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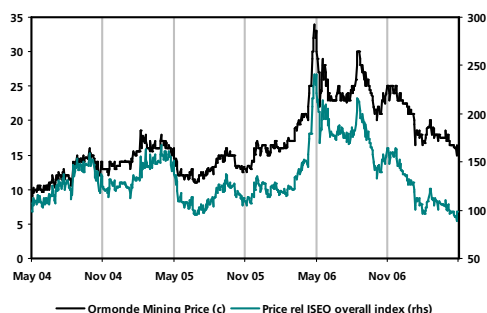
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**Share Price Performance****Company data**

|                             |                  |
|-----------------------------|------------------|
| Reuters/Bloomberg/Xetra     | ORM.I/ORM ID/ORQ |
| Sector                      | Resource         |
| Shares (m)                  | 168.5            |
| Daily No. Shares Traded (m) | 1.195            |
| Free Float (%)              | 100.0            |
| 52 Week High/Low            | 33/15            |

**Capital Structure**

|                        |      |
|------------------------|------|
| Mkt. Cap (€m)          | 27.8 |
| Net Debt/(Cash)        | 0.0  |
| Deferred Consideration | N/A  |
| Pref Shares/Non Eq Min | N/A  |
| Equity Minorities      | N/A  |
| E.V. (€m)              | N/A  |

**Recent research and research resources**Recent research and financial data on [Ormonde Mining](#)Sector research and data on [Resource](#)**Flash Note:** Company update**Ormonde Mining**

Price: 17c | Target: 35.0c | Issued: 25/08/05 | Previous: 45.0c | Issued: 11/01/05

**Drilling results suggest robust tungsten deposit****Latest drilling suggests a continuous tungsten resource**

- The latest drilling results from Ormonde's hard rock Barruecopardo tungsten project in Western Spain suggest continuity of the high grades reported in January.
- The grades and widths of mineralisation found to date compare favourably to those at currently producing international tungsten mines.
- Follow-up drilling to further test continuity and depth of mineralisation is ongoing.

**Plenty of scope for scale increases**

- The tested strike length is 400 metres, but the structure has been mapped over 800 metres.
- The deepest hole drilled to date has confirmed mineralisation at a depth of 140 metres; the deposit is open at depth.
- Assuming a 3-metre width to the mineralisation suggests a potential deposit of 0.5-1.0m tonnes of mineralised host-rock, depending on strike length. Further depth increases offer upside to this estimate.

**High margins make for attractive valuation**

- The grade, width and structural shape of this deposit could make it suitable for low-cost, high-margin mining.
- The proposed processing methods are very simple, cheap and reliable and offer high rates of tungsten recovery.
- Higher possible tungsten grades, better intelligence on mining and processing costs and more favourable tungsten pricing have led to a material increase in our valuation estimate for this project.
- Depending on the deposit size, we now estimate this project to be worth between 7c (0.5m tonnes) and 13c (1m tonnes) per share, assuming a commercial development.

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## Latest drilling implies continuity

- Ormonde Mining released drill results of two follow-up holes from its Barruecopardo hard rock tungsten project in the Salamanca area of Western Spain on May 10th.
- These results suggest that the tungsten vein targeted in earlier drilling is continuous over the strike length drilled to date.
- The tungsten grades shown in this testing (Table 1) compare favourably with international mines currently in production (Cantung, Canada: 1.17% WO<sub>3</sub>; Panasquiera, Portugal: 0.23% WO<sub>3</sub>).

**Table 1: Drill results for latest two holes**

| Hole      | Length (m) | WO <sub>3</sub> (%) | From (m) | To (m) |
|-----------|------------|---------------------|----------|--------|
| BAR-9     | 5          | 0.9                 | 119      | 124    |
| including | 2          | 2.1                 | 119      | 121    |
| BAR-10    | 2          | 1.5                 | 125      | 127    |

Source: Ormonde Mining

## Deposit remains open

- Drilling has been carried out over a 400-metre strike length to date. However, the structure has been mapped over 800 metres, indicating that there is significant potential for scale increases.
- Drilling is ongoing to test and better define the length, scale and continuity of the deposit. We currently estimate a deposit of 0.5m tonnes based on a 400-metre strike length. If mineralisation continues over the 800-metre structure, this figure increases to 1.0m tonnes.
- The deepest hole drilled to date has intersected mineralisation at a depth of 140 metres, and there is potential for scale increase through continued mineralisation at depth.

## Valuation is attractive

- Mechanised underground vein mining should be appropriate for this sort of deposit. We estimate a mining cost in the region of \$32 per tonne.
- Metallurgical test work will determine tungsten recovery rates; we anticipate that they could be in excess of 75%.
- The mined ore is processed by very simple, low-cost gravity techniques. Based on other Iberian tungsten operations, we estimate \$6.50 per tonne for crushing and mineral separation.

Based on a 0.9% average tungsten grade and 3-metre width, we estimate the project to be worth between 7c (0.5m tonnes) and 13c (1m tonnes) per share if it can be brought to production.

**Table 2: Assumptions used in valuation**

|                         |       |
|-------------------------|-------|
| Size of resource (mt)   | 0.5-1 |
| Mine life (years)       | 5-10  |
| Recovery rate (%)       | 75    |
| Tungsten price (\$/mtu) | 180   |
| Mining cost (\$/t)      | 32    |
| Processing cost (\$/t)  | 6.50  |
| Capital cost (\$m)      | 6.7   |
| Discount rate           | 8%    |

Source: Ormonde Mining; Davy

A metric tonne unit (mtu) is one-hundredth of a tonne

This valuation is very sensitive to tungsten grade. A grade increase to 1.25% raises the valuation to 12-21c per share. Conversely, a decrease to 0.75% reduces the valuation to 5-9c per share.

Our valuation for the project has increased since our last research note (January 11th) due to higher possible tungsten grades (0.9% versus 0.75%), better intelligence on mining and processing costs, and more favourable tungsten pricing.

## Ormonde valuation

Our updated Ormonde valuation is shown below (Table 3). This reflects our revaluation of the tungsten project and the exclusion of the tungsten tailings project.

**Table 3: Ormonde valuation**

|   | Euro cent per share |
|---|---------------------|
| La Zarza copper and gold                  | 18                  |
| La Zarza zinc                             | 6                   |
| Salamanca hard rock tungsten              | 7*                  |
| Cash                                      | 1.2                 |
| Total potential mining assets and cash    | 32.2                |
| Implied valuation of exploration projects | 2.8                 |
| <b>Target price</b>                       | <b>35</b>           |

Source: Davy

\*7c valuation is based on 0.5m tonne deposit; a 1m tonne deposit would be worth 13c per share

Our valuation assumes presently conservative metal prices of:

- gold at \$550 per ounce;
- copper at \$4,400 per tonne;
- zinc at \$2,000 per tonne.

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