

22 September 2016

Moly Mines Offer to Acquire Gulf Alumina

- **Gulf's key asset is a 100% owned high quality DSO Bauxite Project in QLD**
- **Gulf's Directors have unanimously recommended the Offer¹**
- **Pre-Offer acceptances for 55.6% of Gulf's shares received**

The Board of Moly Mines Limited (ASX: MOL) ("Moly") is pleased to announce that it has entered into an Offer Implementation Agreement ("Implementation Agreement") with Gulf Alumina Limited ("Gulf"), under which it is proposed that Moly will acquire all the issued ordinary shares in Gulf (the "Offer"). The Offer will be extended to all ordinary shares in Gulf which are issued as a result of exercise of Gulf options.

Gulf shareholders who accept the Offer will receive a combination of A\$0.46 cash plus 1.4 Moly options ("Moly Options") for each Gulf share they hold.

Strategic Rationale for the Offer

The proposed acquisition provides Moly with the ideal opportunity to develop a low-cost mining operation at Skardon River and position itself as a leading independent supplier of low temperature Direct Shipping Ore ("DSO") bauxite into the expanding seaborne Asian markets.

- Acquisition of a high quality DSO bauxite development project located ~90km north of the world class Weipa bauxite mine
- Gulf undertook a Definitive Feasibility Study ("DFS") in early 2016 which has highlighted the potential for commercial extraction of the bauxite
- Control of key onsite infrastructure in particular the existing Skardon River port
- Significant exposure to the expanding Chinese based alumina markets, with clear focus on the more energy efficient "low temperature" alumina refineries
- Key environmental Commonwealth and Queensland approvals are at an advanced stage
- Leverage off Moly's previous experience in operating and developing low cost DSO operations following its successful development and mining of the Spinifex Ridge iron ore mine
- Reinstatement of quotation of Moly shares on the ASX subject to ASX and Moly shareholder approvals

¹ In the absence of a superior proposal.

The Offer

The Offer will be made by way of a private, contractual offer from Moly to each Gulf shareholder. Each offer will be made on the same terms to each Gulf shareholder.

The Board of Directors of Gulf have unanimously recommended to all Gulf shareholders that they **ACCEPT** the Offer, in the absence of a superior proposal.

The Moly Options issued to Gulf shareholders who accept the Offer will not be quoted on the ASX and will be exercisable at A\$0.16 expiring on the date that is 3 years after the issue date.

The Offer is conditional on:

- minimum acceptances of 50.1% of the issued capital of Gulf;
- FIRB approval of the Offer, including the acquisition of Gulf shares;
- approval by Moly shareholders at an EGM of resolutions under ASX Listing Rules 11.1 and 7.1 and such other resolutions as Moly considers necessary to facilitate the Offer and the reinstatement of quotation of Moly shares on the ASX following re-compliance with Chapters 1 and 2 of the ASX Listing Rules;
- all necessary regulatory and other approvals, consents and waivers being obtained, including ASX approval for the shares of Moly to be reinstated for quotation on the ASX; and,
- satisfaction of other customary conditions as detailed in the Annexure to this announcement.

A summary of the key terms of the Implementation Agreement is contained in the Annexure to this announcement.

Under the Implementation Agreement, Gulf has agreed to various exclusivity arrangements with Moly for a period of 6 months. These arrangements include 'no talk' and 'no shop' obligations, and Gulf must notify Moly if it receives a competing proposal. Gulf has also granted Moly a right to provide a matching or superior proposal if Gulf receives a competing proposal.

In connection with the Offer, Moly has agreed to provide Gulf with a A\$1.9 million unsecured loan facility to assist Gulf meet general working capital requirements during the Offer period. Interest is payable on amounts drawn under the loan facility at 8% p.a. A summary of the key terms of the loan facility is contained in the Annexure to this announcement.

In addition, Moly has entered into Pre-Offer Agreements with Gulf shareholders representing 55.6% of the issued capital of Gulf, requiring those Gulf shareholders to accept the Offer in respect of all their shares held (including any shares issued resulting from the exercise of their Gulf options (if any)) in the absence of a superior proposal. Each Director of Gulf who has a relevant interest in Gulf shares has entered into a Pre-Offer Agreement. A summary of the key terms of the Pre-Offer Agreements is contained in the Annexure to this announcement.

Moly will fund the cash portion of the Offer from its existing cash balance.

Indicative Timetable for implementing the Offer and Moly shareholder meeting

Despatch of Moly Notice of Meeting	late October 2016
Despatch of Offer materials and Prospectus to Gulf shareholders	late October 2016
Date of Moly General Meeting	late November 2016
Close of Offer to Gulf Shareholders	early December 2016
Reinstatement of quotation of Moly shares on ASX	mid December 2016

The timetable set out above is indicative only and may, subject to the ASX Listing Rules and any laws, be varied by Moly in its sole discretion.

