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Leaders in Corporate Research

Tel: 020 7929 3399  
Fax: 020 7929 3377

www.hardmanandco.com  
email: research@hardmanandco.com

4 -5 Castle Court  
London EC3V 9DL

## Thor Mining PLC Molyhil Development in Sight



6.75p

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Thor Mining is planning to make some dramatic and highly favourable changes to the economics of its Molyhil molybdenum-tungsten project. Also drilling is about to commence at its Bunday River uranium exploration project. A strengthened management, with well known chartered accountant Mick Billing installed as chairman by new shareholder Western Desert Resources, is behind the changes. The new management expects to cut costs projected in the feasibility study through the introduction of the BOOT (Build, Own, Operate, Transfer) financing strategy. The re-engineering strategy would result in the following:

- Planned reduction in capital cost of the Molyhil venture from AUS\$63m in the Feasibility Study to a hoped for AUS\$25m approximately..
- Furthermore all the capex will end up on the boot company's balance sheet, rather than the Thor balance sheet.
- The original Feasibility Study on the venture may have been over-engineered – there is plenty of scope for reducing costs by a team that knows its way around bringing new mines into production in Australia. The existing Thor management has plenty of that. The new chairman, Mick Billing is an accountant with over 30 years of mining industry experience involving project start ups and cost cutting.
- Savings can be made by using a 'boot mining' system rather than doing everything itself. This makes sense considering that the project has a short mine life. Leasing or using someone else's production equipment is a suitable option for the project.
- Reducing capital costs by boot mining (or toll mining) will probably mean higher operating costs as the contract mining company will need to be able to make a profit.
- Thor is also considering employing the same financing strategy for the power supply, which could further reduce its upfront capital requirements.

<b>Share Price:</b>	6.75p
<b>12m High:</b>	16.5p
<b>12m Low:</b>	4.55p
<b>Market Cap:</b>	£10m
<b>Shares in Issue:</b>	149.47m +65.5m options
<b>Gearing:</b>	Nil
<b>Interest Cover:</b>	n.a.
<b>EPIC Code:</b>	THR
<b>Sector:</b>	Mining
<b>Market:</b>	London AIM/Australian Stock Exchange dual listing
<b>Nominated Advisor:</b>	Blomfield Corporate Finance +44 (0)20 7512 0191
<b>PR:</b>	Conduit PR +44 (0)20 7429 6600
<b>Website:</b>	www.thormining.com

**Analysts:** Gift Rukezo/Roger  
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- The mine extraction plan is currently in two stages. A very high return first stage with a capital payback of possibly within 18 months, and a second stage of 2 ½ years with a lower rate of return. Thor Mining will however have to re-evaluate the project in the second stage against the economic conditions at that time.
- A third stage to the mine is currently being examined. There will be further drilling to see if there is a possible ore extension at depth. This may involve deep mining, rather than open pit as is planned at the moment.
- Logistics of operation are not brilliant but should not be too bad. Several other mining projects in the broad area of Molyhil have not progressed because of logistics issues. Thor may be able to pick up, or JV its way into these projects, once it has some kit and some employees on site.
- Other prospects include Hatches Creek, to the North, which has tungsten and some gold and copper. There were aboriginal issues there, but they have recently been resolved. Drilling will start as soon as a rig can be obtained – hopefully in H2 2008.
- There are uranium plays in other Thor territories that will probably form the basis of further drilling, for possible development once cash from Molyhil is flowing. Meanwhile, drilling at the Bunday River project has just started under a JV agreement.
- The deal with CITIC (Chinese Gov trading organisation) to buy the Moly and Tungsten has been confirmed. We have seen the off-take terms and they are reasonable, at a modest discount to the market. This is a base price deal. Thor has the right to sell elsewhere if it is offered more, though it does have to offer Citic the right to match the new buyer's price.
- The loose stock issue created by the collapse of the Australian stockbroker Opes Prime has been resolved. Western Desert Resources (ASX:WDR), which has put Mick Billing, a well known accountant with considerable experience in cutting costs in mines, on the board as chairman, picked up its 16.7% stake from other sources.
- Money isn't tight, but we suspect that given the opportunity Thor would be happy to raise a little extra capital, as long as the discount to the current share price was very narrow or non-existent. If this proves to be the case, we would expect to see a big Australian name come in as a subscriber, rather than relying on traditional equity sources.

The coming of WDR and Mick Billing has been good for the Molyhil project. This should enter into production in 2009 with reasonable profit. Thor is upbeat about the project as it believes this property to be undervalued when compared to its peers.

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