

10 May 2013  
ASX Limited  
Exchange Plaza  
2 The Esplanade  
Perth, WA 6000

### **MINE GATE SALE OF SPINFEX RIDGE IRON ORE**

Moly Mines Limited (ASX/TSX: MOL) (Company) is pleased to advise that the Company has entered into a mine gate sale agreement for iron ore produced at the Company's Spinifex Ridge Iron Ore Mine (Transaction) with Mineral Resources Limited (MRL, ASX: MIN). The Transaction is subject to approval of the Company's shareholders at an extraordinary general meeting to be held in the second half of June 2013.

Under the Transaction, the Company's wholly owned subsidiary Moly Metals Australia Pty Ltd (MMA) will sell ore from the Spinifex Ridge Iron Ore Mine to MRL at the mine gate. MRL will operate the mine to the end of the mine life. It is intended to assign various MMA operating agreements to MRL, the assignment of some of which are a condition precedent to the Transaction.

The Company will retain all the tenements and its rights in relation to its Molybdenum/Copper Project and may continue or re-commence work programs for that Project.

MRL will pay MMA a purchase price calculated on the basis of an agreed minimum product tonnage. The actual minimum product tonnage will be determined on the basis of the tonnage available under the current mine plan at the time delivery to MRL commences. Delivery is expected to commence by the end of June at which time about 2.4 million dry metric tonnes (dmt) is estimated to be available under the current mine plan. Based on these estimates the purchase price will total approximately A\$38 million. This price is payable in two installments, mostly by an upfront payment and the remainder by a final payment once the economic life of the Spinifex Ridge Iron Ore Mine has been exhausted. MRL will have the choice of paying for the majority of the iron ore delivered in cash or by issuing MRL shares. The final payment is subject to adjustments to reflect the quantity and quality of iron ore. MMA's ongoing

contractual and statutory obligations as tenement holder are estimated to be between A\$6 and A\$7 million for the life of mine. MMA will also pay out redundancy entitlements to its site staff.

MMA and Hanlong Metals Ltd (Hanlong) (which forms part of the same group of companies as the Company's major shareholder Hanlong Mining Investment Pty Ltd) had an off-take agreement (Off-take Agreement) in place for the sale of all iron ore produced from the Spinifex Ridge Iron Ore Mine for the life of mine. To enable the Transaction, MMA and Hanlong have agreed to terminate the Off-take Agreement and the associated parent company guarantee by Hanlong Resources Limited in respect of the Off-take Agreement. As set out in the quarterly activities reports for the December 2012 and March 2013 quarters, MMA and Hanlong have been engaged in good faith negotiations to agree a new pricing mechanism for the Off-take Agreement. As these negotiations have not resulted in a newly agreed pricing mechanism, MMA and Hanlong have agreed to terminate the Off-take Agreement regardless of whether the Transaction proceeds. The Off-take Agreement has terminated with immediate effect.

As compensation for termination Hanlong will receive a one-off payment of A\$1 million and a royalty of A\$1.20 per tonne of ore sold by MMA after termination, whether to MRL or any other third party. The sum of the one-off payment and the royalty is capped at \$4 million and the royalty will not be payable in respect of any ore mined after 31 December 2015.

Chairman of Moly Mines, Mr. Michael Braham, commented: "In view of the limited life and scale of the mine as well as the recent volatility in iron ore prices, the Company has been looking at ways to divest or otherwise de-risk the Spinifex Ridge Iron Ore Mine. The Transaction is attractive to Moly Mines as it provides us with a material upfront payment with no downside pricing risk and the potential to participate in upside should the iron ore price increase again. The Transaction will also provide more certainty to our site staff as MRL has agreed to offer the site staff employment (subject to their being suitably skilled and experienced).

The Transaction will leave the Company with a significant cash and liquid assets position of approximately A\$83 million (equivalent to approximately 21.5 cents per share on a fully diluted basis).

The Board is currently considering a strategy for the Company's future and expects to be in a position to inform the market by the time the Transaction has become unconditional".

A Notice of Meeting for the extraordinary general meeting will be sent in the coming weeks. The Board unanimously recommends that Moly Mines shareholders vote in favour of this Transaction at that general meeting. Further details will be set out in the Notice of Meeting.

Moly Mines has been advised by Azure Capital and Herbert Smith Freehills in relation to this Transaction.

Yours sincerely



Martijn Bosboom  
Company Secretary