Moly will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules before ASX will reinstate quotation of its shares on ASX.

If the Offer terminates or is otherwise unsuccessful, and Moly is unable to complete another transaction which enables Moly to re-comply with Chapters 1 and 2 of the ASX Listing Rules by 23 April 2017, ASX has advised Moly that it will be removed from the ASX Official List.

About Gulf Alumina

Gulf is an Australian unlisted public company with 45 shareholders which was established in 2004 to develop bauxite deposits for export to China's rapidly expanding merchant alumina refining markets.

Skardon River Project

The Skardon River project has been the subject of extensive exploration and economic studies over the past five years which resulted in Gulf undertaking a DFS in 2015. The results of the studies highlighted the potential for commercial extraction of DSO bauxite ore.

The bauxite occurs as a laterally extensive horizontal layer ranging from 0.5 to 4.0m thickness, directly below a relatively thin surface soil profile generally less than 1.0m thick. The bauxite has developed as a result of weathering and comprises a high percentage of "Gibbsitic" bauxite which is the key type of bauxite feed for "low temperature" alumina refineries many of which are located on the east coast of China. The DFS considers a mine operation based on free-dig mining of bauxite using front end loader; transport of bauxite by haul trucks between 5 and 15km to the wharf loading and stockpiling facility; transhipment down the Skardon River using self-propelled barges to the ocean going vessels located off-shore for shipment to the customer.

The current mining leases within the Skardon River Project include existing infrastructure and improvements comprising of an airstrip, port wharf, haulage and access roads, as well as civil works associated with the village services and power distribution. The DFS proposes that there will be upgrading of the infrastructure to accommodate the proposed mining and shipment operation.

Moly will provide additional information relating the work completed by Gulf at Skardon River in the coming weeks and in the Prospectus to be lodged in late October.

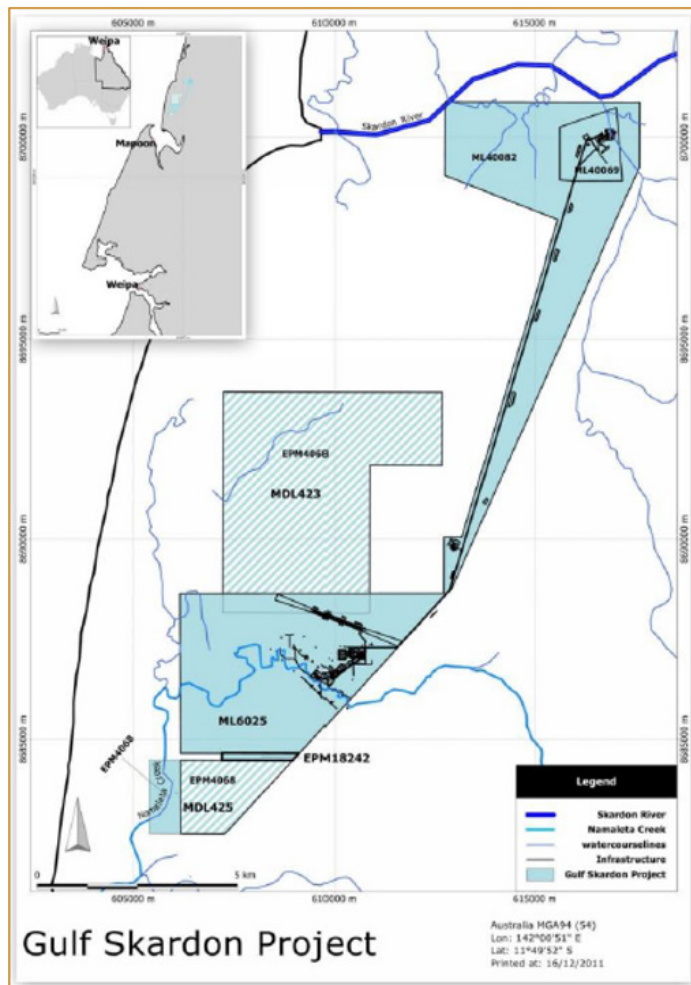


Figure 1 Skardon River Project tenement location and photos of existing infrastructure

Environmental Approvals

Proposed amendments to the existing Environmental Authority ("EA") at Skardon River required Gulf to submit a full EIS in late 2015. Following an extensive public consultation period, the Queensland Government (DEHP) approved the EIS and has issued draft Conditions for review prior to final approval of the EA.

