

24th February 2011

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## Thor Mining: Initiating coverage with a recommendation of speculative buy at 2.3p with a 5.1p target price

Thor Mining is advancing two gold projects in Australia, both of which have the serious potential to be multi-million ounce plays. The first one at Spring Hill in the Northern Territory was acquired with 274,000 ounces of gold JORC resource but the team is seeking a much greater prize at depth where its experts believe there is the chance of Callie-style mineralisation. This is a big deal as the Callie Project, with a 5 million plus ounce gold resource, is the biggest mine in Northern Territory. The second project lies within the Albany-Fraser Province situated on the edge of the gold producing Yilgarn Province at Dundas in Western Australia. In the last ten years, investors have woken up to the gold potential of the Albany-Fraser Province following the discovery of the Tropicana gold deposit (5 million plus ounce gold resource). Dundas is actually located within the general strike extension of the Wiluna-Kalgoorlie-Norseman green stone belt -which is deemed to be most gold rich part of the whole Yilgarn province.

In January 2011, Thor acquired Spring Hill Gold project in the Northern Territory. Apart from the JORC

Resources there has been a scoping study and metallurgical test work which was carried out in 2008. The deposit has been partly evaluated and already the process design and mill costings are in place. The Company's move into gold was accompanied by the arrival of Trevor Ireland in the boardroom and he was involved in both the discovery and development of Callie Project. Mr Ireland sees obvious similarities between this deposit and many others in the Pine Creek region in the Northern Territory, with gold occurring largely in quartz veins within the fracture zones. To date the mineralisation has only been drilled to a depth of 150 metres and in the coming season the potential for Callie-style mineralisation will be tested by drilling deeper holes

In the past the Albany-Fraser Province was written off by geologists for gold and remained under explored due to lack of outcrops. However the discovery of Tropicana beneath younger sediments saw the majors rush to tie up most of the province. Thor has managed to acquire the Dundas project which lies within the southerly strike extension of Wiluna-Kalgoorlie-Norseman greenstone

Key Data	
EPIC	THR
Share Price	2.3p
Spread	2.2p - 2.4p
Total no of Shares	490,198,605
NMS	30,000
Market Cap	£11.27 million
12 Month Range	0.625p - 3.9p
Market	AIM
Website	<a href="http://www.thormining.com">www.thormining.com</a>
Sector	Mining
Contact	Mick Billing +618 7324 1935

and seems to have been little explored as from 1996 to 2006 the area was part of a nature reserve where such activity was banned. Since 2006 there have been many discoveries, but despite that the Dundas tenements have received only scant previous exploration attention. The excitement surrounding Dundas is that this greenfield opportunity may actually be within a new mineralised region; as the board believe that Dundas shares the same geological environment as Tropicana. The similarities are startling as work carried out by Thor last year led to discovery of carbonate soil geochemical anomalies of a similar size and intensity as were found at Tropicana in its early days.

Thor continues to be best known for the 100%-owned Molyhil Tungsten-Molybdenum Project (Molyhil), which has been brought to the point of the production. It is fully permitted and even had an off-take agreement from a giant Chinese company that has now lapsed. The Definitive Feasibility Study (DFS) of 2006 gave a short-life project a 111% Internal Rate of Return and put the Net Present Value at A\$88 million (£55 million) using base case sales prices for the project over the mine's initial 4-year life of US\$20 per pound molybdenum and US\$204/mtu for tungsten. A collapse in metal prices during the global economic crisis saw the plans gather dust. However there has been a recovery and tungsten is already back above the base case level and there is an expectation in the market that molybdenum could hit US\$21.50 per pound this year. The board is reworking the DFS using lower capital cost plant, contract mining and probably a more extensive resource model following a drilling program during the coming month. Molyhil has a clear value in today's market which does not appear to be reflected in Thor's current lowly market capitalisation.

The Company offers investors exposure to a wide range of metals with exploration projects for rare earths, uranium, fluorite, nickel and copper alongside the more developed interests in gold, tungsten and molybdenum. Over the past twelve month as the gold price has risen, valuations in the sector have become elevated; and by comparison Thor seems to have rather been left behind. Well it seems strange invoking the names of Callie and Tropicana, when discussing a stock that is capitalised at £11 million, but such is the potential of the Company's two gold plays. Our sum-of-the-parts valuation allows us to place a 5.1p target price on the stock. We are initiating coverage on the shares with a recommendation of **Speculative Buy** at 2.38p with target price of 5.1p.

