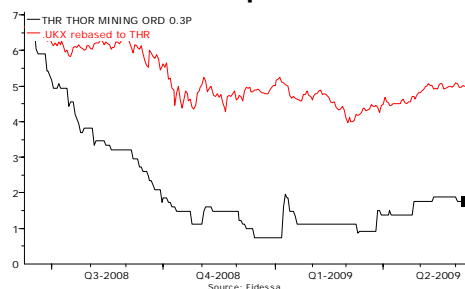


**Thor Mining 1.625p**  
Successful Capital Raising

16 June 2009

**Share Price: 1.625 p**



**12m High:** 8p

**12m Low:** 0.5p

**Market Cap:** £4m

**No. of Shares after placing :** 216.47m + 5.4m out-of-the-money options

**NAV/Share:** 4p after placing

**Gearing:** Nil

**Interest Cover:** n.a.

**EPIC Code:** THR

**Sector:** Mining & Exploration

**Market:** London AIM

**Broker:** Daniel Stewart +44 (0)20 7776 6550

**PR :** -

**Website:** www.thormining.com

**Description:** Thor Mining is an Australian based junior exploration company with a medium size, good grade Molybdenum/tungsten/magnetite property, and some interesting uranium prospects.

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**Tel:** +44 (0)20 7929 3399

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Thor Mining has announced a successful £0.45m capital raising subject to approval by a shareholder meeting on 8 July. The company will use the money to drill its Hatches Creek tungsten and gold project in Northern Territory, Australia, following surface sampling that yielded results the company describes as 'exciting'.

The Hatches Creek area contains a number of old workings, which has both positives and negatives from the exploration point of view. The surface sampling grades are good, however – 7.24 g/t of gold and average Tungsten grades of 2.19%, plus some copper. Drilling starts in September. This is a great time to be drilling. The gold price is at its all-time high yet rig costs are 40% lower than two years ago.

This gives investors something to look forward to short term while waiting for the molybdenum price to recover. We continue to view the Molyhil Mo/Wo3 prospect as Thor's key project, and believe that all the economic indicators point to a likely doubling of the Molybdenum price over the next two years. The work that Thor's new management team has undertaken on reducing the cost base at Molyhil is impressive. We await a new mine plan. Citic (a Chinese State company) is signed up as lead customer.

The placing has been fully subscribed and has taken place at 1p per share, the same price as the previous capital raising and a 43% discount to the share price immediately before the announcement.

Thor shares have risen strongly since our last research note and we continue to rate the company above the normal run of 'junior' explorers.

Y/E	Group Sales	Declared Profit	Adjusted Profit	Adjusted EPS	P/E ratio	Divi	Yield
June	£m	£m	£m	p.		p.	%
2007A	0	-1.4	-1.4	-1.27	-	0	0
2008A	0	-1.1	-1.1	-0.76	-	0	0
2009E	No Estimates						
2010E							

## The Capital Raising

Thor has agreed to raise UK£450,000 by the issue of 45m new shares at 1p. This will lead to a cash inflow to Thor, after costs, of approximately £400,000. No new warrants or options have been issued.

The shares have been subscribed by two private client brokers specialising in penny stocks, City Equities and Wills, plus a number of other investors whose names have not been revealed. Both City Equities and Wills have been keen supporters of earlier Thor Mining share issues, and are likely to sell on the shares to their private investor clients.

Thor has stated that it will use the capital to conduct further engineering studies to confirm cost savings on the Molyhil tungsten / molybdenum project, for further drilling at Hatches Creek, assessment of the base metal potential of the Harts range tenements and to supplement working capital.

## Molyhil – The Deposit

Additional drilling was undertaken on the Molyhil site in January. The key objective was to investigate an anomaly outside the proposed pit boundary which had the potential to substantially increase the size of the resource. We always thought this was a bit of a long shot – Molyhil is essentially a volcanic plug, and these usually have pretty tightly defined boundaries. So it proved, the drilling ‘failed to intersect any significant mineralisation’. Any extension to the resource is much more likely to be at depth.

**‘this is a mine in waiting’**

The infill drilling to tighten up the resource calculation was positive however. All holes drilled *within* the proposed pit encountered significant widths of MoS<sub>2</sub> and Wo<sub>3</sub> mineralisation. In its March 2009 Quarterly Report, published on May 1, Thor stated that it expected to use these drilling results to draw up a revised resource calculation, to be published in May 2009. We are still waiting for that, but as exploitation of the Molyhil deposit will be dependent upon a revival in the Mo price, there is no rush.

