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13<sup>th</sup> October 2009

Ms. Melissa Grundy  
P.O. Box 7055  
Riverside Centre  
Brisbane Qld 4001

BY EMAIL: melisa.grundy@asx.com.au

Dear Ms Grundy,

**RE: COPPERMOLY LIMITED (THE "COMPANY")**

I refer to your letter dated 12 October 2009 regarding recent trading in the Company's securities and provide the following information in response.

The general background and chronology is very relevant:

1. The Company completed an entitlements issue on 10 September and issued securities to existing shareholders who had exercised their entitlements and recommenced trading on 15 September. The Company then placed the full shortfall from the entitlements issue with a spread of 70 investors on 28 September.

Prior to the entitlements issue the liquidity of the Company's shares was limited by the facts that:

- less than half of the shares were unrestricted - which is a function of the fact that the Company listed only less than 22 months ago and 80% of the vendor and related party's shares were escrowed for 24 months at the time of listing; and
- the Company's share register was very concentrated with more than 80% of shares being held by the Top 20 shareholders.

So, in brief, the Company's share price had been, prior to the entitlements issue, suppressed to some extent by a lack of liquidity. One of the objectives of the entitlements issue was to improve the liquidity of the Company's securities. It more than doubled the number of tradable shares and also significantly improved the spread of shareholders.

The effect of this improvement in liquidity was evident in the volume of daily trading during the period during the 16<sup>th</sup> to 23<sup>rd</sup> September and is an ongoing component of trading thereafter. Also during this period the Company's major shareholder sold all of its *tradable* shares. The 'spike' in volume from the main part of this transaction occurred on the 18<sup>th</sup> September.

2. On 24 September an article by financial journalist David Hazlehurst in "The Speculator" was published giving a brief outline of the Company's exploration activities and adding the Company to a hypothetical portfolio. There was a significant volume and price increase on the 24 and 25 September.

3. On the 28<sup>th</sup> September 30,304,906 shortfall shares and 15,152,453 shortfall options were allotted. The increased volume of trades from 29 September onwards has most likely been a function of the resulting further improvement in the liquidity of the Company's securities and presumably also some profit-taking by investors.
4. Before, during and after this entire period of time the Company has publicly stated and included in all relevant announcements the fact that it was actively seeking joint venture partners for its exploration activities in New Britain, PNG. The Company has conducted numerous site visits and engaged in a number of detailed negotiations with various potential joint venture partners. All such discussions have been kept strictly confidential.

To have disclosed details of any such discussions would have been potentially misleading because in each instance:

- *a reasonable person would not expect the information to be disclosed (LR 3.1A.1);*
- *the information (was, at all times) confidential (LR3.1A.2); and*
- *the information concerned an incomplete proposal or negotiation (LR3.1A.3)*

To the best of our knowledge all of the details of these numerous discussions and negotiations were always kept strictly confidential and remain so at the time of writing. Even though they are no longer relevant this clearly demonstrates that the Company has successfully managed the confidentiality of all such information.

The share trading volume and price increases discussed above were in no way related to the Company's discussions with Barrick. Not only did all of the three dot-points above apply to an even greater extent to the Company's discussions with Barrick but also the discussions with Barrick did not commence until after all of the events and developments described in points 1 to 3 above had occurred.

1. *When did the Company commence negotiations with Barrick in relation to the Information?*

Barrick first contacted this Company on 25 September by way of a phone call requesting a meeting to review the Company's exploration results. This phone call was initiated by Barrick and was motivated by its own research and the fact that the Company had publicly stated that it was actively seeking joint venture partners.

The first meeting between Barrick and the Company occurred on 28<sup>th</sup> September (a day on which the volume of trades fell from the previous day and also fell again the following day). The first draft of the Letter Agreement was completed on 2 October (again, a day on which the volume of trades fell from the previous day and fell again the following day).

When the signing of the final Letter Agreement was imminent on 9 October, a Trading Halt was requested because the Company, very correctly, sought to ensure that no trading could occur until the market was fully and appropriately informed in an orderly way. The agreement was signed on the evening of 9 October.

