



# Junior goes it alone in South Korea

## BETTER TUNGSTEN, MOLY PRICES SPARK RENEWED INTEREST

BY SUSAN KIRWIN

Why Vancouver's **Oriental Minerals** (OTL-V, OMNLF-O) is the only foreign mining company in South Korea right now is anyone's guess, but director and co-chair Damien Reynolds says he's not looking for the answer.

"We are not the first company to be there — we're sure we're not going to be the last — but currently we're the only (foreign miner) that we can find listed," Reynolds says.

Oriental Minerals recently started drilling at its newly acquired, dormant Sangdong tungsten-molybdenum mine — formerly one of the world's largest. The mine, located southeast of Seoul, closed in 1992 due to low metals prices and was acquired by Oriental from a local title holder.

Reynolds points out that South Korea has high-quality infrastructure, is an advanced consumer of metals, allows 100% foreign investment and has a solid legal system. And of course, there are also the resources, which Reynolds describes as "world class."

He says Korean companies seem to be more focused on the downstream — refining, processing, milling and fabrication — over exploration.

Since Sangdong's closure, tungsten prices have risen to US\$70 per lb. from US\$4 per lb., while molybdenum prices have skyrocketed to around US\$38 per lb., up from less than US\$2 per lb.

Tungsten is the hardest of all metals and is used for a diverse range of commercial, industrial and military applications. It's used as a substitute for lead bullets, for lamp filaments and in tools used to drill or cut rock and concrete.

Molybdenum's largest use is as an alloy for stainless and full-alloy steels. The metal strengthens steel, allows it to expand and contract and makes it easier to weld. It also has some newer uses, such as in fertilizers and catalytic converters.

Oriental Minerals first sent a team to South Korea two years ago to examine potential properties. Since then, the company has built up its portfolio to include 22 projects there.

"There's tungsten, molybdenum, gold, silver, uranium and a myriad of other base metal opportunities in South Korea," Reynolds says. "We're going to develop to a point where we can rationally say whether they can be spun out into separate companies."

He notes that the company now has \$3 million for exploration, but is about to add to its treasury.

"We're going to do a financing and turn all that money into the ground," Reynolds says.

Now, Oriental Minerals is verifying numbers from the former state mining company, Korea Resources. In 1989, it estimated that Sangdong still had reserves of 189 million lbs. WO<sub>3</sub> from 15.6 million tonnes grading 0.5% WO<sub>3</sub> in the main orebody and 1.4 million tonnes grading 0.55% WO<sub>3</sub> in the east orebody.

A molybdenum deposit beneath the existing tungsten mine was also estimated to contain a resource of 16 million tonnes, or 140 million lbs., of molybdenum sulphide grading 0.4% MoS<sub>2</sub>. A historical, global resource at the project stands at 120 million tonnes, or 340 million lbs., grading 0.129% MoS<sub>2</sub>.

"They are historical numbers that we

have complete confidence in," Reynolds says.

Oriental Minerals expects to drill its first hole, SD-01, to a depth of 750 metres over two months. The core will then be sampled on a 1-metre interval basis and sent to the ALS Chemex Laboratory in Brisbane, Australia, for analysis.

To acquire Sangdong, the company has agreed to pay more than US\$800,000 cash and US\$800,000 in stock, to be issued at a 10-day market average price at closing by Feb. 28, 2007. At six, 18 and 30 months after closing, Oriental Minerals will pay US\$2.4 million cash and US\$800,000 in company stock.

In the first and second years, the company must spend US\$800,000 followed by US\$2.4 million during each of the next three years, unless it is undertaking commercial production, in which case it must spend US\$16 million.

Oriental Minerals will earn 51% of the ownership interest at closing, another 19% by completing a prefeasibility study within five years and the final 30% if it starts a feasibility study during year five and completes it within 18 months.

"We are going to move very aggressively towards a bankable feasibility study through 2007 on Sangdong," Reynolds says.

Other properties the company recently acquired in the country include: the Chongyang molybdenum-tungsten mine, which closed in 1977; the Muguk gold-silver mine, formerly the country's largest producing gold mine; and the Gasado gold-silver project on Gasado Island, 5 km off the southwest coast.

Exploration is also under way at the company's Geodo gold-copper project on the northeastern part of the peninsula.