at Simuku, including 214m at 0.92% Cu and 0.33g/t Au from 74m depth.

ABX spent $9m in the first year of the farm-in agreement, against an agreed minimum of $3m. ABX are about to being the 2011 drilling season.

Intersuisse expects that ABX will have invested its $20m by the end of 2012 and then will need to decide whether the results warrant going to feasibility.

In either event, Intersuisse believes that COY will benefit, either from a 28% stake in a major development or a 100% stake in a development that is not large enough for ABX.

The major risk in investing in COY is that after the current programme ABX does not find enough interest to proceed to spend the last $6m required to achieve 72%, but then delays a final decision for the complete term of its agreement, which is 8 years.

To mitigate this risk, COY has taken out 2 ELAs covering a total of 1,500km^2 of New Britain.

Conclusions

Intersuisse initiates research on Coppermoly with a Speculative BUY recommendation :

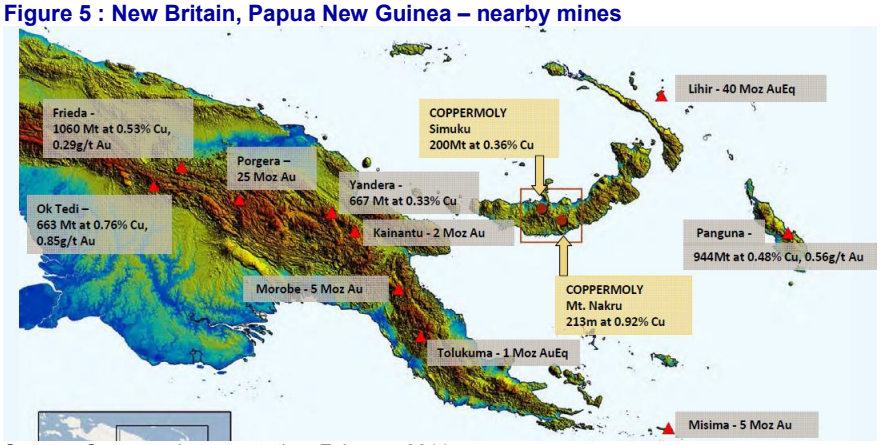
Intersuisse recommends COY as a Speculative BUY

- The Inferred Resources at Simuku appear to be economic, though financing such a project represents a challenge;
- Mineralisation at Simuku is significantly greater, both in terms of areal extent and also depth than is reflected in COY's resources;
- Exploration at Nakru appears to be giving better results than at Simuku;
- The farm-in by ABX, for $20m, has the potential to carry COY through to feasibility;
- There is upside potential in COY's ELAs, as New Britain is now largely pegged, indicating strong interest; and
- COY's resources appear comparable to a range of similar companies, but COY is much cheaper than these peers.

Coppermoly - Background

COY was incorporated on 27 July 2007 to acquire the copper-gold exploration interests based in the island of New Britain from New Guinea Gold, a TSX-V listed gold explorer. Figure 5 shows that there are many major mines in Papua New Guinea.

Figure 5 : New Britain, Papua New Guinea – nearby mines



Source : Coppermoly presentation, February 2011

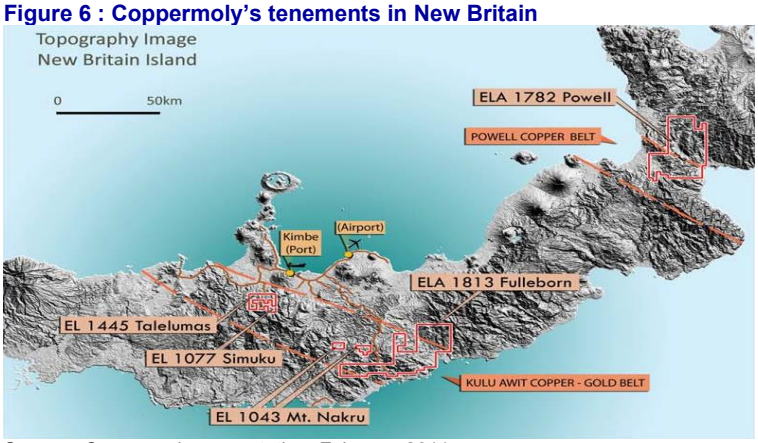
COY has ELs and ELAs on the island of New Britain.

There are many gold and copper-gold mines in PNG, and further into the Indonesian side of the acr

Figure 6 shows the areas that COY has in the island of New Britain :

- The 3 Exploration Leases (ELs), at Simuku, Mt Nakru and Talelumas, cover an area of 170km^2 and are the subject of a farm-in agreement with Barrick Corporation (ABX);
- The other 2 areas, Powell and Fullebon, are presently applications, and cover an area of 1,500km^2.

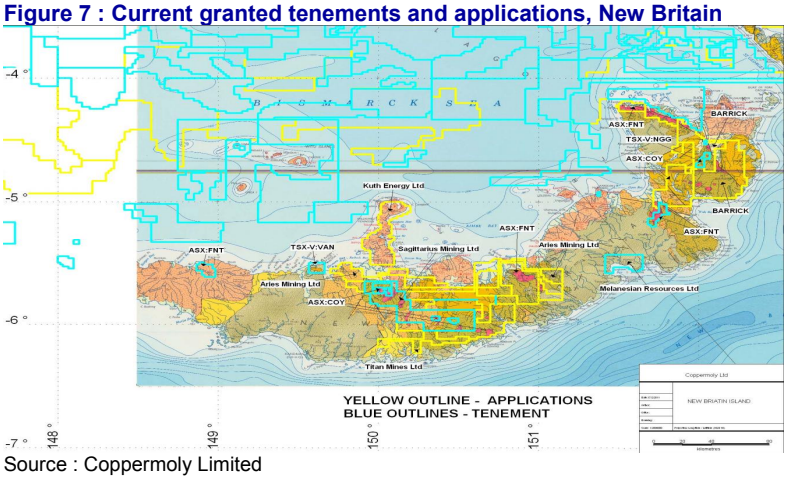
Figure 6 : Coppermoly's tenements in New Britain



Source : Coppermoly presentation, February 2011

Figure 7 : Current granted tenements and applications, New Britain

Since COY pegged its tenements, most of the area nearby has been applied for



Source : Coppermoly Limited

Figure 7 shows that since COY obtained its tenements, most of the island of New Britain has since been claimed.

