

# The Grandich Letter

A periodical of Grandich Publications, LLC. • February 28, 2007

## Oriental Minerals Inc.:

A Case in Point: People Bringing Assets to Life – in a Big Way.

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I have just issued a report on Longview Capital Partners. (See [http://grandich.com/docs/GL\\_02-28-07\\_lv.pdf](http://grandich.com/docs/GL_02-28-07_lv.pdf)) As I frequently mention in my commentaries, it is my belief that good management is the real key to the success of junior resource companies looking to take assets that have existed for many years and turn them into viable projects. Of particular note is one of the companies in Longview's portfolio, Oriental Minerals. I believe that this company has the makings to become the showcase for Longview Capital Partners.



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### Undervalued – Huge Potential

Although the company has numerous projects of merit including several gold, uranium and other base metal projects in South Korea, the current focus project is Sangdong. It stands out as a company maker. The company just received title in February to the Sangdong mine,

formerly one of the largest producing tungsten – molybdenum mines in the world. I believe the current share price doesn't even reflect the value of the tungsten and molybdenum thought to be left in the mine (historical

TSX-V: OTL  
Current Price: \$1.70  
as of 11:30 a.m. ET

### *Share Structure:* *as of January 31, 2007*

Issued & Outstanding	51,194,337
Options	5,110,000
Warrant	11,796,468
Fully Diluted	68,100,000

estimates contained in a Watts, Griffis and McQuat 43-101 report, available on SEDAR), let alone the exploration potential. Indeed, it is the company's contention that the six-meter-thick horizon mined by the Koreans is contained within a relatively flat-lying, 150-meter-thick skarn that is mineralized with bulk minable grades of tungsten, molybdenum, tin, bismuth and fluorine. The company's aggressive drill program is designed to demonstrate the viability of a very large, billion tonne open cut mine by the end of 2007.

In keeping with the core Longview strategy, the key components to OTL are the people, then the structure, and then the asset. Although it is ultimately the people that can make this investment work, a detailed description of the assets within OTL, specifically Sangdong, follow in order for you to see the significant potential.

## People

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Oriental Minerals has a strong management team with skill sets that match the many tasks at hand well. Briefly:

**Stephen Flechner, President and CEO** - Given the huge scope of Oriental Minerals' projects in South Korea, Steve's past position as Vice President of Gold Fields Mining Corporation will undoubtedly prove to be invaluable to Oriental Minerals. At Gold Fields, he was key in growing the company from a staff of 20 to 1200 and ultimately to a billion dollar company.

**Chris Sennitt, VP Exploration** – Chris has 26 years experience in most of the countries in Asia and in Australia and more specifically lived in and explored extensively Korea for five years working for Robert Friedland and Indochina Goldfields.

**Mr. Kim Wanjoong, General Manager, Korea** – Kim has 12 years experience in mineral exploration in Asia and Korea with nine years experience working with a Western mining company with Indochina Goldfields/Ivanhoe Mining.

**Bob Skrzeczynski, Longview Technical** – Bob is the former Commercial Manager for BHP in the Australasia Region and has specific expertise in tungsten stemming from his involvement in the discovery of the Watershed Tungsten deposit in Australia.

## Structure

OTL is a well-structured, well-financed company with about 50 million shares issued and outstanding with Longview Capital Partners holding over 11 million of those shares. The company has several acquisition agreements in place or underway in Korea, loosely divided into three divisions: tungsten/molybdenum, gold and uranium. The company is capitalizing on its current advantage as the only Western company involved in mineral exploration in Korea. Of particular note at this time is that OTL has an agreement to acquire 100% of the Sangdong project (subject to a 2% NSR) and has had the title transferred into its name.

## Korea?

Oriental Minerals is strategically located in South Korea. South Korea is a highly industrialized, stable, democratic nation with strong ties with the United States. As the third largest economy in Asia, there is a tremendous amount of domestic demand for some of the industrial metals that OTL hopes to produce. South Korea is home to two of the world's largest steel companies, POSCO and Korea Zinc – large consumers of tungsten and molybdenum.

