

NEWS

May 06, 2009

Geodex Engages In Some Nifty Footwork In Response To A Possible Resurgence In The Tungsten Price

By Alastair Ford

News that Geodex Minerals is picking up more ground around its Mount Pleasant West tungsten property in New Brunswick prompts a quick phone call to Chris Anderson, Geodex's business development director. Geodex has battened down the hatches as it sails on in the face of the recent economic storm, having cut costs on the ground as well as boardroom salaries. Such moves will no doubt serve to comfort any of Geodex's investors that are themselves hard pressed. They may also go some way towards convincing potential lenders that the company is serious about its tungsten projects, and isn't just another penny dreadful. But it's the fundamentals for tungsten that really sell the Geodex story, as Chris Anderson knows well. The outlook for tungsten, he argues, is extremely favourable. The tungsten price did fall in the wake of the global financial crisis, but not by much more than 10 to 12 per cent. And supply remains tight. That's why Geodex is still working on the economics at its lead project at Sisson Brook, also in New Brunswick, and that's why it's picking up new ground around Mount Pleasant West.

Geodex clearly, is not a company that's going to stand still, even if markets elsewhere are somewhat frozen. The arguments in favour of tungsten are many and varied, but perhaps the most compelling at the moment is that it's used in the manufacture of heavy-duty industrial cutting tools, and these ought to be much in demand once the world's stimulus packages start converting into hard infrastructure spend. As Chris puts it, cutting tools are "at the outward edge of industrial growth", and cutting tools account for around 50 per cent of tungsten consumption. He also makes the interesting point that currently three per cent of global demand is being met by supply from the US strategic reserve. And at current rates, that's only got five year's worth of supply left in it. On an even bigger scale, globally there's been very little exploration for tungsten over the past 10 to 15 years. So if there's any big uplift in demand as the economic outlook improves, the effect on the tungsten price could be disproportionately good.

New projects are coming on, of course. There's **Ormonde's** Barruecopardo project in Spain, which ought to be up and running by 2011. **Vital Metals** also has a project in Australia, and although things have been very quiet there lately, there may well soon be news of some progress. More significantly, North American Tungsten has recently released the details of the technical aspects of the feasibility study on its Mactung project in the Yukon. It looks a useful operation, but Chris Anderson reckons that Sisson Brook stands up well to Mactung, given that that Mactung's NPV on an eight per cent discount is C\$277 million, while the NPV for Sisson Brook on the same discount stands at US\$372 million, according to a recently

updated independent study. Granted Sisson Brook is only at the pre-feasibility stage, so there's less certainty about the data at the moment, but plenty of work on metallurgy has been completed, and engineering studies are well underway, as is pit design work. All the pre-feasibility work should be finished by December, at which stage work on Sisson Brook will move into the bankable phase.

For that to happen, given that it could involve the construction of a small pilot plant, the company will need to raise new money. That doesn't phase Chris Anderson, though. For one thing, he believes in the quality of the Geodex assets. But he also reckons that the markets may be showing some signs of improvement by the time Geodex starts looking for funding. "We're in very volatile times", he concedes, "early in Q1 or Q2 2010 we may see some light". Not that the wider economic woes will be over by then. But, like many others, Chris is well aware that there's lots of money sitting on the sidelines at the moment. His hope would be that as the dollar weakens, serious money will flow back into commodities, including tungsten. With C\$2.5 million still in the bank, following last year's C\$3 million raising, Geodex certainly has some room for manoeuvre. There's also an intriguing hint of other possibilities over the summer: "We'll need money for the BFS", says Chris, "and as the market changes we'll go the market. And we'll go to the market for anything else we do, and any other work we undertake". One can only suppose that all will become clear as the summer progresses. But one thing's clear: Geodex won't be sitting still.

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