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Australian Securities Exchange Limited - Release

Moly Mines welcomes major Strategic Investor

Moly Mines Limited (TSX and ASX symbol: "MOL") ("**Moly Mines**") is pleased to advise it has entered into a Subscription Agreement with Hanlong Mining Investment Pty Ltd (Hanlong), a subsidiary of the China based, privately owned, Sichuan Hanlong Group Co., Ltd ("**Hanlong**"), under which Hanlong will:

- provide US\$200 million in equity and debt funding to Moly Mines; and
- commit to provide or arrange US\$500 million debt funding for the 10 Million tonne per annum Spinifex Ridge Molybdenum/Copper Project.

The US\$200 million equity and debt funding is in addition to the recently announced Institutional Placement and Share Purchase Plan ("**SPP**"). The total funding will enable Moly Mines to repay all amounts outstanding on the Trust Company of the West ("**TCW**") Interim Financing Facility by February 2010 and could allow the commencement of the development of the 10Mt/a Spinifex Ridge Molybdenum/Copper Project as early as mid 2010.

Moly Mines CEO Dr Derek Fisher said *"This Agreement represents a wonderful opportunity for Moly Mines to clear the Company's existing debt and build the Spinifex Ridge Molybdenum/Copper Project significantly ahead of the point at which funding from the traditional debt and equity markets becomes available. The Agreement will deliver shareholders the value benefits of a substantial funding package and a major project partner with a strong balance sheet, diversified operations and mining interests. The Company could be in the envious position of having constructed the molybdenum/copper mine at the beginning of the next metals cycle, benefitting from higher metal prices in the mine's early production years."*

Dr Hui Xiao (Steven), Managing Director of Hanlong Mining Investment commented. "We are delighted to be entering into this agreement with Moly Mines and are very excited about the future, working together to build the Spinifex Ridge project. This

agreement represents a major step in the international expansion of Hanlong Group and Moly Mines is the ideal partner for that expansion. We believe that as a privately held Chinese company we can offer enormous value to Moly shareholders as well as the Australian people. We will not only be working to build a world class Molybdenum mine in Western Australia but also to building Moly Mines into one of the world's strongest molybdenum companies."

Subscription Agreement Summary

Under the terms of the Subscription Agreement, at Completion Hanlong will:

- subscribe for 207.1 million shares in Moly Mines for US\$140 million – being A\$0.747 per share ("**Share Subscription**") based on an exchange rate of US\$0.9048 per Australian Dollar;
- provide Moly Mines with an interest bearing US\$60 million 10 year loan ("**Hanlong Loan**");
- commit to procuring debt financing of US\$500 million by 30 June 2010 for the Spinifex Ridge Molybdenum/Copper Project ("**Project Finance Loan**"); and
- receive 35.5 million unlisted 3 year options exercisable at CAD1.00 per share ("**Project Finance Options**").

Hanlong has agreed to provide parent or related party guarantee support for the Project Finance Loan. If Hanlong is unable to fully procure the Project Finance Loan such that the facility documents are fully executed and first draw down occurs by 30 June 2010 (extendable at the sole election of the Moly Mines board to 30 September 2010), then:

- the effective share subscription price will be increased to A\$1.00 per share by forgiving that much of the Hanlong Loan required to achieve this subscription price based on the US\$:A\$ exchange rate at 30 June 2010; and
- the Project Finance Options will lapse immediately.

Use of Hanlong Funds

On Completion of the Subscription Agreement, the US\$200 million funding received from the Share Subscription (US\$140 million) and the Hanlong Loan (US\$60 million) will be used to repay the balance of the TCW Interim Financing Facility, estimated to be US\$134 million after completion of the Institutional Placement and SPP.

The remaining US\$66 million will remain as free cash and will be in addition to the first US\$25 million raised from the Institutional Placement and Share Purchase Plan.

Completion of the Subscription Agreement

Completion is expected to occur three business days after conditions precedent are either met or waived. Key conditions precedent include:

- approval of the transaction by shareholders of Moly Mines by no later than 31 January 2010;
- approval by the Australian Foreign Investment Review Board by no later than 31 January 2010;
- Hanlong receiving certain regulatory approvals in the People's Republic of China by no later than 31 January 2010; and
- Moly Mines and TCW agreeing to a further restructure of the Interim Financing Facility beyond that which was agreed and described in the restructure Term Sheet dated 31 August 2009. Moly Mines intends that this further agreement would extend the current maturity date of 30 November 2009 to approximately 15 February 2010 to facilitate Completion of the Subscription Agreement.

Assuming the Project Finance Options vest through the procurement of the Project Finance Loan, Hanlong will have a fully diluted interest of approximately 54% (refer table below) in Moly Mines.

Other

Moly Mines and Hanlong plan to agree terms for Hanlong to off-take a proportion of production from the Spinifex Ridge Molybdenum Project in due course but no such agreement has yet been reached.

The Directors of Moly Mines will recommend that shareholders vote in favour of this transaction, subject to receipt of an Independent Expert Report indicating that the transaction is reasonable. Moly Mines has also agreed to certain exclusivity, notification, matching rights and other provisions in favour of Hanlong as is customary in a transaction of this nature. The Subscription Agreement does not contain any break fee arrangements. ASX/TSX approval for the listing of the shares will be required as is standard practice. Further details of the Subscription Agreement will be made available in the Explanatory Memorandum to be sent to Moly Mines shareholders in due course. The shareholder meeting to consider the Subscription Agreement will occur either late in December this year or early in January 2010.

The Hanlong Group

Sichuan Hanlong Group is a large, privately held Chinese company with a wide portfolio of investments including mining resources development, electricity production, infrastructure development, pharmaceutical production, food and alcoholic beverages,

real estate development, environmental technology, tourism development and high tech industries. The group has over 12,000 employees worldwide and revenues in excess of 9.5 billion RMB in 2008. Hanlong Group is well known for its philanthropic work in China, especially in its home province of Sichuan. Hanlong Group's overseas interests are solely in the mining resources sector; the company has its base in Sydney, Australia where it has built a multicultural team of mining and finance specialists.

Institutional Placement and Share Purchase Plan

The shareholder meeting to approve the issue of 42 million shares under the Institutional Placement will be sought on Monday 26 October 2009, with completion of the financing to occur on or around 27 October 2009. Pursuant to Canadian securities laws, as the execution of the Subscription Agreement represents a material change to the status of Moly Mines, a revised prospectus will be lodged on SEDAR referencing the Subscription Agreement.

A condition of the Subscription Agreement is that the Share Purchase Plan previously announced by the Company be capped at 20 million shares. In the event that over subscriptions are received from eligible participants in the SPP, participation will be scaled back on a pro rata basis. Final details of the SPP will be released soon.

The first US\$25 million of funding from the Institutional Placement and SPP (after paying underwriting fees and issue expenses) will be retained by the Company to develop the Spinifex Ridge Iron Ore Project with the balance repaying the TCW Interim Financing Facility.

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Moly Mines is being advised by Azure Capital, Freehills and Blake, Cassels & Graydon LLP. Hanlong is being advised by Silk Road Capital Group Limited and Corrs Chambers Westgarth.

Yours Sincerely

Andrew Worland
Company Secretary
Moly Mines Limited

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