



ACN 103 295 521

Notice of Annual General Meeting

and

Explanatory Memorandum to Shareholders

Date and time of Meeting:

9.00am (AWST) on 24 November 2010

Place of Meeting:

Harcourts Building
125 Cambridge Street, West Leederville, Western Australia

Please read the Notice and Explanatory Memorandum carefully.

A proxy form is enclosed. If you are unable to attend the Meeting, please complete and return the enclosed proxy form in accordance with the specified instructions.

Moly Mines Limited ACN 103 295 521

Notice of Annual General Meeting

Notice is given that the 2010 Annual General Meeting of Moly Mines Limited ACN 103 295 521 (**Company**) will be held at the Harcourts Building, 125 Cambridge Street, West Leederville, Perth on 24 November 2010 at 9.00am (AWST).

Agenda items

A. Annual financial report

To receive and consider the financial report of the Company and the reports of the Directors and Auditors for the year ended 30 June 2010.

Neither the Corporations Act nor the Company's constitution requires a vote of shareholders on these reports. However, shareholders will be given a reasonable opportunity to raise questions or make comments on the reports and ask questions of a representative of the Company's Auditor.

B. Resolution 1: Adoption of remuneration report

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

That the remuneration report for the year ended 30 June 2010 be adopted.

Note: The vote on this resolution is advisory only and does not bind the Directors or the Company.

C. Resolution 2: Re-election of Mr David Nixon as a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

That Mr David Nixon, who retires as a Director by rotation under rule 13.2 of the Company's constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company.

D. Resolutions 3 – 7: Election of Directors

To consider and, if thought fit, to pass, respectively as separate and independent ordinary resolutions, with or without amendment, each of the following resolutions:

Resolution 3:

That Dr Steven Xiao, having been appointed as a Director of the Company since the last annual general meeting and who retires under rule 13.5 of the Company's constitution and, being eligible, offers himself for election, be elected as a Director of the Company.

Resolution 4:

That Mr Liu Han, having been appointed as a Director of the Company since the last annual general meeting and who retires under rule 13.5 of the Company's constitution and, being eligible, offers himself for election, be elected as a Director of the Company.

Resolution 5:

That Mr Andy Zhmurovsky, having been appointed as a Director of the Company since the last annual general meeting and who retires under rule 13.5 of the Company's constitution and, being eligible, offers himself for election, be elected as a Director of the Company.

Resolution 6:

That Mr Bob Prosser, having been appointed as a Director of the Company since the last annual general meeting and who retires under rule 13.5 of the Company's constitution and, being eligible, offers himself for election, be elected as a Director of the Company.

Resolution 7:

That Mr Michael Braham, having been appointed as a Director of the Company since the last annual general meeting and who retires under rule 13.5 of the Company's constitution and, being eligible, offers himself for election, be elected as a director of the Company.

E. Resolution 8 – Approval of the issue of options to Hanlong

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

That for the purposes of ASX Listing Rule 10.11, approval be given for the Company to grant to Hanlong Mining Investment Pty Ltd 35,500,000 options, each convertible into one fully paid ordinary share in the capital of the Company at an exercise price of C\$1.00 per share and exercisable at any time during the three years after the options become eligible to be exercised in accordance with the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.

Voting exclusion: In accordance with ASX Listing Rules 10.13.6 and 14.11, the Company will disregard any votes cast on this resolution by Hanlong Mining Investment Pty Ltd and any of its associates.

However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or if it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

F. Resolution 9 – Approval of Hanlong Iron Ore Sales Agreement

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

That for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval be given for Moly Metals Australia Pty Ltd to enter into and perform its obligations under the Spinifex Ridge Iron Ore Sales Agreement with Hanlong Metals Ltd, details of which are set out in the Explanatory Memorandum accompanying this Notice of Meeting.

Voting exclusion: In accordance with ASX Listing Rules 10.10.1 and 14.11, the Company will disregard any votes cast on this resolution by Hanlong Mining Investment Pty Ltd, Hanlong Metals Ltd and any of their associates.

However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or if it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

Explanatory Memorandum

Shareholders are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Meeting.

Entitlement to vote

It has been determined that under regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), for the purposes of the Annual General Meeting, shares will be taken to be held by the persons who are the registered holders at **9.00am (AWST) on 22 November 2010**. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Designated Foreign Issuer Status

The Company is a designated foreign issuer as defined in Canadian National Instrument 71-102 – Continuous Disclosure and Other Exemptions Relating to Foreign Issuers and is subject to the regulatory requirements of the ASX and ASIC.

Proxies

A Shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the Shareholder. A proxy need not be a Shareholder and can be either an individual or a body corporate. If a Shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the Corporations Act ; and
- provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.

If such evidence is not received before the meeting, then the body corporate (through its representative) will not be permitted to act as a proxy.

A Shareholder that is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the Shareholder's votes.

A Proxy Form accompanies this Notice and to be effective must be received by no later than **9.00am (AWST) on 22 November 2010** at:

In Australia:

In Canada:

Online:

www.investorvote.com.au

Mail:

Computershare Investor Services Pty
Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Mail:

Computershare Investor Services Inc.
100 University Avenue, 9th Floor
Toronto Ontario M5J 2Y1

Facsimile:

1800 783 447 (within Australia)
+61 3 9473 2555 (outside Australia)

Facsimile:

1-866 249-7775 (inside North America)
+1(416) 263-9524 (outside North America)

By Order of the Board

21 October 2010



Company Secretary

Explanatory memorandum

Moly Mines Limited ACN 103 295 521

Explanatory Memorandum to Shareholders

This Explanatory Memorandum has been prepared to assist Shareholders in understanding and deciding how to vote on the business to be put to Shareholders at the forthcoming Annual General Meeting.

This Explanatory Memorandum is an important document. You should read it in its entirety before deciding how to vote at the Meeting.

This Explanatory Memorandum does not take into account the individual investment objectives, financial situation and particular needs of Shareholders or any other person. Accordingly, it should not be relied upon as the sole basis for any decision in relation to the business to be put to the Meeting.

1 Annual financial report

The Corporations Act requires:

- the reports of the directors and auditors; and
- the annual financial report, including the financial statements of the Company for the year ended 30 June 2010,

to be laid before the Annual General Meeting. Neither the Corporations Act nor the Company's constitution requires a vote of Shareholders on the reports or statements. However, Shareholders will be given a reasonable opportunity to raise questions or make comments on the management of the Company.

Also, a reasonable opportunity will be given to Shareholders as a whole at the Meeting to ask the Company's Auditor questions relevant to the conduct of the audit, the preparation and content of the Auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the Auditor in relation to the conduct of the audit.

2 Resolution 1: Adoption of remuneration report

The remuneration report is included in the Directors' Report in the Company's Annual Report. It sets out the Company's remuneration arrangements for all Directors and certain other executives.

The Corporations Act requires the Company to put a resolution to Shareholders that the remuneration report be adopted. Under section 250R(3) of the Corporations Act, the vote on the resolution is advisory only and does not bind the Directors or the Company.

3 Resolution 2: Re-election of David Nixon

In accordance with rule 13.2 of the Company's constitution, one third of the Directors for the time being, not including the Managing Director and any Director appointed since the last annual general meeting, must retire from office by rotation at the Company's annual general meeting and are eligible for re-election.

In accordance with this rule, Mr David Nixon retires at this Meeting and, being eligible, offers himself for re-election.

Mr Nixon has been an independent non-executive director of the Company since 10 June 2008 and until 14 October 2010 was Chairman of the Company's Audit and Risk Management and Remuneration Committees.

Mr Nixon is a mechanical engineer with over 40 years' experience in the mining and construction industries in Australia, Southern Africa, New Zealand, Canada and Indonesia with extensive experience in bulk commodity and precious metals mining operations.

Directors' recommendation

The Directors, with Mr Nixon abstaining, recommend that Shareholders vote in favour of the re-election of Mr Nixon.

4 Resolutions 3 – 7: Election of Directors

In accordance with rule 13.5 of the Company's constitution, a person appointed as a Director either to fill a casual vacancy or as an addition to the existing Directors holds office only until the next annual general meeting. The Director is then eligible for election at that annual general meeting.

Resolution 3 – Election of Dr Steven Xiao

Dr Steven Xiao retires at this Meeting and, being eligible, offers himself for election.

Dr Xiao was appointed a Director on 23 April 2010 following the completion of the Subscription Agreement. Dr Xiao is a nominee of Hanlong and is also a director of Hanlong. Mr Xiao is a member of the Company's Executive management primarily responsible for arranging the US\$500 million Project Finance Loan Facility (Project Finance Facility) for the Spinifex Ridge Molybdenum / Copper Project (Project).

Dr Xiao has more than 15 years of experience in finance and investment, working for globally recognised investment banks and financial organizations. Mr Xiao holds a Masters of Business Administration from University of Texas, Arlington and a PhD in Management from the California Southern University, Orange County.

Resolution 4 – Election of Mr Liu Han

Mr Liu Han retires at this Meeting and, being eligible, offers himself for election.

Mr Liu was appointed a Director on 23 April 2010 following the completion of the Subscription Agreement. Mr Liu is a nominee of Hanlong and is also a director of Hanlong. Mr Liu is the CEO of Hanlong Group, the deputy CEO of Sichuan Hongda Company (publicly listed) and CEO of Sichuan Jinlu Company (publicly listed). He is the founder and CEO of Guanghan Pingyuan Development Company.

