Moly Mines Limited (ASX/TSX code: MOL) is proceeding with the Spinifex Ridge Molybdenum Project. Where is the project located? What did the Definitive Feasibility Study uncover about the potential of the project?

Managing Director Derek Fisher

The project is located in Western Australia's Pilbara region, one of the premier mining districts of the world, where both BHP and Rio Tinto operate their vast iron ore mines. The region also has copper and manganese mines. It is a great location with a large scale mining culture, extensive infrastructure and it is obviously close to Asia.

The DFS concluded that Spinifex Ridge is an extremely robust project using conservative assumptions. It’s important to note that we’ve invested a lot of effort, time and money on the DFS, which is the culmination of 40 months of work. The DFS considers a 20 million tonne per annum molybdenum/copper open pit mine and concentrator facility that will produce 24 million pounds of molybdenum in concentrate and 27 million pounds of copper in concentrate per annum. The DFS was managed by Collis Thorp, our COO/General Manager and WorleyParsons, the major Australian engineering group.

As a result of the DFS, we defined proven and probable reserves of 314 million tonnes of ore and total measured and indicated resources of 469 million tonnes of ore. The DFS financial analysis examines a ten year mining operation, which will mine approximately 197 million tonnes of ore, after which 117 million tonnes of
proven and probable reserves and 155 million tonnes of the measured and indicated resource will remain.

Importantly, we’ve had independent peer reviews of the process flow sheet and the comminution circuit. We’ve also recently appointed North American based Behre Dolbear, who the banks favoured as independent engineers to the project. They’ve already started their work and visited the site and our office and will be completing their report now that the DFS results are out.

corporatefile.com.au
Can you outline the project’s financials updated during the DFS? Does this ensure a viable operation?

Managing Director Derek Fisher
We’re very happy with the financial results in the DFS. The mine is likely to have a life in-excess of 20 years with proven and probable reserves 15+ years. We’ve modelled the project over the first ten years because we think it is potentially misleading to attempt to model operating and capital costs as well as metal prices beyond that. We set out to do a study which was bankable and our financial modelling certainly indicates that it is.

At current molybdenum prices the Spinifex Ridge resource is potentially significantly larger than what we have defined to date. We’ve drilled the deposit to a 0.03% molybdenum cut-off but have recently begun a drilling program, which will assess the outer envelope of lower grade material of between 0.02% and 0.03% Mo. Computer modelling, however, suggests that the resource may well be beyond one billion tonnes if we go to a 0.02% cut off. This low grade material comes into play at times of high Mo prices; our model currently treats it as waste. At today’s molybdenum prices however, this material would be profitable to process.

The key DFS financials include a pre-tax, pre-finance NPV of A$855 million, which is based on an 8.5% real discount rate. The internal rate of return of 21.5% is also pre-tax and pre-finance. These numbers are based on a Mo price that declines from current prices over about 5 years to long term flat-line at US$13.80 per pound. If we used the current metal price over the 10 years of the financial model the NPV would be A$3.5 billion. Our forecast EBITDA at A$265 million per annum is averaged over the first ten years. Our cash operating costs are US$6.92/lb compared with the current molybdenum price of over US$31/lb.

The A$1.07 billion capital costs are significantly higher than in the pre-feasibility study. Capital payback from first cash flow is 36 months with annual production of 24 million pounds of molybdenum, 27 million pounds of copper and a small amount of silver that reports with copper.

corporatefile.com.au
You mentioned that your capital costs at A$1.07 billion are significantly higher than the pre-feasibility study. Can you explain that?
Managing Director Derek Fisher
The capital cost is due to a variety of factors including increases in plant capacity and changes in plant scope and design. The DFS has considered a 20 million tonnes per annum mining and processing operation, which is a 30% larger throughput rate than the 15 million tonnes per annum assumed in our pre-feasibility study.