Figure 7 also shows that a significant area of the sea-bed has also been pegged following the results of sea-bed exploration by Nautilis Limited. The concept that the islands in this area have mineralisation sourced from "smokers", though forming the islands, as does the seabed mineralisation.

Resources

On 1 May 2009, COY announced an Inferred Resource for Simuku, as shown in Figure 8, though the copper equivalent and the metals value are calculations by Intersuisse

COY has reported an Inferred Resource for Simuku of 196Mt with an in-ground value of nearly $8,000m

Figure 8 : Inferred Resource for Simiku, May 2009

Zone	cut-off grade	ore	copper	molybdenum	gold	silver	Cu eq	metals value
Footwall (FW) High Grade	0.10%	96.0 Mt	0.319 %	43 ppm	0.06 g/t	2 g/t	0.390 %	$ 3,554m
	0.30%	64.1 Mt	0.400 %	55 ppm	0.07 g/t	2 g/t	0.482 %	$ 2,928m
	0.50%	32.8 Mt	0.466 %	55 ppm	0.07 g/t	2 g/t	0.548 %	$ 1,703m
Footwall (FW) Low Grade	0.10%	38.0 Mt	0.225 %	36 ppm	0.06 g/t	2 g/t	0.294 %	$ 1,060m
	0.30%	15.8 Mt	0.344 %	56 ppm	0.06 g/t	2 g/t	0.421 %	$ 631m
	0.50%	3.3 Mt	0.374 %	74 ppm	0.04 g/t	4 g/t	0.474 %	$ 148m
Hangingwall (HW) High Grade	0.10%	101.5 Mt	0.290 %	44 ppm	0.05 g/t	1 g/t	0.345 %	$ 3,315m
	0.30%	70.2 Mt	0.347 %	53 ppm	0.06 g/t	1 g/t	0.411 %	$ 2,735m
	0.50%	25.1 Mt	0.459 %	75 ppm	0.07 g/t	2 g/t	0.549 %	$ 1,307m
Hangingwall (HW) Low Grade	0.10%	68.8 Mt	0.192 %	52 ppm	0.04 g/t	1 g/t	0.245 %	$ 1,600m
	0.30%	21.2 Mt	0.313 %	91 ppm	0.06 g/t	2 g/t	0.405 %	$ 814m
	0.50%	8.9 Mt	0.394 %	131 ppm	0.07 g/t	2 g/t	0.507 %	$ 428m
Intermediate Zones	0.10%	89.0 Mt	0.170 %	51 ppm	0.04 g/t	1 g/t	0.224 %	$ 1,886m
(outside FW & HW Mineralisation)	0.30%	24.2 Mt	0.304 %	78 ppm	0.06 g/t	1 g/t	0.378 %	$ 868m
	0.50%	7.3 Mt	0.378 %	114 ppm	0.06 g/t	2 g/t	0.480 %	$ 332m
TOTAL	0.10%	393.3 Mt	0.246 %	46 ppm	0.05 g/t	1 g/t	0.306 %	$ 11,416m
	0.30%	**195.5 Mt**	**0.355 %**	**61 ppm**	**0.06 g/t**	**2 g/t**	**0.430 %**	**$ 7,976m**
	0.50%	77.4 Mt	0.443 %	77 ppm	0.07 g/t	2 g/t	0.534 %	$ 3,919m

Source : Coppermoly, Intersuisse

Metals value calculated on basis of following prices : Cu = $4.20/lb, Mo = $18/lb, Au = $1,400/oz, Ag = $37/oz

In referring to the Resource, the cut-off grade of 0.3% copper equivalent is used as this corresponds to Intersuisse expectation of the likely cut-off grade, where ore becomes marginal in value.

The total resource is 196Mt at 0.43% Cu eq.

Figure 8 shows :

There are many difference domains of mineralisation

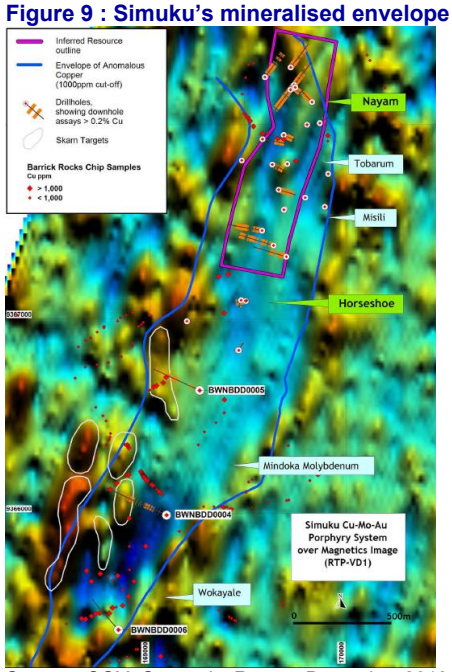
- There are different domains within the mineralisation; and
- The total value of metals contained is about $8,000m.

Figure 9 shows an outline of the surface mineralisation at Simuku, taken from soil and stream sediment sampling. The blue line shows the envelope for Cu in soil of 100ppm. The maroon rectangle at the top (north) shows the area on which the resource estimate was based.

The Inferred Resource covers an area less than 1/3 of the total area of known mineralisation

Figure 9 shows that the Inferred Resource is based on an area covering less than one-third of the known mineralisation.

Figure 9 : Simuku's mineralised envelope



Source : COY, Quarterly Report, December 2010

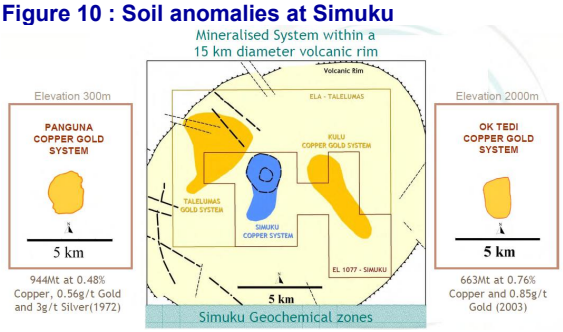
The colouration in the background is an aero-magnetic image, clearly showing the high trend in the spins of the mineralised enveloped, suggesting the deposit dips to the east.

