8 April 2011

INTERSUISSE

Coppermoly Limited (COY)

Cu-Au porphyry, New Britain

HUGE potential

Recommendation

Speculative

Price

11.5c

ASX / S&P Sector

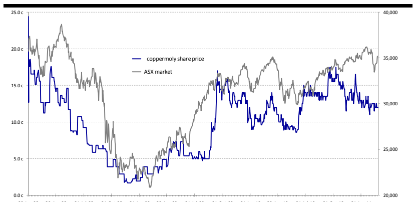
Metals & Mining

- **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.

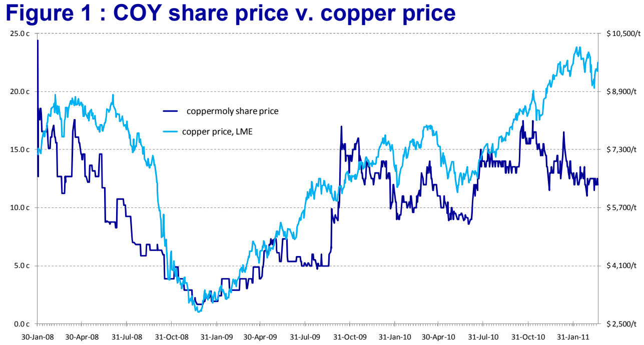
Recommendation

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



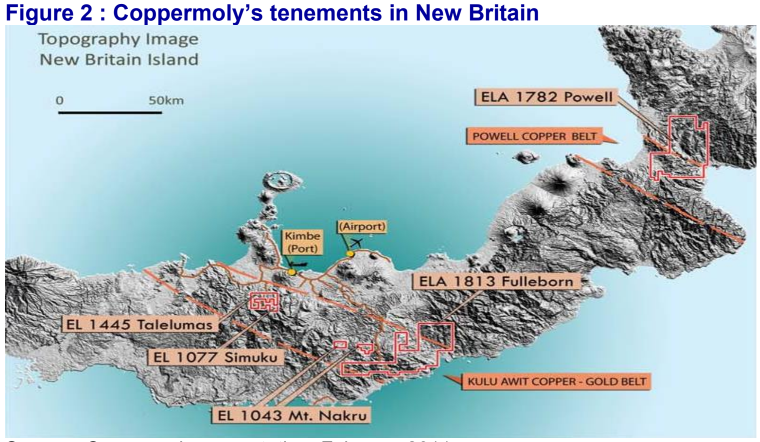
Source : IRESS, Intersuisse

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

Intersuisse estimates that this is an economic project.

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

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.

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