### Forecast table

Year to 30th June	Sales (£000)	Pre-tax Profit (£000)	Earnings per share (p)	Price Earnings Ratio (x)	Dividend (p)	Yield (%)
2008A	0	(1,077)	(0.76)	NA	0	0.0
2009A	0	(1,230)	(0.77)	NA	0	0.0
2010A	0	(1,762)	(0.79)	NA	0	0.0
2011E	0	(2,000)	(0.31)	NA	0	0.0

Source: Growth Equities & Company Research

## **Background**

Thor Mining started trading on AIM in 2005 following a placing at 2p per share which raised £1.4 million and gave the Company an initial market capitalisation of £3.6 million. At that stage, the principle project was Molyhil in the Northern Territory, Australia where an indicated and inferred resource had already been established.

The year 2006, saw Thor listing on the Australian Stock Exchange (ASX) and this move was accompanied by a conditional offer of up to 52.5 million shares at A\$0.20 per share which raised A\$10.0 million. These funds were earmarked to complete the DFS of the Molyhil and also finance a major exploration programme on its newly acquired uranium properties. These uranium interests had been bought around the time of the ASX-listing when Thor acquired Hale Energy for A\$3.2 million in shares and warrants. Hale Energy owned prospective uranium tenements as well as tenement applications in the Northern Territories.

An Off-Take Agreement was signed with CITIC Australia Commodity Trading Pty Ltd in early 2008 for all the molybdenum and tungsten concentrates to be produced at Molyhil; which looked like a really critical factor in progressing this development. In May 2008, Thor was granted three mining leases necessary for the development of Molyhil.

A downturn in the prices of molybdenum and tungsten, coupled with a rising gold price saw the board seek to diversify into the yellow metal. In February 2010, the Dundas Gold Project was acquired - Thor gained an immediate 51% stake in the tenements for A\$100,000 with an earn-in deal. Most recently, in January 2010 the Company acquired the Spring Hill Gold Project in the Northern Territory with an Indicated Resource of 274,000 ounces of gold where Thor initially has a 25% stake but this can be increased to 80% with staged options. Around that time £1.1 million was raised at 2.25p per share.

## **Overview of operations**

Thor is involved in a number of projects exploring for gold, molybdenum, tungsten and base metals.

## **GOLD**

### **Spring Hill Gold Project**

In January 2011, the Company announced the acquisition of the Spring Hill Gold project in the Northern Territories. The project lies 150 kilometres south east of Darwin with a good proximity to most infrastructure with road, rail and power nearby. The project already boast a JORC-compliant Indicated Resource of 3.6 million tonnes at 2.3g/t gold containing 274,000 ounces which was calculated at a cut-off grade of 1.0g/t by McDonald Speijers in 2003.

In the past the Spring Hill gold deposit has produced something like 20,000 ounces by mining high grade materials in the years following its discovery in 1880. There are big similarities between this deposit and many others in the Pine Creek region in the Northern Territory, with gold occurring largely in quartz veins within the fracture zones as well as the axial zones of the anticlinal fold structures. The gold tends to be coarse grained and so there is a high nugget effect. Previous work

in the 1990s and the mid-2000s identified four main gold zones around old workings covering an area of 1,000 metres by 400 metres.

**Total resources at Spring Hill (all Indicated resources)**

	<b>tonnes</b>	<b>Grade g/t gold</b>	<b>Contained ounces gold</b>
At 1.0g/t cut-off grade Estimate: June 2003			
<b>Zone of oxidation</b>	1,320,000	2.16	92,000
<b>Transition zone</b>	500,000	2.37	38,000
<b>Unweathered zone</b>	1,820,000	2.47	144,000
<b>TOTAL</b>	3,640,000	2.34	274,000

Thor is acquiring Spring Hill from Western Desert Resources Ltd on the following terms. In return for an initial payment of A\$1.25 million and 10 million THR CDIs (Thor's ASX-listed shares), the Company gained a 25% stake. Thor has an option to acquire an additional 26% interest by spending a further A\$1.5 million within eighteen months; and the payment of 5 million THR CDIs plus CDIs to the value of A\$250,000. There is a further option to acquire an additional 29% by spending A\$1.5 million within thirty months of the initial payment along with payment of CDIs to the value of A\$500,000. When Thor has exercised all its options the two companies will form a joint venture.