Figure 9 also shows significant grades from trenching outside the area in the Inferred Resource. There have also been many high grade rock chip samples taken. These give confidence that the total size of the resource will be much larger.

Figure 10 shows the area of the soil anomaly at Simuku, together with the nearby gold anomalies at Talelumas and Kulu.

The area of the soil anomaly at Simuku is very large

Figure 10 : Soil anomalies at Simuku



Source : Coppermoly presentation, March 2009

Figure 10 clearly shows :

- The Simuku system is very large;
- However, its grades are lower than other PNG mining operations.

This leaves the possibility of portions of the mineralised area having higher grades.

Potential Value

In their quarterly report for September 2009, COY reported the results of a conceptual mining study based on the Inferred Resource. The key data are

- Project capital costs : $671m
- Processing rate : 20Mt/yr; and
- Cash costs $12.09/t

Figure 11 is a very rudimentary and crude dcf model developed by Intersuisse on this data.

COY has published brief results of a Conceptual Mining Study on the resources at Simuku.

Figure 11 : A (very) crude DCF model of Simuku

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Copepr price	$ 7,000/t	$ 7,000/t	$ 7,000/t	$ 7,000/t	$ 7,000/t	$ 7,000/t	$ 7,000/t	$ 7,000/t	$ 7,000/t	$ 7,000/t	$ 7,000/t	$ 7,000/t	$ 7,000/t	$ 7,000/t	$ 7,000/t	$ 7,000/t	$ 7,000/t
Cu grade, realised	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%
Value of ore	$ 26.12/t	$ 26.12/t	$ 26.12/t	$ 26.12/t	$ 26.12/t	$ 26.12/t	$ 26.12/t	$ 26.12/t	$ 26.12/t	$ 26.12/t	$ 26.12/t	$ 26.12/t	$ 26.12/t	$ 26.12/t	$ 26.12/t	$ 26.12/t	$ 26.12/t
Royalty	$ 0.52/t	$ 0.52/t	$ 0.52/t	$ 0.52/t	$ 0.52/t	$ 0.52/t	$ 0.52/t	$ 0.52/t	$ 0.52/t	$ 0.52/t	$ 0.52/t	$ 0.52/t	$ 0.52/t	$ 0.52/t	$ 0.52/t	$ 0.52/t	$ 0.52/t
Copper deduciton	$ 0.91/t	$ 0.91/t	$ 0.91/t	$ 0.91/t	$ 0.91/t	$ 0.91/t	$ 0.91/t	$ 0.91/t	$ 0.91/t	$ 0.91/t	$ 0.91/t	$ 0.91/t	$ 0.91/t	$ 0.91/t	$ 0.91/t	$ 0.91/t	$ 0.91/t
Cu TC / RC	$ 1.74/t	$ 1.74/t	$ 1.74/t	$ 1.74/t	$ 1.74/t	$ 1.74/t	$ 1.74/t	$ 1.74/t	$ 1.74/t	$ 1.74/t	$ 1.74/t	$ 1.74/t	$ 1.74/t	$ 1.74/t	$ 1.74/t	$ 1.74/t	$ 1.74/t
Ore cash costs	$ 12.09/t	$ 12.09/t	$ 12.09/t	$ 12.09/t	$ 12.09/t	$ 12.09/t	$ 12.09/t	$ 12.09/t	$ 12.09/t	$ 12.09/t	$ 12.09/t	$ 12.09/t	$ 12.09/t	$ 12.09/t	$ 12.09/t	$ 12.09/t	$ 12.09/t
Cash Margin	$ 10.86/t	$ 10.86/t	$ 10.86/t	$ 10.86/t	$ 10.86/t	$ 10.86/t	$ 10.86/t	$ 10.86/t	$ 10.86/t	$ 10.86/t	$ 10.86/t	$ 10.86/t	$ 10.86/t	$ 10.86/t	$ 10.86/t	$ 10.86/t	$ 10.86/t
Ore processed						5 Mt	10 Mt	15 Mt	20 Mt	20 Mt	20 Mt	20 Mt	20 Mt	20 Mt	20 Mt	20 Mt	10 Mt
Resources					200 Mt	195 Mt	185 Mt	170 Mt	150 Mt	130 Mt	110 Mt	90 Mt	70 Mt	50 Mt	30 Mt	10 Mt	0 Mt
Capital	($671m)	($5m)	($5m)	($336m)	($336m)												
Operating cash						$ 54m	$ 109m	$ 163m	$ 217m	$ 217m	$ 217m	$ 217m	$ 217m	$ 217m	$ 217m	$ 217m	$ 109m
Tax payment, net of D & A		30%				($11m)	($22m)	($34m)	($45m)	($45m)	($45m)	($45m)	($45m)	($45m)	($45m)	($45m)	($22m)
IRR =	14%	NPV, at	12%	$ 68m	$ 43m	$ 86m	$ 129m	$ 172m	$ 172m	$ 172m	$ 172m	$ 172m	$ 172m	$ 172m	$ 172m	$ 86m	

Source : Intersuisse estimates

Key data items from this model include :

- The recovered copper grade is the Cu eq from figure 4 by 87% recovery
- Copper deduction is because the miner gets paid only for 96.5% of the copper contained in the concentrate, while TC/RC is the fee to process the concentrate
- The assumed copper price is $3.20/lb, compared with the current price of $4.30/lb;
  - ➢ While the copper price is higher, we should expect both operating and capital costs to also be higher if this were to be re-estimated today.

Intersuisse estimates that the project would now be economic.

Figure 12 shows the sensitivity of the financial outcomes.

Figure 12a : Simuku IRR

IRR	$ 7,000/t	$ 9,000/t
200 Mt	14.4%	23.4%
400 Mt	15.8%	24.2%

Source : Intersuisse estimates

Figure 12b : Simuku NPV

NPV, at 12%	$ 7,000/t	$ 9,000/t
200 Mt	$ 68m	$ 370m
400 Mt	$ 195m	$ 594m

Source : Intersuisse estimates

As can be seen in Figure 12, Intersuisse's analysis indicates that the project provides a sub-economic return (ie. below 12% IRR) for copper prices below $3.00/lb.

