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Molyhil Feasibility Study Confirms Viability of New Mine Development

4th December 2006

HIGHLIGHTS

- **Definitive Feasibility Study on Molyhil Tungsten-Molybdenum Project confirms viability of a 300,000tpa mining and processing operation.**
- **Thor has decided to proceed with the development which has a rapid capital payback and strong financial returns.**
- **Financial modelling for the project indicates a pre-royalty EBIT of A$117M over the first 4 years.**
- **A Net Present Value of A$88M discounted at 8% at an average AUD/USD exchange rate of 0.73.**
- **An Internal Rate of Return of 111%.**
- **Significant opportunities identified for reduction of CAPEX through the purchase of second-hand equipment.**
- **Further drilling planned for the first quarter of 2007, which is designed to increase the life of mine within open pit designs and to increase the resource at depth.**

Thor Mining PLC (ASX and AIM: THR) ("Thor") today announced the completion of a Feasibility Study on its 100%-owned Molyhil Tungsten-Molybdenum Project in the Northern Territory of Australia. The Study confirmed that the project is technically and economically viable, with strong financial returns and a rapid capital payback.

The Board has today agreed to proceed with a new mine development at Molyhil, subject to securing all necessary approvals, including a suitable offtake agreement; and completing financing arrangements in the first quarter of 2007.

The Definitive Feasibility Study (DFS), which was completed over the past 12 months, paves the way for the financing and development of the Molyhil Project during 2007. The Company is aiming to complete financing and offtake agreements during the first quarter of 2007. Thor is currently in discussions with a number of parties in relation to this, however, at this stage, no terms have been agreed. Construction is targeted to commence in May 2007 with first production in the first quarter of 2008.

The DFS confirmed the viability of a mining and processing operation based on a JORC compliant resource for the Molyhil deposit of 2.4 million tonnes grading 0.8% combined tungsten WO_3 and molybdenum MoS_2 to a vertical depth of 150 metres.

The operation would be based on an open pit mining operation and 300,000tpa process plant with an initial 4-year mine life. Drilling is planned in 2007 to extend the mine life both within the planned pit designs and at depth. This deep drilling is to be completed with a view to extending the life of the mine by underground mining at the cessation of open pit operations.

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Estimated recoveries based on metallurgical testwork of 67% for tungsten and 77% for molybdenum, the operation would generate two quality concentrate products, initially by flotation of molybdenum (MoS_2), followed by gravity separation and concentration of tungsten (WO_3).

The estimated capital cost is $A44.5 million, which includes both the Engineering, Procurement and Construction Management contracts and a contingency. The forecast total operating cost is A$94/tonne. The Stage 1 and Stage 2 open pits have been designed to optimise cash flow in the first year of production to take advantage of current strong commodity prices and achieve an early payback of capital.

Significantly, the DFS indicates that a capital payback period of less than 7 months can be achieved with the stage 1 pit, with the operation generating a positive pre-royalty cash flow EBIT of A$117 million over its initial 4-year life, using a base case sale price of US$20/lb of molybdenum and US$204/mtu for tungsten. At these base case prices the project has a Net Present Value (NPV) of A$88 million, an Internal Rate of Return (IRR) of 111%, and a capital payback of 7 months. The project financials are highly sensitive to commodity price changes. For example, if commodity sales prices reduce by 15% from the base case level then the NPV reduces to A$56 million and the IRR to 74% with a payback period of 11 months.

Thor has already secured key items of plant and equipment for the Molyhil development, including an option agreement to purchase a spirals plant and tables and a second-hand two-stage crushing circuit which was acquired last month at a significantly reduced cost compared with a new circuit. Additional metallurgical tests to further optimise the flotation conditions and concentrate grade and recovery forecast are recommended. No change to the current cleaning circuit is expected however further optimisation of the re-cleaning circuit is likely to reduce flowsheet complexity and possibly capital cost. A particular area of focus in the re-cleaning work would be the recovery of Mo in the -75 µm fractions, especially looking at separation of Mo from both Cu and Fe. As a result of this a discount of 20% to the current commodity prices has been applied to the financial model. Additional testwork focusing on the recovery of the fine tungsten, currently excluded from the flowsheet and recovery forecasts, is recommended and represents an upside recovery of 15%.

Based on the positive results of the DFS, Thor has decided to proceed with the Molyhil project, subject to determining a number of key outcomes, such as finalisation of the off-take agreement and finance package as well as State Government and Native Title approvals.

Commenting on the DFS results, Thor's Chief Executive Officer, Mr John Young, said: "We are very pleased with the outcome, which confirms the viability of a mining development at Molyhil to underpin Thor's transition to production next year. The DFS indicates a rapid capital payback and strong financial returns, with the key to this Project being rapid development to take advantage of current strong commodity prices."