There has already been a fair amount of attention paid to the evaluation of the project as along with the resource estimate there has been a scoping study and metallurgical test work which was carried out in 2008. The deposit has been partly evaluated and already the process design and mill costings are in place. That is all well and good but it does seem as though the team sees the potential of a much larger target here rather than just a sub-300,000 ounce deposit. There are an abundance of gold deposits throughout the Pine Creek Inlier. Typically the gold occurrences are controlled by the axial planes of the anticlines and the physical and chemical characteristics of the rock units are transected. Apparently such a model also applies equally to the Tanami Inlier which lies a few hundred kilometres away to the south west and hosts the giant Callie gold mine. (To date, production and resources at Callie total some 5 million ounces of gold with a grade between 5 and 6g/t gold.)

Director Trevor Ireland believes that there are clear similarities for a Callie style deposit; and he should know as he was one of those associated with its discovery. He reckons that there could be a company-making target lying beneath the current resource and the team will be looking for a separate deposit below. So far this sort of potential has remained untested as the holes drilled in the early 1990s did not go deeper than 150 metres.

**Dundas Gold Project**

It's just over a year since Thor acquired the Dundas Project which lies in the broader Norseman area South East of Kalgoorlie. The project consists of three tenements covering 340 square kilometres within the Albany-Fraser Province which sits in the bottom right corner of the well-known gold producing Yilgarn Province. Due to its lack of outcrops, the Albany-Fraser Province had remained little explored until the discovery of AngloGold Ashanti's Tropicana gold mine (5 million ounce resource plus) which sparked off substantial interest in the area amongst the majors. Thor

has managed to acquire the Dundas project which lies within the southerly strike extension of Wiluna-Kalgoorlie-Norseman greenstone and seems to have been little explored as from 1996 to 2006 the area was part of a nature reserve where such activity was banned.

The excitement surrounding Dundas is that this is greenfield opportunity which may actually be within a new mineralised province. The board believe that Dundas shares the same geological environment as Tropicana. Since 2006 there have been many discoveries, but despite that the Dundas tenements have only received scant previous exploration. BHP carried out a 40 square kilometre geochemical exploration for gold in one of these tenements which identified gold anomalies similar to those associated with gold mineralisation in other locations in the belt. A program of surface geochemical sampling conducted to the north and west of Thor's EL 63/1101 tenement revealed anomalies.; which were followed up by three Rotary Air Blast (RAB) holes were drilled on these anomalies and one produced a 4 metre bottom hole sample of 1.1g/t gold.

Thor acquired a 51% interest in the tenements for A\$100,000 in signing a three stage option agreement. The Company can gain an additional 9% interest by issuing the vendors with 45 million shares within 5 months of acquisition (this option was exercised in August 2010). An additional 20% interest is available if Thor also allots the vendors A\$2 million worth of shares and a minimum spend on exploration of A\$1 million. A further 20% is available following the spending of an additional A\$1 million or if this is has not been achieved by 30 September 2014 shares to the value of A\$2 million.

Work carried out by Thor in 2010 led to discovery of calcrete (gravel and sand cemented together by calcium carbonate) geochemical anomalies which were similar both in size as well as intensity to that found at Tropicana. The geochemical survey results revealed clusters of elevated gold values highlighting five previously unknown areas as well as the target area that was discovered by previous work.

## **MOLYHILL TUNGSTEN AND MOLYBDENUM PROJECT**

Thor is best known for its 100%-owned Molyhil project which the Company brought almost to the brink of production just ahead of the global financial crisis when the prices of tungsten and molybdenum dropped substantially. By then the DFS had been completed, the metallurgy had been cracked, environment approvals were in place and so too were Traditional Owners Approvals. In addition, Thor had been able to negotiate an off take agreement with CITIC Australia Trading Limited, part of one of China's biggest companies, for all the molybdenum and tungsten concentrates that Molyhil would produce. This agreement has now lapsed but it does show how close to taking the production decision the board came. Since the global financial crisis, metal prices have improved and the board is looking at a series of new initiatives and some changes in the design of project which would lower the capital cost, increase revenues to create a project that makes economic sense sooner rather than later.