Over the past 10 years, Mr Liu has built the Sichuan Hanlong Group into a modern, international company to be one of the twenty largest privately held companies in Sichuan Province. Mr Liu is an advisor to the Sichuan Province Economic Advisory Committee and Vice Principal of the Deyang City Economic Council.

Mr Liu holds a Bachelor of Economics, International Trade from South-Western University of Finance and Economics, Chengdu, China and a Masters of Business Administration from Sichuan University, Chengdu, China.

Resolution 5 – Election of Mr Andy Zhmurovsky

Mr Andy Zhmurovsky retires at this Meeting and, being eligible, offers himself for election.

Mr Zhmurovsky was appointed a Director on 23 April 2010 and is a TCW nominee.

Mr Zhmurovsky has a Bachelor of Business Administration with Honours from the University of Texas at Austin. He commenced his employment in Houston with the Energy Investment Banking Group of CIBC World Markets before joining TCW as Senior Vice President within the Energy and Infrastructure Group.

Resolution 6 – Election of Mr Bob Prosser

Mr Bob Prosser retires at this Meeting and, being eligible, offers himself for election.

Mr Prosser was appointed an independent director on 14 October 2010.

Mr Prosser recently retired as a Sydney partner of PricewaterhouseCoopers, responsible for due diligence in relation to mergers, acquisitions, equity raisings (listed and unlisted), and divestments. His experience covers a broad range of industries including resources in Australia and Papua New Guinea, property, infrastructure, and utilities. Mr Prosser has an MA (Oxf) in Chemistry and is a Fellow of the Institutes of Chartered Accountants of Australia, and England and Wales and is a member of the Australian Institute of Company Directors.

Resolution 7 – Election of Mr Michael Braham

Mr Michael Braham retires at this Meeting and, being eligible, offers himself for election.

Mr Braham was appointed an independent director on 14 October 2010.

Mr Braham has over 45 years experience in commerce, investment banking, finance administration and corporate advisory and has been a company director for much of that time. He is currently is Chairman of the D&D Technology Group, Home Appliances Pty Ltd and Silk Road Capital Group Ltd, a Director of Sydney Ports Corporation (Chairman of its Audit and Risk Committee) and has been President of Glaucoma Australia since 1998.

Mr Braham's former roles include Chairman of the listed Galileo Shopping America Trust, Regional Commissioner for New South Wales for the Australian Securities Commission (1990-95) and an Executive Director with investment bank Schroders Australia (1978-90). Previously he was a World Bank consultant in Sri Lanka and a New Zealand partner of Arthur Young (now Ernst & Young).

Director's recommendations

The Directors recommend that Shareholders vote in favour of resolutions 3 – 7. No Director makes any recommendation in relation to their own election.

5 Resolution 8: Approval of the issue of options to Hanlong

Background

Hanlong is the Company's major shareholder, with a 56.8% interest in the ordinary issued capital of the Company.

On 19 October 2009, the Company and Hanlong entered into the Subscription Agreement, which completed on 23 April 2010. At completion, Hanlong:

- For personal use only
- (a) subscribed for and was issued 207,135,646 Shares in the Company;
 - (b) provided the Company with an interest-bearing US\$60 million 10-year shareholder loan (**Shareholder Loan**);
 - (c) committed to use its best endeavours to procure the Project Finance Facility by 30 June 2010, subsequently extended to 30 September 2010 (**Cut-Off Date**), for the Project and to obtaining guarantees for the Project Finance Facility; and
 - (d) was granted 35,500,000 unlisted 3-year options exercisable at C\$1.00 each (**Previous Options**), with vesting of the Previous Options conditional on Hanlong successfully procuring the Project Finance Facility by 30 September 2010.

Hanlong also agreed to procure a parent company guarantee from Sichuan Hanlong (Group) Co Ltd in favour of the proposed financiers.

If Hanlong was unable to procure the Project Finance Facility to allow drawdown by the Cut-Off Date, then, under the terms of the Subscription Agreement:

- (1) approximately 75% of the Shareholder Loan would be forgiven and the balance repaid immediately (**Financial Penalty**); and
- (2) the Previous Options would lapse.

Financing Status

Strong progress has been made toward completing the Project Finance Facility. Hanlong are actively engaged with the proposed financiers and regulatory authorities both at the Sichuan provincial level and at the state level in Beijing. They have finance teams dedicated to the process in their Sydney, Chengdu and Beijing offices.

China Development Bank and China Exim Bank have participated in Perth office and Spinifex Ridge site due diligence over the last 12 weeks. In July, a comprehensive engineering study was completed by a major Chinese engineering group as part of the banking process for the 10 million tonne per annum Project.

In August, the Sichuan branch of the National Development Reform Commission (**NDRC**) concluded that the Project complied with overseas investment policies and the Project has now been submitted to the Beijing office of the NDRC.

The proposed financiers have requested the completion of an Engineering Procurement and Construction (**EPC**) contract that describes the scope, cost and schedule for construction of the Project as a condition precedent to the financing. Moly is currently preparing these arrangements with suitable contractors.

In addition, the proposed financiers have asked Hanlong and its related bodies corporate to provide additional asset security for the Project Finance Facility beyond the parent company guarantee.

Hanlong has advised the Company that it anticipates finalizing term sheets for the Project Finance Facility by 30 November 2010 with full loan documents expected to be executed by 31 January 2011, subject to the completion of the EPC arrangements and a molybdenum marketing agreement between the Company and Hanlong.

Although significant progress on the Project Finance Facility has been made, the Project Finance Facility was not procured by the Cut-Off Date. Terms and conditions for the Project Finance Facility are still being negotiated with the proposed Chinese financiers. However, the level of interest and feedback gives the Company confidence that the funding will be forthcoming. The Company acknowledges the continuing high level of support and commitment by Hanlong.

Extension of time to procure funding

As noted above, the Project Finance Facility was not procured by the Cut-Off Date. Accordingly the Previous Options lapsed with effect from 30 September 2010.

On 23 September 2010, in light of the progress that has been made to date, the Company agreed to grant Hanlong additional time to procure the Project Finance Facility by amending the Subscription Agreement to extend the Cut-Off Date in relation to the Financial Penalty to 31 January 2011. Under the amended Subscription Agreement, the Financial Penalty will apply if Hanlong is unable to procure the Project Finance Facility by a revised cut-off date of 31 January 2011.

The Company also agreed, subject to Shareholder approval, to grant Hanlong 35,500,000 options (**New Options**) that replace the Previous Options which lapsed on 30 September 2010. The effect will be to restore Hanlong's previously approved interest in the Company.

The New Options will have the following terms and conditions:

- Each New Option gives Hanlong the right to acquire one Share in the capital of the Company.
- The New Options will be exercisable at C\$1.00 per Share.
- The New Options will only vest if full binding documents for the Project Finance Facility are executed by 31 January 2011. If full binding documents for the Project Finance Facility are not executed by 31 January 2011, the New Options will lapse.
- The New Options will only be exercisable if they have vested (as set out above) and all conditions precedent to initial drawdown of the Project Finance Facility are satisfied or waived and initial drawdown occurs by 31 December 2011. If the New Options vest by 31 January 2011, but conditions precedent to the initial drawdown of the Project Finance Facility are not met or waived and initial drawdown is not achieved by 31 December 2011, the New Options will lapse.

Regulatory requirements

Shareholder approval for issue of the New Options is sought for the purposes of the ASX Listing Rules.

ASX Listing Rule 10.11

Under ASX Listing Rule 10.11, an entity must not issue or agree to issue equity securities to a related party of the entity without the approval of holders of ordinary securities or unless an exemption in Listing Rule 10.12 applies.

The New Options fall under the definition of 'equity securities' in Listing Rule 10.11 and, as the holder of 56.8% of the Company's Shares, Hanlong is a 'related party' of the Company for the purposes of the ASX Listing Rules. Shareholder approval is therefore sought to issue the New Options to Hanlong.

If Shareholder approval is obtained, then the following apply:

- Under Exception 7 of Listing Rule 10.12, a person may be issued securities on the conversion of convertible securities (such as options), if, at the time the convertible securities were issued, the entity complied with the Listing Rules. So the Company would not require further Shareholder approval to issue the underlying Shares to Hanlong if and when the New Options are exercised.
- If Shareholder approval is obtained for the grant of the New Options, then upon exercise of those New Options, and the issue of shares in the Company, the issue of the underlying Shares will not reduce the Company's 15% capacity under Listing Rule 7.1 (see exception 4 of Listing Rule 7.2).

Specific disclosures required by the Listing Rules

ASX Listing Rule 10.13 prescribes that the following information must be disclosed when Shareholder approval is sought under Listing Rule 10.11.

- The name of the person to whom the New Options will be issued is Hanlong Mining Investments Pty Ltd.
- The maximum number of securities to be issued to Hanlong is 35,500,000 options.
- The New Options will be issued to Hanlong 5 business days after the Meeting. The vesting and exercise terms of the New Options are set out above.
- By virtue of its shareholding of 56.8% of the issued shares in the Company, Hanlong is a 'related party' of the Company pursuant to the ASX Listing Rules and section 228 of the Corporations Act.
- There will be no funds raised in connection with the grant of the New Options to Hanlong as they are to be issued without payment of cash consideration. The proceeds from a future exercise of the New Options, however, are intended to be applied towards meeting working capital requirements of the Company relevant at, or about the time of, the exercise of the New Options at the discretion of the Company's Directors.