"We have also identified several opportunities to significantly reduce the estimated capital cost through the acquisition of suitable second-hand equipment," he added. "This has the potential to enhance returns and improve the overall economics. Our focus now is on securing all necessary approvals and completing financing and off-take agreements over the next few months"

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Yours faithfully
THOR MINING PLC

John A Young
Chief Executive Officer

The information in this report that relates to exploration results, mineral resources or ore reserves is based on information compiled by John Young, who is a Member of The Australasian Institute of Mining and Metallurgy. John Young has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'

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APPENDIX 1

EXECUTIVE SUMMARY

The Molyhil Tungsten-Molybdenum Project (Molyhil Project) is a proposed open cut mine and processing facility to be constructed in the Northern Territory. The main objective of the proposed facility is to produce scheelite and molybdenite concentrate for sale.

Thor Mining PLC ("THOR"), through its wholly-owned Australian subsidiary Sunsphere Pty Ltd, owns 100% of the Molyhil Project, which comprises EL 22349, totalling 829 km^2 in area, and includes Mining Lease (ML) 23825 which covers the deposit (former open pit, waste dumps and Run-of-Mine stockpile). In 2004, THOR applied for ML 24429 to further extend the mining operation and recently MLA 25721 to cover the project infrastructure requirements. The combined mining lease applications cover an area of 247 ha.

The Definitive Feasibility Study report has been prepared by a number of consultants including Proteus Engineers, AMC and Golder Associates and covers the technical and economic feasibility of developing the Molyhil Project. The Definitive Feasibility Study (DFS) includes preliminary design, engineering and cost estimates for the mining, process plant and associated facilities for a 300,000tpa operation. The DFS Mineral Resources and Ore Reserve estimation was classified in compliance with the JORC Code. All prices are in Australian Dollars unless stated to the contrary.

The Ore Reserve estimate has been established through a series of mine optimisations and mine designs. The current pit model has proved and probable reserves of 1.094Mt at 0.21% (Mo) and 0.62% (W).

A two-staged pit design has been recommended, providing 201,621t of ore grading 0.26% (Mo) and 1.28% (W) in stage 1 and 892,237t of ore grading 0.20% (Mo) and 0.47% (W) in stage 2. Stripping ratios are 8.0:1 and 7.4:1 respectively. Mining is planned to be undertaken by conventional truck and shovel operations under contract mining arrangements.

The metallurgical testwork and resultant process flowsheet indicate the recovery of 889 tonnes per annum (tpa) of dry Molybdenite concentrate (77.0% Recovery of Mo) and 1,511tpa of dry Tungsten concentrate (67.20% Recovery of WO_3) at saleable specifications. Additional testwork is being commissioned to finesse the recovery/grade of both concentrates. No change to the current cleaning circuit is expected however further optimisation of the re-cleaning circuit is likely to reduce flowsheet complexity and possibly capital cost. A particular area of focus in the re-cleaning work would be the recovery of Mo in the -75 µm fractions, especially looking at separation of Mo from both Cu and Fe. As a result of this, a discount of 20% to the current commodity price has been applied in the financial model. Additional testwork focusing on the recovery of the fine tungsten, currently excluded from the flowsheet and recovery forecasts, is recommended and represents an upside recovery of 15%.

The suggested process flowsheet is a partial secondary crush SAG comminution circuit, followed by flotation to produce a molybdenite concentrate. A final stage of flotation removes pyrite prior to a gravity separation of the tungsten concentrate, with subsequent magnetic and high tension separation of the dried tungsten primary concentrate to reject the remaining magnetic and conducting minerals to produce a saleable tungsten concentrate.

Geochemical testwork on representative tailings samples has been commissioned with results anticipated in January 2007. Provision has been made in the design of the tailings storage facility for the installation of a liner and underdrainage system if geochemical testing of the tailings and tailings liquor indicate that the installation would be required.

The cost of three subsequent 1.5m lifts to contain the final tailings volumes has been included in the operational costs.

While it is anticipated that the project will require a formal assessment through a Public Environmental Review, no environmental or heritage concerns have been identified that cannot be managed within the framework of an Environmental Management Plan.

The estimated capital cost for the Molyhil process plant and facility, including an allowance for contingency, EPCM and Owner's costs is A$45.5 million. No allowance has been made in the base case for escalation over the project life. The effect of escalation on the capital cost is illustrated in the sensitivity analysis.

The capital cost of the project has been reduced through the use of BOO contracts to provide the accommodation village, power station, fuel storage facilities and support buildings. These costs are reflected in the process plant operating cost which has been estimated at A$63.10/tonne of ore treated. The average operating cost of the mining operation has been estimated at A$31.04/tonne of ROM ore produced.

In addition, there are also opportunities to reduce the direct capital cost of the process plant and facilities by A$3.6 million through the use of second-hand equipment or by reducing design and construction specifications due to the relatively low project life required.