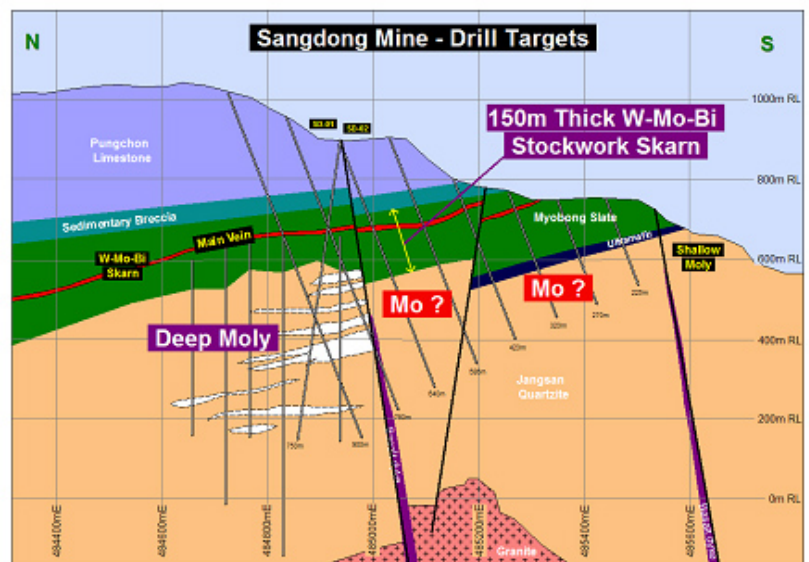
## Tungsten/Molybdenum?

Tungsten and molybdenum are both metals used as alloys in steel making and in fact, often act as substitutes for each other. Molybdenum, for example is used extensively in marine steels. The Korean shipbuilding industry currently uses 15,000 tonnes per year of molybdenum. A nuclear reactor core uses 13,000 tonnes of molybdenum. Other common uses include: high temperature steels, oil and gas pipelines, drill bits and drill pipe, as catalysts and lubrication and in pigments and in light bulb filaments. The high industrial growth rate in parts of Asia has driven demand for these elements to high levels, without signs of abating.

## The Sangdong Asset – a Company Maker

To detail the current asset at Sangdong, see the long section below. The Sangdong mine was one of the largest tungsten – molybdenum mines in the world from 1947 up until 1992 when it shut down due to low metal prices. It was a different era for the Koreans and at that time, they were primarily interested in producing tungsten. They underground mined a high-grade, 6-meter-thick, tabular zone or vein of tungsten/molybdenum (shown below in red) of which there is thought to be some 19 million tonnes grading 0.50% WO<sub>3</sub> (Tungsten Trioxide) remaining (historical resource estimate). The Korean government also drilled 22 diamond drill holes from inside the mine workings from 1980 to 1987 and estimated a historical molybdenum resource of 140 million pounds of molybdenum sulphide from 16 million tonnes grading 0.40% MoS<sub>2</sub> underneath the horizons that contained the tungsten. A historical global resource of 340 million lbs from 120 million tonnes grading 0.129% MoS<sub>2</sub> is also reported. This un-mined, high grade historical resource of molybdenum is hosted within quartz vein stockworks above a granite intrusion.

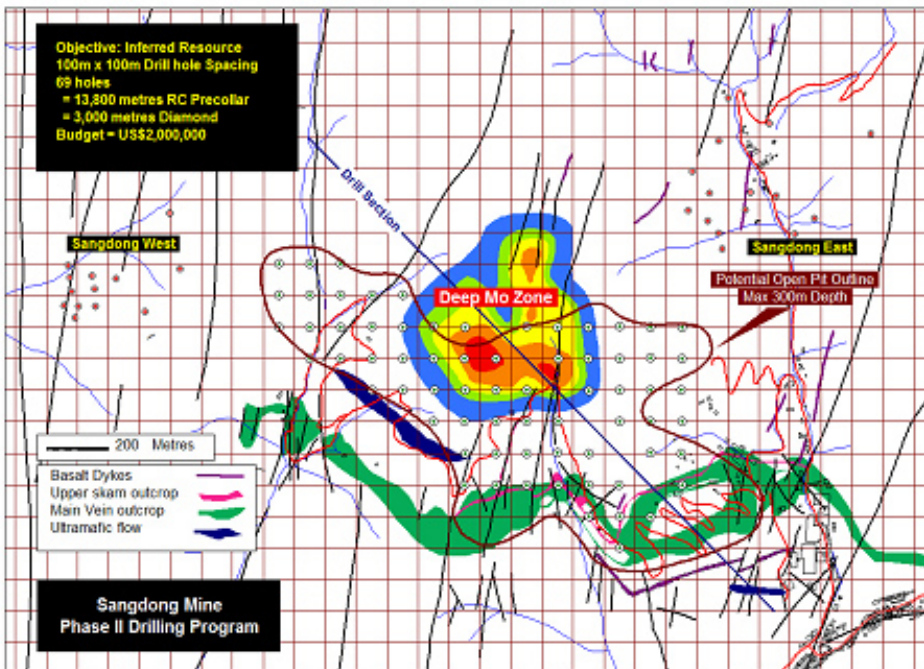
The aforementioned historical “remnant” resource is contained in main vein show below in red and the historical molybdenum resource is seen in white below the skarn (green). The company has been setting the stage for this year's drill program by gathering “circumstantial” evidence that the entire stockwork skarn (green) contains bulk minable grades of tungsten, molybdenum,