Voting exclusion statement

In accordance with ASX Listing Rules 10.13.6 and 14.11, the Company will disregard any votes cast on resolution 8 by:

- Hanlong; and
- any of their associates.

However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or if it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

ASX Listing Rule 7.1

Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during any 12-month period any equity securities or other securities with rights of conversion to equity (such as options) if the number of those securities exceeds 15% of the total ordinary securities on issue at the commencement of that 12-month period (calculated in accordance with a certain formula).

One circumstance where an issue is not taken into account in calculating the 15% threshold is where the issue is approved under Listing Rule 10.11 (see Listing Rule 7.2 exception 14). The proposed grant of the New Options are being approved under Listing Rule 10.11 and, accordingly, the New Options will not reduce the Company's 15% capacity under Listing Rule 7.1.

Corporations Act restrictions

Pursuant to section 606 of the Corporations Act, a person must not acquire a relevant interest in the issued voting shares of a listed company if, as a result of the acquisition, that person's or someone else's voting power in the listed company increases:

- from 20% or below to more than 20%; or
- from a starting point that is above 20% and below 90%.

Section 611 of the Corporations Act provides that certain acquisitions of relevant interests in a company's voting shares are exempt from the prohibition in section 606.

Hanlong currently holds voting power in the Company of 56.8%. Accordingly, Hanlong can only exercise the New Options (if they vest and become exercisable) and be issued the underlying Shares if it complies with section 611 of the Corporations Act at the time of exercise.

Board recommendation

The Board of Directors recommends that Shareholders vote in favour of Resolution 8 (Dr Xiao and Mr Liu abstaining).

6 Resolution 9 – Approval of Hanlong Iron Ore Sale Agreement

Background

Moly Mines' wholly-owned subsidiary, Moly Metals Australia Pty Ltd (**Moly Metals**), has entered into an Iron Ore Sale Agreement (**Iron Ore Sale Agreement**) with Hanlong Metals Ltd (**Hanlong Metals**), an entity related to Moly Mines' major shareholder, Hanlong. Moly Metals is the registered holder of the tenements that host the Spinifex Ridge Iron Ore Project, 50km north east of Marble Bar in the Pilbara of Western Australia.

The Iron Ore Sales Agreement is subject to Shareholder approval for the purposes of ASX Listing Rule 10.1.

Key Terms of the Iron Ore Sale Agreement

The key terms of the Iron Ore Sale Agreement are as follows:

- Moly Metals must sell and Hanlong Metals must purchase and take delivery of 100% of the iron ore fines production (**Product**) from the Spinifex Ridge Iron Ore Project and any iron ore mining tenement owned by Moly Metals within a 30km radius of the mining and processing facilities at Spinifex Ridge (collectively, **Spinifex Ridge Iron Ore Project**).
- The Iron Ore Sales Agreement continues until the end of the Spinifex Ridge Iron Ore Project's mine life unless terminated earlier (see below regarding termination).
- Moly Metals is responsible for arranging the shipping of Product to ports as advised by Hanlong Metals.
- Risk to Product transfers from Moly Metals to Hanlong Metals as it crosses the ships rail at the Loading Port.
- Ownership in Product transfers to Hanlong Metals upon final payment being made for the Product to Moly Metals.
- Final pricing of Product sales will be determined by reference to the prevailing daily market price as published by The Steel Index and Platts for 58% and 62% Iron Ore on a CFR basis to China main ports for the 5 days prior to the estimated time of arrival of Product at the Discharge Port, adjusted for the iron content of each shipment of Product as published by The Steel Index and Platts and adjusted for impurities.
- Hanlong Metals will lodge a letter of credit supporting 95% of the expected value of any shipment of Product 14 days prior to the estimated time of arrival of a nominated vessel at the Loading Port which will be presented on completion of loading documents and a provisional invoice.

- The final balance outstanding on a shipment of Product will be remitted within 90 days of Product discharge following final reconciliation of weight and specification and submission of a final invoice.
- Moly Metals will pay Hanlong Metals an annual marketing fee equal to 4% of total sales revenue earned by Moly Metals from Product sales, after deducting actual freight and associated costs incurred by Moly Metals.
- The Iron Ore Sales Agreement can be terminated by agreement of both parties, suspended if port access to the Loading Port is restricted and terminated if such restriction lasts for a period of 180 days. Termination can also result from a breach of material obligations (**Default**) and the Default is not remedied or is not capable of remedy. The non-defaulting party in such circumstances may terminate and exercise any of the rights available to it at law or in equity in respect of that default.
- If requested by Moly Metals, Hanlong Metals must promptly provide a parent company guarantee in support of its obligations.

Regulatory requirements

ASX Listing Rule 10.1 states that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, a related party of the entity without the approval of holders of the entity's ordinary securities.

As a wholly owned subsidiary of the Company, Moly Metals is a 'child entity' of the Company and so any acquisition or disposal by Moly Metals of a substantial asset to a related party of the Company is subject to Listing Rule 10.1.

Hanlong currently holds 56.8% of the issued shares of the Company, and is therefore a 'related party' of the Company under the ASX Listing Rules. Hanlong Metals is wholly-owned by Hanlong Resources Limited, a company incorporated in Hong Kong, which is in turn wholly-owned by Sichuan Hanlong (Group) Limited, Hanlong's parent company. As a related entity of Hanlong, Hanlong Metals is therefore an associate of Hanlong and so is deemed to also be a related party of the Company for the purposes of the Listing Rules.

An asset is a 'substantial asset' under ASX Listing Rule 10.2 if its value, or the value of the consideration for it is, in ASX's opinion, 5% or more of the equity interests of the entity as set out in the latest accounts of the entity given to ASX under the Listing Rules. The value of the consideration to be received by Moly Metals for the sale of iron ore under the proposed Iron Ore Sale Agreement exceeds 5% of the equity interests of Moly Metals and the Company as at 30 June 2010 (based upon the Company's equity interests of \$293,913,000).

As a result, the Iron Ore Sale Agreement requires Shareholder approval under Listing Rule 10.1.

If Shareholders approve the disposals of assets contemplated under the Iron Ore Sale Agreement, no further approvals will be required in relation to the operation of that agreement. However, any material amendment to the Iron Ore Sales Agreement may require further and separate approvals under ASX Listing Rule 10.1.

Specific disclosures required by the Listing Rules

ASX Listing Rule 10.10 requires that the notice of meeting seeking approval under Listing Rule 10.1 include certain disclosures.

One of these is that the notice of meeting must be accompanied by an independent expert's report stating whether the transaction is fair and reasonable to holders of the Company's ordinary securities whose votes are not to be disregarded. In accordance with this requirement, Appendix 1 sets out an Independent Expert Report assessing the Iron Ore Sales Agreement. The Independent Expert has concluded that the proposed Iron Ore Sales Agreement is fair and reasonable to non-interested shareholders.

Shareholders are advised to consider the Independent Expert's Report carefully before deciding how to vote.

Board recommendation

The Board of Directors recommends that Shareholders vote in favour of resolution 9 (Dr Xiao and Mr Liu abstaining).

Voting exclusion statement

The Company will disregard any votes cast on resolution 9 by:

- Hanlong; and
- any of their associates.

However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or if it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

7 Glossary

The meaning of the terms used in this Explanatory Memorandum are set out below:

Annual General Meeting or **Meeting** means the annual general meeting of the Company convened by the Notice of Meeting.

ASIC means Australian Securities and Investment Commission.

ASX means ASX Limited ACN 008 624 691 or the stock exchange operated by it, whichever the context requires.

ASX Listing Rules or **Listing Rules** means the listing rules of ASX.

AWST means Australian Western Standard Time.

Board means the board of Directors from time to time.

Company or **Moly** means Moly Mines Limited ACN 103 295 521.

Constitution means the constitution of the Company, as amended from time to time.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

Explanatory Memorandum means this explanatory memorandum accompanying the Notice of Meeting.

Hanlong Metals Ltd or **Hanlong Metals** means Hanlong Metals Ltd, a company incorporated in the British Virgin Islands.

Hanlong Mining Investment Pty Ltd or **Hanlong** means Hanlong Mining Investment Pty Ltd ACN 139 410 709.

Independent Expert means BDO Corporate Finance (WA) Pty Ltd.

Moly Metals Australia Pty Ltd or **Moly Metals** means Moly Metals Australia Pty Ltd ACN 108 503 331.

Notice of Meeting or **Notice** means the notice of meeting accompanying this Explanatory Memorandum.

Proxy Form means the proxy form accompanying the Notice of Meeting.

Resolution means a resolution set out in the Notice of Meeting.

Shareholder means the registered holder of Shares.

Share means a fully paid ordinary share in the capital of the Company.

Subscription Agreement means the subscription agreement entered into on 19 October 2009 between the Company and Hanlong, as amended.

TCW means Trust Company of the West.

