



MOLY MINES LIMITED

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8 November 2016

Moly Mines Increased Offer for Gulf Alumina

The Board of Moly Mines Limited (ASX: MOL) ('Moly') is pleased to announce it has increased its offer for Gulf Alumina Limited ('Gulf').

Increased offer consideration

On accepting Moly's increased offer ('Increased Offer'), Gulf shareholders ('Participating Shareholders') can elect, in respect of all Gulf shares held, to receive, either:

- An all cash consideration of A\$0.63 cash for each Gulf share ('Cash Only Option'); or
- A\$0.46 cash plus 1.14¹ Moly shares for each Gulf share ('Cash and Share Option'), having an implied value of A\$0.63 per Gulf share²

Participation in the Cash Only Option will be subject to the total amount of cash consideration payable by Moly under the Increased Offer not exceeding A\$42M ('Cash Pool'). If Moly is unable satisfy all Cash Only Option elections from the Cash Pool, a scale-back mechanism will apply so that Participating Shareholders will receive the Cash and Share Option for any Gulf shares which are not able to be acquired for cash only. Gulf shareholders who hold fewer than 250,000 shares will receive priority access to the Cash Only Option.

A Superior Offer for Gulf Shareholders

Moly considers that its proposal is superior to the offer made by Metro Mining Limited (ASX: MMI) ('Metro') on 28 October 2016 ('Metro's Offer'):

¹ Fractional numbers will be rounded up.

² Based on a Moly share value of value of A\$0.15, being (audited) Net Asset backing per share (diluted) as at 30 June 2016

- Moly's Increased Offer, of A\$0.63 cash or A\$0.46 cash plus 1.14 Moly shares, has a higher value³ than the Metro Offer of only A\$0.50 cash plus one Metro share or A\$0.60 cash;
- Metro's Offer, to be funded using wholly borrowed funds, exposes Gulf shareholders who accept the cash and scrip alternative to an uncertain future as shareholders in Metro. Metro will be highly leveraged and Metro's shareholders will potentially face considerable future dilution if that debt is converted into shares or Metro completes a future equity raising to repay the loans.
- Metro has entered into a bridging loan agreement with its largest shareholder, Greenstone Resources, to fund the cash consideration of its offer. If Metro is successful, it will borrow up to A\$35.8M from Greenstone⁴, and will have total current liabilities of A\$49.6M⁵. Metro will then need to source additional project development funding on top of its debt commitments to develop the Skardon River Project.
- In comparison, Moly will fund the cash component of the Increased Offer from its existing cash resources and has only minimal debt (being US\$10.5M, not repayable until 2020). Moly will have superior balance sheet capacity to raise the necessary funding to develop the Skardon River Project.
- Moly has the development and operational experience to commercialise Skardon River, having successfully acquired, developed and operated Spinifex Ridge DSO iron ore project in Western Australia.

³ Based on a Metro share value of A\$ 0.12, being the value of a Metro share as disclosed in the Metro Offer dated 28 October 2016 and the last trading price of Metro shares on ASX on 7 November 2016.

⁴ Based Metro's prospectus dated 28 October 2016 which states that Metro has entered into a loan bridging facility agreement with Greenstone to fund the consideration payable to Gulf shareholders or optionholders, associated transaction costs and repayment of the \$1.9 M loan provided by Moly to Gulf. The required funding of \$35.8M assumes that the maximum cash outlay of Metro under the Metro Offer will be \$33.9M (assuming all Gulf shareholders accept the offer and elect to receive cash consideration) and a Moly loan balance of \$1.9 M.

⁵ Pro-forma as at 30 June 2016 assuming 100% acceptance of the Metro Offer, as disclosed in Metro's prospectus dated 28 October 2016.

Revised conditionality

Moly will also waive the conditions precedent to its offer⁶ relating to 'no material adverse change' and 'CBIX Bauxite Index Fall' and to vary the 'no prescribed occurrence' condition precedent to reduce its scope of operation.

Status of FIRB and ASX conditions precedent

- Moly is consulting closely with the Foreign Investment Review Board (FIRB) and Australian Securities Exchange (ASX) in order to obtain the necessary confirmations and approvals for the Increased Offer to proceed. Moly has submitted its application to FIRB which remains under consideration by FIRB.
- Moly is in detailed discussions with ASX in relation to whether Moly meets the requirements of Chapters 1 and 2 of the ASX Listing Rules in relation to the re-admission of its shares to quotation on ASX. If ASX becomes satisfied on those matters, Moly expects to then finalise the Increased Offer documentation for Gulf shareholders and the Notice of Meeting to seek Moly shareholder approval of the transaction.

Next Steps

Moly will commence discussions with Gulf in relation to the Increased Offer.

Under the terms of the Offer Implementation Agreement between Moly and Gulf dated 21 September 2016 (**OIA**), if Gulf accepts that the Increased Offer is a matching or superior offer to the Metro Offer, Moly and Gulf must use their best endeavours to agree the amendments to the previous offer terms that are reasonably necessary to reflect the Increased Offer within 10 Business Days.

FUTHER INFORMATION

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⁶ The conditions precedent are summarised in Moly's announcement of the offer dated 22 September 2016.