The Tungsten in the deposit is also valuable. A further source of revenue will be magnetite, which Thor Mining’s management intends to sell for coal washing. Magnetite sales have additional benefits because every tonne sold means one less tonne of spoil to relocate.

Even before this the Molyhil deposit had been drilled out to JORC compliant standards and had been subject to a Definitive Feasibility Study. Molyhil long ago passed from an exploration hope to being a ‘mine in waiting’, and as soon as the Mo price recovers we expect a Bankable Feasibility Study, some debt finance being put in place, and then production to start within a year of the go-ahead.

It should be pointed out that the resource remains open at depth, and possibly to the South. Also, the necessary environmental approvals and Traditional Owners agreements have all been obtained.

## Molyhil – The Cost Base

In the Definitive Feasibility Study completed two years ago, the capital costs of getting the Molyhil project to production were estimated at c. AUD65m. The company believes that following a great deal of hard work, and some help from the tougher economic climate, it will probably manage to reduce these to in the region of AUD45m. This will be achieved by contracting out much of the work, for example the power supply and the crusher and the operation of them will be let out on ‘Boo contracts’. This makes eminent sense for a company such as Thor with limited technical skills in-house, and especially when the mine life is likely to be as little as five years. Much of the kit will now be assembled in town and trucked to the site in container sized units, for example. This will obviate the need for much of the on-site accommodation that had previously been built into the plan, and keep down costs.

**‘AUD20m has been taken out of the cost base’**

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The Co. is looking at partnering with suppliers to reduce upfront capital costs, but of course losing some of the upside. No decision has yet been taken. The fall in the oil price is good news, because 20% of costs in the old DFS were for power.

It will cost very little to extract 20,000 tpa of <75 mu coalwashing grade. At \$100/tonne gross margin that is additional revenue of roughly \$A2m/yr, most of which will go to the bottom line, the only significant extra cost being transport. Technically it will be possible to get this up to 100,000 tpa = \$A10m/yr extra for a modest extra cost. There may not be a market for that much, but if Thor can sell 50,000 tpa for \$A5m p.a. additional revenue, that will be good news indeed. There will also be cost savings, because any magnetite sold reduces the size of the tailings, and also cuts the rehabilitation cost at the end of mining.

There are potential buyers for the magnetite, including a big far east trading house, which we understand has expressed an interest in buying the entire <75 mu output. This is a long way from a contract yet, but we find this encouraging.

Not only will the introduction of Boo contracts remove capital cost, they will help reduce the running costs. Thor's management estimates that it might reduce costs of ore treatment by as much as AUD20 per tonne. Given that the mine's output will be c. 400,000 tonnes per year, this means there is a possible saving on operating costs of AUD8m per year.

The 2007 estimates from Thor's management are that Operating Expenditure to run the mine will be US\$57/tonne. This gives a cash cost per lb of Mo of US\$7.80, and a cash cost per mtu of Wo<sub>3</sub> of US\$124.5. These figures are before including credits for the magnetite, and management are actively pursuing further cost reductions.

## Hatches Creek

Thor has three exploration licences covering 63m<sup>2</sup> in the Northern Territories, on Arrente Aboriginal Trust land. Mining took place here from 1913 to 1957, 16 groups of lodes have been identified, and in 2008 Thor undertook a rock chip sampling programme from old workings and abandoned stockpiles. The results were very good, but surface sampling from old workings can be misleading, so we will wait for the drilling results before taking a view. The grades ran to 1.98% Mo, 1.92% Cu, 7.24 g/t Au and 2.19% Wo<sub>3</sub> (not all from the same areas).

The Harts Range, which is also mentioned in the latest Thor statement as a possible area for attention, is a Uranium prospect. Thor would also like to explore the base metal potential here.

## Metal Prices

The price of Molybdenum has strengthened over the past three months, from US\$8 per lb to US\$10.50 per lb. This is a 17% increase, but even so Molybdenum is still trading at less than a third of the level it held consistently from 2004 to mid 2008. This price is too low to allow for any increase in future supply, because most molybdenum mining is probably unprofitable or only marginally profitable at this price, and this price certainly does not encourage the opening of new mines.

**'the molybdenum price has strengthened'**

There are two reasons why the price of molybdenum is currently so low. The first is that much demand emanates from China, and this demand has been much reduced. The second is copper mines that produce molybdenum (particularly in Chile) as a by-product have continued to produce molybdenum because it comes out of the ore with the copper. The underlying demand for molybdenum is strong, however, even if very few transactions have taken place in recent months. Molybdenum is being used in much greater quantities than in the past, in gas and oil pipelines in particular. The build-out of the trans-US gas grid, and the replacement of ageing US oil pipelines, all point to much greater molybdenum use in future years.