Independent Expert's Report

For personal use only

For personal use only

INDEPENDENT EXPERT'S REPORT MOLY MINES LIMITED

21 October 2010



Financial Services Guide

21 October 2010

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ("BDO" or "we" or "us" or "ours" as appropriate) has been engaged by Moly Mines Limited ("Moly") to provide an independent expert's report on the iron ore sales agreement that Moly plans to enter into with Hanlong Mining Investment Pty Ltd ("the Transaction"). You will be provided with a copy of our report as a retail client because you are a shareholder of Moly.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice

Fees, Commissions and Other Benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee for this engagement is approximately \$25,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Other Assignments -

In November 2009 BDO Kendalls Corporate Finance (WA) Pty Ltd prepared an independent expert's report for Moly Mines Limited to express an opinion on a proposed equity issue to Hanlong Mining Investment Pty Ltd ("Hanlong Mining").

Other than this engagement neither the signatories to this report nor BDO have had within the past two years, any professional relationship with Moly, or their associates, other than in connection with this report.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

We have received a fee from Moly for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 Subiaco WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

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Appendix 1 - Glossary

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21 October 2010

The Directors
Moly Mines Limited
46 - 50 Kings Park Road
West Perth, Australia 6005

Dear Sirs

Independent Expert's Report

1. Introduction

BDO Corporate Finance (WA) Pty Ltd ("**BDO**") has been engaged by Moly Mines Limited ("**Moly**") to prepare an independent expert's report ("**our Report**") to express an opinion as to whether or not entering into the proposed iron ore sales agreement ("**Iron Ore Sales Agreement**") with Hanlong Mining Investment Pty Ltd ("**Hanlong Mining**"), a subsidiary of Sichuan Hanlong Group Co Ltd ("**Hanlong Group**") ("**the Transaction**") is fair and reasonable to non-associated shareholders ("**Shareholders**") of Moly.

Our Report is to be included in the explanatory memorandum for Moly to be sent to all Shareholders to assist them in deciding whether to approve the Transaction.

2. Summary and Opinion

2.1 Purpose of the report

The Directors of Moly have requested that BDO prepare an independent expert's report to express an opinion as to whether or not the Transaction is fair and reasonable to the non associated shareholders of Moly.

Our Report is prepared pursuant to ASX Listing Rule 10.1 in order to assist Shareholders in their decision whether to approve the Transaction.

2.2 Opinion

We have considered the terms of the Transaction as outlined in the body of this Report and have concluded that the Transaction is fair and reasonable to Shareholders.

2.3 Fairness and Reasonableness

We have considered the analysis in Sections 8 and 9 of this Report, in terms of both:

- Advantages and disadvantages of approving the Transaction;
- Advantages and disadvantages of rejecting the Transaction; and
- Alternatives, including the position of Shareholders if the Transaction is not approved.

If the advantages of the Transaction outweigh the disadvantages of the Transaction then the Transaction can be considered fair and reasonable.

In our opinion, the position of Shareholders if the Transaction is approved is more advantageous than the position if the Transaction is not approved. Accordingly, we consider the Transaction to be fair and reasonable for Shareholders.

The respective advantages and disadvantages of approving the Transaction are summarised below:

Advantages and Disadvantages of Approving the Transaction			
Section	Advantages	Section	Disadvantages
8.1.1	Guaranteed sales and volumes at a competitive price	8.2.1	Unable to sell to third parties
8.1.2	Guaranteed sales and volumes for the life of mine	8.2.2	Credit exposure concentrated in one party
8.1.3	No changes to current operating arrangements		
8.1.4	Reputable Offtake Partner		
8.1.5	Management time dedicated to production and cost reduction		
8.1.6	Parent Company Guarantee		

The respective advantages and disadvantages of rejecting the Transaction are summarised below:

Advantages and Disadvantages of Rejecting the Transaction			
Section	Advantages	Section	Disadvantages
8.3.1	Freedom to market to whichever parties Moly Metals may see fit	8.4.1	The need to establish a marketing division within a short time frame

Other key matters we have considered include:

Section	Description
9.1	Alternative transactions
9.2	Reasonableness of the marketing fee
9.3	Funding agreement with the Hanlong Group

3. Scope of the Report

3.1 Purpose of the Report

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires or disposes of a substantial asset, when the consideration to be paid for the asset or the value of the asset being disposed constitutes more than 5% of the equity interest of that entity at the date of the last audited accounts.

Listing Rule 10.1 applies where the vendor or acquirer of the relevant assets is a related party of the listed entity.

It is of our opinion that the potential sale of iron ore fines to Hanlong Mining will be greater than 5% of Moly's current equity interest. The 100% equity interest in Moly as at 30 June 2010 was \$294M, equating to a 5% equity interest of \$14.7M. The value of the iron ore fines produced by Moly will be greater than this figure.

The Moly investor presentation submitted to the ASX on 21 July 2010, discloses that the Hanlong Group has a 56.9% interest in Moly, making it a related party.

Listing Rule 10.10.2 requires the Notice of Meeting for shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the Transaction is fair and reasonable to the shareholders whose votes are not to be disregarded in respect of the Transaction.

Accordingly, an independent experts' report is required for the Transaction. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to non-associated shareholders of Moly.

3.2 Regulatory guidance

The Listing Rules do not define the meaning of "fair and reasonable". In determining whether the Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

RG 111 does not provide specific guidance in relation to a fair and reasonable report required by the ASX. However, RG 111 provides guidance on how a control transaction should be considered. We do not consider the Transaction to be a control transaction. As such, we have used RG 111 as a guide for our analysis, but have considered the Transaction as if it were not a control transaction.

In determining whether the advantages of the Transaction outweigh the disadvantages, we have had regard to the views expressed by ASIC in RG 111. This Regulatory Guide suggests that an opinion as to whether the advantages of a transaction outweigh the disadvantages should focus on the purpose and outcome of the transaction, that is, the substance of the transaction rather than the legal mechanism to affect it.

RG 111.9 states that in a takeover scenario or a control transaction, 'fair' and 'reasonable' are two distinct criteria, that is 'fair and reasonable' is not regarded as a compound phrase. However, it is common practice to treat 'fair and reasonable' as a compound phrase for reports required to be prepared under the ASX Listing Rules which do not relate to control transactions.

3.3 Adopted basis of evaluation

In forming our opinion as to whether the Transaction is fair and reasonable we have treated the concepts of fairness and reasonableness as a single opinion, that is, the Transaction is, or is not, fair and reasonable. The Transaction cannot be fair but not reasonable, or not fair but reasonable.

For the purposes of our Report, we have treated “fair and reasonable” as a compound phrase as this is a non-control transaction for listing rule purposes.

The concept of fair and reasonableness focuses on whether the Transaction is in the best interests of the Shareholders.

In forming our opinion as to whether the Transaction is fair and reasonable we have considered, amongst others, the following factors:

- The advantages and disadvantages of approving the Transaction to the non-associated shareholders of Moly;
- The advantages and disadvantages of rejecting the Transaction to the non-associated shareholders of Moly; and
- Alternatives, including the position of Shareholders if the Transaction is not approved.

4. Outline of the Transaction

Since becoming a major shareholder of Moly, negotiations commenced with Hanlong Mining to enter into a sales agreement requiring Hanlong Mining to purchase all of the iron ore fines production from the Spinifex Ridge Iron Ore Project.

Under the terms of the Iron Ore Sales Agreement:

- Moly Metals Australia Pty Ltd ("**Moly Metals**") (100% subsidiary of Moly and the tenement and project owner) agrees to sell and Hanlong Mining agrees to purchase all of the iron ore fines production from the Spinifex Ridge Iron Ore Project;
- Hanlong Mining will purchase the iron ore based on a five day average Cost and Freight ("**CFR**") China Port price of iron ore fines at the time of each cargo determined by reference to either The Steel Exchange ("**TSI**") or Platts spot prices. For Product with an iron ore content greater than or equal to 60.0%, the price for each shipment is equal to the average 62% Fe CFR China Port daily price as quoted by Platts and TSI. For Product with an iron ore content less than 60.0%, the price for each shipment is equal to the average 58% Fe CFR China Port daily price as quoted by Platts and TSI;
- If either Moly Metals or Hanlong Mining considers that the reference price is no longer a suitable basis on which to base and adjust the prices of the ore supplied, the parties shall agree an alternative reference price, acting in good faith; however, failure to agree will result in the existing structure prevailing.
- The agreement may be terminated by mutual consents, because of a default or if Moly Metals ceases to have access to a loading port;
- Hanlong Mining has the exclusive right to market and sell Moly Metals' iron ore product from the Spinifex Ridger Iron Ore Project worldwide;
- Hanlong Mining will have a first right of refusal to enter into an offtake agreement to acquire any of Moly Metals' iron ore lump produced from the Spinifex Ridge Iron Ore Project;
- Hanlong Mining will receive a 4% marketing fee payable on each shipment based on the CFR price received after deducting the cost of freight to Moly Metals from Port Hedland to the nominated discharge port;
- Moly Metals will be responsible for freight and vessel chartering in accordance with normal Incoterms;
- Payment for the first 95% of the shipment value from Hanlong Mining will occur through a letter of credit established at least 14 days prior to the estimated arrival of the ship at the loading port. The payment for the remaining 5% of the shipment value from Hanlong Mining must be made no later than 5 days after presentation of the final invoice upon final outturn analysis at the discharge port, and made by direct deposit into a nominated account.
- Title to all the iron ore sold under the Iron Ore Sales Agreement will pass from Moly Metals to Hanlong Mining when payment of the final invoice is made.
- If requested by Moly Metals, Hanlong Mining must promptly provide a parent company guarantee in support of its obligations under the Iron Ore Sales Agreement.

