



January 24, 2008

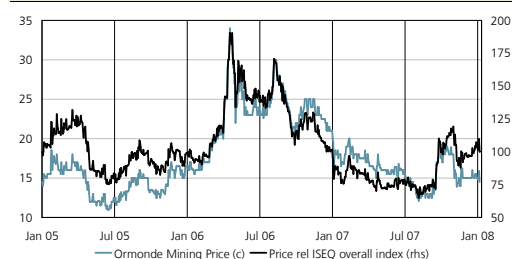
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Flash Note: Company update

Ormonde Mining

Price: 15c | Target: 35.0c | Issued: 25/08/05 | Previous: 45.0c | Issued: 11/01/05

Share Price Performance



Company data

Reuters/Bloomberg/Xetra	ORM.I/ORM ID/ORQ
Sector	Resource
Shares (m)	197.8
Daily No. Shares Traded (m)	0.408
Free Float (%)	94.8
52 Week High/Low	20/12.1

Capital Structure

Mkt. Cap (€m)	28.7
Net Debt/(Cash)	0.0
Deferred consideration	N/A
Pref Shares/Non Eq Min	N/A
Minority interests	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](#)

Tungsten project update; Order of Magnitude study indicates positive economics

Initial resource estimate in line with expectations; upside larger than anticipated

- Ormonde has announced a JORC-compliant inferred resource of 1m tonnes of ore at 0.7% WO₃ (tungsten trioxide).
- The deposit is open at depth and along strike. Ormonde is currently drilling with a view to increasing its resource to 1.5m tonnes in the near term (during H1 2008).
- The potential scale of the resource is 3-4m tonnes; we previously valued the project based on a 1.7m-tonne deposit.

Preliminary economic evaluation is positive

- The study suggests underground mining of 200,000 tonnes of ore per year to produce 90,000 metric tonne units of WO₃ per year. This would give Ormonde approximately 10% of the western world's global tungsten supply market.
- Ormonde estimates capital costs of the mine to be €10-15m.
- Net surplus cashflows are estimated to be approximately €5m per year.

We remain comfortable with our valuation

- In our earlier research note ("Two Spanish mining projects in sight," issued December 4th 2007), we attributed a risked valuation of 8p per share to the tungsten project based on estimated costs and a 1.7m-tonne ore deposit.
- Today's announcement gives us firmer guidance on scale and economics, and we remain comfortable with our valuation.
- The scale increases that we now believe possible point to potential upside from this valuation.

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Deposit scale increases

- The tungsten deposit at Barruecopardo in Spain has been expanded from three mineralised zones to five; all remain open at depth and in both directions along strike.
- Today's JORC-compliant estimate of 1m tonnes of ore should be seen as a preliminary figure and will almost certainly increase significantly as Ormonde continues its drilling programme.
- Through infill drilling along strike and at depth, Ormonde estimates that the resource target is of the order of 3-4m tonnes.
- The study also indicates potential for further scale increases as exploration continues in other mineralised zones.
- In the short-term, current drilling will inform Ormonde on likely mine design and should enlarge the resource to a minimum of 1.5m tonnes.

Preliminary economics are positive

- The Order-of-Magnitude study suggests an underground mining rate of 200,000 tonnes of ore per year, which would result in 90,000 metric tonne units of WO₃ production per year after taking into account recovery and mining dilution.
- Mining will be predominantly mechanised (cost c.€23/tonne) with occasional use of manual shrinkage stopping (cost c.€46/tonne).
- Capital costs of €10-15m will cover the development of an underground decline mine with a 28 tonnes per hour processing plant.
- Ormonde estimates net surplus cashflows of c.€5m per year based on \$180/mtu of WO₃, a recovery rate of 70-80% and a head mining grade varying between 0.6% and 0.7%.
- The projected production rate – approximately 10% of western world production – would rank Ormonde among the major tungsten producers outside China.

Feasibility phase to be completed in 2008

- We expect that Ormonde will be in a position to carry out more detailed mine design and cost studies after the current drilling is complete.
- It will not be necessary for Ormonde to exhaustively drill the prospect prior to commencing development.
- The company expects the evaluation/feasibility phase to be completed in 2008. We believe that Ormonde will subsequently seek to raise development capital.
- There are a number of options available to Ormonde in this regard, including forward product sales (the tungsten market is currently tight).

- We still expect to see tungsten production commencing at Barruecopardo in H2 2009.

Scale increases but grade falls; our valuation remains unchanged

- In December 2007, we valued the tungsten project at 8p per share based on our preliminary estimates of a deposit size of 1.7m tonnes and tungsten grade of 0.9%.
- Updating for increased scale (we now conservatively evaluate based on 2m tonnes), decreased grade (now 0.7% WO₃), and better visibility on costs, our valuation remains unchanged.

Stock remains undervalued

- We maintain our valuation of 23p (32c) per share for Ormonde. Today's statement, which comes less than nine months after the first tungsten exploration results from Barruecopardo, gives us confidence in Ormonde's ability to realise this value.
- The Bankable Feasibility Study from Ormonde's La Zarza project is nearly complete, and recent (November 2007) drilling on its gold exploration targets also yielded encouraging results.

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