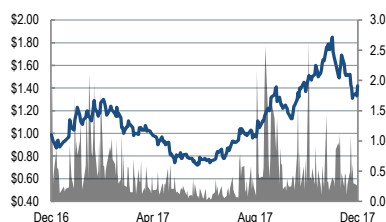


COPPER MOUNTAIN MINING | CMMC:TSX

Altona Acquisition: Altius, Citius, Fortius

| | |
|--------------------------------|-----------------|
| Rating | BUY |
| 12-M Target Price (C\$) | \$1.70 |
| Price (C\$) | \$1.42 |
| Expected Return | 19.7% |
| Est. Dividend Yield | 0.0% |
| Expected Total Return | 19.7% |
| Shares Outstanding (M) | 133.6 |
| Market Cap (C\$M) | \$189.8 |
| Enterprise Value (C\$M) | \$588.9 |
| 52-Week Price (C\$) | \$0.72 - \$1.85 |
| 3-Month Volume (k) | 489 |
| 3-M Daily Turnover (C\$M) | \$0.7 |
| P/NAV | 1.03x |
| EV/EBITDA 12M Fwd | 6.4x |
| P/E 12M Fwd | 6.6x |
| P/CF 12M Fwd | 2.4x |

12M Price & Volume



Source: CapitalIQ

Company Description

CMMC's principal asset is the 75% owned open pit Copper Mountain Mine located in southern British Columbia, near the town of Princeton. CMMC has a strategic alliance with Mitsubishi Materials Corporation which owns 25% of the Copper Mountain Mine and purchases 100% of the copper concentrate produced under a life of mine offtake agreement.

All figures in US\$ except where noted.

- Timely Acquisition:** We have integrated the Altona acquisition into our model with a full pro-forma analysis, showing that the transaction is accretive given the higher grade, lower cost production from Altona's Cloncurry project. With an expected medium-term window of elevated copper prices, we believe the acquisition is well timed compared to the risk of taking on project construction debt.
- Accretion to NAVPS:** Based on our analysis, the acquisition is ~90% NAVPS accretive even with Cloncurry discounted at a very conservative NPV(12%). Strong NAVPS accretion is partly due to CMMC's opportunistic timing, with the acquisition announced while its share price was trading near 3-year highs (reducing the all-share transaction's dilution) and at a relatively lofty valuation.
- Pro-forma Production, Financial Estimates:** Cloncurry's acquisition and development could increase CMMC Cu production to over ~170Mlbs/year (from ~78Mlbs) and reduce C1 Cash Costs to \$1.64/lb (from \$2.12/lb) by 2021 (Figure 1 & 3). Revenues and CFPS could increase two-fold, and EPS over triple by 2021. Annual production per share would rise to 0.80lb/year (from 0.64lb/year) (Figure 3), or up to ~1.00lb/ year assuming no project equity issue is needed assuming sustained, elevated copper prices.
- Cloncurry Project Debt Adds Manageable Leverage:** CMMC management expects to use 65% debt/35% equity to foot Cloncurry's \$216M bill. Although financially leveraged, CMMC will have repaid \$70M to \$80M in debt by the time Cloncurry project financing debt is added. At an average long-term copper price of over \$3.15/lb, we estimate that CMMC could generate sufficient cash flow to fund Cloncurry without issuing equity; we nonetheless assume a \$75.6M equity raise (at C\$2.00) in 2020, concurrent with CMMC's financing plan. Net debt will increase in 2019 to 2016 levels, but then decrease faster due to higher expected profitability from Cloncurry (Figure 2).
- Pro-Forma Valuation:** CMMC is paying \$39.5M (as announced, net of cash) by issuing 53.5M shares, for an asset we value at \$217.2M 12M-Fwd, using a very conservative NPV(12%), increasing our NAVPS by ~90%. Reducing our NAVPS multiple to 0.75x (from 0.8x) for project risk, and raising our P/CF multiple to 5.0x (from 4.5x) to compensate for dilution, we get a pro-forma 12M-Fwd C\$1.90/shr price target (Figure 4). We see further re-rating potential once the acquisition is completed and greater Cloncurry project details become available.
- Acquisition Risks:** Structured as a friendly acquisition, Altona's board and management (~7.3% of shares o/s) will vote in favour of the deal, absent a superior offer. An A\$0.9M break-fee is applicable. With Altona now at 0.75x P/NAV (consensus), we see few Canadian junior copper producers trading at a meaningful enough premium to pay as high a P/NAV for the company; one exception is Taseko Mines (TKO:TSX, NR). Australian-listed Sandfire Resources (ASX:SFR, NR) also trades above 0.9x, but produces twice as much as expected from Cloncurry, at a lower cash cost.
- Valuation:** We have a BUY rating and C\$1.70/shr 12M-Fwd Price Target, based on 1) a 40% weighted NAVPS C\$1.10/shr target using an 0.8x risk multiple, and 2) a 60% weighted P/CF C\$2.14/shr target using a 4.5x multiple. Copper producer peers are trading at an average 0.9x P/NAV and 5.7x P/CF.

| RATIOS | 2017E | 2018E | 2019E |
|-----------------|-------|-------|-------|
| EV/EBITDA | 6.8x | 6.6x | 5.8x |
| P/E | 5.3x | 11.5x | 8.4x |
| P/CF | 2.3x | 2.8x | 2.5x |
| EBITDA, % | 29% | 25% | 28% |
| ROE, % | 14% | 6% | 7% |
| ROA, % | 5% | 3% | 4% |
| Current Ratio | 0.7x | 0.8x | 1.1x |
| Net Debt/Equity | 1.2x | 0.9x | 0.5x |

| | Q1/17A | Q2/17A | Q3/17A | Q4/17E | 2016A | 2017E | 2018E | 2019E |
|----------------------|--------|--------|--------|--------|-------|-------|-------|-------|
| Gold Prod. (000oz) | 5.9 | 5.9 | 6.7 | 6.7 | 30.9 | 25.2 | 26.8 | 26.8 |
| Copper Prod. (Mlbs) | 18.1 | 17.2 | 20.9 | 19.1 | 83.0 | 75.3 | 80.8 | 78.3 |
| Total Cash Cost, net | 1.86 | 1.74 | 1.62 | 2.22 | 1.56 | 1.85 | 2.07 | 2.12 |
| Total Revenue (\$M) | 55.6 | 51.7 | 61.7 | 62.9 | 211.4 | 231.9 | 272.6 | 282.2 |
| EBITDA (\$M) | 15.4 | 14.4 | 24.7 | 12.5 | 56.1 | 66.9 | 69.5 | 79.0 |
| Net Income (\$M) | 3.9 | 5.8 | 15.9 | 0.7 | 12.6 | 26.3 | 12.9 | 18.4 |
| Basic EPS | 0.03 | 0.04 | 0.12 | 0.01 | 0.12 | 0.21 | 0.10 | 0.13 |
| CFPS | 0.12 | 0.11 | 0.19 | 0.07 | 0.45 | 0.48 | 0.40 | 0.43 |