The negotiations and agreement were concluded very quickly. Although it is very understandable that a connection may be inferred between the Announcement of the Letter Agreement on 12 October and the trading volume and share price increase of the 24<sup>th</sup> September and thereafter the Company firmly states that there was in fact no possibility of any such connection.

It is noted that the share price remained quite steady and the volume of trades, if anything, actually decreased between 2<sup>nd</sup> and 8 October, which was the very short period of the actual negotiations with Barrick. The day-to-day trading and the general trend of trading in the Company's securities during the period of the negotiations clearly indicate that the discussions with Barrick were indeed kept strictly confidential.

2. *When did the Company become aware of the Information?*

9 October 2009. 'The Information' being the likelihood of the signing of the Letter Agreement.

3. *Whether the Company considers the Information to be material to the Company?*

The materiality of the Information was, of course, the primary reason that the Trading Halt was requested as soon as the likely signing of the Letter Agreement was imminent.

- There was no announcement from the Company which disclosed the Information prior to the Announcement dated 12 October, 2009.
- The Company did not become aware of the Information prior to the ASX Query at 11.56am E.S.T. on Thursday, 24 September 2009. Indeed, not even the first contact between Barrick and the Company had occurred at that time.
- The Company, quite correctly and appropriately, requested a Trading Halt as soon as it became aware of the Information pending the signing of the Letter Agreement and the release of the relevant Announcement.

4. *In regard to the application of Listing Rule 3.1 specifically in its application to the Company's discussions with Barrick:*

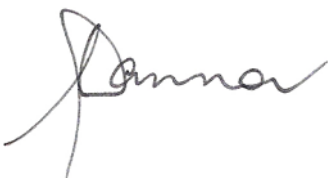
As outlined in Point 4 on Page 2 of this letter, to have disclosed details of any such discussions prior to any form of agreement appearing likely to be reached would have had the potential to misinform the market because:

- *a reasonable person would not expect the information to be disclosed (LR 3.1A.1);*
- *the information was, at all times confidential (LR3.1A.2); and*
- *the information concerned an incomplete proposal or negotiation (LR3.1A.3)*

The Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Coppermoly Limited always takes a very serious and diligent approach to its disclosure and compliance obligations. The history of trading in the Company's securities clearly demonstrates, given the number of significant, influential, confidential and material developments that were in-train and running concurrently during September and early October, that Coppermoly Limited has, in fact, demonstrated exemplary compliance in these quite challenging circumstances.

Yours sincerely,



Maurice Gannon  
**Company Secretary**



12 October 2009

Mr Maurice Gannon  
Company Secretary  
Coppermoly Limited  
PO Box 6965  
GOLD COAST MAIL CENTRE QLD 9726

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Dear Mr Gannon

**Coppermoly Limited (the "Company")**

ASX Limited ("ASX") refers to the following:

1. The price query letter sent to the Company by ASX on Thursday, 24 September 2009 (the "ASX Query"), which noted an increase in the trading price of the Company's securities and the volume of securities traded during the course of that day.
2. The Company's response to the ASX Query (the "Query Response"), which was released to the market together with the ASX Query at 11:56am E.S.T. on Thursday, 24 September 2009, and which indicated that the Company was not aware of any information concerning it that had not been announced which, if known, could have been an explanation for the trading activity in the Company's securities.
3. Since the issue of the ASX Query, the Company's shares have continued to trade at prices similar to that noted in the ASX Query and the volume of securities traded have been significantly higher than the volumes recorded in the two months prior to the issue of the ASX Query.
4. The announcement released to the market at 10:26am E.D.S.T. on Monday, 12 October 2009 entitled, "*Barrick farms-in to Coppermoly's New Britain Project by spending up to \$20 million*" (the "Announcement") in which the Company announced that it had signed a letter of agreement (the "Letter of Agreement") for Barrick (PNG) Exploration Limited ("Barrick") to sole fund up to \$20 million to earn up to a 72% interest in three tenements in New Britain Island, Papua New Guinea, and to subscribe for 6,309,347 fully paid shares in the Company at 9 cents per share (the "Information").

**Australian Securities Exchange**

Australian Stock Exchange  
Sydney Futures Exchange

Australian Clearing House  
SFE Clearing Corporation

ASX Settlement and Transfer Corporation  
Austraclear

As you are aware, listing rule 3.1 requires an entity, once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, to immediately tell ASX that information. The exceptions to this requirement are set out in listing rule 3.1A.

