

17th January 2012

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Thor Mining - Good newsflow expected in 2012 - recommendation of Speculative Buy at 1.25p with a 3.9p target price

Thor Mining is focused on gold and base metal projects in Australia. The company is best known for its Molyhill tungsten and molybdenum project currently being advanced through the Definitive Feasibility Study (DFS), the results of which are expected to be announced in February. At the same time the team is evaluating two gold projects, Spring Hill and Dundas, each of which has serious potential to become a multi-million ounce play. The more advanced Spring Hill Gold Project was only acquired in January 2011. Spring Hill not only has a JORC resource but also a scoping study and metallurgical test work which were carried out in 2008. The deposit has been partially evaluated and the mineral processing circuit design and mill costings are already in place. The move into gold was accompanied by appointment of Trevor Ireland as a Director. Trevor was involved in both the discovery and development of Callie Project in Northern Territory which has 5 million plus ounce gold resource. At Spring Hill, the mineralisation has only been drilled to 150 metres deep at the most and in the coming season the potential for Callie-style mineralisation will be tested by drilling far deeper holes.

Key Data	
EPIC	THR
Share Price	1.25p
Spread	1.20p -1.30p
Total no of Shares	639,762,950
Market Cap	£8 million
12 Month Range	0.95p - 4.18p
Market	AIM
Website	www.thormining.com
Sector	Mining
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Over the years the 100%-owned Molyhill tungsten-molybdenum project has seen its fair share of trials and tribulations; but this project has been brought to the point of production in the past. A collapse in metal prices during the global economic crisis saw such plans gather dust. However with improved tungsten and moly prices, the DFS is being updated using lower capital cost plant, contract mining and probably a more extensive resource model following a successful drilling programme. An independent metallurgical assessment of the proposed tungsten processing system for Molyhill has recommended that an additional stage be added in the mineral processing system to improve the previous 67% recovery estimate. Adding a flotation step after the gravity recovery process would extract very fine tungsten particles that do not respond well to gravity separation methods. This is certainly a prize worth pursuing as each and every additional one per cent improvement in tungsten recovery would add A\$0.9 million in gross revenue per annum. Molyhill has a clear value in today's market, which will be demonstrated when the DFS is published in February 2012 once the potential for enhanced recovery and the implications for capital and operating costs have been quantified.

At the Spring Hill Gold Project in the Northern Territory, Thor has an earn-in deal which will allow its stake to rise to 80%. This project came with 274,000 ounces of gold JORC resource but the team is seeking a far greater prize at depth, where its experts believe there is the chance of Callie-style mineralisation. Ahead of the wet season, six holes out of a planned ten-hole programme were completed, where the highlights included hole SHDDD004 with 4.7 metres @ 5.75g/t from 25 metres down including 0.7 metres @ 36.2g/t as well as further gold assays at below the 100 metres level. The drilling results clearly showed potentially economic mineralisation extending at least 100 metres below the historical resource drilling. On top of that there was good correlation between diamond drill holes and the historical reverse circulation gold intersections found in the upper levels. Moving ahead at Spring Hill, this year the team will be evaluating the potential for profitable production and preparing for the deep drilling in search of the Callie-style model as well as additional drilling near surface targets. All of this suggests that in the future a far larger JORC resource could be identified.

The Dundas Gold 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 enviably situated, lying within the general strike extension of the Wiluna-Kalgoorlie-Norseman green stone belt thought to be the most gold rich part of the whole Yilgarn province. 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. Dundas is a greenfield opportunity which may actually be within this new mineralised region that has seen little exploration attention to date - all due to being part of a nature reserve where exploration was banned. The board believe that Dundas shares the same geological environment as Tropicana. The similarities are

startling as work carried out by Thor has led to discovery of carbonate soil geochemical anomalies of a similar size and intensity to those found at Tropicana in its early days. Work for 2012 will kick off with further geochemical /calcrete sampling as well as the preparation for follow-up air core and RC drilling.

The flight from risk has hit many small cap resource stocks hard, but few worse than Thor Mining, where the share price plunged 75% and really begs the attention of investors. Thor Mining 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. The coming twelve months promise some really healthy newsflow which would appear to kick off with an updated resource estimate for Molyhil followed by the results of the Molyhil DFS a few weeks later and then further drilling results. We reiterate our recommendation of **Speculative Buy** at 1.25p with target price of 3.9p.

Forecast Table

Year to 30 June	Sales (£ 000)	Pre-tax Profit (£ 000)	Earnings Per Share (p)	Price Earnings Ratio (x)	Dividend (€)	Yield (%)
2009A	0	(1,230)	(0.77)	NA	0	0.00
2010A	0	(1,762)	(0.79)	NA	0	0.00
2011A	0	(2,852)	(0.65)	NA	0	0.00
2012E	0	(3,000)	(0.50)	NA	0	0.0

Source: Growth Equities & Company Research

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