## Total Resources at Molyhil

Category	Tonnes	WO3 (%)	MoS2 (%)	Fe (%)
Measured	540,000	0.33	0.24	29.4
Indicated	2,300,000	0.38	0.18	27.9
Inferred	900,000	0.15	0.20	27.0
<b>TOTAL</b>	<b>3,750,000</b>	<b>0.32</b>	<b>0.19</b>	<b>28.0</b>

Molyhil lies in the centre of Australia, 220 kilometres North East of Alice Springs. The geology consists of as well-defined lode which in actual fact is a magnetite skarn in granite. The mineralogy is fairly simple with scheelite and molybdenite. The lodes dip steeply east and the body of mineralisation is open down plunge to the south.

The results of the DFS were unveiled in December 2006 which confirmed the viability of a 300,000 tonnes per annum mine and mill operation. Financial modelling for the project demonstrated a pre-royalty earnings before interest and tax (EBIT) of A\$117 million over the first four years. The Net Present Value came out at A\$88 million using an 8% discount factor and an average AUD/USD exchange rate of 0.73%. This project looked economically highly robust with an IRR of 111%. This analysis was based on an earlier JORC compliant resource for Molyhil of 2.4 million tonnes grading 0.8% combined tungsten WO3 and molybdenum MoS2 down to a vertical depth of 150 metres. The estimated capital cost was put at A\$44.5 million. The base case sales prices for the project over the mine's initial 4-year life were US\$20 per pound molybdenum and US\$204/mtu for tungsten.

The process flow sheet looks to be relatively simple with the material first crushed and with coarse grinding down to 250 micron which is followed by molybdenum floatation and then in turn pyrite flotation. The tungsten is removed by gravity separation with magnetite being separated from the tailings by magnetic separation. Capital expenditure estimated in the DFS was US\$45 million but this was based on what the board describe as a Rolls Royce five year plan. So the directors see the opportunity to revisit this study and look at scoping a modified project operated by a contractor to reduce the capital expenditure without increasing the operating costs and use a modular plant assembly. There looks to be an additional revenue stream now from the magnetite component which is a premium product for coal washing was actually ignored in the previous Definitive Feasibility Study. Such an approach may allow for the project to be shown to be economic at current metal prices and will allow a real value to be placed on this molybdenum/tungsten/magnetite project once again.

## URANIUM & BASE METALS

In the Northern Territory, Thor has a number of projects that are prospective for uranium and base metals along with rare earths.

### Hale River Project

The project covers 160 square kilometres of Tertiary basin sediments which are seen to be prospective for a paleochannel roll-front uranium deposits. In essence, a paleochannel is what is left of an old stream channel cut in older rock that has been filled by the sediments of the younger overlying rock and these roll- front deposits are formed when uranium in solution is precipitated at

the interface between oxidising and reducing conditions which often results in a crescent shaped roll front deposit.

Exploration thirty years ago delineated a redox (oxidation-reduction) front within sands containing anomalous uranium. The Hale River Project has been the subject of an extensive helicopter-borne Electromagnetic survey which identified many trap sites or conductive sediments; whilst reconnaissance air core drilling involving 28 holes for a total of 1,549 metres tested five of the six priority anomalies. The most prospective electro-magnetic (EM) trap site could not be drilled due to access restricts imposed by the Central Land Council. The presence of suitable trap sites has been confirmed which seem to justify further drilling effort.

## **Harts Range Project**

These six tenements cover 362 square kilometres of the Proterozoic Harts Range Metamorphic Complex. Exploration in the early 1990s following airborne radiometric and magnetic surveys identified numerous occurrences of uranium mineralisation which were associated with alteration along structural breaks and contacts. Of eleven rock chip samples taken from two tenements (Ryoma and Casper prospects) in October 2006, five samples returned elevated uranium values ranging from 121ppm to 227ppm uranium. The analysis was completed for 39 elements and interestingly enough this work revealed elevated values for a number of rare earth elements like Yttrium and Zirconium. One sample (HR8) had lead values of up to 1.6%.