5. Profile of Moly Mines Limited

5.1 History

Moly is an ASX and TSX listed resources company focused on the development of metal projects, specifically molybdenum and iron ore from the Company's flagship Spinifex Ridge Project, 50km north-west of Marble Bar in the Pilbara region of Western Australia.

Moly listed on the ASX in March 2004 as Hibernia Gold Limited and has since grown substantially as it has pursued the development of its two flagship projects. The Company changed its name to Moly Mines Limited in April 2005 to reflect the growing importance of molybdenum to the Company's core business and listed on the TSX in October 2006. Moly has raised over \$630 million in equity and debt since its incorporation, pursuing the development and financing of its projects.

On 19 October 2009, Moly entered into a Subscription Agreement (**Subscription Agreement**) with Hanlong Mining that provided an immediate US\$200 million equity and debt injection to Moly and a commitment by Hanlong Mining to procure a US\$500 million Project Finance Loan Facility from Chinese financial institutions for the development and construction of the Spinifex Ridge Molybdenum Project.

If the Hanlong Group is unable to arrange the US\$500 million Project Finance Loan Facility for the Spinifex Ridge Molybdenum Project by 30 September 2010 (recently agreed upon to 31 January 2011), the effective subscription price of the shares will be increased to A\$1.00 per share. For Moly's accounting purposes, the share issue was recorded initially at A\$1.00 per share, and a prepayment recognised for the difference between A\$1.00 and A\$0.747 per share issue.

The Subscription Agreement settled on 23 April 2010 with Hanlong Mining subscribing to 207,135,646 shares in Moly at \$0.747 per share (US\$140 million) and providing Moly with US\$60 million Shareholder Loan. The proceeds from the Subscription Agreement were used to repay all amounts outstanding to Trust Company of the West (TCW) for the Interim Financing Facility (US\$188.9 million).

The movement in share capital of Moly since 30 June 2008 is shown below:

Contributed Equity	Number of Shares on issue	A\$'000
As at 30 June 2008	86,191,677	153,177
Shares issued on exercise of options at \$0.20 per share	7,500,000	1,500
Add: Share issue costs refunded	-	283
As at 30 June 2009	93,691,677	154,960
Shares issued on exercise of options at \$0.40 per share	989,000	396
Shares issued at \$0.80 per share for further project development and working capital purposes	16,656,000	13,325
Shares issued at \$0.769 (C\$0.75) per share for further project development and working capital purposes	25,344,000	14,917
Shares issued at \$0.80 per share for reduction of the TCW financing facility	17,022,022	13,618
Shares issued at \$0.776 (C\$0.75) per share for reduction of the TCW financing facility	2,977,978	2,310
Shares issued at \$1.00 per share to the Hanlong Group	207,135,646	207,135

Contributed Equity	Number of Shares on issue	A\$'000
Shares issued on exercise of options at \$0.40 per share	100,000	40
Less: Share issue costs	-	(4,653)
As at 30 June 2010	363,916,323	402,048

5.2 Projects

5.2.1 Spinifex Ridge Molybdenum Project

The Spinifex Ridge Molybdenum Project is one of the most advanced major green-fields molybdenum projects in the world. All necessary environmental and native title permits are in place, key items of long lead equipment that are on the critical path to development have been manufactured and delivered to Perth and Hanlong Mining's investment in Moly and their commitment to procure the US\$500 million Project Finance Loan Facility for the development and construction of the project has provided funding certainty.

Moly Metals acquired an interest in the project in 2004 and acquired 100% of the project in 2006. Moly Metals has completed detailed technical studies on the project including a definitive feasibility study in September 2007 based on a mining and processing rate of 20 million tonnes per annum. The definitive feasibility study included detailed resource and reserve drilling and delineation, mine planning and design, metallurgical testwork, process flowsheet engineering and design, capital and operating cost assessment and marketing studies. Since the global financial crisis of 2008 and 2009, Moly Metals has re-designed the project at a mining and processing rate of 10 million tonnes per annum which has become the basis of design for Hanlong Mining's financing efforts.

Hanlong Mining and Moly's efforts to complete the US\$500 million Project Finance Loan Facility are ongoing with the Company recently announcing it had granted Hanlong Mining an extension to the deadline to achieve the funding from 30 September 2010 to 31 January 2011.

5.2.2 Spinifex Ridge Iron Ore Project

In 2007 and 2008, Moly identified iron ore mineralization at the Spinifex Ridge Project and initiated resource identification drilling that lead to the publication of iron ore resources and reserves in 2009 and 2010. The Company made a decision to mine at the project in May 2010 following the completion of a successful pre-feasibility in 2009 and independent mining study in 2010 that demonstrated strong economics for a 1 million tonne per annum iron ore mining and processing facility at Spinifex Ridge.

Construction of the mine began in May 2010 with the procurement and installation of a 30km water pipeline to the De Grey borefield, earthmoving and civil works for accommodation camp, procurement and construction of accommodation facilities, haul road design and construction, and crushing, stockpile facility laydown areas.

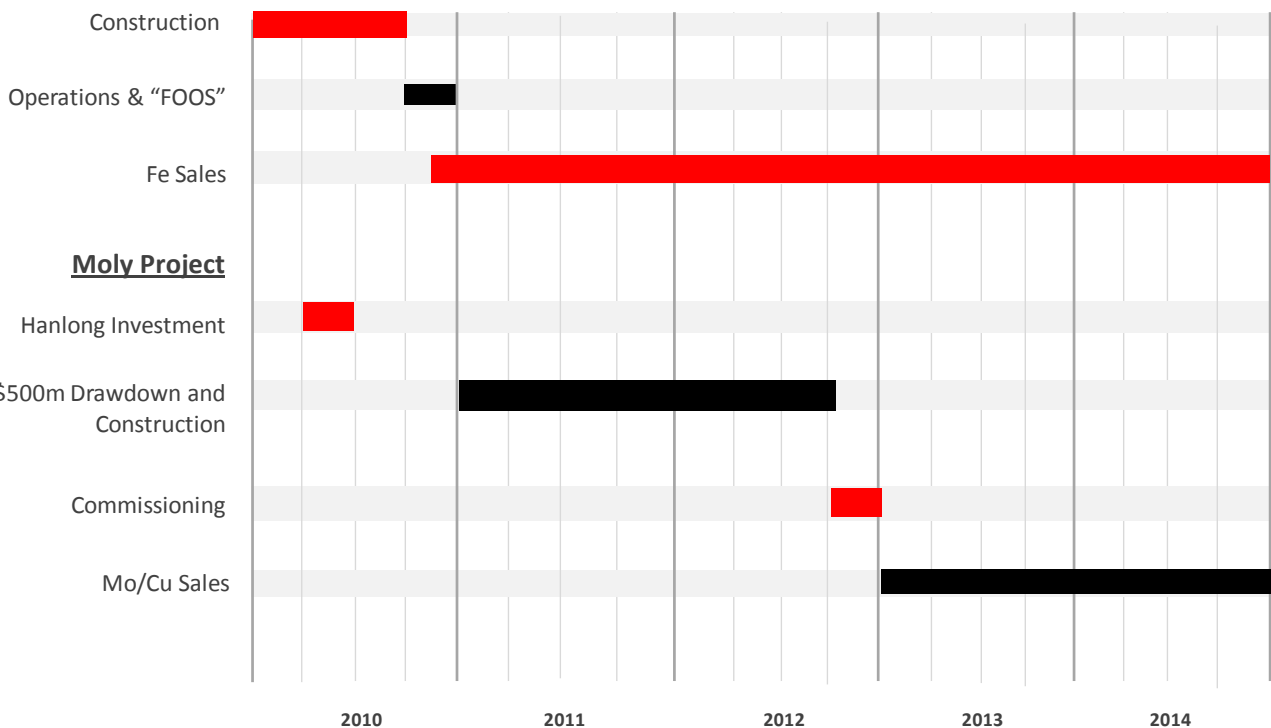
BGC Contracting were awarded the mining contract and mobilised to site in September 2010. Mining has now commenced. Ore will be delivered to a conventional semi-mobile contract crushing and screening plant which will produce fines ore (<10 mm). Rapid Crushing were awarded the project crushing contract and have mobilized their plant to site.

Bullbuck haulage contractors were appointed to transport and stockpile final product at the Utah Point export facility in Port Hedland using quad trailers. Moly has been allocated export capacity at Utah Point.

First iron ore production is due to occur in October with the first iron ore shipment due for export in December 2010.

Moly anticipates the following time frame in both its iron ore and molybdenum projects:

Iron Ore Project



Source: Moly Management

5.3 Exploration

Moly also has early stage exploration phase molybdenum projects at Mt Pleasant, Mt Tennyson and Glen Eden in New South Wales. At present these projects remain highly prospective.