See page 11 for important disclosures

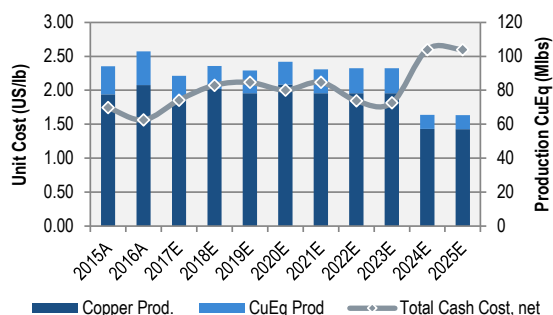
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Copper Mountain Mining | CMMC:TSX

Copper Mountain Mining Corp. (CMMC-TSX, \$1.42 | BUY, \$1.70) Company Profile

| PRICE DECK | 2016A | 2017E | 2018E | 2019E | 2020E | FINANCIALS (US\$M) | 2016A | 2017E | 2018E | 2019E | 2020E |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|-----------------------------|-------------|-------------|-------------|-------------|-------------|
| Gold | 1,249 | 1,264 | 1,350 | 1,400 | 1,400 | PROFIT & LOSS | | | | | |
| Silver | 17.09 | 17.52 | 19.85 | 21.55 | 21.55 | Total Revenue | 211.4 | 231.9 | 272.6 | 282.2 | 298.3 |
| Copper | 2.20 | 2.81 | 3.20 | 3.40 | 3.40 | Cost Of Goods Sold | 151.1 | 160.1 | 198.7 | 198.7 | 200.2 |
| Lead | 0.85 | 1.02 | 1.05 | 1.05 | 1.00 | Gross Profit | 60.4 | 71.8 | 74.0 | 83.5 | 98.1 |
| Zinc | 2.20 | 2.81 | 3.20 | 3.40 | 3.40 | Depreciation/Amortization | 39.8 | 36.3 | 32.0 | 32.0 | 32.1 |
| CAD/USD | 0.77 | 0.77 | 0.78 | 0.78 | 0.78 | Operating Expenses | 4.3 | 4.9 | 4.5 | 4.6 | 4.5 |
| OPERATING | 2016A | 2017E | 2018E | 2019E | 2020E | Operating Income | 16.3 | 30.6 | 37.5 | 46.9 | 61.4 |
| Gold Prod. ('000 oz) | 30.9 | 25.2 | 26.8 | 26.8 | 26.8 | Net Interest Expense | -9.4 | -9.6 | -7.4 | -6.5 | -5.7 |
| Change YoY (%) | 6% | -18% | 6% | 0% | 0% | Net Non-Operating | 9.6 | 17.7 | 0.0 | 0.0 | 0.0 |
| Copper Prod. ('Mlbs) | 83.0 | 75.3 | 80.8 | 78.3 | 83.5 | Pretax Income | 16.5 | 38.6 | 30.1 | 40.5 | 55.8 |
| Change YoY (%) | 7% | -9% | 7% | -3% | 7% | Income Tax Expense | 0.9 | 1.7 | 9.0 | 12.1 | 16.7 |
| Total Cash Cost, net | \$1.56 | \$1.85 | \$2.07 | \$2.12 | \$2.00 | Minority Interest | 3.0 | 10.6 | 8.1 | 10.0 | 12.8 |
| Change YoY (%) | -10% | 19% | 12% | 2% | -5% | Extraordinary/Pref.Div | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| All-in Sust. Cost, net | \$1.56 | \$1.85 | \$2.07 | \$2.12 | \$2.00 | Net Income | 12.6 | 26.3 | 12.9 | 18.4 | 26.3 |
| Change YoY (%) | NA | 19% | 12% | 2% | -5% | Adj. Net Income | 7.2 | 13.2 | 12.9 | 18.4 | 26.3 |
| Levered FCFPS, \$ | 0.07 | -0.05 | 0.08 | 0.12 | 0.24 | CASH FLOW | | | | | |
| Change YoY (%) | 757% | -169% | NA | 55% | 101% | Op. Cash Flow bef. WC | 56.0 | 64.4 | 53.6 | 60.9 | 71.7 |
| Lev. FCFPS Yield, % | 5% | -3% | 5% | 8% | 17% | Change in WC | -22.5 | -24.3 | 0.0 | 0.0 | 0.0 |
| Net Cash (\$M) | -267.5 | -243.1 | -191.1 | -123.9 | -54.7 | Cash From Operations | 33.5 | 40.1 | 53.6 | 60.9 | 71.7 |

PRODUCTION



VALUATION

| NAV Target | D.Rate | US\$M | %/NAV | US\$/Sh | C\$/Sh |
|---|--------|---------------|--------------|----------------|---------------|
| Operating | | | | | |
| Copper Mountain | 8.0% | 345.6 | 221% | 2.37 | 3.04 |
| Copper Mountain Resources | 0.0% | 37.6 | 24% | 0.26 | 0.33 |
| Cloncurry | 12.0% | 0.0 | 0% | 0.00 | 0.00 |
| Operating Sub-total | | 383.2 | 245% | 2.63 | 3.37 |
| Corporate | | | | | |
| Working Capital | | -27.5 | -18% | -0.19 | -0.24 |
| Dilutive ITM Proceeds | | 12.3 | 8% | 0.08 | 0.11 |
| Minority Interest | | -65.1 | -42% | -0.45 | -0.57 |
| Long-Term Debt | | -146.5 | -94% | -1.00 | -1.29 |
| Corporate Sub-total | | -226.8 | -145% | -1.55 | -1.99 |
| Total NAV | | 156.4 | 100% | 1.07 | 1.37 |
| Target Multiple | | | | 0.80x | |
| Target / 145.9M Diluted ITM Shares | | | | 0.86 | 1.10 |
| CFPS Target | | | | US\$/Sh | C\$/Sh |
| 12-Month CFPS | | | | 0.37 | 0.48 |
| Target Multiple | | | | 4.5x | 0.00x |
| CFPS Target Price | | | | 1.67 | 2.14 |