## **Strategy for growth**

Thor looks set to make substantial progress on both its gold projects and Molyhil in 2011. A healthy news flow could develop not just from the planned drilling on the gold projects; but also from further work and a reinterpretation of the potential at the molybdenum-tungsten project.

The move into gold has been accompanied by the arrival in the boardroom of Trevor Ireland who helped discover Callie, the largest gold mine in the Northern Territory, and several mines at The Granites Gold Mine (mining now completed).. Such experience in discovering and developing these mines in the Tanami Region of the Northern Territory will be invaluable as Thor begins to grapple with the geology at Spring Hill.

Out of Spring Hill's 2011 total exploration budget of A\$1 million, A\$300,000 will fund further work on the existing gold deposit. This will include: drilling to check the existing resource data predominantly using Reverse Circulation (RC) drilling as the deposit has been found to be nuggetty, collection of additional metallurgical samples along with exploration to investigate possible extensions to shallow mineralisation. This work will allow the resource models to be confirmed which will form the basis of the Scoping Study and a deposit wide Prefeasibility Study. On the back of his experience elsewhere within the Northern Territory, Mr Ireland believes that the true potential lies at depth and so the bulk of this exploration budget will be assigned to pursue this potential. So the remaining A\$700,000 will fund a geophysical survey to select drill target and the start of the deep drilling. Such holes are likely to be drilled to a depth of around 400 metres on a reasonably cost effective basis with the first 200 metres RC and in the final 200 metres using more expensive diamond drilling to gain decent core samples which will allow a proper study of the stratigraphy and rock structure. Certainly all this work could allow a lot of value to be added to the project that will follow from an improved knowledge of the true potential of Spring Hill.

In the second year of exploration at the Dundas Gold Project, the team will work to extend and infill the carbonate soil geochemistry where the best of these anomalies will be RAB drilled. This project has been assigned a budget of A\$0.5 million for 2011. The quarterly report announced in October 2010 brought news that a heritage clearance of the most preferred drilling locations was conducted in conjunction with Traditional Owners ahead of a drilling programme; so it seems that the RAB drilling programme has been designed and permitted. The results of such work could start to confirm whether there is real Tropicana--style potential.

The buoyancy in world metal markets has helped strengthen tungsten and molybdenum prices. Tungsten APT has climbed from US\$180/mtu in September 2009 to US\$340/mtu which has rather outpaced molybdenum roasted concentrate which has improved from US\$12.00 to \$17.00 per pound during the same timescale. Against this background of improving fundamentals, Molyhil is on the verge of being re-evaluated and this could lead to analysts being able to place a value on the project with increased certainty. We believe that there are at least four principal new facets which may enhance the original project thereby transforming the economics. Firstly, the real difficulty is that the project's mine life is just too short and the plan to drill test down-plunge extensions of the lode and increase resources. Secondly, the scoping and feasibility studies are to be updated and for the first time this work will include the magnetite product as a useful bi-product. Thirdly, the board has made no secret of the fact that they believe that the previous DFS was a Rolls Royce solution and for the latest studies will look at modular plant to reduce the capital expenditure. Lastly but no means least, to reduce capex still further and keep operating expenditure low, the study will investigate mining using contractors on a fixed price contract. To fund update scoping and feasibility studies, drilling to test down-plunge extensions of the lode and increase resources; and revise DFS is expected to be covered by a budget of A\$300,000 that has been assigned this year to the project.

It does look as though in 2011, Thor could make a big jump forward towards becoming a producer. Not only is the Company updating feasibility studies at Molyhil, but also completing scoping studies, confirmatory drilling along with pre-feasibility work at Spring Hill Gold Project. Also during the coming year the team will begin to test bold exploration concepts with the very real potential to turn the Dundas prospect and the Spring Hill gold deposit into company making projects. Whilst this is happening, the Company also plans reconnaissance to assess the REEs prospectively of the Daicos anomaly.