Barrick Farm-in Agreement

A porphyry system can be very large and requires significant drilling, which is beyond the scope of an exploration company

By May, COY had sufficient evidence to suggest that their tenements held large mineralised areas with potential for significant value. However, COY also realised that a small company, such as COY, was unlikely to be able to secure sufficient funds to be able to adequately test this thesis.

On 12 October 2009, COY announced that it had reached agreement for Barrick Corporation (ABX.TSX) to farm into COY's 3 tenement areas.

Intersuisse understands that ABX had an interest in this area and made the approach to COY after COY stated, at an industry forum, that it was interested in looking to farm-down its interests.

COY has agreed to let ABX, the world's largest gold company, farm into their ELs

On 10 November 2009, COY announced that ABX had completed their due diligence and would execute their agreement. Actual drilling began in May 2010, after the west season had ended and after preparations, including an exploration camp and access tracks, had been completed.

The terms of the agreement can be summarised as :

- ABX to spend $20m exploring COY's three tenements on New Britain to earn a 72% interest in those tenements
  - If ABX withdraws at any time before it earns 72% equity in the farm-in, it will not retain any interest in the tenements;
  - ABX must spend a minimum of $3m within the first 2 years, and $20m within 8 years;
- COY may retain a 28% interest in the projects, funded to feasibility
  - Once ABX has earned 72% equity, COY can elect that the payment of its share (28%) of ongoing costs incurred up to the production of a feasibility study will be delayed until that stage and will be repaid from 50% of its share of project revenue, at a penalty of 15% of the funds extended.
- ABX will subscribe for 6,309,647 fully paid ordinary shares in COY at 9c a share, representing 5% of the share capital of COY.

Compared with the minimum expenditure required, while ABX only began working on this project in March 2010, by the end of 2009 it had already spent $9m.

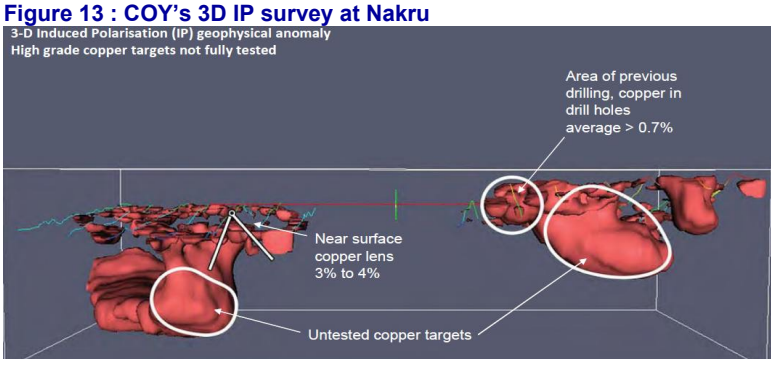
Intersuisse understands that ABX's preliminary budget for the current program is $5m; further expenditure may be made in this calendar year if there is sufficient exploration success to warrant further near term expenditure.

Nakru

Prior to ABX farming in, COY had undertaken a 3-D IP (induced Polarisation) survey at Mt Nakru, the results of which are shown in Figure 13.

Figure 13 : COY's 3D IP survey at Nakru

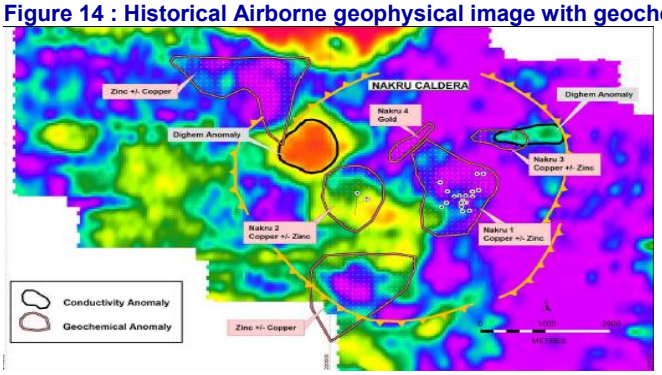
Nakru is expected to contain a number of deposits which is typical of a VMS system



Source : Coppermoly presentation, March 2010

The Mt.Nakru tenement (EL1043) contains a number of discrete Volcanic Hosted Massive Sulphide (VHMS) and breccia related copper-gold-zinc systems nested within the Nakru caldera, shown in Figure 14.

Figure 14 : Historical Airborne geophysical image with geochemical targets at Nakru

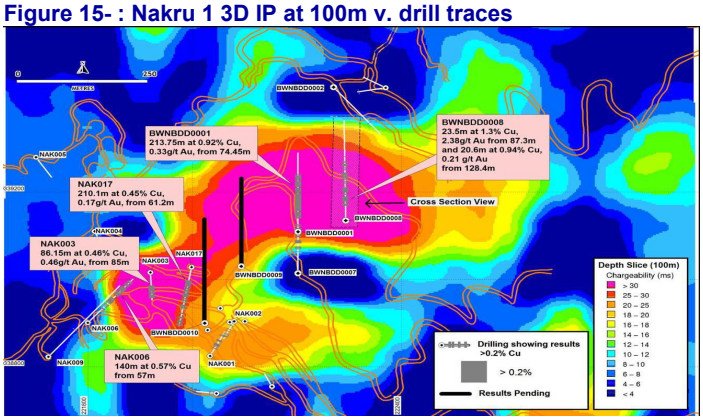


Source : COY ASX announcement, 24 February 2011

Nakru has a very large geophysical footprint

Figure 15 maps the results of a 3D IP survey on Nakru 1, showing the chargeability at 100m depth against drill traces.