| FINANCIALS (US\$M) | 2016A | 2017E | 2018E | 2019E | 2020E |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| PROFIT & LOSS | | | | | |
| Total Revenue | 211.4 | 231.9 | 272.6 | 282.2 | 298.3 |
| Cost Of Goods Sold | 151.1 | 160.1 | 198.7 | 198.7 | 200.2 |
| Gross Profit | 60.4 | 71.8 | 74.0 | 83.5 | 98.1 |
| Depreciation/Amortization | 39.8 | 36.3 | 32.0 | 32.0 | 32.1 |
| Operating Expenses | 4.3 | 4.9 | 4.5 | 4.6 | 4.5 |
| Operating Income | 16.3 | 30.6 | 37.5 | 46.9 | 61.4 |
| Net Interest Expense | -9.4 | -9.6 | -7.4 | -6.5 | -5.7 |
| Net Non-Operating | 9.6 | 17.7 | 0.0 | 0.0 | 0.0 |
| Pretax Income | 16.5 | 38.6 | 30.1 | 40.5 | 55.8 |
| Income Tax Expense | 0.9 | 1.7 | 9.0 | 12.1 | 16.7 |
| Minority Interest | 3.0 | 10.6 | 8.1 | 10.0 | 12.8 |
| Extraordinary/Pref.Div | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Income | 12.6 | 26.3 | 12.9 | 18.4 | 26.3 |
| Adj. Net Income | 7.2 | 13.2 | 12.9 | 18.4 | 26.3 |
| CASH FLOW | | | | | |
| Op. Cash Flow bef. WC | 56.0 | 64.4 | 53.6 | 60.9 | 71.7 |
| Change in WC | -22.5 | -24.3 | 0.0 | 0.0 | 0.0 |
| Cash From Operations | 33.5 | 40.1 | 53.6 | 60.9 | 71.7 |
| Capital Expenditure | -3.7 | -2.9 | -3.0 | -3.0 | -3.0 |
| Other Investing Activities | -1.1 | -1.1 | 0.0 | 0.0 | 0.0 |
| Cash from Investing | -4.8 | -4.0 | -3.0 | -3.0 | -3.0 |
| Other Financing Activities | -0.3 | -6.5 | 0.0 | 0.0 | 0.0 |
| Dividends | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Issuance Of Common Stock | 5.8 | 0.5 | 1.4 | 9.4 | 0.6 |
| Issue Of Debt, Net | -21.3 | -43.5 | -40.2 | -40.9 | -34.6 |
| Cash from Financing | -15.8 | -49.5 | -38.8 | -31.6 | -34.0 |
| Net Change in Cash | 12.5 | -14.9 | 11.8 | 26.3 | 34.6 |
| BALANCE SHEET | | | | | |
| Cash, ST Investments | 23.4 | 11.1 | 22.8 | 49.2 | 83.8 |
| Other Current Assets | 55.5 | 61.6 | 61.6 | 61.6 | 61.6 |
| Total Current Assets | 78.9 | 72.6 | 84.4 | 110.7 | 145.3 |
| PP&E, Net | 344.8 | 336.2 | 307.2 | 278.2 | 249.0 |
| Other Long-Term Assets | 58.7 | 80.3 | 80.3 | 80.3 | 80.3 |
| Total Assets | 482.3 | 489.1 | 471.9 | 469.1 | 474.7 |
| Payable/Other ST Liabilities | 29.7 | 31.4 | 31.4 | 31.4 | 31.4 |
| Current Debt | 49.8 | 71.2 | 72.0 | 65.7 | 65.7 |
| Total Current Liabilities | 79.4 | 102.6 | 103.3 | 97.1 | 97.1 |
| LT Debt/Capital Leases | 241.1 | 182.9 | 142.0 | 107.4 | 72.8 |
| Other Long-Term Liabilities | 16.2 | 8.9 | 8.9 | 8.9 | 8.9 |
| Total Liabilities | 336.7 | 294.5 | 254.3 | 213.4 | 178.7 |
| Total Equity | 145.6 | 194.6 | 217.6 | 255.8 | 295.9 |

| RATIOS | 2016A | 2017E | 2018E | 2019E | 2020E |
|-----------------------|-------|-------|-------|-------|-------|
| Basic EPS (US\$) | 0.12 | 0.21 | 0.10 | 0.13 | 0.19 |
| P/E | 9.6x | 5.3x | 11.5x | 8.4x | 5.9x |
| Adj. Basic EPS (US\$) | 0.06 | 0.10 | 0.10 | 0.13 | 0.19 |
| DPS (US\$) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Dividend Yield (%) | 0% | 0% | 0% | 0% | 0% |
| CFPS (US\$) | 0.45 | 0.48 | 0.40 | 0.43 | 0.51 |
| P/CF | 2.5x | 2.3x | 2.8x | 2.5x | 2.2x |
| EBITDA | 56.1 | 66.9 | 69.5 | 79.0 | 93.6 |
| EV/EBITDA | 8.2 | 6.8 | 6.6 | 5.8 | 4.9 |

| PROFIT & SOLVENCY | 2016A | 2017E | 2018E | 2019E | 2020E |
|--------------------|-------|-------|-------|-------|-------|
| EBITDA, % | 27% | 29% | 25% | 28% | 31% |
| FCFPS | 0.23 | 0.28 | 0.38 | 0.41 | 0.49 |
| ROE, % | 9% | 14% | 6% | 7% | 9% |
| ROA, % | 3% | 5% | 3% | 4% | 6% |
| Current Ratio | 1.0x | 0.7x | 0.8x | 1.1x | 1.5x |
| Net Debt to Equity | 1.8x | 1.2x | 0.9x | 0.5x | 0.2x |

Source: Company reports, analyst estimates

PRO-FORMA ACQUISITION ANALYSIS

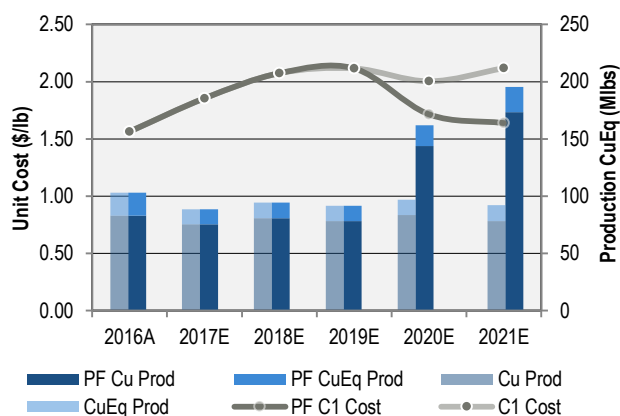
We have integrated the Altona acquisition into our model with a full pro-forma analysis, showing that the transaction is accretive given the higher grade, lower cost production from Altona's Cloncurry project. With an expected medium-term window of elevated copper prices, we believe the acquisition is well timed compared to the risk of taking on project construction debt.