## **Risks and opportunities**

### **Risks**

**Economic recovery** - Traditionally gold is seen as a safe haven and over the past decade the gold price has enjoyed a sustained rise from less than US\$300 to more than US\$1,400 per ounce. The credit crunch, economic downturn and the lack of liquidity has helped propel gold to a succession of all-time highs. That said, the global recovery looks to have begun and so far this year the gold price has encountered some turbulence. However there seems to be sufficient economic uncertainty remaining and a material risk of inflation around the world which could push gold significantly higher. Certainly despite the recent sustained rise, in real terms gold is still something like US\$700 below its last bull market peak. The house view is that gold will reach US\$1,700 by 2012.

**Geological risks** - There are a series of technical factors concerning the amount of understanding of the geology of the project area, the mineralisation style being targeted, distribution and magnitude of the indicators that have been identified in geochemistry and geophysical work.

**Molyhil resource too small** - In the BFS of 2006, the mine had a very short life. The management always knew that the resource was really too small and at that stage the plan was to explore for extensions to the orebody once mining had begun. Well over the coming twelve months, deeper holes will be drilled in order to increase the resources which could form the basis for a profitable project in the near future.

## **Opportunities**

**Project pipeline** - For a smaller quoted exploration company, Thor gives investors exposure to a wide range of metals in its well-developed pipeline of projects that range from discovery through to the mine development phase. There is mine development in tungsten, molybdenum and coal washing magnetite at Molyhil whilst deposit evaluation in gold at Spring Hills and fluorite at Oorabra Reefs. Whilst at the discovery stage there are six projects which have interests in gold, rare earths, uranium, nickel, copper, platinum and tungsten.

**Management expertise** - Thor seems to possess a management team with a much greater wealth of experience than expected in a business that is capitalised at a shade over £10 million. The involvement of Trevor Ireland with his background of being involved with the discovery and development of 5 million ounce Callie Project speaks volumes and should give investors real confidence of the potential for the existence of Callie-style mineralisation at Spring Hill.

**Molybdenum and tungsten prices rising** - At the Metal Pages Conference in mid-February 2011 molybdenum prices were tipped to climb to \$21.75 per pound in 2011. Last year the tungsten price rose over 80% and it is expected that there could be supply shortages this year which results from China implementing export restrictions. This situation has led to both the US and the EU adding tungsten to the list of critical metals.

## **Management**

**Executive Chairman - Michael Billing (57)** - Billing is an Accountant with over thirty years' experience of the mining industry working as a Company Secretary, Chief Financial Officer as well as in senior commercial roles. In the past he has worked for Bougainville Copper Ltd, WMC Resources and Multiplex Mining. Billing has been active in the evaluation of new mining operations along with involvement in both the planning and commissioning of a number of operations which includes gold and nickel mines around Kambalda in Western Australia and also the Suzdal gold mine in Kazakhstan. His field of experience encompasses corporate governance, both debt and equity financing, project evaluation and feasibility studies in Australia and elsewhere. Billing acts a consultant to a number of junior companies and is a Director of ASX-listed Southern Gold Limited.

**Director - Trevor Ireland (63)** - Geologist Ireland has over forty years' experience in the business of mineral exploration and corporate management. As a Manager or Company Director, he has been involved in a host of mineral discoveries, economic evaluations along with new mining developments in gold, nickel, uranium and bauxite both within Australia and a number of African countries. He is particularly associated with the discovery and the and development of The Granites and Callie Gold Mine in the Tanami region in the Northern Territory by North Flinders

Mines Ltd. Ireland has served as a Director and Exploration Manager of Europe and Africa for Nomandy La Source SAS, overseeing the evaluation of Ahafo and Akeyem gold orebodies in Ghana, and Tasiast gold in Mauritania which all were developed into mining projects. More recently, he was the MD of Australasia Gold Ltd.

**Non-Executive Director - Michael Ashton** - Timber manufacturing business owner Ashton's company Upper Murray Case Supplies in South Australia supplies products throughout Australia and worldwide. He has a wide knowledge and experience both in exploration as well as the mining industry. Ashton is a shareholder in the Titeline Drilling Group which is a successful Victoria-based exploration drilling company that has operations throughout Australia and also Botswana and Zambia. He is also a director of ASX-listed Western Desert Resources Limited.

