
Analysts' Ideas of the Week – American CuMo Completes Non-Brokered Private Placement

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American CuMo Completes Non-Brokered Private Placement

On October 9, 2014, American CuMo Mining Corporation (TSXV: MLY) announced the closing of a \$0.55 million non-brokered private placement. The company issued 11 million units at a unit price of \$0.05. The financing was oversubscribed. The original plan was to raise \$0.50 million. Each unit consists of a common share, and a share purchase warrant (exercise price - \$0.10; maturity - 2 years).

One of the most encouraging aspects of this financing was that insiders and related parties subscribed for a total of 4.17 million units. We believe this indicates their continued confidence in the company's assets and their business plan.

The recent press release also stated that the company is in advanced negotiations regarding the silver streaming financing announced on August 20, 2014. The terms of the US\$25 million (promissory notes) financing are as stated below:

- the notes would be secured against the assets of Idaho CuMo;
- bear interest at a rate of 8.5% p.a. and have a term of 7 years; and
- the holder of a unit has the option to purchase 0.5% (or up to 375,000 oz) of the silver produced from the CuMo project

Upon exercising the option, investors have to pay the lesser of: (1) the spot price of silver, and (2) US\$5/oz (adjusted for inflation) for the silver purchased. The agreement term will continue until investors receive their maximum share of 375,000 oz per unit, or for 40 years, whichever comes earlier. In summary, using our long-term silver price forecast of US\$22 / oz, an investor who exercises the option will receive US\$8.25 million worth of silver (375,000 oz x US\$22 / oz) over time, by paying US\$1.88 million (375,000 oz x US\$5 / oz) plus the exercise price of \$250,000.

As mentioned in our previous note in August 2014, the company's shares have been hit due to an ongoing lawsuit filed by the company's largest shareholder, International Energy & Mineral Resources Investment (Hong Kong) Company Limited ("IEMR HK"). Although we are not in a position to speculate on the outcome of the lawsuit filed by IEMR, we believe completion of the \$0.55 million financing, and insiders' participation, are highly encouraging. We continue to believe CuMo shares may have significant upside, if it is able to make progress with the silver streaming financing, and shake off the lawsuit.



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Canola Price Update

Canola prices have been in decline all year due to strong soybean harvests in the U.S. However, as we mentioned last week, canola prices were starting to rebound off their lows. In the most recent monthly crop report by the USDA, released last Friday, they increased their soybean harvest estimates. Canola prices have dropped following the updated U.S. numbers.

The USDA raised their estimate for soybean production by 14 million bushels to 3.927 billion bushels. Although the higher harvest numbers were below analyst expectations, Soybean November futures declined following the report release. The price has rebounded slightly this week as wet weather is forecasted to slow soybean crops, and there are fears that rail backlogs may delay deliveries, as seen with last year's Canola harvest. The November soybean futures chart is shown below.



Source: CME Group

The November ICE futures for Canola is shown below, with canola again trading below \$400 per tonne. We feel that canola prices will rebound from the current price, similar to the rebound in Soybeans.



Source: ICE

We feel that canola prices will start to stabilize as harvest production numbers are realized. We maintain that canola pricing will be challenging for Input in the short term, but continue to see value long term.

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