We note that with CMMC and Altona trading at a consensus 0.8x and 0.85x P/NAV when the transaction was announced, the Street should consider the transaction to be largely valuation neutral, though as our analysis shows, improvements in per share EPS, CFPS, production per share, and cost of production metrics should lead to an eventual revaluation.

Based on our analysis, the acquisition is ~90% NAVPS accretive, even with Cloncurry discounted at a very conservative NPV(12%). Strong NAVPS accretion is partly due to CMMC's opportunistic timing, with the acquisition announced while its share price was trading near 3-year highs (reducing the all-share transaction's dilution), at a relatively lofty valuation.

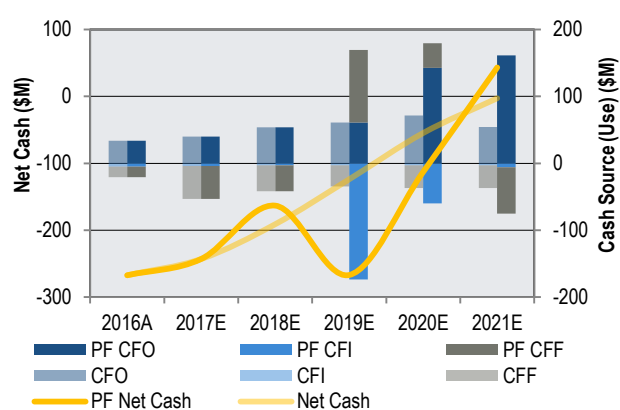
Cloncurry's acquisition and development could increase CMMC Cu production to over ~170Mlbs/year (from ~78Mlbs) and reduce C1 Cash Costs to \$1.64/lb (from \$2.12/lb) by 2021 (Figure 1 & 3). Revenues and CFPS could increase two-fold, and EPS over triple by 2021. Annual production per share would rise to 0.80lb/year (from 0.64lb/year) (Figure 3), or up to ~1.00lb/year assuming no project equity issue is needed due to elevated copper prices. For our pro-forma financial statement estimates, see Appendix A to C.

Figure 1: Pro-Forma (PF) vs Current Production and Cash Costs



Source: Company reports, analyst estimates

Figure 2: Pro-Forma (PF) vs. Current Cash Flow Profile



Source: Company reports, analyst estimates

CMMC management expects to use 65% debt/35% equity to foot Cloncurry's \$216M bill. Although financially leveraged, CMMC will have repaid \$70M to \$80M in debt by the time Cloncurry project financing debt is added. At an average long-term copper price of over \$3.15/lb, we estimate that CMMC could generate sufficient cash flow to fund Cloncurry without issuing equity; we nonetheless assume a \$75.6M equity raise (at C\$2.00) in 2020, concurrent with CMMC's financing plan. Net debt will increase in 2019 to 2016 levels, but then decrease faster due to higher expected profitability from Cloncurry (Figure 2).

Structured as a friendly acquisition, Altona's board and management (~7.3% of shares o/s) will vote in favour of the deal, absent a superior offer. An A\$0.9M break-fee is applicable. With Altona now at 0.8x P/NAV (consensus), we see few Canadian junior copper producers trading at a meaningful enough premium to pay a producer P/NAV for the company; one exception is Taseko Mines (TKO:TSX, NR). Australian-listed Sandfire Resources (ASX:SFR, NR) also trades above 0.9x, but produces twice as much as expected from Cloncurry, at a lower cash cost.

Copper Mountain Mining | CMMC:TSX

Figure 3: Pro-Forma vs. Current Operating and Financial Estimates

| OPERATING | 2017E | 2018E | 2019E | 2020E | 2021E |
|------------------------|-------|-------|-------|-------|-------|
| Gold Prod. (000oz) | 25.2 | 26.8 | 26.8 | 38.2 | 45.9 |
| Current | 25.2 | 26.8 | 26.8 | 26.8 | 26.8 |
| Change, % | 0% | 0% | 0% | 42% | 72% |
| Copper Prod. (Mlbs) | 75.3 | 80.8 | 78.3 | 143.9 | 173.3 |
| Current | 75.3 | 80.8 | 78.3 | 83.5 | 78.3 |
| Change, % | 0% | 0% | 0% | 72% | 121% |
| Total Cash Cost, net | 1.85 | 2.07 | 2.12 | 1.71 | 1.64 |
| Current | 1.85 | 2.07 | 2.12 | 2.00 | 2.12 |
| Change, % | 0% | 0% | 0% | -14% | -23% |
| All-in Sust. Cost, net | 1.85 | 2.07 | 2.12 | 1.83 | 1.73 |
| Current | 1.56 | 1.85 | 2.07 | 2.12 | 2.12 |
| Change, % | 19% | 12% | 2% | -13% | -18% |
| CuEq Prod./Share | 0.66 | 0.52 | 0.47 | 0.68 | 0.80 |
| Current | 0.66 | 0.70 | 0.65 | 0.69 | 0.64 |
| Change, % | 0% | -26% | -28% | 0% | 24% |
| FINANCIAL | 2017E | 2018E | 2019E | 2020E | 2021E |
| Total Revenue | 231.9 | 272.6 | 282.2 | 497.2 | 571.5 |
| Current | 231.9 | 272.6 | 282.2 | 298.3 | 270.9 |
| Change, % | 0% | 0% | 0% | 67% | 111% |
| EBITDA | 66.9 | 69.5 | 79.0 | 193.3 | 217.6 |
| Current | 66.9 | 69.5 | 79.0 | 93.6 | 67.5 |
| Change, % | 0% | 0% | 0% | 107% | 222% |
| Net Income | 26.3 | 12.9 | 18.4 | 83.3 | 100.2 |
| Current | 26.3 | 12.9 | 18.4 | 26.3 | 14.0 |
| Change, % | 0% | 0% | 0% | 217% | 615% |
| Basic EPS | 0.21 | 0.07 | 0.09 | 0.35 | 0.41 |
| Current | 0.10 | 0.10 | 0.13 | 0.19 | 0.10 |
| Change, % | 110% | -26% | -28% | 86% | 319% |
| CFPS | 0.48 | 0.30 | 0.31 | 0.59 | 0.66 |
| Current | 0.48 | 0.40 | 0.43 | 0.51 | 0.38 |
| Change, % | 0% | -26% | -28% | 17% | 74% |
| Cash, ST Investments | 11.1 | 50.7 | 46.4 | 166.0 | 252.4 |
| Current | 11.1 | 22.8 | 49.2 | 83.8 | 101.1 |
| Change, % | 0% | 122% | -6% | 98% | 150% |