Figure 15- : Nakru 1 3D IP at 100m v. drill traces



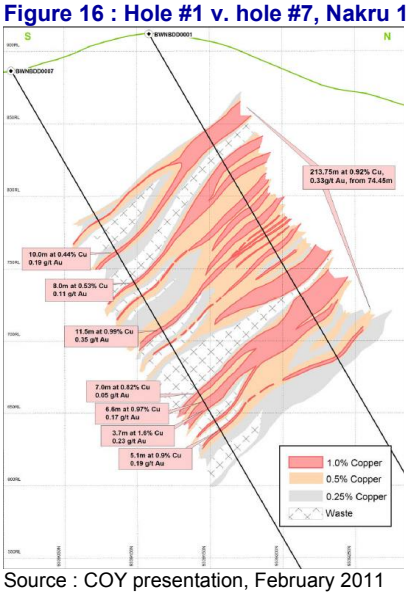
Source : Coppermoly December 2010 Quarterly report

Figure 15 shows the drilling done by ABX. On 18 August 2010, COY reported that drillhole #1 intersected 214m at 0.92% Cu and 0.33g/t Au from 74m depth.

On 2 October 2010, COY reported the results of drillhole #7. Figure 15 shows that this was drilled approx. 100m to the south drillhole #1.

Figure 16 shows the mineralisation interpreted from these 2 holes.

Figure 16 : Hole #1 v. hole #7, Nakru 1



Source : COY presentation, February 2011

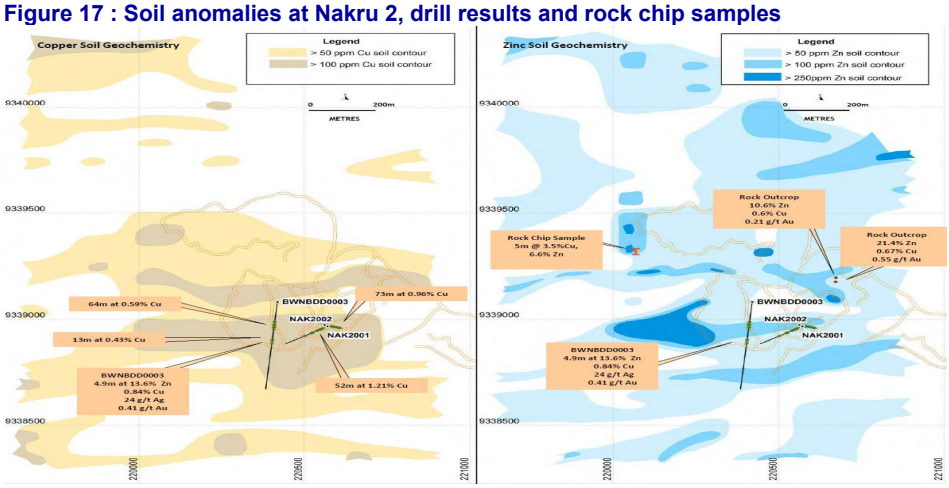
Nakru has extensive copper and zinc in soil anomalies

Figures 13 and 14 showed that there is about 800m between the interpreted edges of Nakru 1 and Nakru 2,and that the mineralisation found to date differs.

This is consistent with VMS systems.

Nakru 2 has extensive copper in soil and also zinc in soil anomalies, as shown in Figure 17, which also shows some good drill intercepts and high grade rock chip samples

Figure 17 : Soil anomalies at Nakru 2, drill results and rock chip samples



Source : Coppermoly presentation, February 2011

Simuku

On 25 July 2008, COY announced the results of exploration activities at Simuku

- 93m of 0.69% Cu eq, (0.59% Cu, 68ppm Mo, 0.07g/t Au and 2.5g/t Ag), from 8m depth, at Nayam; and
- 117m of trenching giving 0.74% Cu eq. at

On 25 August 2008, COY announced results from drilling at Simuku

- 32m of 0.87% Cu eq, (0.71% Cu, 136ppm Mo, 0.08g/t Au and 1.29g/t Ag), from 42m depth, at Nayam; and
- 44m of 0.46% Cu eq, (0.38% Cu, 26ppm Mo, 0.11g/t Au and 2.45g/t Ag), from surface, at Tobarum.

Simuku has a large number of good grades

COY was also able to report (see presentation, March 2010) :

- 27m of 0,74% Cu from surface at Tobarum; and
- 16m of 1.0% Cu from near surface at Nayam
- 0.41% Mo from surface at Horseshoe,
- surface Trench Results of
  - 14m at 1.03% copper and 0.26 g/t gold
  - 200m at 0.75% copper

In 2010, ABX drilled 3 holes for a total length of 1,636.7m, to supplement historic drilling of 31 diamond drill holes for a total length of 6,021m of drilling plus 28km of bulldozer surface trenching.

This data has defined a 3,500m by 650m envelope of copper mineralisation.

Higher grades of secondary copper enrichment nearer the surface occur in eleven historic drill holes at Simuku, including a 16m thick horizon grading 1.0% copper (from 16m depth) at the Nayam Prospect. Primary copper of 16m grading 1.24% copper was also intersected at Nayam from 240m down-hole depth.

The work to date has defined a very large system, but the average grades are generally not significantly above the cut-of grade of 0.2% Cu. However, the results appear to be consistent with the resources at Yandera, which is discussed in the comparatives section.

Talelumas

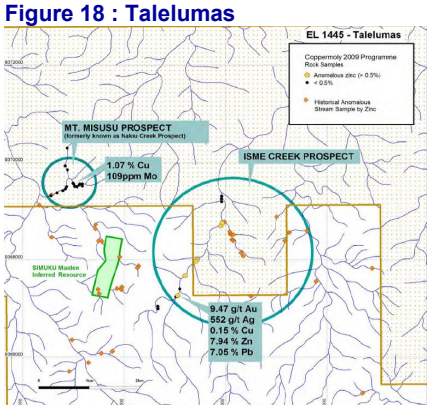
Talelumas is an early stage exploration prospect

As shown in Figure 2, Talelumas is, effectively, an extension of Simuku. Figure 18 shows some results of rock chip and stream sediment sampling by COY.

- The Isme Creek gold prospect has geochemistry similar to the Nakru systems.
- The Mt.Misusu copper prospect has an anomalous area, measuring 850m by 500m of copper in soil.

An earlier rock chip assayed 9.47g/t Au, 552g/t Ag, 7.9% Zn and 7.1% Pb.

Figure 18 : Talelumas



Source : COY presentation, March 2010

Other tenements

Figure 6 showed that COY had made Exploration Licence Applications for 2 much larger areas in New Britain :

- ELA 1813, Fullebon, near Nakru; and
- ELA 1782, Powell, in the north-east of New Britain.