Commonwealth approval under the EPBC Act has progressed in line with the bilateral agreement between the Commonwealth and Queensland governments. Final approval for the Skardon River Project is currently being determined by the Minister for the Environment.

Importantly, these approvals cover key project requirements including mining of the bauxite resource, upgrades to the existing infrastructure such as the wharf and port facilities, haulage and transshipment operations.

Bauxite Market

Moly believes, on the basis of analysis of reports by industry experts and commissioned by Moly, that there is growing demand for seaborne bauxite in China as local resources are depleted. Moly believes that Gulf is well positioned to take advantage of this increased demand especially in light of recent bans on the DSO exports from Malaysia, Indonesia and the Philippines.

Moly intentions if the Offer is successful

If the Offer is successful, Gulf will become a subsidiary of Moly and Moly will control the composition of Gulf's Board of Directors.

No changes are presently contemplated to the Board or senior management of Moly as a consequence of the Offer.

Upon completion of the Offer, Moly intends to continue to pursue the necessary project development activities required to progress the Skardon River Project into production as soon as possible.

Effect on Moly if the Offer is successful

If Moly acquires 100% of Gulf under the Offer, the combined group is expected to have pro forma total consolidated assets of A\$88.5 million² and pro forma total equity interests of A\$71.8 million³.

The transaction is not expected to have any material impact on Moly's consolidated annual revenue until such time as production commences at the Skardon River Project. Moly's budgeted expenditure, exclusive of any acquisition costs, for the 12 months to 30 June 2017 is A\$4.02 million. The combined group is expected to have pro forma budgeted expenditure of A\$12.72 million over the same period⁴, an increase of approximately A\$8.7 million.

Effect on the total issued capital of Moly if the Offer is successful

As mentioned above, in addition to A\$0.46 cash per Gulf share, Gulf shareholders who accept the Offer will also receive 1.4 Moly Options for each Gulf share they hold.

The following table summarises the expected changes to the capital structure of Moly if the Offer is successful:

² Pro forma as at 30 June 2016. Moly's standalone total consolidated assets at 30 June 2016 were A\$75.5 million.

³ Pro forma as at 30 June 2016. Moly's standalone total equity interests at 30 June 2016 were A\$59.9 million.

⁴ Based on Gulf's budgeted expenditure.

	Ordinary shares	Warrants	Moly Options
Issued capital at date of this announcement	384,893,989	4,832,157 with an exercise price of A\$0.0001 and an expiry date of 15/2/20	Nil
Maximum number of Moly securities to be issued under the Offer (assuming 100% acceptance of the Offer and all Gulf options are exercised ⁵)	Nil	Nil	128,117,045
Total issued capital post Offer (assuming 100% acceptance of the Offer)	384,893,989	4,832,157 with an exercise price of A\$0.0001 and an expiry date of 15/2/20	128,117,045

No funds will be raised under the Offer.

Further information

For further information please contact:

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Additional information about the companies is available on the Moly and Gulf websites (see www.molymines.com and www.gulfalumina.com.au)

Yours sincerely

For and on behalf of the Board of Moly Mines Limited



Graeme Kininmonth
Chief Executive Officer

⁵ Includes Gulf options which remain subject to Gulf shareholder approval

Disclaimer

This announcement has been prepared by Moly. However, no representation or warranty expressed or implied is made as to the fairness, accuracy, correctness, completeness or adequacy of any statements, estimates, opinions or other information contained in these materials. To the maximum extent permitted by law, Moly, and its directors, officers, employees and agents disclaims liability for any loss or damage which may be suffered by any person (including because of negligence or otherwise) through the use (directly or indirectly) or reliance on anything contained in or omitted from this announcement.

This announcement may include forward looking statements about Moly or Gulf. To the extent that this announcement contains forward looking information, the forward looking information is subject to a number of risk factors, including those generally associated with the bauxite industry. Any such forward looking statement also inherently involves known and unknown risks, uncertainties and other factors that may cause actual results, performance and achievements to be materially greater or less than estimated. These factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations and general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and project development, including the risks of obtaining necessary licenses and permits and diminishing quantities or grades of reserves, political and social risks, changes to the regulatory framework within which Moly and Gulf operate or may in the future operate, environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues and litigation. Any such forward looking statements are also based on current assumptions which may ultimately prove to be materially incorrect. Readers should not rely on this announcement as a forecast by Moly.

