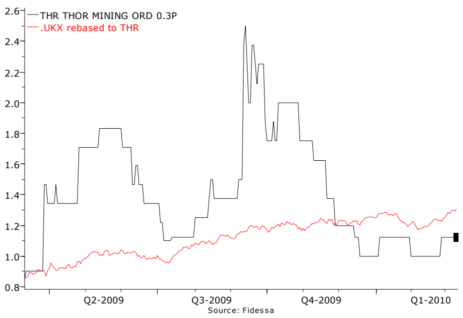
Thor Mining 1.125p

Interesting Junior Exploration Company

18 March 2010

Share Price: 1.125 p



12m High: 2.5p

12m Low: 0.9p

Market Cap: £3m

No. of Shares : 233m + 5m out-of-the-money options

NAV/Share: 3.6UKp

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 gold and base metal prospects.

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Interim results from AIM quoted Thor Mining show the first results of some sensible measures to control costs taken when the molybdenum price bottomed out at US$8/lb. Thor does not yet have a producing mine so a loss is inevitable, but investors should note that there are £1.04m of unrealized exchange differences in Thor are not included in the published p & l account. There is no debt and there was UK£0.3m of cash at end-December, which has since been augmented by a modest Australian share issue.

Of more interest to investors is the move into gold exploration announced at end-February. Its proposed acquisition of 340 km^2 of prospective gold territory in the Norseman area southeast of Kalgoorlie is cleverly structured. There have been some big finds in this region, notably the Tropicana deposit which is an ‘elephant’ at c. 5m oz. Further capital raising will be necessary in order to exploit this.

We expect at least one further gold prospect to be added to the portfolio.

We are pleased by the decision to recruit Trevor Ireland as a non-executive director. Ireland has a history of exploration successes, notably at North Flinders.

Meanwhile the molybdenum price has more than doubled from its low point and the tungsten price has been moving upwards as well. This still isn’t enough to make the Molyhil project economic, but is certainly encouraging.

Y/E	Group Sales	Declared Profit	Adjusted Profit	Adjusted EPS	P/E ratio	Divi	Yield
June	£m	£m	£m	p.		p.	%
2008A	0	-1.1	-1.1	-0.8	-	0	0
2009E	0	-1.3	-1.1	-0.6	-	0	0
2010E	0	-0.9	-0.7	-0.3	-	0	0
2011E	No	estimates					

Interim Results

Financial results are not the most exciting part of owning shares in junior mining companies, but that is not reason to ignore them. The Thor interim results for the six months to end-December 2009 show commendable control of the cost base.

'admin expenses have more than halved'

6m to end December UK£000	2009	2008
Revenue	0	0
Admin expenses	-105	-231
Corporate expenses	-219	-267
Other expenses	-67	-39
Total expenses	-391	-537
Impairment	-209	0
Interest Income	4	24
Other Income	62	13
Loss for the Period	-534	-500
Loss per Share	-0.25p	-0.33p

These results cover a period when the decision was made to put the Molyhil molybdenum/tungsten development into suspension pending recovery in metal prices, and the cost base was being reduced to match. Admin expenses were therefore more than halved. Corporate expenses were also reduced, and will fall further in the current, second half.

The impairment charge relates to some uranium exploration prospects that Thor decided not to pursue. It is a non-cash item. Stripping it out of the results gives an 'adjusted' loss per share of 0.15p rather than the 0.25p actually declared, and cash burn for the six months was only UK£306,000. At the end of the half there was UK£277,000 remaining in the company and since then a further UK£144,000 has been raised in a small share issue to sophisticated Australian investors, so availability of funds is not critical. However we do expect a further capital raising soon.

Interestingly, the strength of the Australian Dollar against the UK Pound has given rise to a UK£1.04m exchange translation gain.

The Dundas Gold Project

'the whole area has become a hot property'

Terms have been agreed for the proposed acquisition of 3 tenements covering 340km^2 in the Western Australian Goldfields. These are about 100km southeast of Norseman and are being named the Dundas Project.

Dundas is interesting for two reasons. The first is that the whole area has become a hot property because of the discovery of the 5m oz Tropicana deposit. The second is because so little prior exploration has been undertaken here – the tenements lie within the Dundas Nature Reserve, and access for mining has only recently been permitted here. No drilling has ever been conducted within the boundaries of the tenements. Only 40km^2 of the area has even been subjected to surface geochemical exploration, and this revealed anomalies comparable to that associated with gold mineralisation elsewhere in the Wiluna-Kalgoorlie-Norseman greenstone belt. Just to the North of the tenements a RAB drill found 1.1g/t gold at bottom hole – apparently this hole was very shallow, only c.30m.

'payments structured cleverly'

Thor's first job will be to undertake some sensible survey work on the three tenements. We believe it quite likely that RAB drilling may also take place by the end of this year. The approval process may mean that RC drilling is more likely to take place in 2011.

Thor has structured payments for Dundas very cleverly. First, it takes a 51% interest for the cost of AUD$100,000, something well within its budget. The remaining 49% can be acquired in three further stages, 9% then 20% and then the final 20%, on staged payment in shares, and subject to a certain minimum exploration spend. Thor will be under no obligation to proceed to 100% ownership – it can put the project into suspension at any time.