Source: Company reports, analyst estimates

Copper Mountain Mining | CMMC:TSX

PRO-FORMA VALUATION

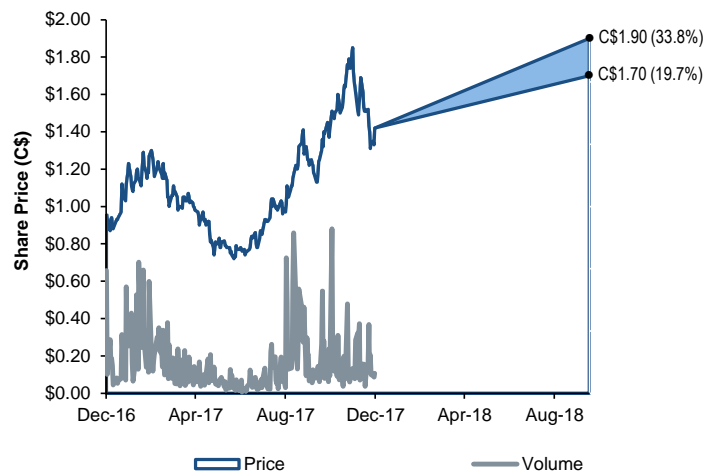
CMMC is paying \$39.5M (as announced, net of cash) by issuing 53.5M shares, for an asset we value at \$217.2M 12M-Fwd, using a very conservative NPV(12%), increasing our NAVPS by ~90%. Reducing our NAVPS multiple to 0.75x (from 0.8x) for project risk, and raising our P/CF multiple to 5.0x (from 4.5x) to compensate for dilution, we get a pro-forma 12M-Fwd C\$1.90/shr price target (Figure 4). We see further re-rating potential once the acquisition is completed and greater Cloncurry project details become available.

Figure 4: Pro-Forma Valuation

| NAV Target | D.Rate | US\$M | %/NAV | US\$/Sh | C\$/Sh |
|---|--------|---------------|---------------|----------------|---------------|
| Operating | | | | | |
| Copper Mountain | 8.0% | 345.6 | 86% | 1.73 | 2.22 |
| Copper Mountain Resources | | 37.6 | 9% | 0.19 | 0.24 |
| Cloncurry | 12.0% | 217.2 | 54% | 1.09 | 1.40 |
| Operating Sub-total | | 600.4 | 150% | 3.01 | 3.86 |
| Corporate | | | | | |
| Working Capital | | 0.2 | 0% | 0.00 | 0.00 |
| Dilutive ITM Proceeds | | 12.3 | 3% | 0.06 | 0.08 |
| Minority Interest | | -65.1 | -16% | -0.33 | -0.42 |
| Long-Term Debt | | -146.5 | -36% | -0.74 | -0.94 |
| Corporate Sub-total | | -199.0 | -50% | -1.00 | -1.28 |
| Total NAV | | 401.4 | 100% | 2.02 | 2.58 |
| Target Multiple | | | | 0.75x | |
| Target / 199.2M Diluted ITM Shares | | | | 1.51 | 1.94 |
| CFPS Target | | | | US\$/Sh | C\$/Sh |
| 12-Month CFPS | | | | 0.30 | 0.38 |
| Target Multiple | | | | 5.0x | |
| CFPS Target Price | | | | 1.49 | 1.91 |
| Blended Target | | | Weight | US\$/Sh | C\$/Sh |
| NAV | | | 40% | \$1.51 | \$1.94 |
| CFPS | | | 60% | \$1.49 | \$1.91 |
| 12M Target Price (Rounded) | | | | \$1.50 | \$1.90 |

Source: Company reports, analyst estimates

Figure 5: Target Price Scenario: Current (\$1.70/shr) vs. Pro-forma (\$1.90/shr)



Source: Capital IQ, analyst estimates

Copper Mountain Mining | CMMC:TSX

Figure 6: Copper Producer Comparables

| Company | Ticker | Close Price | Market Cap (US\$M) | EV (US\$M) | P/NAV | EV/'17 EBITDA | EV/'18 EBITDA | P/'17 EPS | P/'18 EPS | P/'17 CF | P/'18 CF |
|---|--------|-------------|--------------------|------------|-------------|---------------|---------------|--------------|--------------|-------------|-------------|
| BHP Billiton | BLT-L | 13.84 | 98,485 | 115,260 | 1.0x | 5.3x | 5.5x | 12.7x | 13.5x | 5.9x | 6.1x |
| Rio Tinto | RIO-A | 70.05 | 93,597 | 100,823 | 1.0x | 5.5x | 6.1x | 11.2x | 12.5x | 7.3x | 7.5x |
| Southern Copper | SCCO-N | 43.23 | 33,418 | 38,545 | 1.1x | 12.0x | 10.2x | 23.2x | 18.6x | 15.9x | 13.9x |
| Freeport | FCX-N | 16.32 | 23,625 | 33,409 | 1.2x | 6.0x | 4.7x | 15.0x | 9.5x | 5.9x | 4.8x |
| Newcrest Mining | NCM-A | 22.00 | 12,820 | 14,318 | 1.2x | 11.4x | 8.4x | 54.7x | 23.9x | 10.8x | 9.1x |
| First Quantum Minerals | FM-T | 16.90 | 9,057 | 13,021 | 0.9x | 11.6x | 6.9x | - | 16.0x | 8.8x | 6.0x |
| Turquoise Hill | TRQ-T | 3.87 | 6,054 | 8,708 | 0.7x | 37.0x | 25.3x | 72.9x | 71.1x | 46.3x | 26.7x |
| Lundin Mining | LUN-T | 7.52 | 4,255 | 3,095 | 0.8x | 2.9x | 4.2x | 11.6x | 21.0x | 5.3x | 7.2x |
| Katanga Mining | KAT-T | 1.89 | 2,802 | 6,394 | - | - | - | - | - | - | - |
| Ivanhoe Mines | IVN-T | 4.22 | 2,583 | 2,383 | 0.6x | - | - | - | - | - | - |
| Hudbay Minerals | HBM-T | 9.70 | 1,970 | 2,638 | 0.9x | 4.5x | 3.9x | 14.8x | 9.9x | 3.9x | 3.9x |
| Taseko | TKO-T | 2.63 | 464 | 637 | 1.1x | 4.5x | 5.8x | 9.1x | 12.9x | 3.7x | 6.1x |
| Capstone Mining | CS-T | 1.38 | 427 | 607 | 0.8x | 4.3x | 3.4x | 184.0x | 8.2x | 3.9x | 2.8x |
| Ero Copper | ERO-T | 6.52 | 378 | 529 | 0.9x | 17.4x | 11.8x | - | 162.3x | 10.2x | 8.9x |
| Imperial Metals | III-T | 2.28 | 169 | 824 | 0.5x | 11.9x | 5.3x | - | 7.9x | 2.7x | 1.9x |
| Copper Mountain | CMMC-T | 1.42 | 148 | 369 | 0.7x | 5.3x | 4.4x | 10.3x | 5.7x | 2.6x | 2.4x |
| Amerigo Resources | ARG-T | 1.02 | 140 | 184 | - | 8.6x | 7.4x | 13.2x | 9.3x | 6.1x | 3.6x |
| Atico Mining | ATY-T | 0.61 | 47 | 49 | 0.6x | 2.1x | 2.2x | 12.0x | 13.7x | 2.7x | 2.7x |
| Average | | | | | 0.9x | 9.4x | 7.2x | 34.2x | 26.0x | 8.9x | 7.1x |
| Excluding Outliers (>10%,<90% Percentiles) | | | | | 0.9x | 7.6x | 6.1x | 18.7x | 14.1x | 6.2x | 5.7x |