tin, bismuth and fluorine. Rock chip channel samples were taken and assayed from the outcropping exposures (right-side of this section) in the Myobong Slate (green, skarn), the base of the Pungchon Limestone (blue) and the Jangsan Quartzite (peach) confirming mineralization in horizons other than the main vein previously mined. Of note here was the discovery of significant grades of silver and copper within the limestone, which was initially thought to be waste rock.

## Important Coming News Flow

The company reported the completion of the first hole (SD01 above) down to 750 meters on February 2, 2007 with results to be received and reported in installments shortly. The assays from this hole are of particular significance as a due diligence hole – running from the top, through the Pungchon Limestone (are there near surface copper-silver zones as indicated by the channel samples?); through 150-meter-thick Myobong slate, passing above, through and below the old mine workings; and through some 500 meters of the deep molybdenum zone. Confirmation of the existence of ore-grade, poly metallic mineralization throughout the skarn package will have significant impact on the scope of the project over and above the “remnant” ore left in the 6-meter-thick vein. This leaves the potential to open cut/pit the limestone and skarn horizons exposing the molybdenum zone to be open ground mined. Of course, it also leaves the possibility of expanding the pit to include the molybdenum zone as well.



Here is a drill plan with the outline of a proposed pit outlined in brown (previous long section indicated by blue line running upper left to lower right). This pit would consider open cutting only down to the bottom of the skarn – about 300 meters deep. It then would be about 2km long and 500 meters wide. If the company opted to include the deep molybdenum zone, down to 500 meters, the pit would expand to the north by another

500 meters. Dots within it indicate Phase 2 drilling 100 x 100 meter spacing that is planned to begin in April of this year, and completion by Christmas of 2007. Below is a summary time-line for the work program for 2007 from one of the company's presentations. The 2 big milestones in my opinion are the upcoming results from the first hole SD01 and the 43-101 compliant resource by the end of 2007 with lots of news and results all along the way. The company is concurrently doing metallurgical, engineering, environmental and sociopolitical studies through to the feasibility stage.

**Phase 1 drilling – underway**

- **9 holes**
- **5 rigs running by April 07**

**Phase 2 drilling – April 07 – Nov 07**

- **5 drill rigs**
- **67 holes total**
- **24 into deep moly zone**
- **100 x 100 meter spacing**

**Preliminary Economic Assessment (PEA – Scoping Study)**

- **43-101 resource by end of 2007**

**Bankable Feasibility by end of 2008**

## **The Upside?**

Just pulling numbers out of a hat, I'd have to say that with this volume of rock (assuming the smaller pit), a billion tones: if they have 0.1% tungsten, 0.1% molybdenum, 0.1% tin, 0.5% bismuth and fluorine, this would indeed throw the metal value of this deposit into world-class. Add throw in a couple of billion dollars (historic resource) of molybdenum underneath and potential copper-silver mineralization on top. Yes you need to have a proper geologist to run some hypothetical numbers, and I am sure that there are mining analysts already running their own back-of-the-envelope numbers already. My point is that I think it is quite clear that the upside is huge.

## **The Downside?**

If the drill holes indicate little or no ore-grade mineralization within the skarn, other than the remnant ore, then the downside is underground mining the molybdenum, processing the dumps and extracting the remnant ore. Again, I believe, still worth more than the current stock price.

## **Bottomline –**

I will be monitoring the actions of the company closely over the coming days, weeks and months. I believe that if all goes well, this story can develop very rapidly and could become one of the more important projects in the world today.

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OTL	100,000 @ \$1.38	\$1500

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