

Thor Mining PLC

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Will tungsten be the next big mover after rare earths?

Estimates vary, but it's likely that China controls more than 80% of the world's tungsten production.

Some of the Chinese names in tungsten production, like Xiamen Tungsten Co Ltd (CH:600549) which is capitalised at over US\$3bn, are well known to mining industry specialists. But smaller Chinese operations which have nonetheless accounted for a significant portion of production to date, have by and large flown largely under the radar.

It's the fate of these companies that could provide the key to tungsten pricing in the medium term, since Chinese anti-pollution drives are highly likely to drive their product off the market.

In 2017, production curbs to the smaller, highly polluting producers drove the tungsten price up by around 50%.

And into 2018 it kept going higher until it hit a peak of US\$350 per metric tonne unit (mtu) in June.

Falling mine supply

Since then the trajectory has been largely downwards, as the market has adjusted to some extent to the curbs on supply, and as wider global economic growth has begun to slow.

But with the sky almost invisible in many Chinese cities it's not inconceivable that the authorities will put a further squeeze on tungsten production, alongside curbs on many other mining activities.

The effect on tungsten production is already marked. Global mine supply fell from 82,100 metric tons in 2017 to 82,000 metric tonnes in 2018, despite an estimated 5% increase in demand.

And it may get a further squeeze too, given that China is looking for leverage anyway against the USA in its ongoing economic struggle against Donald Trump's campaign of tariffs.

Relatively small market

How much of an impact that would really have is open to question though. Tungsten is a small market, estimated by Roskill to grow to around US\$8.5bn by 2025. At that level it would be just over half the size of the world's rare earths market, which is also relatively small.

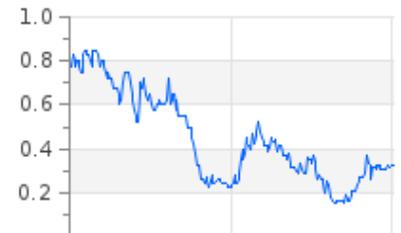
The world's copper market, by comparison, is said to be worth in excess of US\$260bn, and even that pales when it set against the size of the oil market, which is measured in the tens of trillions.

Still, for those with an eye for niche opportunities, tungsten could prove to be very profitable investment going forward.

Price: 0.325

Market Cap: £3.5 m

1 Year Share Price Graph



May 2019 November 2019 May 2020

Share Information

Code: THR

Listing: AIM

52 week	High	Low
	0.94	0.1301

Sector: General mining & base metals

Website: www.thormining.com

Company Synopsis:

Thor is an exploration and development company with an advanced tungsten / molybdenum project poised for development, a growing tungsten resource, an exciting copper development project, and an interest in a lithium exploration company. Thor is listed on the Alternative Investment Market (AIM) in London and the Australian Stock Exchange (ASX) both under the ticker "THR".

action@proactiveinvestors.com.au

To date production in the Western world hasn't exactly been roaring to plug the shortfalls left by the Chinese. In the past few years two major tungsten mines have closed, the Cantung mine in Canada, and the Drakelands mine in the UK, the latter of which closed even before it really got going. The biggest working tungsten mine outside of China is in Vietnam, not exactly the most recognised of destinations for Western mining capital, and even there production has been dropping, down from 6,600 mln tonnes in 2017 to 6,000 tonnes in 2018.

New generation of companies coming through

But a new generation of tungsten companies is now beginning to come through, attracted by the ongoing supply deficit, the growing demand, and the prospect for good margins.

Some big private equity players have been getting in on the act too, as is apparent from the major US\$100mln investment made by Oaktree Capital Management into Ormonde Mining's (LON:ORM) Barruecopardo project in Spain.

This project is now ramping up after a successful build out, and will be putting product into the market before long.

Not far away, also in Spain, W Resources (LON:WRES) is also ramping up new production from its La Parrilla mine, where the commissioning of a concentrator is expected within weeks.

Meanwhile, shares in Rafaella Resources (ASX:RFR) have risen more than 120% in the last month, after its deal to acquire the Santa Comba tin-tungsten project in Spain attracted interest from Transamine Trading, the world's oldest independent and privately held commodities trading company.

And still in Spain, Berkely Energia (LON:BKY) has announced that tungsten will one of the minerals it will target in new round of exploration to take place upon its recently enlarged portfolio.

Across the border in France Apollo Minerals (ASX:AON) is getting set to re-start production at the old Couflens mine in the Pyrenees, and is also casting an exploratory eye over the Aurenere project in Spain.

Over in Australia, where the exchange rate mitigates in favour of local mining, King Island Scheelite (ASX:KIS) is looking to restart a major old mine in Tasmania.

And Thor Mining (ASX:THR)(LON:THR) recently hit high grade tungsten at its Bonya project, held in 40:60 joint venture with Arafura Resources Ltd (ASX:ARU).

Bonya lies directly north of Thor's well-established Molyhil deposit, which was the subject of a definitive feasibility study completed at the end of last year. The company has also recently released the results of successful metallurgical testwork at the Desert Scheelite tungsten project in the USA.

And back in the UK Strategic Minerals Ltd (LON:SML) is in the final throes of acquiring 100% ownership of the Redmoor tin and tungsten project in Cornwall.

Stockpiles and trade war could impact price in the near term

With all these projects there may be some bumps along the way, of course. Broker SP Angel suspects recent tungsten price weakness may be down to the releasing of stockpiles held after the Fanya Metal Exchange collapsed in China in 2016.

How much more tungsten is held in the Fanya stockpile remains an open question, and could lead to downward pressure on pricing for some time to come. On the other hand, when the stockpile is cleared out there could be a significant bounce.

How much of a bounce depends partly on the state of the trade war between the US and China, and the market's sentiment towards any potential resolution. Tungsten demand is a function of wider economic growth in general, with the one caveat that if the Chinese do restrict supply then pricing could soar as customers scabble for what little product there is coming out of the West.

Whatever happens, it will be an interesting market to be in.

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Contact us +61 (0)2 9280 0700 action@proactiveinvestors.com.au

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