Information about Gulf

The information in this announcement about Gulf, including resource and reserve data, is based on information published by Gulf and accessible on its website. Moly has not verified this information. Gulf is an ASX unlisted public company. The disclosure obligations of Gulf are less onerous than those of listed company and, accordingly, Moly shareholders are encouraged not to place undue reliance on the information about Gulf in this announcement. Moly does not, except as required by law, make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

ANNEXURE

*Summary of key terms of Offer Implementation Agreement***Outline of proposed transaction**

Moly Mines Limited (**Moly Mines**) and Gulf Alumina Limited (**Gulf Alumina**) have entered into an Offer Implementation Agreement (**OIA**) whereby Moly Mines is proposing to make an offer for all of the shares in Gulf Alumina (**Offer**) and the directors of Gulf Alumina propose to recommend the Offer in the absence of a superior proposal.

Subject to the terms and conditions of the offer terms agreed between Moly Mines and Gulf Alumina (**Agreed Offer Terms**), the consideration to be offered for each share in Gulf Alumina is A\$0.46 paid in cash and 1.4 Moly Options (the terms of which are summarised below).

The terms of the Offer under the Agreed Offer Terms will be provided to Gulf Alumina shareholders in accordance with the timetable agreed between the parties.

The Offer will be made by way of a private, contractual offer from Moly Mines to each shareholder. Each offer will be on the same terms to each shareholder.

The Offer is not subject to Chapter 6 of the Corporations Act.

Making the Offer

- Subject to Moly Mines entering into certain agreements with those shareholders listed in Schedule 2 (**Pre-Offer Agreements**), Moly Mines agrees to make the Offer on terms consistent with the Agreed Offer Terms and to publicly announce its proposal to make the Offer.
- If Moly Mines makes the Offer, all of the directors of Gulf Alumina have informed Moly Mines that they unanimously recommend that Shareholders accept the Offer and will accept, or procure the acceptance of, the Offer in respect of any Gulf Alumina shares that they own or control, subject to there being no superior proposal.
- Full details and other information in relation to the Offer will be provided to Gulf Shareholders separately.

Withdrawal of the Offer

The Offer may be withdrawn by Moly Mines at any time by giving notice to ASX and Gulf Alumina if:

- one or more defeating conditions are not fulfilled as at the end of the offer period or, in Moly Mines' opinion (acting reasonably), are not reasonably likely to be fulfilled as at the end of the offer period;
- the OIA terminates on or before the end of the offer period; or
- the Gulf Alumina board is permitted to change or withdraw its recommendation in relation to the Offer pursuant to the OIA and publicly announces its recommendation that shareholders accept the superior proposal.

Conditions precedent to completion of the

Completion of the Offer is subject to the following conditions precedent (unless waived by Moly Mines):

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Offer

• **Foreign Investment Review Board approval**

One of the following occurring:

- the Treasurer of the Commonwealth of Australia (Treasurer) advising Moly Mines before the end of the offer period to the effect that there are no objections to the Offer in terms of the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**) or Federal Government's foreign investment policy; or
- no order being made in relation to the Offer under section 22 of the FATA within a period of 40 days after Moly Mines has notified the Treasurer that it proposes to acquire Gulf Alumina shares under the Offer, and no notice being given by the Treasurer to Moly Mines during that period to the effect that there are any such objections; or
- where an order is made under section 22 of the FATA, a period of 90 days having expired after the order comes into operation and no notice having been given by the Treasurer to Moly Mines during that period to the effect that there are any such objections.

• **Other regulatory approvals**

Before the end of the offer period, all approvals or consents that are required by law, or by any government or governmental, semi-governmental, administrative, monetary, fiscal or judicial body, department, commission, authority, tribunal, agency or entity in any part of the world, including the Takeovers Panel and a court (**Government Agency**), as are necessary implement the Offer or the reinstatement of quotation of Moly Mines' shares to ASX (**Re-Listing**) are granted, given, made or obtained on an unconditional basis (or on terms acceptable to Moly Mines), remain in full force and effect in all respects, and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same, including that ASIC and ASX issue or provide all relief, consents, approvals, waivers, confirmations or other acts necessary, or which Moly Mines believes are desirable, to implement the Offer and the Re-Listing and such relief, consents, approvals, waivers, confirmations or other acts necessary have not been withdrawn, revoked or suspended before the end of the offer period.

• **No regulatory action**

Between the date of signing the OIA and the end of the offer period (each inclusive), there is not in effect:

- any temporary restraining order, preliminary or permanent injunction, decision, decree or other order issued by any court of competent jurisdiction or by any Government Agency; or
- any other legal restriction or prohibition and no action or investigation is announced or commenced by any Government Agency,

which restrains, prohibits or otherwise materially adversely impedes or impacts upon (or could reasonably be expected to restrain, prohibit or otherwise adversely impede or impact upon):

- the making of the Offer or the completion of any transaction contemplated by the Offer;
- the Re-Listing; or
- the rights of Moly Mines in respect of Gulf Alumina or the Gulf Alumina shares, or requires the divestiture by Moly Mines of any

Gulf Alumina shares or the divestiture of any asset of Gulf Alumina.