5.4 Historical Balance Sheet

Balance Sheet	Audited as at 30 June 2010 \$'000s	Audited as at 30 June 2009 \$'000s
CURRENT ASSETS		
Cash and cash equivalents	47,880	64,012
Other receivables	15,678	1,046
Assets classified as held for sale	46,220	73,237
TOTAL CURRENT ASSETS	109,778	138,295
NON-CURRENT ASSETS		
Investment in associate	-	1,980
Financial Assets Available for Sale	2,352	72
Other receivables	55,934	2,005
Plant and equipment	49,593	60,126
Exploration and evaluation	847	4,255
Mine property development	154,689	135,919
TOTAL NON-CURRENT ASSETS	263,415	204,357
TOTAL ASSETS	373,193	342,652
CURRENT LIABILITIES		
Trade and other payables	6,679	21,142
Interest bearing liabilities	18,215	205,567
Derivative financial instruments	1,830	-
Provisions	443	380
TOTAL CURRENT LIABILITIES	27,167	227,089
NON-CURRENT LIABILITIES		
Interest bearing liabilities	52,113	77
TOTAL NON-CURRENT LIABILITIES	52,113	77
TOTAL LIABILITIES	79,280	227,166
NET ASSETS	293,913	115,486

Balance Sheet	Audited as at 30 June 2010 \$'000s	Audited as at 30 June 2009 \$'000s
EQUITY		
Contributed equity	402,048	154,960
Reserves	14,147	8,200
Retained earnings	(122,282)	(47,674)
TOTAL EQUITY	293,913	115,486

Source: Moly Mines Limited Audited Financial Report for the years ended 30 June 2010 and 2009.

The significant increase in contributed equity relates to the Hanlong Mining Subscription Agreement where Hanlong Mining subscribed for 207,135,646 shares in the Company on 19 October 2009 and provided the Company with a US\$60 million 10 year Shareholder Loan.

The US\$150 million debt financing facility entered into with various funds associated with TCW was repaid in full on 23 April 2010 with the proceeds of the Hanlong Mining Subscription Agreement.

5.5 Historical Income Statements

Income Statement	Year ended 30 June 2010 \$'000s	Year ended 30 June 2009 \$'000s
Continuing Operations		
Interest revenue	1,297	835
Other income	120	38
Foreign currency gains	13,269	23,917
Fair value movement on derivative financial instruments	2,730	-
Total Revenue	17,416	24,790
Expenses		
Administrative expenses	5,743	4,344
Loss/(gain) on re-measurement of non-current assets held for sale	(1,303)	38,916
Loss on sale of assets	2,831	-
Impairment of financial assets classified as available for sale	300	-
Reversal of impairment/(impairment) of investment in associate	-	(54)
Share of loss of associate	-	174
Fair value movement of options classified as held for trading	-	459
Impairment of capital work in progress	-	5,631

Income Statement	Year ended 30 June 2010 \$'000s	Year ended 30 June 2009 \$'000s
Security deposit expenses written off	-	1,000
Exploration expenses written off	54	181
Finance costs	84,399	24,248
Total Expenses	92,024	74,899
Profit/(loss) before income tax expense	(74,608)	(50,109)
Income tax benefit	-	1,930
Net profit/(loss) after income tax	(74,608)	(48,179)

Source: Moly Mines Limited Audited Financial Report for the years ended 30 June 2010 and 2009.

Moly's US\$150 million debt financing facility was denominated in United States Dollars and since the Australian Dollar has strengthened against the USD in the past financial year, Moly recognised a foreign currency gain in relation to this facility for FY2010.

An equity raising was completed during October 2009 whereby shares and warrants were offered to investors on the TSX and ASX. The warrants allotted on the TSX have an exercise price in Canadian dollars. Therefore the fair value movement of these derivative financial instruments back to Australian dollars during the period was recognised in the income statement.

The significant increase in financing costs is largely due to the early repayment fee of \$47.67 million relating to early payment of the TCW debt facility, along with additional refinancing costs. Finance costs also include interest expenses on the TCW notes prior to repayment and the Hanlong Mining Shareholder Loan of US\$60 million.

5.6 Capital Structure

The share structure of Moly as at 31 August 2010 is outlined below:

Description	Number
Total Ordinary Shares on Issue	363,946,323
Top 20 Shareholders	267,704,839
Top 20 Shareholders - % of shares on issue	73.56%

Source: Moly's shareholder registry 31 August 2010

The range of shares held in Moly as at 31 August 2010 is as follows:

Range of Shares Held	No. of Ordinary Shareholders	No. of Ordinary Shares	Issued Capital (%)
1-1,000	1,426	679,605	0.19
1,001-5,000	1,823	5,208,997	1.43
5,001-10,000	861	6,913,498	1.90
10,001-100,000	1,249	32,245,085	8.86
100,001 - and over	91	318,899,138	87.62
TOTAL	5,450	363,946,323	100.00

Source: Moly's shareholder registry 31 August 2010

The ordinary shares held by the most significant shareholders as at 31 August 2010 are detailed below:

Name	No of Ordinary Shares Held	Percentage of Issued Shares (%)
Sichuan Hanlong Group Co	207,135,646	56.92
TD Waterhouse Canada Inc	13,076,919	3.59
Knighthead Capital Management	5,229,000	1.44
RBC Dominion Securities	3,575,258	0.98
Total Top 4	229,016,823	62.93
Others	134,929,500	37.07
Total Ordinary Shares on Issue	363,946,323	100.00

Source: Moly's shareholder registry 31 August 2010

Since 31 August 2010, 490,000 options have been exercised in Moly raising \$196,000 for the Company.

Exercise of Options	Number of Shares on issue	Exercise Price	Cash raised
As at 31 August 2010	363,946,323	-	-
2 September 2010	30,000	\$0.40	\$12,000
23 September 2010	37,500	\$0.40	\$15,000
29 September 2010	422,500	\$0.40	\$169,000
As at 30 September 2010	364,436,323		\$196,000

As at 30 September 2010, Moly had the following other securities on issue:

Other securities	Number
Unlisted options	
- Exercisable at \$1.40 on or before 31 Dec 2010	4,065,000
- Exercisable at \$0.40 on or before 31 Dec 2010	1,286,000
Total Unlisted Options	5,351,000
Warrants	
- Exercisable at \$0.0001 expiring 31 Oct 2018	12,928,751
- Exercisable at \$0.0001 expiring 28 Nov 2018	4,945,367
- Exercisable at \$0.0001 expiring 15 Feb 2020	5,958,039
- Exercisable at C\$1.00/A\$1.06 expiring 30 Oct 2012	14,000,000
Total Warrants	37,832,157

Source: Moly Management as at 30 September 2010

As at the date of our report, the Hanlong Group does not own any options in Moly.

6. Profile of The Hanlong Group

6.1 History

The Hanlong Group was founded in 1997 in the Sichuan Province, China. The Hanlong Group consist of 30 subsidiaries and employs more than 12,000 staff. The company has total assets exceeding 36 billion yuan and annual sales revenues of over 16 billion yuan. The Hanlong Group is a diversified group with interest in the following industries:

- Mining
- Energy
- Pharmaceuticals
- high technology
- food and beverage
- Industrial chemicals
- Infrastructure development
- Tourism development; and
- Real estate

6.2 Hanlong Mining Investment Pty Ltd

Hanlong Mining was founded in 2009 and designed to house all of Hanlong Group's Chinese and international mining assets. The first international office of the company was set up in Sydney. Hanlong Mining has expanded with new offices in Hong Kong, Canada, the USA as well as mainland China with more locations planned in 2010 and 2011.

Hanlong Mining currently encompasses seven mining companies based in China which collectively have 25 mining projects covering gold, rare earths, tantalum, boron, iron ore, copper and molybdenum minerals.

Hanlong Mining has made international investments and commitments to invest in two molybdenum companies, Moly Mines Limited in Australia and General Moly Inc in the USA, to fund and develop their mining projects.

Hanlong Mining's capital structure is set out below:

	Shares	%
Sichuan Hanlong High Technology Co. Ltd	95	95
Hanlong Partners Ltd	5	5
Total	100	100

Source: ASIC company extract as at 6 October 2010

The Directors of Hanlong Mining are as follows:

- Hon Lau
- Hui Xiao

Both Hon Lau and Hui Xiao are Directors of Moly Mines Ltd

6.3 Hanlong Mining Investment Pty Ltd investment interest in Moly Mines Limited

In April 2010, Hanlong Group through its investment arm, Hanlong Mining, completed a US\$200 million equity and debt injection into Moly. This resulted in Hanlong Group becoming the controlling shareholder with a 56.9% interest in Moly. Hanlong Mining has also agreed to finalise the terms and conditions for the US\$500 million project loan for the Spinifex Ridge Molybdenum Project.

7. Industry Analysis

7.1 Iron Ore

Iron ore is the most widely used metal globally. It is used primarily in structural engineering applications, automobiles and other general industrial applications. Commercial development of iron ore deposits is constrained by the position of the iron ore deposit relative to its market, the cost of establishing proper transportation infrastructure such as ports and railways; and the energy costs required to establish the infrastructure associated with production.

There are three main categories of iron ore exports being:

- Fines: fines are the smallest size category and typically with a granular size of no greater than 6 millimetres. Fines are the most heavily traded category of iron ore.
- Lump Ore: Lump ore consists of golf ball sized pieces, and generally has higher iron content than fines.
- Pellets: Iron ore in “pellets” are semi-refined iron ore blast furnace pellets.

