

31st January 2011

ASX Limited
Exchange Plaza
2 The Esplanade
Perth, WA 6000

SPINIFEX RIDGE MOLYBDENUM / COPPER PROJECT - FINANCE FACILITY

- China Development Bank issue financing commitment letter.
- Term Sheet for Finance Facility advanced.
- Extension granted to Hanlong for Finance Facility completion to 31 December 2011.
- Interest on US\$45 million of the US\$60 million Hanlong Shareholder Loan suspended until earlier of the satisfaction of all conditions precedent to initial drawdown under the Finance Facility or 31 December 2011.
- Project Finance Options to be re-issued.

Moly Mines Limited (ASX/TSX: MOL) is pleased to provide an update on its project financing activities for the Spinifex Ridge Molybdenum / Copper Project ("Project").

Project Financing Status

The Company can confirm that it has received a commitment letter from China Development Bank (CDB) for up to US\$250 million which will be applied toward half of the planned US\$466 million Syndicated Secured Senior Finance Facility (**Finance Facility**) for the development of the molybdenum/copper mine. This follows approval by the bank's credit committee of the Finance Facility for the mine. The commitment letter demonstrates CDB's support for the Project. However, availability of loan funds remains conditional on agreement to financing documents which will contain various conditions precedent to signing and to drawdown.

The Company has also been advised by Hanlong that a commitment letter for the remaining half of the planned Finance Facility is expected to be received from China Export and Import Bank (**EXIM**) after the Chinese New Year.

The Term Sheet for the Finance Facility is in an advanced form and is expected to be finalized at the time that EXIM provide their commitment letter. The Term Sheet stipulates that the loan will have a 12 year term and a US LIBOR plus margin based variable interest rate, which would be below 5% per annum today. It will be fully secured by Moly Mines with credit support provided by the Sichuan Hanlong Group, the owner of Moly Mines major shareholder, Hanlong Mining Investment Pty Ltd (**Hanlong**), by way of specific asset securities and parent company guarantees.

Moly Mines Managing Director and CEO Dr Derek Fisher said “the receipt of the commitment letter from CDB and confirmation that EXIM is in the final stages of their approval process and that the Term Sheet is largely agreed is a significant step forward in the financing cycle for the Spinifex Ridge Molybdenum / Copper Project. I particularly want to acknowledge the Chairman and founder of Hanlong, Mr Lui Han, who has backed his and his company’s strong belief in the Project by undertaking to also provide the banks with a personal guarantee for this substantial debt.”

Dr Fisher also commented that “the progress on the Term Sheet and the banks’ various stages of commitment are the result of many months’ negotiations and consultation between executives of CDB, EXIM, and our companies. The staff of Moly Mines and Hanlong have put in an enormous effort to bring this financing to this important point in the financing cycle.”

Hanlong Managing Director Dr Steven Xiao said “Hanlong has always devoted itself to the commitment of procuring the Finance Facility and building a great mine for Moly Mines. We have full confidence that we are now very close to securing the funding for the Project. The receipt of CDB’s commitment letter and the progression to the final stage of negotiation of the Term Sheet with the banks are clear evidence of us getting there. Hanlong has a great vision about Moly Mines and its support for Moly Mines goes beyond merely developing a molybdenum / copper mine to incorporate a strategy for the Company’s diversification into other commodities through mergers and acquisitions. Hanlong has the confidence and financial ability to make Moly Mines a significant mining player in Australia”.

All conditions precedent are required to be satisfied by 8 July 2011 or the present commitment of CDB will lapse, unless otherwise extended. The Company also refers readers to the stock exchange announcement dated 18 January 2011 commenting upon project economics and in particular foreign exchange rates as at 31 December 2010.

Hanlong has confirmed it will also provide a further US\$34 million in subordinated loans to meet their US\$500 million funding commitment described in the Subscription Agreement dated 19 October 2009 (as amended). The total funding requirement for the Project will not be known until a Banking Base Case Financial Model is agreed with the banking syndicate over the coming months. The total funding requirement is likely to exceed the US\$500 million debt funding and Moly Mines will consider alternative funding methods to meet this funding gap.

Timing

Whilst the overall progress toward completing the financing has been slower than hoped, the Company is confident that the financing efforts being pursued by Hanlong represent the only realistic financing path for the Project in the immediate future.

During January 2011 the Company’s non-conflicted directors (**independent directors**) met with senior executives of the Hanlong Group to seek a resolution to the financing delays. At these meetings, Hanlong has reaffirmed its support for the Project and its commitment to assist Moly Mines with obtaining the Finance Facility. The independent directors firmly believe it is in the best interests of all shareholders that the financing process continue and all parties remain motivated to achieving that goal.

In light of the substantial progress made, the Moly Mines' Board has agreed to extend the Subscription Agreement deadline for the completion of financing from 31 January 2011 to 31 December 2011 and to re-issue to Hanlong, 35.5 million project finance options, exercisable at Canadian \$1.00 per share expiring 3 years from the date they vest. The project finance options will be subject to shareholder approval and will only vest upon satisfaction or waiver of conditions precedent to drawdown under the Finance Facility occurring by 31 December 2011. Hanlong's existing project finance options lapse on 31 January 2011.

The Shareholder Loan forgiveness (approximately US\$45 million) described under the Subscription Agreement will now apply at 31 December 2011. If the full Finance Facility agreements are not executed by 31 December 2011 and any conditions precedent to the initial draw down under the Finance Facility are not satisfied or waived by 31 December 2010, approximately US\$45 million of the US\$60 million Shareholder Loan owing to Hanlong will be forgiven and the balance repaid immediately.

In consideration for the extension and re-issue of the project finance options, interest payments due on the amount of the Shareholder Loan that was to be forgiven on 31 January 2011, (approximately US\$45 million), will be suspended until the earliest of conditions precedent being met or waived to drawdown under the Finance Facility, or 31 December 2011.

Yours sincerely



Andrew Worland
Company Secretary

This news release includes "forward-looking statements" as that term within the meaning of securities laws of applicable jurisdictions. Forward-looking statements involve known and unknown risks, uncertainties and other factors that are in some cases beyond Moly Mines' control. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this news release, including, without limitation, those regarding Moly Mines' future expectations. Readers can identify forward-looking statements by terminology such as "aim," "anticipate," "assume," "believe," "continue," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "potential," "predict," "project," "risk," "should," "will" or "would" and other similar expressions. Risks, uncertainties and other factors may cause Moly Mines' actual results, performance, production or achievements to differ materially from those expressed or implied by the forward-looking statements (and from past results, performance or achievements). These factors include the failure to complete and commission the mine facilities, processing plant and related infrastructure in the time frame and within estimated costs currently planned; variations in global demand and price for molybdenum and copper; fluctuations in exchange rates between the U.S. dollar and the Australian dollar; failure to recover the resource and reserve estimates of the Project; the failure of Moly Mines' suppliers and service providers to fulfill their obligations under construction, supply and tolling agreements; unforeseen geological, physical or meteorological conditions, natural disasters or cyclones; changes in the regulatory environment, industrial disputes, labor shortages, political and other factors; the inability to obtain additional financing, if required, on commercially suitable terms; and global and regional economic conditions. Readers are cautioned not to place undue reliance on forward-looking statements. We assume no obligation to update such information