- **Minimum acceptance**

At the end of the offer period, Moly Mines has relevant interests in at least 50.1% (by number) of the Gulf Alumina shares (on a fully diluted basis).

- **No material adverse change**

Between the date of signing the OIA and the end of the offer period (each inclusive) there is no event, change, matter, circumstance or thing which occurs whether individually or when aggregated with all such events, changes, matters, circumstances or things of a like kind that:

- 1 has had, or would be reasonably likely to have, a material adverse effect on the business, assets liabilities, financial or trading position, profitability or prospects of Gulf Alumina taken as a whole, as determined by an independent expert jointly appointed by the parties;
- 2 has sterilised, or would be reasonably likely to sterilise, more than 20% of the stated ore reserves of Gulf Alumina as set out in the ore reserves statement prepared by Australian Mine Design and Development Pty Ltd and issued in May 2015; or
- 3 has caused, or would be reasonably likely to cause, a diminution in the total non current assets of Gulf Alumina by at least \$2.5 million compared to the \$12,511,939 of non-current assets stated in Gulf Alumina's 30 June financial statements,

other than those events, changes, matters, circumstances or things:

- 4 required or permitted by the OIA or the Offer; or
- 5 done or not done at the prior written request or with the prior written acknowledgement and approval of Moly Mines,

(Material Adverse Change).

- **No prescribed occurrences**

Between the date of signing the OIA and the end of the offer period (each inclusive), no prescribed occurrence (being those conduct of business restrictions summarised below) occurs.

- **CBIX Bauxite Index fall**

At any time between the date of signing the OIA and the end of the offer period, the CBIX Bauxite Index does not:

- fall to a level which is below or equal to 70% of the level of the CBIX Bauxite Index as at the Announcement Date; and
- remain at or below 70% of the level of the CBIX Bauxite Index as at the Announcement Date for at least 15 consecutive Business Days.

- **No Insolvency Events**

Between the date of signing the OIA and the end of the offer period (each inclusive), no insolvency event occurs in respect of Gulf Alumina.

- **Moly Mines Shareholder approval**

Before the end of the offer period, Moly Mines shareholders approve, by the requisite majorities, each of the Moly shareholder resolutions.

- **Re-Listing**

ASX provides Moly Mines with written advice that its shares will be reinstated to quotation on ASX, subject only to customary or procedural conditions that can be satisfied in the ordinary course.

- **Loss of tenure**

Between the date of the OIA and the end of the offer period:

- no event, change, matter, circumstance or thing occurs or is announced, and no new legal proceeding, dispute or claim is notified, foreshadowed or commenced, which materially impacts, or which is reasonably likely to materially impact, the capacity of Gulf Alumina to lawfully undertake, within a period of 24 months from the date of signing the OIA, open-cut bauxite mining operations and associated activities within the boundaries of the mining tenements at a level that achieves production of at least 3 million tonnes per annum of direct shipping bauxite ore;
- no Government Agency makes a public announcement or provides notice or other communication to Gulf Alumina that advises, intimates or indicates an intention to:
 - revoke, suspend, terminate, adversely modify, or not renew, grant, modify or issue, any authorisation required for the Skardon River Bauxite Project including (i) the mining tenements; (ii) Environmental Authority EPML00967013 or any amendment required thereto; or (iii) approval under the Environmental Protection and Biodiversity Conversation Act 1999 (Cth);
 - exclude bauxite from the mining tenements; or
 - require that Gulf Alumina share its port, haul road or other mining or logistics infrastructure with other mining operations.

Termination of the OIA

Either party may terminate the OIA at any time before completion if:

- the other party is in material breach of the OIA and, to the extent that the breach is capable of remedy, that breach is not remedied by that other party within 10 business days of it receiving notice from the first party of the details of the breach and the first party's intention to terminate;
- a representation or warranty given by the other party under the OIA is or becomes untrue in any material respect and the breach of the representation or warranty is of a kind that, had it been disclosed to the first party before its entry into the OIA, could reasonably be expected to have resulted in that first party either not entering into the OIA or entering into the OIA or agreeing the agreed Offer terms on materially different terms; or
- Moly Mines withdraws the Offer in the circumstances contemplated by the Agreed Offer Terms.