The DFS has also lead to a more detailed design for the plant. We’ve taken a conservative approach and included a ferric chloride leaching plant in the circuit at the back-end to clean up the molybdenum concentrate, particularly of copper. Whilst our metallurgy tests, both in the laboratory and pilot plant, suggest a clean molybdenum concentrate will be produced, the ferric chloride plant, which was not considered in the pre-feasibility study, adds certainty to product quality.

corporatefile.com.au
Can you talk about the mine design and explain the process you will be undertaking? What are the main processing risks?

Managing Director Derek Fisher
The project will mine 20 million tonne per annum of ore and we’ll be feeding a mill which requires approximately 60,000 tonnes per day of ore. That’s assuming 92% availability of the mill.

The pit has a favourable stripping ratio at 1.3:1 including the pre strip of 34 million tonnes. The pit will be over 1km wide and long and 400 metres deep with pit wall angles at 43 degrees, but we’d like to see if we can increase the angle.

The process will be a conventional moly circuit. This type of circuit has been used to recover molybdenum in mines worldwide since the First World War. We are using a conventional crush, grind and flotation circuit.

One difference with conventional operations is we have elected to dry stack the tailings after recovering about 85% of the process water. The Pilbara is a very dry region and water is at a premium. Dry stack tailings has environmental benefits as well as capital cost benefits.

corporatefile.com.au
How will you finance the project?

Managing Director Derek Fisher
We have employed a financial advisory group, Azure Capital, who have developed a detailed financing plan and are confident with the execution process.

Over the past six months we have been in discussions with potential joint venture partners, equity arrangers, and global banks. We’ve also been talking to institutional investors. We’ve sent out preliminary Information Memorandums to banks, potential joint venture partners and equity arrangers.

Furthermore, we’ve had site visits by many potential joint venture parties and we are in discussions with Asian molybdenum consumers. This includes Chinese,
Korean and Japanese customers. We are confident that the financing schedule can be completed by the first quarter of 2008.

**corporatefile.com.au**
Can you talk about your labour requirements for the project and how you will ensure you will have sufficient labour when production begins in 2009?

**Managing Director Derek Fisher**
We are often asked how we will find staff for this project because there is extremely strong demand for labour in the mining industry in Australia and globally. Our head of Human Resources, Sue Germon, was employed 12 months ago out of a major mining company. We recognised the need to have a high quality Human Resources Manager early to ensure we have the right people. Sue developed a strong recruiting plan and we’ve already recruited most of our key technical management personnel, including our construction manager.

We have had little trouble in attracting quality professional staff to date. The scale of the project and its uniqueness in the Australian mining industry offers a rewarding employment opportunity for mining industry professionals. We have recently hired Terry Stott as the project’s Construction Manager, a mining veteran who has run construction projects for most of his professional life.

As an example of our pro-active approach, our HR team has recently attended a recruitment conference run by the Australian Government in South Africa. There were over 8,000 South Africans attending that conference looking for jobs in Australia. We’re also advertising in Chile, Peru and Argentina; countries that have molybdenum mines.

**corporatefile.com.au**
Do you have any native title issues outstanding that may preclude you from undertaking work at Spinifex Ridge? How does your project stand on the environmental front?

**Managing Director Derek Fisher**
All of our mining leases have been granted. In March of this year 3 mining leases that cover all the mining areas were granted. Recently, a fourth mining lease was granted that will include some items of plant on the northern side of the ridge.

We announced our native title agreements last month, which have now been executed and allow for the immediate granting of all future Spinifex Ridge project tenements. They also allow us to accelerate any future project titles we may need.

From a mining point of view the project is in good shape and we’ve produced a substantial environmental report from 2.5 years of base line studies. This environmental document has been available to the public since August. We expect to have environmental approval during the first quarter 2008.

**corporatefile.com.au**
What are the dynamics of the industry for molybdenum? What is the current market?
Managing Director Derek Fisher

Molybdenum is not a publicly traded commodity. We have commissioned two independent studies of the molybdenum market in order to support price forecasts. Both studies were completed by international research houses and both concluded the molybdenum oxide prices should remain strong in the near term before declining to a long term price of between US$13.80/lb and US$14.60/lb.

