

Anaconda Mining and Miocene, Good: Copper Mountain, Really Really Bad

June 17/15 saw three interesting press releases get issued. In two of those releases, management should be commended for battling on behalf of the shareholders. In the third, the shareholders should get angry and simply behead the “leadership” team.

Let’s start with the good stories. We’ve been talking about gold-producing Anaconda Mining Inc. (TSX: ANX) for some time. Anaconda could be a takeout target if it bulks up and increases size beyond Newfoundland. The financial and operating results from the full year ended May 31/15 show that they’re trying.

During Q4, the company sold 3,949 ounces of gold and generated roughly \$5.6M in revenue. For the full fiscal year 2015, Anaconda generated over \$22M in revenue. Compared with fiscal 2014, sales volume increased by 9 per cent and revenue increased 10 per cent. The mill in FY15 processed over 343,000 tonnes of ore, which is 38,000 more tonnes than the prior year.

What do these numbers mean? Management is creating value for the shareholders.

As the company grows and more efficiently utilizes the Pine Cove mill, margins should increase and the company should become more attractive to a mid-tier suitor. The management team at Anaconda should be commended for its attention to detail on the business plan.

Another happy story: Miocene Metals Limited (TSXV: MII). We told you last March that this impressive opportunity was

coming – here it finally is. Read that link for context and why we really like the deal.

The TSXV has granted conditional approval for the closing of the remaining \$1.6M in equity financing. Details concerning the transaction can be found in the press release of June 8, 2015 announcing the TSXVs conditional approval. Once the financing and acquisition close, the company will change its name and then trade under the symbol “CUC”.

“Stubborn” can be an insult or a compliment. For Alar Soever and Richard Jozefacki, it’s a way of doing business. The two of them, working with Miocene’s lawyers and partners and leadership team, finally closed on the Caribe acquisition, after 17 months of mind-numbing tough slogging in an irrationally difficult market. This transaction, funding gold-copper-silver exploration projects in Jamaica, is one of those rare win-win-win scenarios.

After 20plus years in the securities industry, I’m a bit jaded (no kidding). One of my mantras is that everyone is full of crap until they prove otherwise. Mr. Soever has proven otherwise. He and the team fought trench warfare to close a good transaction in circumstances that other people would have run from. The shareholders win. He’s a man worth following into battle.

And that is the perfect lead-in to the really bad story, the lack of leadership at Copper Mountain Mining Corp. (TSX:CUM). We have been nagging for months for the “leaders” at Copper Mountain to be honest about the Net Smelter Royalties on the Copper Mountain Mine. Background and numerous factual links are here. It’s just shameful.

✘ Since 2007, management at Copper Mountain has not told the truth about the NSR’s on title. Not only is this offensive from a theoretic corporate governance view, it detracts from management’s credibility and has in reality hurt Hornby Bay

Mineral Exploration Ltd., the small company that holds one of the NSR's.

I'm not the only one annoyed with management. The independent investment advisory firm Montrusco Bolton was founded in 1946. As of December 2014, it managed more than \$5.2 billion dollars for its clients. MB is one of CUM's largest shareholders, and MB is NOT happy. It put forward 7 proposals at the AGM this year to enhance true governance – CUM rejected all but the “fraud clawback” proposal. MB is too large to have no Plan B, which means the next few months could be distracting for management.

Raymond James Ltd. today downgraded the company as well.

[Click here](#) for a list of CUM's largest shareholders.

Factual overview: since its prospectus was receipted in 2007, Copper Mountain has said that the Net Smelter Royalties on the Copper Mountain Mine cover “10% of the claims”. That's the wording it has consistently used in its disclosure. In direct contradiction, Hornby Bay alleges that it owns NSR's covering over 22% of the Copper Mountain claims. That doesn't include the Teck / Cominco NSR's which would push that 22% ratio upwards, far above what Copper Mountain alleged to be the truth.

Then, on June 18/15, about two hours before the shareholder meeting was to start, Copper Mountain filed a new NI 43-101 report at SEDAR. In it, for the first time ever, Copper Mountain implicitly admitted that Hornby Bay was right, and that CUM's disclosure had been wrong. “Hey, sorry, we misled the markets since 2007. My bad.”

The author of the report was Peter M. Holbek, M.Sc., P.Geo., also the VP Exploration of Copper Mountain and one of the authors of the erroneous 2007 report. See the bottom of page 7 of the June 18/15 report for the NSR discussion.

I can forgive mistakes and I can overlook good faith errors of judgment. We all make them. But what I can't forgive is almost a decade of untruth. Montrusco Bolton and the other large shareholders have the power to make meaningful change to the really really bad story at Copper Mountain. If they don't take action, the small shareholders are doomed.