Figure 7 showed that nearly all the prospective areas have been pegged.

These applications are still being assessed so we have no indication as to whether they are potentially valuable.

However, this does mean that not all of COY's potential value is derivative of ABX's exploration appetite.

Comparatives

COY appears to have :

- A large porphyry system, though of modest grade, in Simuku; and
- A VMS system, with multiple expressions and varying mineralisation at Nakru.

A major difficulty is in finding peers for which the value can be compared :

- Have a reported resource
- Be in pre-development phase
- Have comparable mineralisation;
- Be a listed entity with that project as the sole, or significantly dominant project; and
- Be relatively current, rather than historical asset transactions.

COY looks cheap compared with similar companies

Figure 19 shows a selection of companies that are comparable.

Figure 19 : Comparable companies

Company		shares	share price	market cap	cash	Resources	Cu eq. grade	in situ value[1]	EV / t
Robust Resoruces	ROL.ASX	84.94m	$ 1.86	$ 158m	$ 30m	n/a			
Marengo Limited	MGO.ASX	994.02m	$ 0.32	$ 334m	$ 71m	775 Mt	0.49%	$ 36 B	$ 70/t
Intrepid Mines	IAU.ASX	520.33m	$ 2.09	$ 1,110m	$ 182m	650 Mt	0.59%	$ 37 B	$ 240/t
Coppermoly	COY.ASX	193.10m	$ 0.12	$ 24m	$ 2m	195.5 Mt	0.43%	$ 8 B	$ 27/t
Exeter Resources	EXR.TSX	98.64m	$ 5.00	$ 493m	$ 85m	1,774 Mt	0.40%	$ 68 B	$ 57/t

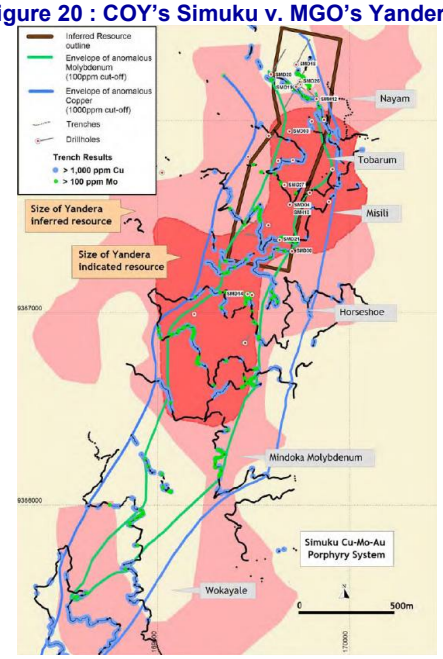
Source : IRESS, www.exeterresource.com, Intersuisse

Figure 19 shows that COY is cheapest among the comparatives :

Simuku appears to be larger than, but also comparable to, MGO's Yandera deposit, which is much more highly valued by the market

- Robust Resoruces, which has at least one Cu-Au porphyry with a Au-Ag cap on Romang Island, which is N-E of Timor in Indonesia, has a significant market cap but has not yet been able to report a resource
- Marengo, which is on the main island of New Guinea, appears directly comparable, and appears to have defined a resource consistent with the full extent of mineralisation at Simuku, with grades only marginally higher
  - Figure 20 shows that the extent of surface mineralisation at COY's Simuku project is significantly larger than that for MGO;'s Yandera project
- Intrepid Mines has defined a large porphyry system at the eastern end of Java in Indonesia

Figure 20 : COY's Simuku v. MGO's Yandera

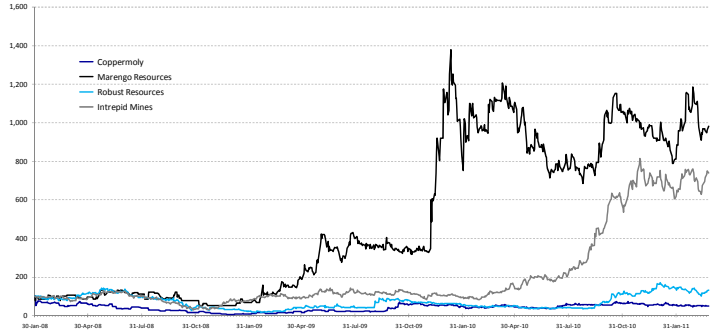


Source : COY presentation, March 2010

- Exeter Resources is a Canadian junior that has defined a large porphyry system in Chile. Figure 21 shows that IAU and ROL appear to have been "discovered" by the market, while COY lags.

Figure 21: Comparative share price performance

Major finds have led to major increases in share price, showing the potential

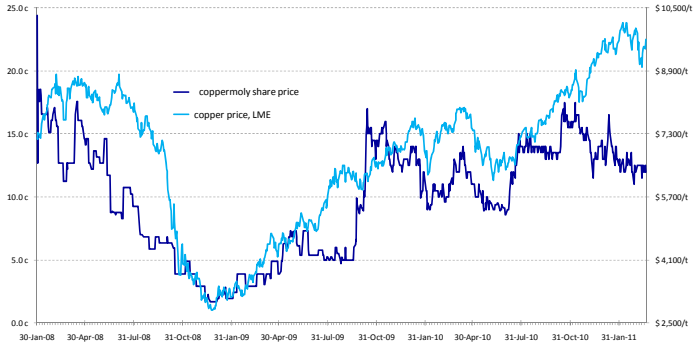


Source : IRESS, Intersuisse

Figure 22 shows that COY has tended to track the copper price, but has lagged during 2011.

Figure 22 : COY share price v. Copper price

After moving with the copper price, the COY share price has failed to follow the copper price rises over the last 6 months



Source : IRESS, Intersuisse

Conclusions

Intersuisse initiates research on Coppermoly with a Speculative BUY recommendation :

- The Inferred Resources at Simuku appear to be economic, though financing such a project represents a challenge;
- Mineralisation at Simuku is significantly greater, both in terms of areal extent and also depth than is reflected in COY's resources;
- Exploration at Nakru appears to be giving better results than at Nakru
- The farm-in by ABX, for $20m, has the potential to carry COY through to feasibility;
- COY's resources appear comparable to a range of similar companies, but COY is much cheaper than these peers.

Intersuisse initiates research on COY with a BUY recommendation.