Gulf Alumina may also terminate the OIA if:

- Moly Mines shareholders do not approve the Offer; or
- the ASX will not reinstate Moly Mines shares to quotation on ASX at completion of the Offer or ASX imposes a condition on Moly Mines which is not reasonably capable of satisfaction by Moly Mines.

Moly Mines may also terminate the OIA if the board of Gulf Alumina changes or withdraws its recommendation (on the terms permitted under the OIA) in relation to the Offer and publicly proposes its recommendation that Gulf shareholders accept a superior proposal.

Exclusivity

'No talk'

Gulf Alumina and its related persons must not, during the period from signing of the OIA until the earlier of: (1) 6 months after signing of the OIA or (2) the end of the offer period (**Exclusivity Period**), participate in negotiations or discussions for a competing offer or proposal, accept any competing offer or proposal, or disclose non-public information with a view to obtaining (or which may reasonably be expected to lead to receipt of) a competing offer or proposal, or communicate any intention to do any of the foregoing things, to:

- directly or indirectly acquire a relevant interest or an economic interest in 50% or more of Gulf Alumina shares;
- directly or indirectly acquire control of Gulf Alumina;
- directly or indirectly acquire or become the holder of any interest in all or a substantial part of the business or assets of Gulf Alumina;
- directly or indirectly acquire an economic interest in any of the mining tenements listed in the OIA or the Skardon River Bauxite Project; or
- otherwise acquire or merge with Gulf Alumina,

whether by way of takeover offer, scheme of arrangement, shareholder approved acquisition, capital reduction, buy back, sale or purchase of shares or assets, joint venture, offtake agreement, dual listed company structure (or other synthetic merger) or other transaction or arrangement, (**Competing Proposal**).

'No shop'

Gulf Alumina and its related persons must not during the Exclusivity Period directly or indirectly solicit, facilitate, encourage, invite or initiate steps with the objective of receiving an offer or proposal by any person in relation to any Competing Proposal, or communicate any intention to do any of the foregoing things.

'Notification'

During the Exclusivity Period, Gulf Alumina must as soon as possible notify Moly Mines if:

- any approach, enquiry or proposal is made, directly or indirectly, to Gulf Alumina or any of its related persons with respect to a Competing Proposal, whether solicited or otherwise; or
- any request is made to Gulf Alumina or any of its related persons for any information relating to Gulf Alumina or its businesses or operations in connection with a current or future Competing Proposal.

'Matching right'

During the Exclusivity Period, Gulf Alumina must not enter into any legally binding agreement, arrangement or understanding pursuant to which Gulf Alumina, a third party or both proposes to give effect to a Competing Proposal and must procure that none of its directors change their recommendation in favour of the Offer to publicly recommend an actual, proposed or potential Competing Proposal (or recommend against the

Offer), unless:

- the Gulf Alumina Board acting in good faith and in order to satisfy what the members of the Gulf Alumina Board consider to be their statutory or fiduciary duties (having received written advice from its legal advisers and financial advisers) determines that the Competing Proposal is a superior proposal;
- Gulf Alumina has provided Moly Mines with the material terms and conditions of the actual, proposed or potential Competing Proposal, including price and the identity of the third party making the actual, proposed or potential Competing Proposal;
- Gulf Alumina has given Moly Mines at least 5 business days after the date of the provision of the information to provide a matching or superior proposal to the terms of the actual, proposed or potential Competing Proposal; and
- Moly Mines has not announced a matching or superior proposal to the terms of the actual, proposed or potential Competing Proposal by the expiry of the 5 business day period.

If Moly Mines provides a matching or superior proposal to the Competing Proposal by the expiry of the 5 business days (**Moly Mines Counterproposal**), both parties must use their best endeavours within 10 business days of Gulf Alumina's receipt of the Moly Mines Counter Proposal to amend the Offer to reflect the Moly Mines Counter Proposal, implement it, and Gulf Alumina must procure that its directors continue to recommend the Offer, unless the amendments cannot be agreed within the 10 business day period.

Warranties

The OIA contains warranties given by Gulf Alumina and Moly Mines that can be considered customary for an agreement such as the OIA. The warranties given by Gulf Alumina also relate to certain matters including the Skardon River Bauxite Project and the mining tenements.

In addition to the customary warranties, Moly Mines also warrants that it will continue to operate the Skardon River Project and at completion will have current assets above a specified threshold.

Conduct of business during Offer period / Prescribed Occurrences

Between the date of signing the OIA and the end of the earlier of: (1) the end of the offer period and (2) termination of the OIA, Gulf Alumina must ensure that business is conducted in the ordinary and usual course, and in particular Gulf Alumina does not:

- **No material commitments**

Enter into any contract or commitment, or vary any existing commitment or contract, which will involve any expenditure, including capital expenditure, which is either not provided for, or which exceeds the amount provided, in the agreed budget.

