

Thor Mining PLC 1.30p

Recovery up. Revenue up. Costs down.

24 January 2012

Share Price: 1.30p



12m High: 4.80p
12m Low: 0.85p
Market Cap: £8.5m
Shares in Issue: 639,762,950
 639,762,950 fully diluted

Debt: Nil
Cash at Hand (31/12/11) £0.3m
Current Exploration Phase ~ £400,000

LSE Code: THR
Sector: Mining
Market: AIM/ASX
Website: www.thormining.com
Broker: Simple Investments

Company Contact:

Description: Greenfields gold exploration in Australia with a fully permitted tungsten/molybdenum mine ready to finance

Analyst: Ian Falconer

Tel: 020 79293399

Email: research@hardmanandco.com

Dual-listed Thor Mining (AIM, ASX:THR) has just updated the market with a key metric for its Molyhil Mine.

On January 11 we wrote that Thor was delaying DFS publication in order to include a revised metallurgical figures. Those figures have now been published and are at the high end of our own estimates. We forecast a possible maximum tungsten recovery increase of 10%, the actual figure jumps from 67% of contained tungsten recovered to 75%. This is a 12% increase from the recovery rate used in the first Definitive Feasibility Study and equates to an additional A\$7m per year revenue over Life Of Mine (LOM).

This increase is being achieved by the addition of a simple flotation circuit at the end of the current gravity circuit.

Once molybdenum credits have been taken into account the cash cost per mtu (metric tonne unit or approx. 10kg) of tungsten produced falls from ~\$130/mtu to \$109/mtu. A 7% drop in estimated production costs.

This may have an additional benefit, yet to be seen, if the mine plan is designed against cash cost for the prime product rather than grade. Thor's news release suggests that this will be the case and that the reduction in cash costs will bring extra material into the mine plan, so extending the mine life and increasing gross revenue.

Obviously the higher recovery and lower production cost per unit are great news for the fully permitted Molyhil as it stands, but getting the life of mine up makes sales significantly easier, increasing the grade of the tungsten concentrate increases the proportion of spot prices that it can command and finally the combination of increased concentrate grade and increased LOM makes financing to get the mine into production much easier for both sides of any deal to make.

We have already suggested that we expect some two years of mine life increase from recent drilling resulting in additional resource being brought up into the mineable reserve. There is, perhaps, another year or possibly two of material that would have been open pit mined to get at deeper ores but rejected at grade control. That material will now be processed as a result of the cash cost drop. This could have a significant secondary impact on the LOM economics.

Thor is a sub-£10m company that owns a fully permitted mine and it is still managing to find extra (theoretical) performance from that asset. The re-worked DFS is now due in February 2012. If it includes a scheduled life of mine of over 7 years we believe that the management deserves a prize for squeezing the deposit until the pips squeak. It is difficult to see where any additional value can be found in the open pit phase of this asset.

Y/E	Group Sales	Declared Profit	Adjusted Profit	Adjusted EPS	P/E ratio	Divi	Yield
	£ 000s	£ 000s	£ 000s	p/sh		£	%
2009A	0	(1,230)	(1,100)	(0.77)	N/A	N/A	N/A
2010A	0	(1,762)	(588)	(0.79)	N/A	N/A	N/A
2011A	0	(2,852)	(1,498)	(0.65)	N/A	N/A	N/A
2012E	0		No	Estimates			

Disclaimer

The conclusions and opinions expressed in the investment research accurately reflect the views of the first named analyst. Hardman & Co provides professional independent research services and the companies researched pay a set fee in order for this research to be made available. While the information in the research is believed to be correct, this cannot be guaranteed. There are no other conflicts of interest.

Neither Hardman & Co nor the analysts responsible for this research own shares in the companies analysed in this research note. Neither do they hold any other securities or derivatives (including options and warrants) in the companies concerned. Hardman & Co does not transact corporate finance and therefore does not earn corporate finance fees. It does not buy or sell shares, and does not undertake investment business either in the UK or elsewhere.

Hardman & Co does not make recommendations. Accordingly we do not publish records of our past recommendations. Where a Fair Value price is given in a research note this is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price.

Our research is issued in good faith but without legal responsibility and is subject to change or withdrawal without notice. Members of the professional investment community are encouraged to contact the analyst concerned.

This research is provided for the use of the professional investment community, market counterparties and sophisticated and high net worth investors as defined in the rules of the regulatory bodies. It is not intended to be made available to unsophisticated individuals. In the UK, any such individual who comes into possession of this research should consult their properly authorized professional adviser, or undertake one of the 'self certified' sophisticated investor tests that are available.

This research is not an offer to buy or sell any security.

Past performance is not necessarily a guide to the future and the price of shares, and the income derived from them, may fall as well as rise and the amount realised may be less than the original sum invested. For AIM and PLUS shares, it is the opinion of the regulator that risks are higher. Furthermore the marketability of these shares is often restricted.

This document must not be accessed or used in any way that would be illegal in any jurisdiction.

In some cases research is only issued electronically and in some cases printed research will be received by those on our distribution lists later than those receiving research electronically.

The report may be reproduced either whole or in part on condition that attribution is given to Hardman & Co, and on condition that Hardman & Co accepts no liability whatsoever for the actions of third parties in this respect.

Hardman & Co is not regulated by the Financial Services Authority (FSA).

© Hardman & Co.

Hardman & Co

4-5 Castle Court
London
EC3V 9DL
United Kingdom

Tel: +44(0)20 7929 3399
Fax: +44(0)20 7929 3377

www.hardmanandco.com