**Non-Executive Director - Norman Gardner** - Gardner is the founder and owner of Kwikcon, an Alice Springs-based concrete construction company, which supplies concrete and quarried stone and has been involved in large mining projects in the Northern Territory, South Australia and Western Australia. Such projects include the development and operation of a backfill plant at the Granites Gold Mine. He has an in-depth knowledge about the construction needs of the mining industry and apart from Granites Gold Mine; he was involved in the construction phase of a number of operations including the White Range Gold Mine in Northern Territories and the Ravensthorpe Nickel Mine in Western Australia. In addition, Gardner has involved with successful property developments. He has been involved in putting together resources companies and was the driving force behind bringing various elements together to create ASX-listed Western Desert Resources Limited.

**Non-Executive Director - Greg Durack** - Durack is the CEO of ASX-listed Jupiter Mines Limited and a metallurgist with more than twenty years' experience gained in Australia, Papua New Guinea and Greece. He is a Member of the Australian Institute of Mining and Metallurgy who has worked mainly on gold projects both in operational as well as development management roles.

**Chief Financial Officer and Joint Company Secretary - Allan Burchard** - In November 2010, Burchard was appointed Company Secretary and Chief Financial Officer of Thor. He is a Chartered Accountant with more than forty years' experience which includes twenty years as an audit partner in international accounting and advisory firm, KPMG, in Australia and Kazakhstan where his experience included clients in both the mining and oil industries. Latterly, Burchard has been providing accounting and advisory services to a number of clients including privately owned companies in South Australia.

**Joint Company Secretary - Stephen Ronaldson** - Ronaldson is a partner in the Company's UK legal advisers, Ronaldson. He has an MA from Oxford and qualified as a solicitor in 1981. Ronaldson's career has focused on company and commercial fields of practice and so has experience of capital raisings, Financial Services and Markets Act work and placings and admission to AIM and PLUS.

## Significant shareholders

Shareholder	Holding	%
Western Desert Ltd	47,217,974	12.37%
Vidacos Nominees Ltd	15,376,825	4.03
Barclayshare Nominees Ltd	13,544,559	3.55
TD Waterhouse Nominees (Europe) Ltd	12,338,445	3.23

## Financial results

In September 2010 the Company announced its final results for the year to 30th June 2010 which had been a challenging period as the price of tungsten and molybdenum had fallen which meant that the future of Thor's Molyhil project was uncertain. Faced with such conditions the board sensibly reined in expenditure and the combination of administration costs and corporate expenses were reduced by 38% to £610,000. At the same time the progress on uranium exploration portfolio project has not been as exciting as hope and so the Company moved into gold exploration by acquiring an interest in the Dundas gold project.

Year to 30th June £'000	2010	2009
Administration expenses	(164)	(449)
Corporate expenses	(446)	(532)
Other expenses	-	(51)
Loss of disposal of exploration assets	(86)	-
Impairment of exploration assets	(1,016)	(254)
<b>Operating loss</b>	<b>(1,712)</b>	<b>(1,286)</b>
Interest receivable	5	27
Other income	29	29
Currency losses	(84)	-
<b>Pre-tax loss</b>	<b>(1,762)</b>	<b>(1,230)</b>
Tax	-	-
<b>Loss for the period</b>	<b>(1,762)</b>	<b>(1,230)</b>
<b>Other comprehensive income:</b>		
Share based payment expense	-	10
Exchange differences on translating foreign operations	1,174	41
Other comprehensive income for the period, net of income tax	1,174	51
Total comprehensive income for the period	(588)	(1,179)
<b>Basic loss per share</b>	<b>(0.79p)</b>	<b>(0.77p)</b>

## Valuation and Conclusion

Thor has moved into gold by acquiring stakes in two impressive projects over the past twelve months which both have the potential to be multi-million ounce properties. These newer interests seem to have begun to capture the interest of investors as they offer real upside potential whilst the board attempt to redesign and grapple with the new economics of Molyhil.

The agreement concerning Spring Hill could give the Company an 80% holding for a project that currently has a JORC Indicated Resource of 274,000 ounces gold. Peer comparison with exploration companies listed on AIM would suggest that Thor's 80% stake in that project could be valued at £8.5 million. However to get to that stage, the Company would need to satisfy the full terms of the earn-in deal which requires to spend A\$3.0 million plus the issue of more shares to the vendor.

