

NEWS

December 02, 2008

TTM Resources Buys Back Shares And Thereby Declares Long-Term Confidence In The Chu Moly Project

By Charles Wyatt

It takes a brave man to fly in the face of all the whimpering and pessimism that's doing the rounds in the junior mining sector. But one way of doing it is to spend up to C\$3.5 million on buying back your own company's shares on the grounds that they are totally undervalued. Such a man is Crichy Clarke of TTM Resources, and he bases his action on the belief that buying shares at the prevailing market price will increase the proportionate share interest of, and be advantageous to, all remaining shareholders. It helps, of course, that the sum being spent is equal to the British Columbia Mining Tax Credit that will be received by the company for its two most recently completed fiscal years. But nevertheless the buyback still makes a strong point about Crichy's belief in the value of the TTM's flagship Chu molybdenum project. Shareholders should be delighted that they have such a man at the helm, especially when they look around at chief executives of peer companies who are not spending on their projects just so that they can pay themselves over the next few months.

TTM Resources has three other molybdenum projects in British Columbia, but exploration this year has focused mostly on Chu, where an earlier resource estimate showed 388.5 million tonnes in the indicated category at 0.052% molybdenum and an inferred resource of 200.9 tonnes at 0.062% moly. This resource has now been updated following the addition of information from a further 13 holes, which now forms part of the preliminary economic assessment of Chu. In essence a further 17.3 million tonnes of ore, or 25.6 million pounds of molybdenum has been added, and a significant amount of the inferred resource has been upgraded to indicated. The resource lies between surface and a depth of 640 metres and is only 75 kilometres from Thompson Creek's big Endako moly mine. Chu is close to a paved highway and has access to power, water and labour, so development should be fairly straightforward.

The preliminary economic assessment carried out by independent consultants concludes that, based on a price of US\$20 per pound for molybdenum, the net present value of the project is C\$1,039 million. Small wonder Crichy Clarke reckons his shares are undervalued, as **TTM Resources** is only capitalised at a fraction over C\$9 million. You can discount the NPV as much as you like in relation to the future price of molybdenum, the cost of capital equipment and the debt to equity ratio for the project, but you will still get nowhere near this market capitalisation. This particular NPV is based on the in-pit resource estimate of 388.5 million tonnes in the indicated category grading 0.052% moly and another 284.1 million tonnes of inferred grading 0.048% moly at a 0.017% moly cut-off.

The project envisages a 60,000 tonnes per day mining operation lasting for the next 31 years. The NPV rises to C\$1,438.2 million if used plant can be tracked down and acquired. The Jeremiahs of this world might like to note that the NPV at a 10 per cent discount is still C\$116.2 million – more than 10 times market capitalisation – with moly at US\$15 per pound and if the plant has to be built totally out of new equipment. Meantime though, there's no use predicting what the capital cost will be while Crichy and his men hunt down used mining and milling equipment for the Chu project, But an educated guess would put it somewhere between C\$750 million, if it is mostly second hand, and C\$1,250 million for brand new plant. But a pre-feasibility study has yet to be carried out and there will then be a bankable feasibility before the money is sought. Somewhere towards the end for 2010 looks likely for timing and the financial world should have changed drastically by then. If it hasn't, mine production all around the world will be drawing to a halt and that is unlikely with China and India undergoing simultaneous industrial revolutions.

To date the drilling on the Chu project has outlined mineralisation extending over 1.7 kilometres in length, over 500 metres in depth, and 300 metres in width. The deposit remains open in all directions. **TTM** has completed over 40,000 meters of core drilling with numerous long intercepts of ore grade molybdenum, including one hole which delivered 504.4 metres of 0.109% moly. Assay results are indicating that the deposit would have a low stripping ratio, as the mineralization extends to near surface. Currently there are two diamond drills operating on the Chu property engaged in resource expansion and resource category upgrading activities, and one diamond drill engaged in exploratory activities. Crichy Clarke still has C\$7.5 million in cash and receivables and every cent of that is going to be spent on bringing the project closer to production. A man and a project worth following.

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