The major risk in investing in COY is that after the current programme ABX does not find enough interest to proceed to spend the last $6m required to achieve 72%, but then delays a final decision for the complete term of its agreement, which is 8 years.

There is significant share price risk in this recommendation

To mitigate this risk, COY has taken out 2 ELAs covering a total of 1,500km^2 of New Britain.

Appendix 1 : Board and Management

Chairman

Dal Brynelsen

Mr 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. 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 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 approx. 400 employees. Mr Brynelsen is also Director, President & CEO of Vangold Resources Ltd (TSX).

Managing Director

Peter Swiridiuk,

Managing Director since July 2007.

Age 43. BSc (Hons), DipEd, MAIG.

Mr Swiridiuk has over 20 years experience exploring for VMS style copper deposits in Oman, Cyprus and PNG, copper-gold deposits in Mexico, Solomon Islands and PNG, diamond pipes throughout Australia and coal-copper-gold systems in eastern Australia. He has spent over 15 years managing the exploration, discovery and resource definition for copper deposits. Prior to this, he spent six years with DeBeers diamond services as a geophysicist in their Research and Technical Services Division. This involved the management of contractors and data analysis to explore for diamond deposits. He has written numerous independent technical geological reports on over 20 projects for the British Columbia Securities Commission (TSX-V).

Mr Swiridiuk has not served as a Director of any other public listed companies during the last three years.

Non-executive Directors

Ces Iewago,

BACom, MBA, FAICD

Mr Iewago holds a Master of Business Administration, is a Fellow of the Australian Institute of Company Directors, and has over 20 years experience in business banking, financial services and investments sectors in Papua New Guinea. Mr Iewago previously served as Managing Director of Public Officers Superannuation Fund. He was Country Director and General Manager of Investment Bank, Merrill Lynch in Papua New Guinea (1997 to 2000), and was responsible for its corporate and retail business. He also held the position of Deputy Managing Director of Papua New Guinea's first Merchant Bank, Resources & Investment Finance Ltd (1990 to 1996) responsible for Marketing, Corporate Business and Portfolio Management. He is a director of New Guinea Gold Corporation, Canada (TSX-Venture) and a number of Papua New Guinea companies.

Bob McNeil,

BSc (Hons), MSc. F AuslMM.

During 50 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. Mr McNeil is also Acting Chairman of New Guinea Gold Corp. (TSX) and Director of ASX listed company: Golden Tiger NL.

Executive Director and Company Secretary.

Maurice J Gannon,

BSc, GAICD, FCIS, AFAIM, MAusIMM,

He holds a Bachelor of Science Degree, a Graduate Diploma in Applied Corporate Governance and a Business Management Certificate. He has over twenty years experience in business and financial management and a professional background in earth and environmental sciences. Mr Gannon is a Graduate Member of the Australian Institute of Company Directors, a Fellow of the Australian Institute of Chartered Secretaries, an Associate Fellow of the Australian Institute of Management and a member of the Australasian Institute of Mining and Metallurgy.

Geological Consultant

Denis O'Neill

Mr O'Neill has 36 years industry experience including 7 years directing exploration projects in Italy, Ireland and the United Arab Emirates for Noranda Mines Ltd, and 4 years as Chief Geologist for the Delta Gold group of companies in Australia. He was associated with the discovery of the 'Reward' and 'Highway' orebodies, Charters Towers whilst working with City Resources and Barrick Mines in the late 1980s. He is a graduate of the University of NSW (B.App.Sc). Mr O'Neill is also a Non-Executive Director of Malachite Resources NL (ASX).

Appendix 2 : Company History and Background

Coppermoly (COY) was incorporated on 27 July 2007. It listed in January 2008.

COY was incorporate to acquire the assets in New Britain from the TSX-V listed New Guinea Gold Corporation (NGG), which had been exploring for gold 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.

The directors of NGG 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, while allowing NGG to remain primarily a gold-focussed explorer.

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.

At the time of listing :

- New Guinea Gold held 29,475,485 shares,
  - NGG sold 8,501,801 share to reduce its holding to 20,973,684 share, or 15.28% in June and July 2010
  - This was done to raise cash and also to improve liquidity in COY
- Kanon Canada held:10,524,515 shares
  - subsequently, NGG sold Kanon to Vengold to realise cash; and
- Seed investors held 10,000,000 shares

Since then, Barrick subscribed for 6,309,647 shares at a cost of $567,868.23, or 9c a share, on 13 November 2009, pursuant to the farm-in agreement announced 12 October 2009. At the time, this was 6.72% of COY's issued capital, which has since been diluted down to 4.536% by subsequent share issues

Appendix 3 : Copper-Gold Porphyry Deposits

Porphyry is a variety of igneous rock consisting of large-grained crystals. In its non-geologic, traditional use, the term "porphyry" refers to the purple-red form of this stone, valued for its appearance.

Porphyritic refers to a texture of igneous rocks. Its chief characteristic is a large difference between the size of the tiny matrix crystals. Porphyries may have a groundmass of invisibly small crystals, like basalt, or the individual crystals of the groundmass may be easily distinguished with the eye, as in granite. Most types of igneous rocks may display some degree of porphyritic texture.

Porphyry deposits are formed when a column of rising magma is cooled in two stages. In the first stage, the magma is cooled slowly deep in the crust, creating the large crystal grains, with a diameter of 2 mm or more. In the final stage, the magma is cooled rapidly at relatively shallow depth or as it erupts from a volcano, creating small grains that are usually invisible to the unaided eye.

Source : http://en.wikipedia.org/wiki/Porphyry_(geology)

Porphyry copper deposits are copper orebodies which are associated with porphyritic intrusive rocks and the fluids that accompany them during the transition and cooling from magma to rock. Circulating surface water or underground fluids may interact with the plutonic fluids. Successive envelopes of hydrothermal alteration typically enclose a core of ore minerals disseminated in often stockwork-forming hairline fractures and veins. Porphyry orebodies typically contain between 0.4 and 1 % copper with smaller amounts of other metals such as molybdenum, silver and gold.

The first mining of low-grade copper porphyry deposits from large open pits coincided roughly with the introduction of steam shovels, the construction of railroads, and a surge in market demand near the start of the 20th century. Some mines exploit porphyry deposits that contain sufficient gold or molybdenum, but little or no copper.