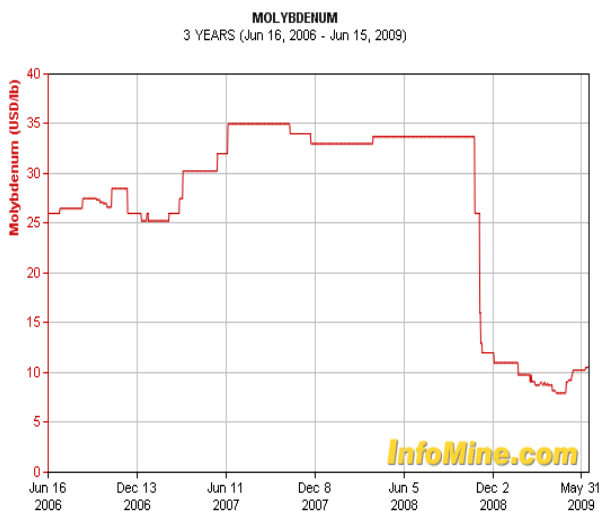
*We expect the price of Molybdenum to continue to rise over the remainder of 2009 and into 2010.*

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The Molyhil site also contains a great deal of Tungsten. The price of Tungsten has held up much better than that of molybdenum. Medium term, the price of Tungsten has been in the region of US\$35 per lb. Deals are currently taking place at US\$25 per lb.

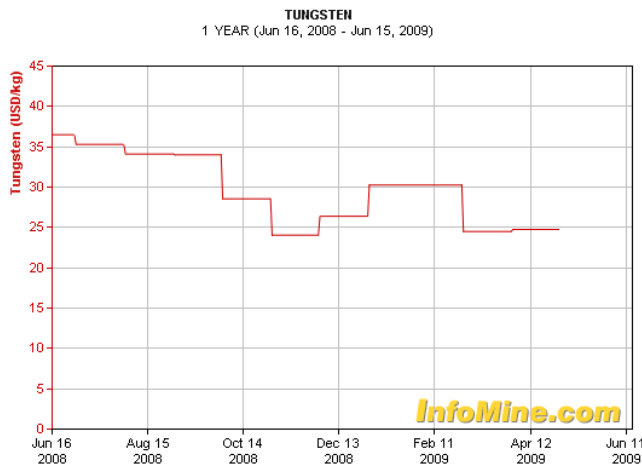
Neither Molybdenum nor Tungsten has a forward market, so there are no opportunities for either buyers or sellers to smooth out short term spikes in supply and demand. We have taken our pricing information from *InfoMine*, *Metal Bulletin* and *Metalpages.com*.



*The molybdenum price crashed in Q4 2008 and bottomed out in April 2009. It is now recovering, but is still only a third of the level at which it traded between 2004 and 2008.*

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*The Tungsten price has remained relatively stable in the face of the worldwide commodity wipeout. 85% of the world's Tungsten is produced by China, which has tight export quotas and bans foreign interests from investing in its Tungsten deposits.*

## Options

There are 5,455,000 options in issue. 5,000,000 of these have an exercise price of 18 cents (7p) and run until 15 September 2011, and the remaining 455,000 expire on 29 June 2010 and have an exercise price of 6p.

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Management	Major Shareholders
<p><b>Chairman:</b> Michael Billing</p> <p><b>Chief Executive:</b> Ian Sheffield-Parker <i>(not a director)</i></p> <p><b>Company Secretary:</b> Laurie Ackroyd (Australia) and Stephen Ronaldson (UK) <i>(neither are directors)</i></p>	<p><b>Western Desert Resources:</b> 14.6%</p> <p><b>Vidacos Nominees:</b> 7.3%</p> <p><b>Clients of Wills &amp; Co Stockbrokers:</b> 3.5%</p> <p><b>ANZ Nominees:</b> 3.6%</p> <p><i>(all shareholdings are before the new share placing)</i></p>
Key Dates	Key Milestones
<p><b>September 2009:</b> Full Year Results</p>	<p><b>2005:</b> Listing on AIM.</p> <p><b>2006:</b> Dual Listing on ASX.</p> <p><b>2007:</b> Definitive Feasibility Study obtained on Molyhil.</p> <p><b>2008:</b> Western Desert Resources acquires 16.7% shareholding and Michael Billing joins the board as Chairman.</p> <p><b>2009:</b> Modest equity capital raising in January and June</p>

## Thor Mining

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