- **No disposals**

Acquire or dispose of any assets (other than in the ordinary course of the business or as provided in the agreed budget), whose aggregate value exceeds \$50,000.

- **Mergers or acquisitions**

Merge or consolidate with any other entity or acquire all or substantially all of the shares or the business or assets of any other person or entity

or agree to do any of the foregoing.

- **New employees**

Engage, or agree to engage, any new employee, consultant or contractor except as permitted by the agreed budget.

- **Contractor terms**

Vary, or agree to vary, the terms of agreement (including remuneration or other benefits) between Gulf Alumina and any employee, consultant or contractor except as permitted by the agreed budget.

- **Insurance**

Cancel any existing insurance policy in the name of or for the benefit of Gulf Alumina unless a replacement policy has been put in place.

- **Retirement benefits**

Pay, or agree to pay, any director, officer or consultant of Gulf Alumina any bonus, incentive payment, or retirement or termination benefit for loss of office which has not been disclosed to Moly Mines prior to the date of the OIA.

- **Authorisations**

Voluntarily terminate, relinquish or dispose of, fail to renew, or vary, any mining tenement or other material authorisation or agree to do any of the foregoing.

- **Liabilities**

Fail to pay, perform or discharge any liabilities relating to the business of Gulf Alumina as they fall due or incur any liabilities except in the ordinary course of business or as provided in the agreed budget.

- **Encumbrances**

Create an encumbrance over any mining tenement or other authorisation or any other of its assets.

- **Share capital**

- distribute or return any capital to its members or otherwise reduce its capital;
- buy back any of its shares;
- pay or declare any dividends or make any other distributions of its profits;
- convert all or any of its shares or other securities into a larger or smaller number or reclassify, combine, split or redeem any of its shares;
- issue any shares, options or securities that are convertible into shares in Gulf Alumina, except as a consequence of the exercise of options; or
- agree or resolve to do any of the foregoing.

- **Litigation**

Settle or compromise any litigation, dispute or claim, including the indigenous proceedings.

- **Constitution**

Alter its constitution.

- **Material agreements**

Enter into or vary, or agree to enter into or vary, any agreement or arrangement:

- with all or some of its shareholders;
- which requires it to pay a royalty on bauxite produced or sold by Gulf Alumina from the Skardon River Bauxite Project or to otherwise share, or provide any ownership interest in, bauxite produced from the Skardon River Bauxite Project;
- relating to engineering, procurement, construction or mining services, or
- which requires Gulf Alumina to pay compensation to land owners or native title holders.

None of the restrictions listed above prevent Gulf Alumina from performing permitted actions under the OIA, the Loan Agreement, the agreed budget, during emergencies, or actions approved by Moly Mines.

Gulf Alumina also agrees, subject to reasonable notice, to provide Moly Mines with reasonable access to the Gulf Alumina sites, records, and senior management, and is entitled to be informed and consulted regarding certain matters in relation to the conduct of business.

Loan Agreement

The parties agreed that on or about the date of the OIA, they will execute a loan agreement for the provision of a loan to Gulf Alumina by Moly Mines (**Loan Agreement**), the key terms of which are summarised in Schedule 3.

Moly Option terms

The key terms of the Moly Options are summarised below. Detailed terms will be provided separately to Gulf Shareholders.

- **Exercise Period**

The Moly Options are exercisable at any time on or after the issue date until the date that is 3 years after the issue date.

- **Exercise Price**

The exercise price of each Moly Option is A\$0.16.

- **Allotment**

Moly Mines will issue to the option holder one fully paid ordinary share issued in the capital of Moly Mines for each one Moly Option exercised.

- **Ranking**

The shares allotted upon the exercise of Moly Options will rank equally with the ordinary shares on issue in Moly Mines, and are subject to the constitution of Moly Mines.

- **Voting rights**

A Moly Option does not confer on an option holder any right to vote at any meeting of Moly Mines shareholders. An option holder is however entitled to attend general meetings of Moly Mines.

- **Lapse**

If the Moly Options are not duly exercised within 3 years of the issued

date, the Moly Options will lapse and cease to be exercisable.

- **Dividend**

The Moly Options do not attract or pay dividends or distributions of any kind.

- **Transferability**

Subject to the law, the options may be transferred by an option holder at any time by delivering to Gulf Alumina a transfer instrument which has been duly executed by the option holder and the transferee.

