

21 October 2010

ASX Limited
Exchange Plaza
2 The Esplanade
Perth, WA 6000

IRON ORE SALES AGREEMENT- SPINIFEX RIDGE

Moly Mines Limited (**ASX/TSX: MOL**) (**Moly Mines** or **Company**) is pleased to announce the signing in Chengdu, China, of an iron ore sales agreement for 100% of its production from the Spinifex Ridge Iron Ore Project (**Sales Agreement**) with Hanlong Metals Limited (**Hanlong Metals**), an entity associated with Hanlong Mining Investment Pty Ltd (**Hanlong**).

The Sales Agreement is the final key contract to be settled for the Iron Ore Project.

Dr Derek Fisher, the CEO/Managing Director of Moly Mines commented that “this is an excellent outcome for the Company as the price will be indexed to spot market prices and, at current market prices, will provide a strong cash flow during the planned construction period of the Company’s molybdenum/copper mine”.

Selected key terms of the Sales Agreement include:

- Pricing of each shipment will be based on the published prices of industry leaders, Platts and The Steel Index, for 58% and 62% CFR China indexed prices, taking into account the iron (Fe) content and impurities of each shipment.
- Hanlong Metals will provide a letter of credit for 95% of each shipment’s estimated value, 14 days prior to the estimated arrival time of a vessel at Utah Point for loading.
- The balance outstanding on each shipment will be finalized upon confirmation of outturn results at the discharge port.
- If requested, Hanlong Metals must promptly provide a parent company guarantee in support of its obligations.
- Hanlong Metals will receive a 4% marketing fee from Moly Mines, based on the free on board price achieved for each shipment.

Moly Mines is planning its first shipment of iron ore in the first fortnight of December 2010.

Mining operations have commenced at Spinifex Ridge with waste stripping underway. The first ore production is due to commence later this month, timed to coincide with commissioning of the onsite mobile crusher and screening plant. Processed ore will be trucked from site to the Utah Point export facility at Port Hedland commencing early November.

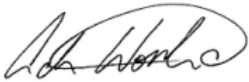
The new Utah Point shiploader is operational and to date has successfully moored, loaded and dispatched 3 consecutive 70,000 tonne shipments for Atlas Iron. Moly Mines stockpile areas within the port will be ready to receive ore from 6 November 2010.

The mining and processing operations at Spinifex Ridge have been designed to produce 1 million tonnes per annum of direct ship hematite iron ore. Moly Mines has commenced investigations to increase this production rate.

As Hanlong Metals is, via its association with Hanlong, a related party to Moly Mines, this year's annual general meeting to be held in November will include a resolution seeking shareholder approval of the Sales Agreement as required under ASX Listing Rule 10.1. Full details, including all key terms of the Sales Agreement will be contained in the Notice of Meeting to be lodged with the ASX today and dispatched to shareholders.

The Notice of Meeting will be accompanied by an independent experts report concluding that the Sales Agreement is **fair and reasonable** to non-associated shareholders to the transaction. Moly Mines directors, except those associated with Hanlong, recommend shareholders vote in favour of the resolution. Hanlong will not be entitled to vote on the resolution.

Yours sincerely



Andrew Worland
Company Secretary