We are very positive about the future demand of molybdenum. The world is increasingly consuming molybdenum. We’re seeing per capita consumption of molybdenum increasing and driven by the energy (hydrocarbon and nuclear), the automobile, and construction industries. Our industry has a great future. We expect China, which is now an important exporter of molybdenum products to become a net importer resulting from its rapidly expanding steel industry and urbanisation of its largely rural population.

We’ve seen the molybdenum price steadily rising since mid 2003 and we are confident that we’re going to see sustained high prices in the near term. Supply of molybdenum is constrained and new production sources will be required to meet forecast demand levels. All new mines are competing within the same tight resources market and in a climate of large construction costs. A molybdenum price of over US$15/lb will be required for many new projects. If we see molybdenum prices drop below that, you will not see major projects developed.

corporatefile.com.au
Are there many large molybdenum discoveries globally in the pipeline that may affect the molybdenum price? Can you describe the molybdenum industry?

Managing Director Derek Fisher

There are some new projects including General Moly’s large Mount Hope deposit in Nevada, Mercator’s Mineral Park in Colorado is another significant mine, then there’s Phelps Dodge’s Climax mine also in Colorado and Ruby Creek in Canada. Mineral Park is under construction and is planned to produce 10 million pounds of Mo pa as a by-product of copper. Our development schedule would have us as the next major new development followed by Mt Hope 15 months later.

We think the market can absorb all these new mines and they are likely to come on sequentially. The market is growing at 5-6% per annum and we estimate the world requires a major new mine every year, even if demand growth starts to flatten.

corporatefile.com.au
Can you talk about the level of experience of the Moly Board?

Managing Director Derek Fisher

Paul Willis is our Chairman with 20 years capital markets experience specialising in the resources sector. He was a founding partner and Chief Operating Officer of an institutional funds management company.

I was one of the founders of Moly Mines and have managed it since inception. I have more than 35 years of global experience in the resource industry having been involved in listing a number of companies, both in Australia and Canada.
Peter Thomas has strong international finance skills. Over the last 10 years he served in various corporate and advisory roles. Currently, he is a senior executive at Fortescue Metals and is responsible for group financial management. During 2006, Peter jointly led equity negotiations, joint venture and debt financing arrangements that culminated in Fortescue’s A$3 billion project financing.

David Constable is a geologist with more than 25 years Canadian and international exploration and development experience. Since 1996, he has provided investor relations services to international and Canadian mining companies.

Colin Agnew, a mining engineer who has recently joined our Board, has 40-plus years of mining experience. Most recently he was with BHP as Director Alumina Business Development and prior to that he managed their Worsley operation in Western Australia. Colin has joined the Board because of his experience in processing operations.

corporatefile.com.au
Could you summarise the status of the project and what Moly Mines will deliver for shareholders?

Managing Director Derek Fisher
We have a robust project with world class economics. We are the first in line of the major new projects and it’s interesting to note in 2010, we are expected to generate over $300 million net cash flow before the next major project. The Spinifex Ridge Project is long life and we see 20-plus years, certainly at current molybdenum prices. Even if a significant discount to current molybdenum prices occurs, this mine will be in production for a long time.

We believe that the market fundamentals for molybdenum will remain strong, and of course, our project is located in Australia in a politically stable environment.

We have an experienced Board and a great management team. We will build this project and we will meet our deadlines to be in production in July 2009 and that will add significant value for shareholders.

corporatefile.com.au
Thank you Derek.

For further information on Moly Mines please call Derek Fisher on (08) 9429 3300 or visit www.molymines.com

To read other Open Briefings, or to receive future Open Briefings by email, please visit www.corporatefile.com.au

DISCLAIMER: Corporate File Pty Ltd has taken reasonable care in publishing the information contained in this Open Briefing®. It is information given in a summary form and does not purport to be complete. The information contained is not intended to be used as the basis for making any investment decision and you are solely responsible for any use you choose to make of the information. We strongly advise that you seek independent professional advice before making any investment decisions. Corporate File Pty Ltd is not responsible for any consequences of the use you make of the information, including any loss or damage you or a third party might suffer as a result of that use.