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Thor Mining Gives Its Old Strategy The Boot As It Models Serious Cost Savings Into Future Operations At Molyhill

By Charles Wyatt

It was one of those coincidences of life that Minesite put in a call to Mick Billing in Australia at the very moment he stepped onto UK soil. He had come to London to see advisers to Thor Mining as it is listed on AIM and has a new slant on the story as regards its Molyhill deposit east of Alice Springs in the Northern Territory. He took over the helm of the company about a year ago after another company with which he is involved – Western Desert – injected some much needed cash into it. With hindsight the timing was not too hot, as Mick agrees while sitting in Cannon Street with a glass of cold wine in his hand, but he points out that nobody gets anywhere by sitting around regretting the past. Anyway thanks to Western Desert, Thor has come out on the other side of one of the most horrendous periods the world's junior mining sector has ever known. What's more it still has just over A\$1 million in the kitty.

What it also has is a pre-feasibility study, a resource estimate and an off-take-agreement, so it is some way down the track. The offtake agreement is with CITIC Australia Trading, an offshoot of the major Chinese multinational CITIC Group, which has agreed to take 100 per cent of the molybdenum and tungsten concentrates produced over the life of the Molyhill mine. At the time this was agreed Mick Billing had not come on board, but the company considered itself to be on the verge of development as it was waiting for final approvals. Once Western Desert came on board and Mick plus Norman Gardner and Michael Ashton became directors, changes were also made to the development plans. In short it was taken apart at the seams and a BOOT strategy installed instead. As to what that means exactly, all will be revealed shortly.

Certainly this was not the same strategy as had been applied by the previous executive chairman John Barr who had stuck to the conventional route, i.e. an expensive plant costing around A\$50 million treating 400,000 tonnes/annum over a mine life of five years or more. This did not fit in with the thinking of Mick Billing who is an accountant by training but an enthusiastic mining man at heart. Money has to be made and costs therefore have to be reduced in a way that is compatible with carrying out a sensible mining operation. Mick has had plenty of experience as he has been involved in the planning and commissioning of a number of operations, including gold and nickel mines around Kamalda. In the past he's worked for Bougainville Copper, WMC and Multiplex Mining.

The new team from Western Desert, therefore, decided BOOT was the answer and boot was what they gave John Barr. They decided to keep on chief executive John Young for the time being, however, as it is always wise to maintain continuation of management. BOOT stands for Build, Own, Operate and Transfer and this strategy is focusing on a substantial reduction in capital cost to reduce shareholder dilution and ensure that bankers cannot introduce a crippling hedge programme. Mining will be carried out by contractors as this saves spending on mining equipment and cuts the permanent crew that has to be maintained at the mine. Thor will also contract out the provision of power as there are a number of such contractors in Australia so the company will make another significant saving on generators.

As to the plant, this will be assembled in Alice Springs and then transported to site where, Mick says, it can be assembled like meccano and the capacity can be enlarged when necessary. A contractor will assemble the plant and operate it for the life of the mine. Over and above all this it should only be necessary for the company to maintain a permanent staff of six people at Molyhill. The major cost to Thor will therefore be incurred in civil construction, and that will include road and airstrip upgrades, processing plant earthworks and concrete footings. Mick is cautious of giving an estimate for how big the reduction in capital cost will be as a conclusion has not yet been reached, but it is a fair bet that costs will now be closer to A\$20 million than A\$50 million. He also reckons that it will take no more than a year from raising the money to getting into production, so improvements in the prices of molybdenum and tungsten are key to the future.

The other asset at Molyhill is the magnetite. On this marketing samples have been tested by several potential customers and come through with flying colours. Grinding tests have shown that the plus 75 micron minus 250 micron material can be ground to minus 75 microns and still maintain the characteristics required for coal washing. This should increase demand for what would be a premium product and Mick reckons that anything from 20,000 to 40,000 tonnes could be sold annually at a margin approaching A\$100/tonne. At the lower level this would mean cash flow of A\$2 million a year which may not be a company maker, but is very useful. In the meantime, the newsflow rolls on. Thor has just announced that John Young has left the company. The next bit of news will be a revised resource estimate which is due at any moment. Thor also has some uranium possibilities, but Molyhil is the current focus.

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