Source: CapitalIQ

CLONCURRY PROJECT OVERVIEW

Altona's key asset is the 100% owned, undeveloped open pit Cloncurry Copper Project in Queensland, Australia. The Project is largely permitted, and has been evaluated to a Bankable Definitive Feasibility Study level.

Reserves and Resources: Cloncurry contains total Proven and Probable Reserves of 85.6Mt of 0.5% Cu and 0.07g/t Au for 939Mlbs Cu and 203,900oz Au. Measured and Indicated Resources include 64.1Mt of 0.63% Cu and 0.05g/t Au for 890Mlbs Cu and 103,000oz Au, and Inferred Resources include 99.0Mt of 0.55% Cu and 0.05g/t Au for 1.2Blbs Cu and 159,100 oz Au.

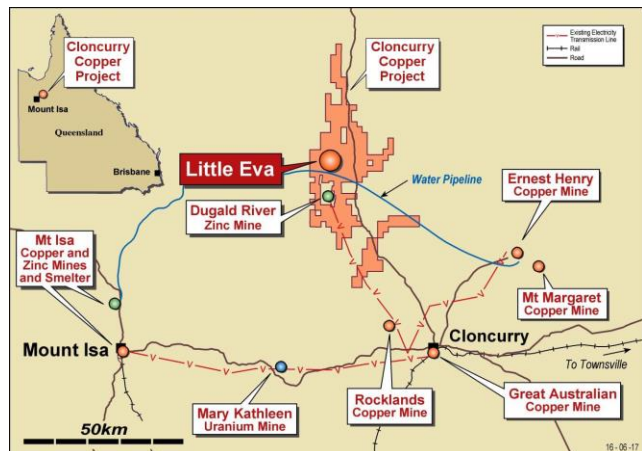
Feasibility Study: The recent (August 2017) DFS highlights a 19,200tpd milling operation producing ~86Mlbs Cu and 17.2koz Au per over 14 years, at a LOM average cash cost of \$1.65/lb and AISC of \$1.92/lb. Capital and sustaining costs are estimated at \$216M and \$105M, respectively. The estimated after-tax NPV(7.5%) is \$220M (A\$293M) at US\$2.95/lb Cu and \$1,250/oz Au, with an after-tax IRR of 28%.

The Project comprises the large Little Eva open pit and five smaller satellite pits which will deliver sulphide ore to a 7Mtonne/year processing plant adjacent to the Little Eva and Turkey Creek pits. Little Eva is a typical Iron Oxide Copper Gold system.

There is potential to add resources at depth and along strike in each of the deposits, and through exploration at numerous prospective targets within Altona's approximate 397,000 hectare land package.

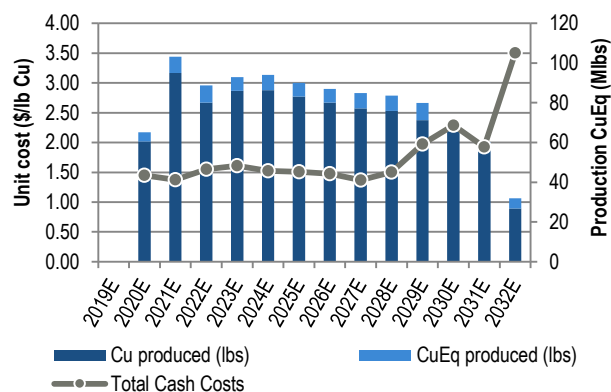
Extensive grinding and flotation/reagent test work material has consistently demonstrated that high copper and gold recoveries were achievable at a relatively low operating cost across all feed grades that are planned. SAG and ball milling delivers a grind size of 212µm and rougher concentrates are re-ground to 38µm. Test work indicates that the designed circuit will achieve a 96% copper recovery at a concentrate grade of 25% copper. Gold recovery is predicted to be 85% at a concentrate grade of 4g/t. Standard milling and flotation technology will be used to generate approximately 150,000 tonnes of copper concentrate on an annual basis.

Figure 7: Cloncurry Location, Queensland, Australia



Source: Company reports, analyst estimates

Figure 8: Cloncurry Modelled LOM Production



Source: Company reports, analyst estimates

Figure 9: Cloncurry Project Parameters

| | Cloncurry DFS | Estimates |
|---------------------------------|---------------|-----------|
| Project life (Years) | 14 | 14 |
| Processing rate (Mt/year) | 7.0 | 7.0 |
| Production | | |
| Tonnes Processed (Mt) | 91.5 | 92.3 |
| Copper Grade (%) | 0.49% | 0.49% |
| Gold Grade (g/t) | 0.07 | 0.07 |
| Copper recovery (%) | 96% | 96% |
| Gold recovery (%) | 85% | 85% |
| Recovered copper (tonnes) | 432,513 | 435,414 |
| Recovered gold (oz) | 184,184 | 187,709 |
| Av. Annual Copper Production | 30,894 | 31,101 |
| Av. Annual Gold Production | 2,013 | 2,034 |
| Production Costs | | |
| Mining Cost/Tonne Mined (US\$) | 2.69 | 2.69 |
| Processing Cost/Tonne (US\$) | 6.09 | 6.09 |
| G&A Cost/Tonne (US\$) | 1.59 | 1.59 |
| Unit Costs | | |
| Cash Cost, Net/lb Cu | 1.65 | 1.69 |
| Capital Costs | | |
| Capital cost (US\$M) | 216 | 217 |
| Life of mine sustaining capital | 105 | 103 |
| Post-Tax NPV(7.5%) (US\$M) | 220 | 328 |
| IRR | 28% | 34% |
| Prices | | |
| Copper price (US\$/lb) | 2.95 | 3.10 |
| Gold price (US\$/ounce) | 1,250 | 1,400 |

Source: Company reports, analyst estimates

INVESTMENT THESIS

INVESTMENT RATING

Our BUY rating is based on CMMC's leverage to and positive outlook for the price of copper. CMMC is a relatively high cost copper producer, and its financial leverage also increases the earnings and cash flow upside associated with increasing copper prices. Our positive copper price outlook is based on the increasing electrification of vehicles and consequent increase in intensity of use of copper per vehicle, which is driving expected demand. Our industry view considers a lack of production investment in recent years, creating potential near-term supply deficit situation and tight warehouse inventories.