The operating cost includes transporting the concentrate to Darwin Port, but no allowances have been made for any shipping or handling charges ex Darwin Port as no definite sales arrangements have been agreed to date.

The Base Case scenario uses the following assumptions:

- A constant Molybdenum price of US$25 per pound less 20% discount.
- A constant Tungsten (APT) price of US$255 per mtu less 20% discount.
- No allowance for taxation, Northern Territory Government royalties or Central Land Council royalties.
- A commission of 0.75% paid on revenue received.
- Capital expenditure of A$45.5 million inclusive of A$1.0M of owner's costs, EPCM and a 10% contingency.
- Salvage value of the plant and equipment is assumed to be sufficient to meet final closure obligations.
- Operational insurances and duties are assumed to be $500,000 pa.
- Discount rate 8% and an average AUD/USD exchange rate of 0.73 has been used
- 100% equity finance.

Based on these assumptions the project has a Net Present Value (NPV) of A$88 million, an Internal Rate of Return (IRR) of 111%, and a capital payback of 7 months. The project financials are highly sensitive to commodity price changes. For example, if commodity sales prices reduce by 15% from the base case, the NPV reduces to A$56 million and the IRR to 74% with a payback period of 11 months.

The DFS confirms that the project is technically and economically viable and it is recommended for development.

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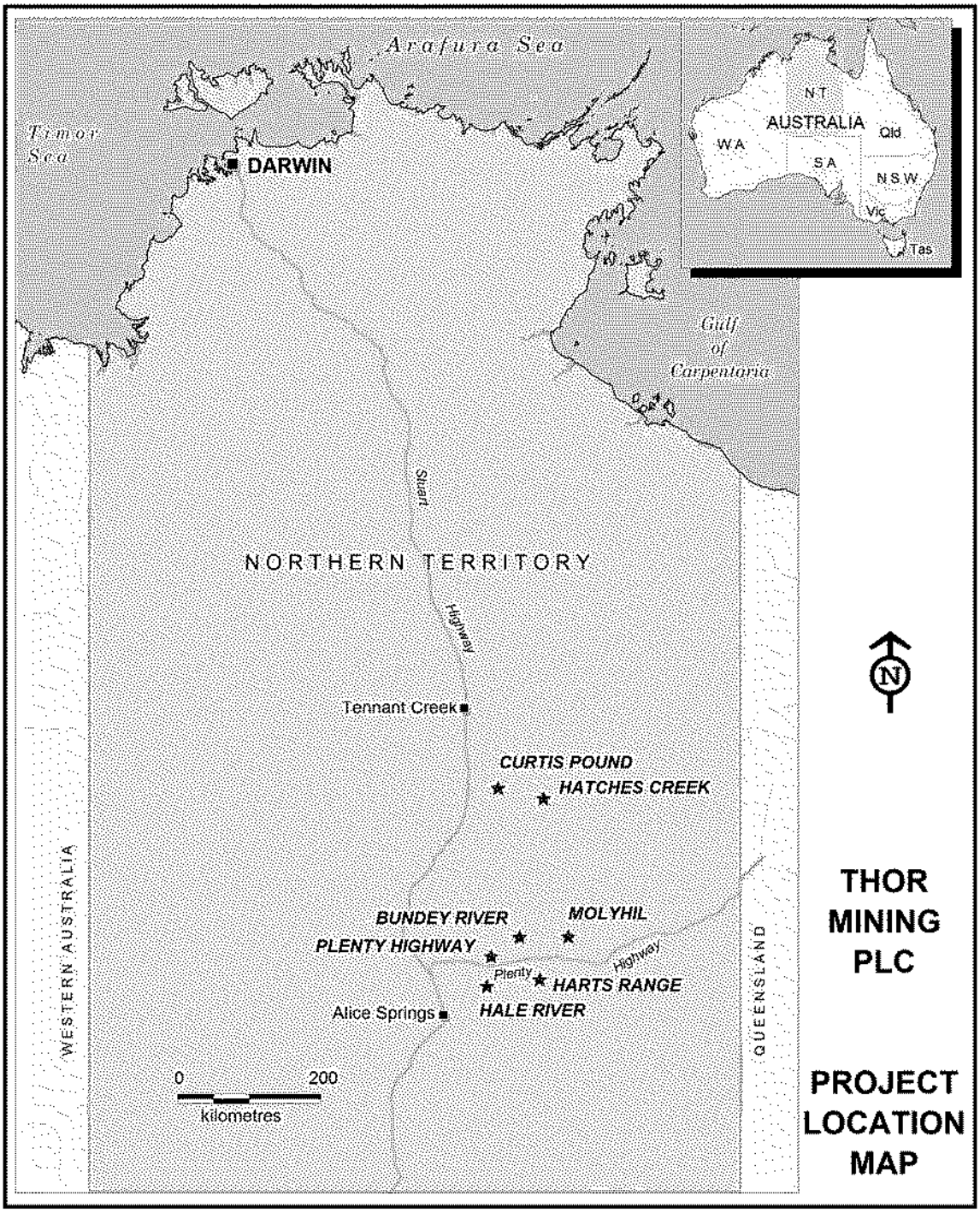
APPENDIX 2