### Peer group comparisons - gold exploration companies

Company	Enterprise Value (£million)	JORC resource contained gold (ounces)	EV/ounce (£)	Comments
Chaarat Gold Holdings (CGH)	70.48	4,406,000	16.00	Kyrgyz Republic
Conroy Gold and Natural Resources (CGNR)	12.35	1,030,000	11.99	Ireland
GGG Resources (GGG)	48.23	990,000	48.72	Australia
Goldstone Resources (GRL)	15.42	282,608	54.56	Ghana
Greatland Gold (GGP)	6.13	90,000	68.11	Tasmania & WA
Kryso Resources (KYS)	40.72	3,024,000	13.46	Tajikistan
Nyota Minerals (NYO)	80.94	1,380,000	68.41	Ethiopia
Scotgold Resources (SGZ)	5.20	177,000	29.38	Scotland
Serabi Mining (SRB)	18.52	668,228	27.72	Brazil
Shanta Gold (SHG)	54.65	2,618,445	20.87	Tanzania
Stratex International (STI)	22.38	619,865	36.10	Turkey, Ethiopia
Trans-Siberian Gold (TSG)	82.07	1,140,269	71.97	Russia
		<b>Average</b>	<b>38.94</b>	

Source: GEGR

A recent acquisition in the Francis Creek region suggested that properties may be changing hands at largely similar valuations in the Northern Territory to that suggested above. In late-January 2011, Arafura Resources Limited (ASX: ARU) sold its Mt Porter-Francis Creek Gold Project to Global Mineral Resources Limited (Global) for A\$1.5 million plus 7.5 million shares in Global and 7.5 million options exercisable at A\$0.25. The Mt Porter-Francis Creek Gold Project has a 34,200 ounce Inferred and Indicated JORC resource at Mt Porter. Global is currently unquoted but intends to seek a listing this year; but based on just the cash part of this transaction alone equates to A\$43.86 or £27.42 per ounce.

The board of Thor believes that there is the multi-million ounce potential at both Spring Hill and Dundas. The above table does give appreciation of the sort of valuation that a JORC resource of that order would attract with one million ounces being currently valued at £39 million and two million ounces at £78 million. Exploration work over the coming season may allow the revaluation of both these gold assets to begin to be accelerated.

Molyhil is in the midst of being reappraised. The DFS was based on base sales prices for the project of US\$20 per pound molybdenum and US\$204/mtu for tungsten. This study calculated an NPV for the project of A\$88 million (£55 million) based on an 8% discount factor and an average AUD/USD exchange rate of 0.73%. After a period of weak metal prices tungsten is trading at US\$340/mtu and although the rally in the molybdenum price has been more sluggish it is just 15% adrift from the level used in the DFS. The vastly improved tungsten price should allow analyst to become more optimistic about the future potential of Molyhil as the project is reconfigured on the back of a likely increase of resources. A lot of costs may have changed significantly since the DFS was published, however even if Molyhil is currently worth only a fraction of the NPV contained in that document, this value of this project seems to be unreflected in the Company's current market capitalisation. Growing appreciation of this project that has already been brought to the brink of production and is fully permitted, following the updating the feasibility study at Molyhil could become a big driver to the share price this year.

During the past twelve month as the gold price has risen, valuations in the sector have become elevated; and by comparison Thor seems to have rather been left behind. Certainly our analysis shows that when the above elements are added together, it is not too difficult to place a valuation of £20 -£25 million on the various elements of the business, which at the top of the range would equate to a target price of 5.1p. We initiate coverage with the recommendation of Speculative Buy at 2.38p with a target price of 5.1p.

### Forecast table

Year to 30th June	Sales (£000)	Pre-tax Profit (£000)	Earnings per share (p)	Price Earnings Ratio (x)	Dividend (p)	Yield (%)
2008A	0	(1,077)	(0.76)	NA	0	0.0
2009A	0	(1,230)	(0.77)	NA	0	0.0
2010A	0	(1,762)	(0.79)	NA	0	0.0
2011E	0	(2,000)	(0.31)	NA	0	0.0

Source: Growth Equities & Company Research

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