VALUATION

Our C\$1.70/shr 12M-Forward Price Target is based on 1) a 40% weighted NAVPS C\$1.10/shr target using an 0.8x risk multiple, and 2) a 60% weighted P/CF C\$2.14/shr target using a using a 4.5x multiple. Our target weighting considers the typically greater weight ascribed to cash flow multiples for producing copper company valuations. Copper producer peers are trading at an average 0.9x P/NAV and 5.7x P/CF.

INVESTMENT RISKS

Risks to our target price mainly include the price of copper. Our longer-term production forecast from Copper Mountain considers the eventual use of low-grade reserves which will likely require long-term copper prices; a sustained decrease in copper prices may make these reserves unprofitable.

We are not including the Altona acquisition into our estimates at this time, pending the close of the transaction, which is expected in March 2018.

These risk are in addition to the typical risks associated with mining/mineral investments, including operating, financial, political/sovereign, labour, and commodity price risks.

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Appendix A: Pro-Forma Income Statement

| INCOME STATEMENT (\$000) | Q1/17A | Q2/17A | Q3/17A | Q4/17E | 2017E | Q1/18E | Q2/18E | Q3/18E | Q4/18E | 2018E | 2019E |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total Revenue | 55,601 | 51,665 | 61,726 | 62,895 | 231,888 | 67,227 | 67,974 | 68,721 | 68,721 | 272,642 | 282,227 |
| Cost of Goods Sold | 38,158 | 36,111 | 35,996 | 49,835 | 160,099 | 48,966 | 49,526 | 50,087 | 50,110 | 198,689 | 198,700 |
| Gross Profit | 17,444 | 15,553 | 25,730 | 13,061 | 71,788 | 18,260 | 18,448 | 18,634 | 18,611 | 73,953 | 83,527 |
| SG&A | 2,013 | 1,276 | 1,046 | 471 | 4,805 | 1,392 | 966 | 960 | 621 | 3,939 | 4,057 |
| Exploration | 26 | 0 | 0 | 0 | 26 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation/Amortization | 9,031 | 9,151 | 10,089 | 8,073 | 36,344 | 7,898 | 7,985 | 8,073 | 8,073 | 32,029 | 32,029 |
| Other Operating | 10 | -115 | 14 | 124 | 34 | 159 | 134 | 121 | 104 | 519 | 496 |
| Operating Income | 6,364 | 5,241 | 14,581 | 4,393 | 30,579 | 8,811 | 9,363 | 9,480 | 9,812 | 37,467 | 46,946 |
| Net Interest Expense | -2,728 | -2,674 | -2,229 | -1,999 | -9,630 | -1,935 | -1,877 | -1,819 | -1,760 | -7,391 | -6,459 |
| Other Non-Operating | 3,078 | -131 | -5,359 | 3,997 | 1,586 | 3,871 | 3,754 | 3,637 | 3,520 | 14,782 | 12,918 |
| Pretax Income bef. Unusual Items | 6,014 | 8,046 | 22,169 | 2,394 | 38,623 | 6,876 | 7,486 | 7,661 | 8,052 | 30,076 | 40,487 |
| Other, Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Pretax Income | 6,014 | 8,046 | 22,169 | 2,394 | 38,623 | 6,876 | 7,486 | 7,661 | 8,052 | 30,076 | 40,487 |
| Income Tax Expense | 281 | 74 | 630 | 718 | 1,703 | 2,063 | 2,246 | 2,298 | 2,416 | 9,023 | 12,146 |
| Net Income After Taxes | 5,733 | 7,972 | 21,539 | 1,676 | 36,920 | 4,813 | 5,240 | 5,363 | 5,636 | 21,053 | 28,341 |
| Minority Interest | 1,796 | 2,222 | 5,629 | 966 | 10,613 | 2,008 | 2,027 | 2,046 | 2,042 | 8,123 | 9,978 |
| Extraordinary/Discontinued | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Income | 3,937 | 5,750 | 15,911 | 709 | 26,307 | 2,805 | 3,213 | 3,317 | 3,595 | 12,930 | 18,363 |
| Basic Weighted Average Shares | 132,817 | 133,087 | 133,298 | 133,629 | 133,208 | 160,272 | 187,378 | 187,840 | 187,840 | 180,833 | 193,309 |

