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Thor Mining's Definitive Feasibility Study At The Molyhil Tungsten Project Remains On Track For Completion By The End Of November

By Alastair Ford

"I'm relatively confident that by the end of November we're going to be able to trumpet numbers." So says Mick Billing, chairman of Thor Mining, in relation to the ongoing definitive feasibility study at Thor's Molyhil tungsten-molybdenum project in Australia's Northern Territory.

The company released an update on progress in the second week of October, and this confirmed that on a resource base of around 1.4 million tonnes, and based on a throughput of around 400,000 tonnes per year, Molyhil has the potential to produce at a margin of around A$98 per tonne. It's not big; perhaps it's not even beautiful; but it should be nicely profitable.

Much depends though, on what happens to the tungsten price over the next few years. Thor uses a base case US$460 tungsten price in its Molyhil study, which is very approximately where the price sits now. However, it then applies a 23 per cent discount because, as is standard in the tungsten industry, Molyhil will produce a concentrate which will need upgrading into the marketable form of tungsten, known as APT or ammonium paratungstate.

"Some people say we're a bit bullish about the price", says Mick, "but we're also being conservative when it comes to the discount". But even if Thor is bullish, it's not the only bull around. All the tungsten juniors have benefitted lately from an uptick in the tungsten price that's been a direct consequence of structural changes in the global economy.

"There appears to be a real hunger in the market for tungsten at the moment", says Mick. That's because China, once the world's major exporter, has become a net importer. The world's fastest growing economy needs a lot more of the world's hardest metal, and as a result tungsten buyers the world over are having to pay higher prices.

In other industries, such a dynamic would raise the spectre of substitution. But not tungsten. The price may be going up, but the cost of tungsten relative to the overall costs of any given project remains small. What's more it's not entirely clear what the substitute would be. How do you substitute a superlative.

All of which means that Molyhil's long wait on the sidelines of the mining industry is about to come to an end. "It looks", says Mick, "as if it's about to have its day". He's already had to pull the plug once, back when the financial crisis was undermining anything that moved. But this time round he's pretty sure of his ground. "This study is about what we know we can deliver", he says. "At 1.4 million tonnes it's a modest resource, but it'll be profitable."

He's not long back from Japan when he picks up the phone in Adelaide to give Minesite all the latest news, and he's shortly set for a trip to China. And his jet-setting is only likely to continue once the definitive study is delivered in November, as that'll be the time he'll have to turn his thoughts in earnest towards securing the A$66 million that it'll require to get Molyil up and running.

In the end, it may cost less. "We think the capital cost is probably quite conservative", he says. "We think there's room for improvement." But there's no harm in having a reasonable margin of error on a project like this. In the tungsten space, it's increasingly the end users who are buying into projects, as they look to lock up supply in the face of the demand pressures from China. Sometimes they buy into projects outright. Sandvik, for example, now owns its own tungsten mine, from which it sources the tungsten it needs to manufacture its range of cutting tools and drillbits. More often, though, they will sign a standard off-take agreement in return for a large up-front payment.

These days, in tungsten, if not in some of the other metals, it can be a seller's market. But anyone buying into a project like Molyhil will still want to know about growth. There is, says Mick, sufficient ore to justify production from underground. There's also enough further to develop the open pit, as recent drill results have confirmed. But at this stage, Thor isn't in a position to hang economic studies around that mineralisation. The priority now is to deliver an economic, producing tungsten mine in double quick time.

In the meantime, there's also the ongoing drilling work at the Spring Hill gold project to consider, where a 274,000 ounce resource remains open at depth. The current work is aimed at establishing just what lies beyond the 130 metres that Spring Hill was previously drilled to.

And it'll be interesting to see what happens if the company hits some big additional zones. Mick says he doesn't see any conflict in running tungsten and gold together inside the same company. And certainly at the moment, they look to be two of the best performing metals around.