At present, annual world production of iron ore averages two billion metric tons annually. The world’s largest producer of iron ore is the Brazilian mining corporation Vale (formerly Companhia Vale Rio Doce (“CVRD”)), followed by BHP Billiton (“BHP”) and Rio Tinto Group (“Rio Tinto”).

7.2 Iron Ore Pricing

The majority of metal commodities are traded on exchanges in the form of either spot or future prices. The current price that the respective commodity trades at is therefore used to price the underlying commodity.

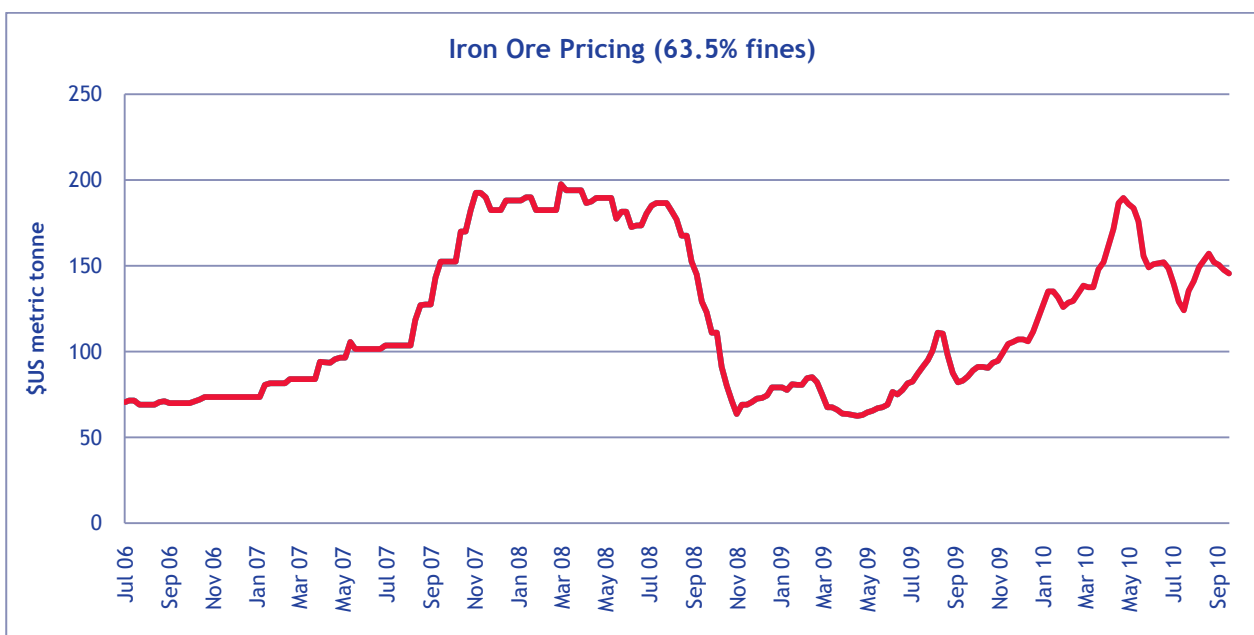
Iron ore was an exception to this. Iron ore was mostly traded in world markets under long-term contracts. The prices are set during annual contract negotiations between iron ore producers and steel manufacturers and are usually introduced at the start of the Japanese fiscal year in April.

The 40-year-old annual iron ore pricing system collapsed in early 2010 when the world’s three largest iron ore producers Rio Tinto, BHP Billiton and Brazil’s Vale agreed to adopt quarterly negotiated contracts based on the spot price index. As a result of the new pricing system, the price of iron ore has become much more volatile and is likely to increase the risk for importers as they are not able to lock in purchase prices.

Since then, the China Iron & Steel Association (“CISA”) has led big steel mills in a stand against the change and those mills have had to buy shipments at a temporary price settled on a quarterly basis, with prices based on the average index price for the previous quarter.

China, the world’s largest importer of iron ore by far, imported 155 million tonnes of ore in the first quarter of 2010 with an average price of US\$96 per tonne, which was up 20.7 percent over the same time last year.

The graph below illustrates 63.5% iron ore fines price movements and is stated in USD per metric ton. The graph shows a distinct price increase in the second half of 2009 and through 2010. Fines prices rose to a high of US\$189.5 in April 2010 before falling to current prices of approximately US\$150.



Source: Bloomberg China CIF Fines Prices

Rio Tinto, BHP and Vale have recently cut iron ore prices for Chinese steel makers by around 10 to 13 percent for the December quarter in response to falling iron ore spot prices during the period from June to August 2010.

Although Chinese steel mills have had some success in negotiating lower prices, they continually face stiff competition from Japanese and South Korean mills and have not cut down on iron ore consumption.

7.3 The Steel Index

As part of the Transaction, the pricing agreed upon by Moly and Hanlong Mining is based on The Steel Index (“TSI”). TSI is a subscription based independent provider of price information on steel products and iron ore prices.

The steel price data is collected from companies involved throughout the steel supply chain using secure web-based technology that allows them to input price data on a confidential basis. Reference Prices are then calculated from this data.

TSI publishes 2 daily iron ore reference prices - one for 62% Fe content fines and one for 58% content Fe fines, both CFR China port. Calculation of the iron ore reference prices involves two principal steps:

- Normalisation of the data submitted to the reference product specifications and exclusion of outliers; and
- Calculation of the average reference prices from the remaining normalised data.

TSI's iron ore prices have become an essential tool for miners, traders and steel mills as their daily reference for physical transactions, with an increasing amount of business being concluded on an index-linked basis. The iron ore index is also used in Over-the-Counter swap contracts by financial brokers throughout the world.

7.4 Platts

As part of the Transaction, the pricing agreed upon by Moly Metals and Hanlong Mining is based on information sourced from Platts. Platts is a subscription based provider of energy and metals information. Established in 1909 and a division of The McGraw-Hill Companies (NYSE-MHP), Platts is headquartered in New York and operates through a network of 17 offices spanning five continents.

From an original focus on the oil industry, Platts gradually expanded its purview to include metals, shipping, and all energy-related markets - oil, coal, natural gas, electricity, nuclear power, petrochemicals, renewables, and emissions. Today, Platts is widely recognized as the world's most trusted provider of energy information and intelligence.

Platts publishes news, research, commentary, market data and analysis, and daily price assessments that are widely used as benchmarks in both physical and futures markets.

8. Is the Transaction Fair and Reasonable?

In accordance with our adopted basis of evaluation (Section 3.3) we have investigated significant factors to which Shareholders might give consideration prior to approving the Transaction. We have also considered the position of Shareholders if they reject the Transaction.

8.1 Advantages of Approving the Transaction

We have considered the following advantages when assessing whether the Transaction is reasonable.

Ref	Advantage	Description
8.1.1	Guaranteed Sales and Volumes at a competitive price	<p>Under the Iron Ore Sales Agreement, Hanlong Mining will purchase all of Moly Metals' iron ore fines from the Spinifix Ridge Iron Ore Project based on either:</p> <ul style="list-style-type: none"> if the product produced has an iron content greater than or equal to 60.0%, the average of the 62% Fe CFR China Port prices as quoted by TSI or Platts; or if the product produced has an iron content less than or equal to 60.0%, the average of the 58% Fe CFR China Port prices as quoted by TSI or Platts <p>The Steel Index iron ore reference price is based on physical spot transactions of 62% and 58% iron ore content fines, delivered China CFR port. The methodology involves collecting iron ore price data based on actual transactions via secure on-line systems. Confidential agreements are signed with companies buying and selling iron ore throughout the supply chain. TSI's reference prices are calculated as the volume-weighted average of prices submitted by miners, traders and steel mills. The TSI is published weekly. The TSI has been considered in the market place to be highly representative of physical spot market transactions for iron ore products.</p> <p>Platts assessments of iron ore prices are based on actual transactions, and/or on specific firm bids and offers in the market. Platts aim is to determine the full circumstances surrounding each deal, including details of quality specifications, order sizes, dimensions, lead times, and any locational and loading/delivery information, and to use that objective information to determine a typical and repeatable market level for iron ore of the published grade.</p> <p>As the Iron Ore Sales Agreement is based on the average of TSI and Platts pricing, Moly Metals will be able to secure a competitive price for its iron ore sales.</p>

Ref	Advantage	Description
8.1.2	Guaranteed Sales and Volumes for the life of mine	<p>The Iron Ore Sales Agreement ensures that Moly Metals will be able to secure the sale of its entire iron ore fines production for the life of the Spinifex Ridge Iron Ore Project.</p> <p>As the sales price under the agreement is based on an average TSI and Platts price, Shareholders can be assured that the Company will receive a genuine arms length market based price for its iron ore fines.</p>
8.1.3	No changes to current operating arrangements	<p>Moly Metals' operations will not be affected as a result of entering into the Iron Ore Sales Agreement. Moly Metals will not have to modify its operational plans and can focus solely on the production of iron ore.</p>
8.1.4	Reputable Offtake Partner	<p>Hanlong Mining recently announced plans to invest \$5 billion in Australian miners through the acquisition and development of a number of Australian mining projects. This demonstrates Hanlong Mining's long term interest in the Australian mining industry.</p> <p>In a similar deal structure in the United States, Hanlong Mining has secured a long term off-take agreement with General Moly Inc., a molybdenum producing company in the US through the issue of a US\$665 million bank loan, US\$80 million equity investment in General Moly and a US\$20 million bridge loan. By having Hanlong Mining as counterparty, there is reduced risk that the terms of the Iron Ore Sales Agreement will be dishonoured. As such, this is an advantage to Moly shareholders.</p>
8.1.5	Management time dedicated to production and cost reduction	<p>With the marketing function effectively outsourced to Hanlong Mining, Moly management can dedicate all their resources to the production, operating and exploration elements of Moly's business.</p>
8.1.6	Parent Company Guarantee	<p>If requested by Moly Metals, Hanlong Mining must promptly provide a parent company guarantee in support of its obligations under the Iron Ore Sales Agreement. If the Transaction was to be approved, the knowledge of the guarantee of the Hanlong Group over Hanlong Mining and the Iron Ore Sales Agreement is added security to Moly Metals.</p>