Source: Company reports, analyst estimates

Appendix B: Pro-Forma Balance Sheet

| BALANCE SHEET (\$000) | Q1/17A | Q2/17A | Q3/17A | Q4/17E | 2017E | Q1/18E | Q2/18E | Q3/18E | Q4/18E | 2018E | 2019E |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Assets | | | | | | | | | | | |
| Cash, ST Investments | 22,607 | 28,549 | 34,919 | 11,072 | 11,072 | 38,042 | 44,908 | 44,916 | 50,689 | 50,689 | 46,404 |
| Receivables | 18,803 | 12,657 | 16,005 | 16,005 | 16,005 | 16,195 | 16,005 | 16,005 | 16,005 | 16,005 | 16,005 |
| Inventory | 39,287 | 41,856 | 45,285 | 45,285 | 45,285 | 45,285 | 45,285 | 45,285 | 45,285 | 45,285 | 45,285 |
| Other | 740 | 424 | 266 | 266 | 266 | 456 | 456 | 456 | 456 | 456 | 456 |
| Total Current Assets | 81,437 | 83,486 | 96,474 | 72,627 | 72,627 | 99,977 | 106,653 | 106,661 | 112,434 | 112,434 | 108,149 |
| PP&E, Net | 338,468 | 341,709 | 343,541 | 336,218 | 336,218 | 361,491 | 354,256 | 346,933 | 339,610 | 339,610 | 481,581 |
| Deferred Tax Assets, LT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 63,730 | 70,992 | 80,264 | 80,264 | 80,264 | 87,214 | 87,214 | 87,214 | 87,214 | 87,214 | 87,214 |
| Total Assets | 483,636 | 496,187 | 520,279 | 489,110 | 489,110 | 548,682 | 548,123 | 540,807 | 539,258 | 539,258 | 676,944 |
| Liabilities | | | | | | | | | | | |
| Accounts Payable | 24,637 | 18,075 | 17,064 | 17,064 | 17,064 | 17,064 | 17,064 | 17,064 | 17,064 | 17,064 | 17,064 |
| Accrued Expenses | 0 | 14,759 | 13,304 | 13,304 | 13,304 | 13,304 | 13,304 | 13,304 | 13,304 | 13,304 | 13,304 |
| Total Short-Term Debt | 59,023 | 60,546 | 70,841 | 71,248 | 71,248 | 74,448 | 71,613 | 74,813 | 71,978 | 71,978 | 65,698 |
| Other | 3,152 | 422 | 998 | 998 | 998 | 1,238 | 1,238 | 1,238 | 1,238 | 1,238 | 1,238 |
| Total Current Liabilities | 86,812 | 93,801 | 102,207 | 102,614 | 102,614 | 106,054 | 103,219 | 106,419 | 103,584 | 103,584 | 97,304 |
| LT Debt/Capital Leases | 230,991 | 225,981 | 216,306 | 182,929 | 182,929 | 166,929 | 162,474 | 146,474 | 142,019 | 142,019 | 247,789 |
| Deferred Income Tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 13,156 | 11,856 | 8,918 | 8,918 | 8,918 | 9,288 | 9,288 | 9,288 | 9,288 | 9,288 | 9,288 |
| Total Liabilities | 330,958 | 331,638 | 327,431 | 294,462 | 294,462 | 282,272 | 274,982 | 262,182 | 254,892 | 254,892 | 354,382 |
| Shareholders Equity | | | | | | | | | | | |
| Minority Interest | 46,976 | 50,390 | 58,025 | 58,992 | 58,992 | 60,999 | 63,027 | 65,073 | 67,114 | 67,114 | 77,092 |
| Common Stock | 146,018 | 149,723 | 156,071 | 156,071 | 156,071 | 222,861 | 224,217 | 224,217 | 224,217 | 224,217 | 233,577 |
| Additional Paid-In Capital | 11,411 | 11,918 | 12,493 | 12,493 | 12,493 | 12,493 | 12,493 | 12,493 | 12,493 | 12,493 | 12,493 |
| Retained Earnings | -51,727 | -47,482 | -33,741 | -33,031 | -33,031 | -30,226 | -27,013 | -23,696 | -20,101 | -20,101 | -1,738 |
| Other | 0 | 0 | 0 | 124 | 124 | 283 | 417 | 539 | 643 | 643 | 1,139 |
| Total Equity | 152,678 | 164,550 | 192,848 | 194,648 | 194,648 | 266,410 | 273,141 | 278,625 | 284,366 | 284,366 | 322,563 |

Source: Company reports, analyst estimates

Copper Mountain Mining | CMMC:TSX

Appendix C: Pro-Forma Cash Flow Statement

| CASH FLOW (\$000) | Q1/17A | Q2/17A | Q3/17A | Q4/17E | 2017E | Q1/18E | Q2/18E | Q3/18E | Q4/18E | 2018E | 2019E |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|----------------|---------------|----------------|-----------------|
| Operating | | | | | | | | | | | |
| Net Income | 3,544 | 5,558 | 15,632 | 1,676 | 26,409 | 4,813 | 5,240 | 5,363 | 5,636 | 21,053 | 28,341 |
| Depreciation & Amortization | 9,041 | 9,036 | 10,103 | 8,073 | 36,253 | 7,898 | 7,985 | 8,073 | 8,073 | 32,029 | 32,029 |
| (Gain) Loss From Sale Of Assets | -16 | 0 | -3 | 0 | -19 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Gain) Loss On Sale Of Invest. | 269 | 320 | -62 | 0 | 527 | 0 | 0 | 0 | 0 | 0 | 0 |
| Writedown & Restructuring Costs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Stock-Based Compensation | 380 | 205 | 279 | 124 | 988 | 159 | 134 | 121 | 104 | 519 | 496 |
| Other Operating Activities | 2,161 | -936 | -957 | 0 | 269 | 0 | 0 | 0 | 0 | 0 | 0 |
| Op. Cash Flow bef. WC | 15,379 | 14,183 | 24,993 | 9,873 | 64,428 | 12,870 | 13,360 | 13,557 | 13,814 | 53,601 | 60,865 |
| Change in Receivables | 219 | 6,556 | -2,802 | 0 | 3,974 | -190 | 190 | 0 | 0 | 0 | 0 |
| Change In Inventories | -5,825 | -5,447 | -5,844 | 0 | -17,115 | 0 | 0 | 0 | 0 | 0 | 0 |
| Change in Payables | -7,306 | 4,341 | -8,225 | 0 | -11,189 | 0 | 0 | 0 | 0 | 0 | 0 |
| Change in Unearned Revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Change in Other Net Operating Assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Change in WC | -12,911 | 5,451 | -16,870 | 0 | -24,331 | -190 | 190 | 0 | 0 | 0 | 0 |
| Cash From Operations | 2,468 | 19,634 | 8,122 | 9,873 | 40,097 | 12,680 | 13,550 | 13,557 | 13,814 | 53,601 | 60,865 |
| Investing | | | | | | | | | | | |
| Capital Expenditure | -478 | -812 | -857 | -750 | -2,897 | -750 | -750 | -750 | -750 | -3,000 | -174,000 |
| Other Investing Activities | -1,072 | 0 | -2 | 0 | -1,073 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cash from Investing | -1,550 | -812 | -858 | -750 | -3,970 | -750 | -750 | -750 | -750 | -3,000 | -174,000 |
| Financing | | | | | | | | | | | |
| Other Financing Activities | -1,671 | -3,286 | -1,555 | 0 | -6,512 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dividends Paid | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Special Dividend Paid | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Issuance of Common Stock | 228 | 0 | 310 | 0 | 538 | 0 | 1,356 | 0 | 0 | 1,356 | 9,360 |
| Issue of Debt, Net | 38 | -10,100 | -482 | -32,970 | -43,513 | -12,800 | -7,290 | -12,800 | -7,290 | -40,180 | 99,490 |
| Cash from Financing | -1,405 | -13,386 | -1,727 | -32,970 | -49,488 | -12,800 | -5,934 | -12,800 | -7,290 | -38,824 | 108,850 |
| FX Adjustment | -146 | -339 | -1,069 | 0 | -1,555 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Change in Cash | -633 | 5,097 | 4,468 | -23,847 | -14,915 | -870 | 6,866 | 7 | 5,774 | 11,777 | -4,285 |

Source: Company reports, analyst estimates

Copper Mountain Mining | CMMC:TSX**Important Disclosure**

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