Porphyry copper deposits are currently the largest source of copper ore. Most of the known porphyrys are concentrated in: western South and North America and Southeast Asia and Oceana - along the Pacific Ring of Fire; the Caribbean; southern central Europe and the area around eastern Turkey; scattered areas in China, the Mideast, Russia, and the CIS states; and eastern Australia. Only a few are identified in Africa, in Namibia and Zambia; none are known in Antarctica. The greatest concentration of the largest copper porphyrys is in Chile. Almost all mines exploiting large porphyry deposits produce from open pits.

Characteristics of porphyry copper deposits include:

- The orebodies are associated with multiple intrusions and dikes of diorite to quartz monzonite composition with porphyritic textures.
- Breccia zones with angular or locally rounded fragments are commonly associated with the intrusives. The sulfide mineralization typically occurs between or within fragments.
- The deposits typically have an outer epidote - chlorite mineral alteration zone.
- A quartz - sericite alteration zone typically occurs closer to the center and may overprint.
- A central potassic zone of secondary biotite and orthoclase alteration is commonly associated with most of the ore.
- Fractures are often filled or coated by sulphides, or by quartz veins with sulphides. Closely spaced fractures of several orientations are usually associated with the highest grade ore.
- The upper portions of porphyry copper deposits may be subjected to supergene enrichment. This involves the metals in the upper portion being dissolved and carried down to below the water table, where they precipitate.

Source : http://en.wikipedia.org/wiki/Porphyry_copper

Contacts List

Steve Morris	03 9618 8231	**Managing Director**

Research

Cameron Bell	03 9618 8283	Analyst
Pieter Bruinstroop	03 9618 8275	Mining Analyst
Nick Wirubov	03 9618 8251	Oil & Gas Analyst

Corporate Finance – PhillipCapital Australia

Jonathan Buckley	03 9618 8244	Managing Director
Michael Beer	03 9618 8222	Corporate Director, Mining
Sackville Kempton	03 9618 8258	Corporate Director
Michael Laletas	03 9618 8234	Corporate Director
David Pryles	03 9618 8269	Manager, Corporate Finance
Leith Wale	03 9618 8253	Business Development Manager, Oil & Gas
Andrea Coad	03 9618 8256	Personal Assistant

Institutional Dealing

Will Cleland	03 9618 8223	Associate Director
Hulya Ozmen	03 9618 8232	Desk Assistant

Private Clients

Melbourne

Mark Chartres	03 9618 8240	Head of Wealth Management
Peter Addison	03 9618 8226	Associate Director
Craig Baillie	03 9618 8279	Client Adviser
Howard Elton	03 9618 8233	Director
Amanda Fanning	03 9618 8247	Client Adviser
Steven Goossens	03 9618 8215	ITS Operator
Graham Johnstone	03 9618 8246	Client Adviser
Darren Levy	03 9618 8252	Associate Director
Sue McDonald	03 9618 8211	Senior Client Adviser
Luke Robinson	03 9618 8210	Senior Client Adviser
Suzie Shipton	03 9618 8243	Manager Client Services
John Taylor	03 9618 8219	Client Adviser
Callan Trew	03 9618 8255	Associate Adviser
Henry Vo	03 9618 8250	Associate Adviser
Prasanna Wickramatunge	03 9618 8270	Client Adviser
Mark Wiseman	03 9618 8228	Director
Raymond Wong	03 9618 8225	Client Adviser

Sydney

Andrew Sekely	02 9994 5508	Director
Joe Durak	02 9994 5513	Senior Client Adviser
Patricia Harrison	02 9994 5505	Senior Client Adviser
Ryan Hoffman	02 9994 5512	Client Adviser
Greg Lidicky	02 9994 5522	Client Adviser
Nick Madden	02 9994 5518	Client Adviser
Philip Rhead	02 9994 5509	Senior Client Adviser
Pam Smith	02 9994 5510	Client Adviser
William Tan	02 9994 5511	Client Adviser
Oksana Wainwright	02 9994 5500	Administrator

Important Information

Confidential

This document is for the confidential use of the recipients only and is not to be reproduced without the authority of Intersuisse Limited.

Disclaimer

The persons involved in or responsible for the preparation and publication of this report believe that the information herein has been obtained from reliable sources and that any estimates, opinions, conclusions or recommendations are reasonably held at the time of compilation. No warranty is made as to the accuracy of the information in this document and, to the maximum extent permitted by law, Intersuisse Limited and its related entities, their respective directors and officers ("Intersuisse") disclaim all liability for any loss or damage which may be suffered by any recipient through relying on anything contained or omitted from this document.

General Advice

The content is of a general nature and is based on a consideration of the securities alone, and as such is conditional and must not be relied upon without advice from a securities adviser as to the appropriateness to you given your individual investment objectives, financial situation and particular needs. Whilst this document is based on information and assessments that are current at the date of publication, Intersuisse has no obligation to provide revised assessments in the event of changed circumstances.

Disclosure

Directors of Intersuisse or other associate companies may own securities in Hillgrove Resources Limited. Intersuisse seeks to do work with those companies it researches. Intersuisse receives commissions from dealing in securities. As a result, investors should be aware that Intersuisse may have a conflict of interest that could affect the objectivity of this report.

Analyst Certification

The analyst responsible for this research report certifies that all of the views expressed reflect his personal views about the securities or the issuer; and that no part of his remuneration was, is, or will be, related to the recommendations or views expressed by him in the report.

Prepared by Pieter Bruinstroop

INTERSUISSE LIMITED ABN 14 002 918 247, AFSL 246827 Market Participant of the ASX Group

Melbourne Office:		Sydney Office:	
Level 37, 530 Collins Street,		Level 7, 5 Elizabeth Street,	
Melbourne, Vic, Australia 3000		Sydney, NSW, Australia 2000	
Telephone:	(+613) 9629 8288	Telephone:	(+612) 9233 2100
Facsimile:	(+613) 9629 8882	Facsimile:	(+612) 9233 2117
Email:	suisse@intersuisse.com.au	Email:	sydney@intersuisse.com.au

Internet: http://www.intersuisse.com.au