8.2 Disadvantages of Approving the Transaction

If the Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Ref	Disadvantage	Description
8.2.1	Unable to sell to third parties	If the Iron Ore Sales Agreement is entered into, Moly Metals will be unable to sell its iron ore fines to other parties, even if these other parties are willing to pay at a premium to the market prices under the Iron Ore Sales Agreement. Also, Hanlong Mining will have a first right of refusal to enter into an Offtake agreement for Moly Metals' iron ore lump.
8.2.2	Credit exposure concentrated in one party	Moly Metals' sole customer will be Hanlong Mining and as a result all its credit exposure will be concentrated on Hanlong Mining. If Hanlong Mining was to default on any Moly Metals payments or was to become insolvent, this would impact Moly's operations until an alternative customer/s are sought.

8.3 Advantages of Rejecting the Transaction

We have considered the following advantages if the Transaction is rejected.

Ref	Advantage	Description
8.3.1	Freedom to market to whichever parties Moly Metals requires	If the Iron Ore Sales Agreement is rejected, Moly Metals will be able to market and sell its iron ore to any party it wishes.

8.4 Disadvantages of Rejecting the Transaction

If the Transaction is rejected, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Ref	Disadvantage	Description
8.4.1	Establishment of a marketing division within a short time frame	If the Iron Ore Sales Agreement is cancelled, Moly will be required to secure new customers within a short time period. This would necessitate the establishment of an in-house marketing team by Moly. This may lead to a loss of revenue and cash flows until a marketing team was to be established, or an alternative trading group is sought.

9. Other Considerations

9.1 Alternative Transactions

In negotiating a contract on who to sell the Iron Ore fines to, there were two potential options for Moly Metals:

- Sale to a trading group (such as Hanlong Mining); or
- Sale directly to a steel mill

The primary advantage of a sales contract with a trading group is that it minimises customer risk for Moly Metals. The iron ore can be sold from a trading group to a number of different steel mills and not aligned to only one. This is advantageous as steel mills can seek to change the quality of ore they process depending on the demand of particular steel products. A trading group is able to negotiate sales with different steel mills, minimising risk of not being able to sell the ore.

The disadvantage of a sales contract with a trading group is that a marketing fee is usually paid (in the case of Moly Metals and Hanlong Mining, a marketing fee of 4% of total sales revenue). However, with the marketing function effectively outsourced to Hanlong Mining, Moly management can dedicate all their resources to the production, operating and exploration elements of Moly's business.

We are unaware of any alternative transactions that might offer a superior outcome balancing each of the advantages and disadvantages to the non-associated shareholders of Moly than the current proposed Transaction with Hanlong Mines.

9.2 Reasonableness of Marketing Fee

Under the Offtake Agreement, Moly will pay Hanlong Mining 4% of total sales revenue to assist with Hanlong Mining's marketing support in China. In considering whether this marketing fee is reasonable, we have referred to previous transactions, similar to the transaction between Moly Metals and Hanlong Mining, as there is no benchmark for marketing fee arrangements apart from historical transactions.

A similar agreement was made between Territory Resources Ltd ("**Territory**") and Noble Resources Ltd ("**Noble**") in 2007. A marketing and offtake agreement was executed between the two parties for Territory to sell 100% of its iron ore produced at the Frances Creek Project in the Northern Territory. Under this agreement, Noble was entitled to a 3.5% commission on the price at which the iron ore was sold.

During 2008, Mount Gibson Iron Ltd ("**Mount Gibson**") entered into offtake agreements with APAC and Shougang Concord (both listed on the Hong Kong Stock Exchange). Part of the agreements had a long term offtake agreement, where Mount Gibson's available production from July 2009 for the life of the mine would be sold at a discount of 10% from Hamersley Benchmark Prices.

The above transactions are similar to the Moly Metals/Hanlong Mining Transaction; however, both have their differences in that they were entered into at different strength levels of the global financial economy, as well as each of these companies having their own unique situation as to why they entered into the offtake agreements with their respective purchasers. We do, however, believe that both these transactions give an indication as to the reasonableness of the marketing fee paid by Moly Metals to Hanlong Mining of 4%.

The above two transactions indicate that the 4% marketing fee paid by Moly Metals to Hanlong Mining is reasonable.

9.3 Financing Agreement with the Hanlong Group

The Hanlong Group completed a US\$200 million equity and debt injection into Moly resulting in the Hanlong Group obtaining a 56.92% interest in Moly. The Hanlong Group is also currently finalising the terms and conditions for a US\$500 million project loan to Moly for the Spinifex Ridge Molybdenum Project. This financing facility will continue to progress, regardless of whether the Iron Ore Sales Agreement is accepted or rejected by Shareholders.

10. Conclusion

In our opinion, the Transaction is fair and reasonable to the Shareholders of Moly. In our opinion the advantages and disadvantages of accepting the Transaction outweigh the advantages and disadvantages of rejecting the Transaction and therefore we consider the Transaction to be fair and reasonable to Shareholders.

11. Sources of Information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Moly Mines Limited for the years ended 30 June 2010 and 30 June 2009;
- The Iron Ore Sales Agreement between Moly and Hanlong Mining;
- Share registry information;
- Information in the public domain; and
- Discussions with Management of Moly.

12. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$25,000 (excluding GST and reimbursement of out of pocket expenses). Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Moly in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by Moly, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Moly and The Hanlong Group and any of their respective associates with reference to ASIC Regulatory Guide 112 "Independence of Experts". In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Moly and The Hanlong Group and their respective associates.

A draft of this report was provided to Moly and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

13. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 130 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These experts' reports cover a wide range of industries in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 11 years in the Audit and Assurance and Corporate Finance areas.

14. Disclaimers and Consents

This report has been prepared at the request of Moly for inclusion in the Explanatory Memorandum which will be sent to all Moly Shareholders. Moly engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the Transaction for Moly to approve the Iron Ore Sales Agreement with Hanlong Mining Investments Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

BDO Corporate Finance (WA) Pty Ltd has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit or review of Moly or The Hanlong Group in accordance with standards issued by the Auditing and Assurance Standards Board. However, we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld.

It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Moly. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

A handwritten signature in black ink, appearing to read 'Sherif Andrawes'.

Sherif Andrawes
Director

A handwritten signature in black ink, appearing to read 'Adam Myers'.

Adam Myers
Associate Director
Authorised Representative

Appendix 1 - Glossary of Terms

Reference	Definition
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BFS	Bankable Feasibility Study
BDO	BDO Corporate Finance (WA) Pty Ltd
CFR	Cost and Freight
CISA	China Iron & Steel Association
FOB ST	Free on Board Stowed
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
Hanlong Group	Sichuan Hanlong Group Co Ltd
Hanlong Mining	Hanlong Mining Investment Pty Ltd
Kallenia	Kallenia Mines Pty Ltd
Moly	Moly Mines Limited
Moly Metals	Moly Metals Australia Pty Ltd
MTPA	Million tonnes per annum
Our Report	This Independent Expert's Report prepared by BDO
PFS	Pre Feasibility Study
RG 111	Regulatory Guide 111 - "Content of Expert's Reports"
Shareholders	Shareholders of Moly Mines Limited not associated with The Hanlong Group
TCW	Trust Company of the West
The Act	The Corporations Act
The Company	Moly Mines Limited
The Transaction	The Transaction relates to the Iron Ore Sales Agreement with Hanlong Mining as defined in section 4 of this report
TSI	The Steel Index
TSX	Toronto Stock Exchange

Proxy form

For personal use only

000001 000 MOL
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

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Cast your proxy vote



Access the annual report



Review and update your securityholding

Your secure access information is:

Control Number: 999999

SRN/HIN: 1999999999

PIN: 99999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



For your vote to be effective it must be received by 9:00am (WST) Monday 22 November 2010

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form →**

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Moly Mines Limited hereby appoint

☐ the Chairman of the meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Moly Mines Limited to be held at Harcourts Building, 125 Cambridge Street, West Leederville, Western Australia on Wednesday, 24 November 2010 at 9:00am (WST) and at any adjournment of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
Resolution 1 Adoption of remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Re-election of Mr David Nixon as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Election of Dr Steven Xiao as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Election of Mr Liu Han as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Election of Mr Andy Zhmurovsky as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 Election of Mr Bob Prosser as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 Election of Mr Michael Braham as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 Approval of the issue of options to Hanlong	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 Approval of Hanlong Iron Ore Sale Agreement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date ____/____/____

MOL

999999A

Computershare