Dundas, therefore, costs Thor very little to start with, yet gives the company the prospect of eventual 100% ownership of something that in time might turn out to be very significant. In practice we expect Thor to farm out a percentage to larger, outside partners who can take over or share the project costs if the early survey and drill results prove encouraging.

There will need to be a shareholder vote before the acquisition can proceed, and we expect Thor to hold a General Meeting in London for this, probably in May. This may be accompanied, or followed shortly afterwards, by an equity fundraising.

Other Projects

'another project that is more advanced'

We understand that Thor is examining other projects in Australia, particularly gold projects, with the intention of adding a further prospect to its portfolio. We expect this next project to be further advanced and capable of drilling this year. In other words it will be the kind of project capable of adding some fizz to the share price.

Molyhil and Metal Prices

The four charts below and overleaf tell an interesting story that could have a considerable bearing on the economics of the Molyhil molybdenum/tungsten/magnetite development.

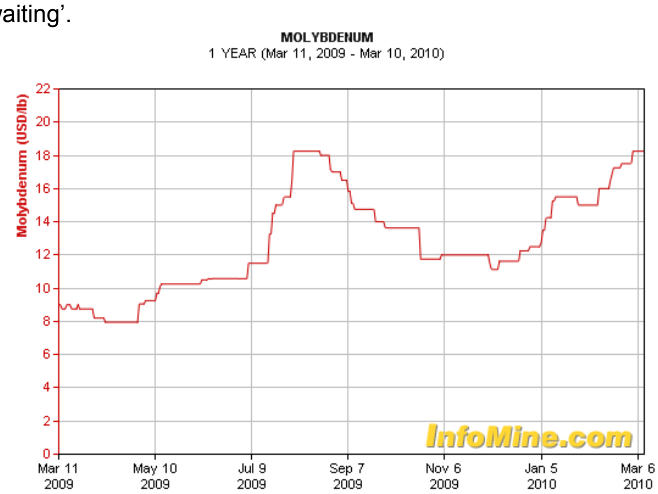
When we visited Thor in Adelaide this time last year, the molybdenum price had collapsed from US$35/lb to US$8/lb, and the economics of this otherwise very promising scheme had been totally undermined. Shortly after the molybdenum price staged a partial recovery, from US$8/lb to US$18/lb, before slipping back again almost immediately to US$12/lb, where it stayed for several months. Our view is that Molyhil needs a Molybenum price of c.US$25/lb, and similar upward price trends in tungsten and magnetite, in order to make economic sense.

'this is a mine in waiting'

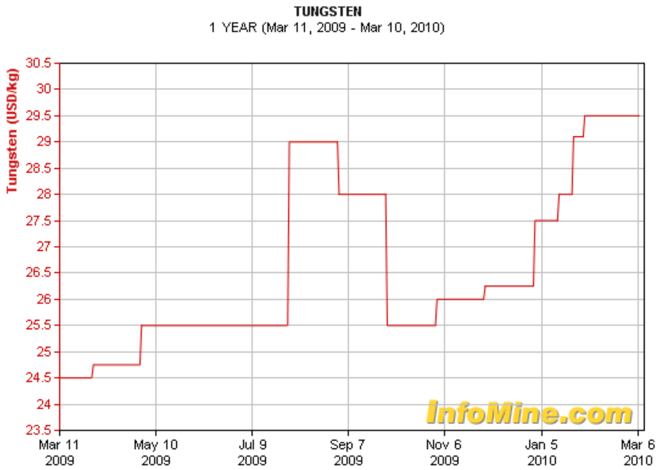
In recent weeks, however, molybdenum has come off the bottom, and is once again trading at US$18lb, with every indication that demand from the gas and oil pipeline industries and the nuclear industry will drive the price still higher.

Also, the tungsten price has been exhibiting a similar pattern, though not to quite such an extreme. Tungsten, like molybdenum, is largely used as in steel alloys to produce hardened steels. In the case of tungsten, the main usage is for the tooling industry. For both metals there are some interesting worldwide supply shortages building up over the coming years that suggest prices ought to trend higher.

These price movements emphasise that the Molyhil project is not dead, it is a 'mine in waiting'.



'Mo traded over US$40, dropped to US$8, and is now US$18'



'Tungsten peaked at US$40, is now US£28'

Management	Major Shareholders
Chairman: Michael Billing **Director:** Michael Ashton **Director:** Gregory Durack **Director:** **Nor**man Gardner **Director:** Trevor Ireland **Chief Financial Officer and Company Secretary:** Laurie Ackroyd (Australia)	**Western Desert Resources:** 10.7% **Pershing Nominees:** 7.3% **Vidacos Nominees:** 5.8%
Key Dates	**Key Milestones**
May 2010: Possible General Meeting to ratify Dundas acquisition **September 2010:** Full Year Results	**2005:** Listing on AIM. **2006:** Dual Listing on ASX. **2007:** Definitive Feasibility Study obtained on Molyhil. **2008:** Western Desert Resources acquires 16.7% shareholding and Michael Billing joins the board as Chairman. **2009:** Modest equity capital raising in January and June **2010:** Modest capital raising in January

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