Molyhil Location Map



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APPENDIX 3

Glossary

TERM	DESCRIPTION
DFS	Definitive Feasibility Study
MOLYBDENUM	Molybdenum (Mo) is a transition metal. The pure metal is silvery white in colour, fairly soft, and has one of the highest melting points of all pure elements. In small quantities, molybdenum is effective at hardening steel.
TUNGSTEN	Tungsten (W) is found in several ores including wolframite and scheelite. It is a very hard, heavy, steel-grey to white transition metal. The pure form is used mainly in electrical applications but its many compounds and alloys are widely used in many applications.
ORE	Ore defined as mining product containing economically recoverable minerals.
SCHEELITE	CaWO4, Calcium Tungstate
MOLYBDENITE	MoS_2, Molybdenum disulfide.
CONCENTRATE	The valuable metal from which most of the waste rock has been removed.
WASTE	Mining product containing no economically recoverable minerals.
TAILINGS (TAILS)	The waste product from the process.
BERM	The walls are stepped. The inclined section of the wall is known as the batter, and the flat part of the step is known as the bench or berm. The steps in the walls help prevent rock falls continuing down the entire face of the wall
SAG	Semi Autogenous Grinding, uses grinding media (balls) and the ore itself to effect the reduction in size of the ore to meet the size specification for the flotation circuit.
PYRITE	Iron sulphide, FeS_2
SULPHIDE	Minerals containing sulphur
COMMINUTION	Process of reducing the size of the ROM material through crushing, screening and grinding
ROUGHER FLOTATION	The rougher flotation cells are designed to recover the coarse liberated and faster floating molybdenite mineral
SCAVENGER FLOTATION	The scavenger flotation cells are designed to recover the slower floating molybdenite mineral
CLEANING FLOTATION	Further stages of flotation used to improve the grade of the molybdenite recovered from the rougher and scavenger flotation units
µm	Micron, one millionth of a metre
Mtu	Metric tonne unit, a unit of mass used in mining to measure the mass of the valuable metal in an ore. Customarily, the metric ton unit is defined to be one metric ton of ore containing 1% metal, but it is the metal, not the ore, that is being measured.
tpa	Tonnes per annum
THICKENER	A piece of equipment that recovers water from a slurry
ROM	Run of Mine, the ore that is extracted from the mine to be processed
CELLS	An individual flotation unit
RECOVERY	The percentage of the valuable mineral that is recovered in the concentrate fraction of the particular process.
MAGNETIC SEPARATION	Magnetic separation is used to separate magnetic minerals from non-magnetic minerals and can be undertaken on either wet or dry material
HT SEPARATION	High Tension separation is used to separate minerals that are conductors from minerals that are non-conductors
GEOTECHNICAL	Scientific methods and engineering principles to acquire, interpret, and apply knowledge of earth materials for solving engineering problems.
BOO	Build Own and Operate, a contractual arrangement whereby the contractor designs, constructs and operates the plant to supply product or services whilst retaining ownership of the plant. The contractor is reimbursed for the supply of product or services rather than for the supply of the plant.
PABX	Private Automatic Branch Exchange, a telephone exchange that is owned by a business
MATV	Master Antenna Television System

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TERM	DESCRIPTION
EPBC	The Environment Protection and Biodiversity Conservation
NOI	Notice of Intent, used to notify the Department of Primary Industries, Fisheries and Mines of details of the proposed project
PER	Public Environmental Review
APT	Ammonium Paratungstate
CIF	Carriage Insurance Freight, international shipping terminology denotes that the seller delivers the product to the port of destination and has included these costs in the stated price and will provide the buyer with the documents necessary to obtain the goods from the carrier.
EPCM	Engineering, Procurement and Construction Management
FIFO	Fly in and fly out of the mine site. Employees stay in temporary accommodation and return "home" at the end of their shift roster
OH&S	Occupational Health and Safety
CCE	Capital Cost Estimate
p.a.	Per annum
NPV	Net Present value, is the present value of cash flow minus initial investment of the project. It is one method of ranking projects; it measures the excess or shortfall of cash flows, in present value terms, once financing charges are met and takes into account the reducing value of future revenue due to the anticipated interest rate over the period.
IRR	Internal Rate of Return, is another method of ranking projects and is defined as the discount rate that results in a net present value of zero, and it is usually interpreted as the expected return generated by the investment.
EBIT	Earnings before interest and tax