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TTM's Chu molybdenum project looks good

PREFEASIBILITY SHOWS USING SECOND-HAND EQUIPMENT WOULD SLASH COSTS

BY GWEN PRESTON

VANCOUVER — To offset skyrocketing equipment costs, **TTM Resources** (TTQ-V, TTMRF-O) took a good hard look at buying used mining equipment in a prefeasibility study of its Chu molybdenum project in central British Columbia, and found the move could save half a billion dollars.

"It's a real reflection of the increased costs of mining equipment and of waiting in line to get that equipment," says Crichy Clarke, TTM's president and CEO. "The difference in cost for new and used is remarkable — in fact, it's beyond me why everyone wants to buy new equipment. The costs are now simply prohibitive."

Capital costs, including working capital and a 20% contingency, come in at \$1.25 billion to outfit the mill with all new equipment. The cost drops down to \$750 million if the company sources used parts.

The study found that, in a base-case scenario with a molybdenum price of US\$20 per lb. and assuming debt and equity financing split equally, the Chu project carries a net present value (NPV) of \$1.04 billion if TTM buys all new equipment for the mine. The NPV increases to \$1.44 billion if the equip-

ment purchased is used.

The impact on the internal rate of return (IRR) is similar. The base-case scenario with new equipment carries an IRR of 27.3%; with used equipment, the IRR climbs to 47%. Payback could be achieved in three years for used equipment but it would take five years to pay back the costs of new equipment.

In fact, only the price of molybdenum impacts the economics of developing Chu more than the decision to buy new or used equipment. The third critical economic parameter is the project's debt-to-equity ratio.

Clarke says the company is now in the process of sourcing and negotiating for used mining and milling equipment appropriate for the Chu project.

The study included an updated resource estimate that boosted Chu's molybdenum count by 7% and improved confidence in the resource numbers by transferring tonnes from the inferred category to indicated. Chu now hosts 252.6 million indicated tonnes grading 0.067% molybdenum, as well as 200.9 million inferred tonnes averaging 0.062% moly.

The study also established an in-pit resource based on a preliminary pit

design. Combining indicated and inferred tonnes, the in-pit resource came in at 672.6 million tonnes grading 0.05% molybdenum, for 738.3 lbs. of moly metal.

"We're certainly glad to get this out," Clarke says. "Now we can keep moving ahead — we still have lots of work to do."

There are now two drills working on infill drilling at Chu while a third rig tests a geophysical anomaly roughly 1 km north. Clarke says the company is working to relocate and expand the camp facilities; once that is done, TTM will add a fourth rig to the operation. Clarke wants to complete sufficient infill drilling to upgrade the entire deposit to indicated status.

Chu is located next to an all-weather road in central B.C., close to sources of power and skilled labour.

TTM currently has \$8.5 million in working capital as well as a \$3-million B.C. mining exploration tax credit. Clarke says the company's burn rate is roughly \$750,000 per month with three drills turning; he expects it to increase to \$1 million per month when the fourth drill gets going.

On news of the study, TTM lost 15¢ to close at 85¢. The company has a 52-week share price range of 67¢-\$1.75 and has 50 million shares issued.