Your attention is also drawn to the definition of "aware" in Chapter 19 of the listing rules. This definition states that:

*"an entity becomes aware of information if a director or executive director (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity."*

Furthermore, paragraph 17 of Guidance Note 8 states:

*"Once a director or executive officer becomes aware of information, he or she must immediately consider whether that information should be given to ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."*

Listing rule 3.1A sets out an exception from the requirement to make immediate disclosure, provided that each of the following are satisfied.

- "3.1A.1 A reasonable person would not expect the information to be disclosed.*
- 3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential.*
- 3.1A.3 One or more of the following applies.*
- It would be a breach of a law to disclose the information.*
  - The information concerns an incomplete proposal or negotiation.*
  - The information comprises matters of supposition or is insufficiently definite to warrant disclosure.*
  - The information is generated for the internal management purposes of the entity.*
  - The information is a trade secret."*

Finally, your attention is drawn to ASX's policy position on the concept of "confidentiality" which is detailed in paragraphs 33 to 39 of Guidance Note 8. In particular, paragraphs 34 and 35 of the Guidance Note state that:

*"'Confidential' in this context has the sense of 'secret'..." and "Loss of confidentiality may be indicated by otherwise unexplained changes to the price of the entity's securities, or by reference to the information in the media or analysts reports".*

Having regard to the definition detailed above, listing rule 3.1 and Guidance Note 8 - Continuous Disclosure, ASX asks that you answer the following questions in a format suitable for release to the market, in accordance with listing rule 18.7A.

1. In light of the statements made in the Query Response and the trading in the Company's securities since the release of the Query Response to the market, please advise the following.
  - a. When did the Company commence negotiations with Barrick in relation to the Information?
  - b. When did the Company become aware of the Information?

2. Whether the Company considers that the Information is material to the Company?
3. If the answer to question 2 is "no", please provide a detailed explanation of the basis on which the Company does not consider the Information to be material.
4. If the answer to question 2 is "yes", please address the following.
  - a. Whether there is an announcement from the Company which disclosed the Information prior to the release of the Announcement today?
  - b. If the response to question 1(b) is that the Company became aware of the Information prior to the release of the Announcement, and the time at which the Company became aware of the Information was prior to the release of the Query Response, please advise why the Company did not refer to the Information in the Query Response, or request a trading halt pending the release of the Announcement?
  - c. If the response to question 1(b) is that the Company became aware of the Information prior to the release of the Announcement, and the time at which the Company became aware of the Information was after the release of the Query Response and prior to the request of a trading halt on Friday, 9 October 2009, please advise why the Company did not make the Announcement at that time, or request a trading halt at that time, pending the release of the Announcement?
  - d. Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A, and whether the increase in the Company's share price and the volume of securities traded during the period indicated in the first paragraph of the ASX Query, and also in the period subsequent to the release of the Query Response and prior to the request for the trading halt on Friday, 9 October 2009, indicated that confidentiality in relation to the Information had been lost.
5. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter. If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

If you are unable to respond by the time requested, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 - Trading Halts, we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell ASX each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we may ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the expiry of the trading halt at the commencement of trading on Friday, 16 October 2009 suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are

unable to release information to the market, and are still unable to do so before the commencement of trading.

Your response should be sent to me by e-mail at [melissa.grundy@asx.com.au](mailto:melissa.grundy@asx.com.au) or by facsimile on **facsimile number (07) 3832 4114**. It should **not** be sent to the Company Announcements Office. Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible, and in any event, not later than **8.30am E.S.T (9.30am E.D.S.T) on Wednesday, 14 October 2009**.

As previously noted, ASX reserves the right under listing rule 18.7A, to release this letter and the Company's response to the market if it considers it necessary for an informed market. Accordingly, it would be appreciated if you would prepare your response in a format suitable for release to the market and separately address each of the questions asked.

If you have any concerns about release of your response, or any queries in relation to this matter, please contact me immediately.

Yours sincerely,

Sent electronically without signature

**Melissa Grundy**  
**Manager, Issuers (Brisbane)**