- **Compliance with ASX Listing Rules**

The terms of the Moly Options may be amended at Moly Mines' absolute discretion to ensure compliance with the ASX Listing Rules.

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Schedule 1

Summary of the key terms of the Pre-Offer Agreements

Outline	Each of those Gulf Alumina shareholders listed in Schedule 2 (Pre-Offer Shareholders) have entered into Pre-Offer Agreements the key terms of which are summarised below.
Timing of acceptance	<ul style="list-style-type: none"> At any time commencing 21 days after the date of the Offer and ending on the date 3 business days before the end of the offer period, Moly Mines may require the Pre-Offer Shareholders to accept the Offer in respect of all the Gulf Securities held by the Pre-Offer Shareholders. Moly Mines may only require Pre-Offer Shareholders to accept the Offer during the period of 6 months from the date of the Pre-Offer Agreement.
Holders of Gulf Options	<ul style="list-style-type: none"> If a Pre-Offer Shareholder holds Gulf Alumina options, then if as at the date the offer becomes free of all defeating conditions, some or all of those Gulf Alumina options have not been exercised, then the relevant Pre-Offer Shareholders agree to exercise all such unexercised options and to do all things (within their power) to ensure that Gulf Alumina issues new Gulf Alumina shares resulting from the exercise of the options. Following the issue of the Gulf Alumina shares as contemplated above, the Pre-Offer Shareholders agree to accept the Offer in respect of those Gulf Alumina shares. Moly Mines will pay the exercise price of the unexercised options to Gulf on behalf of the relevant Pre-Offer Shareholder on the basis that this amount will be set off against the Offer consideration which is payable in relation to the shares which are issued on exercise of the options.
No disposal nor withdrawal of acceptance	<p>Pre-Offer Shareholders must not, during the term of the agreements:</p> <ul style="list-style-type: none"> dispose of, agree to or offer to dispose of or encumber any of their Gulf Alumina shares or options, except pursuant to an acceptance of the Offer; or enter into any discussions or negotiations relating to any possible disposal of their Gulf Alumina shares or options.
Termination	<p>The Pre-Offer Agreements will terminate if:</p> <ul style="list-style-type: none"> Moly Mines withdraws the Offer or the Offer terminates or lapses for

any reason; or

- the Gulf Alumina board is permitted to change or withdraw its recommendation in relation to the Offer pursuant to the OIA and publicly announces its recommendation that shareholders accept the superior proposal
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Schedule 2

Pre-Offer Agreement Shareholders

Gulf Alumina shareholders who have entered into Pre-Offer Agreements in relation to their Gulf Alumina securities are as follows:

Name of shareholder	Number of shares	Number of options
William (Cheng) Wang	3,850,000	150,000 exercisable at \$0.30 expiring on 18/2/20 ⁶
Weidong Zhang	7,090,000	935,000 exercisable at \$0.30 expiring on 18/2/20 ⁷
Wenzhen Zhang	6,714,760	Nil
Qiuyun Shen	6,060,372	Nil
Shandong Nanshan Aluminium Co., Ltd	10,316,146	Nil
Hong Jiang	3,654,920	Nil
Yanhua Liu	4,140,460	Nil
Ping Zhang	6,771,240	Nil
George Gaal	111,667	160,000 exercisable at \$0.30 expiring on 8/1/17 50,000 exercisable at \$0.30 expiring on 10/3/19 85,000 exercisable at \$0.30 expiring on 18/2/20

⁶ Pending Gulf shareholder approval

⁷ Pending Gulf shareholder approval

John Keppo	100,000	80,000 exercisable at \$0.30 expiring on 8/1/17 50,000 exercisable at \$0.30 expiring on 10/3/19 85,000 exercisable at \$0.30 expiring on 18/2/20
HSA International Pty Ltd	600,000	100,000 exercisable at \$0.30 expiring on 8/1/17 50,000 exercisable at \$0.30 expiring on 10/3/19
Jianbo Song	Nil	200,000 exercisable at \$0.30 expiring on 8/1/17 150,000 exercisable at \$0.30 expiring on 10/3/19 150,000 exercisable at \$0.30 expiring on 18/2/20 ⁸

⁸ Pending shareholder approval

Schedule 3

Loan Agreement

Security	Unsecured
Commitment	A\$1,900,000
Currency	Australian Dollars
Use of proceeds	General corporate purposes
Funding Rate	8% per annum
Availability Period	from the date of execution of the Loan Agreement or the OIA, whichever is later until the last day of the offer period, unless the Commitment is cancelled at an earlier date.
Warranties and undertakings	The Loan Agreement contains warranties and undertakings customary for an agreement such as the Loan Agreement.
Governing Law	New South Wales