

Quarterly Activities Report

September 2016



Moly Mines Limited

ASX Code: MOL

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Issued Capital

Ordinary Shares: 384,893,989
Warrants: 4,832,157

Board of Directors

Nelson Chen - Chairman
Lou Guo Qing
Gregory Jones
Anthony Martin

Officers

Graeme Kininmonth - Acting CEO
Ric Vittino – CFO
Susan Hunter - Company Secretary

Investor Relations

Natalie Frame (Canada):
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Share Register

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HIGHLIGHTS FOR THE SEPTEMBER QUARTER

Corporate and Finance

- During the Quarter Moly entered into an Offer Implementation Agreement ('IOA') whereby Moly agreed to make offers to acquire all the issued shares in Gulf Alumina Limited ('Gulf'), an unlisted public company which owns (100%) of the high quality Skardon River Bauxite Project ('Skardon River') in Queensland.
- In addition to the IOA, Moly entered into pre offer acceptance agreements with shareholders representing 55.6% of the Gulf shares.
- As part of the transaction, Moly agreed to provide Gulf with an interim loan facility of \$1.9 million, increased to \$2.9 million subsequent to the end of the Quarter, in order to allow Gulf to continue progressing Skardon River toward development.
- Subsequent to the end of the Quarter, Moly notes the announcement on 25 October 2016 by Metro Mining (ASX: MMI) regarding Gulf. The Metro announcements refer to its 'intention' to make a 'superior' offer, however to date no formal offer has been made.
- Cash on hand at the end of the Quarter was \$61.4 million (unaudited).

Operations

- The Spinifex Ridge Project remains on care and maintenance.
- Subsequent to the end of the Quarter, work by Gulf at Skardon River is being accelerated ahead of the wet season in Far North Queensland. This includes drilling activity in order to deliver a reserve and resource upgrade.

Exploration

- No exploration activity was undertaken on Moly Mines tenements during the Quarter.

Note - all dollar amounts are in A\$ unless otherwise stated

Corporate and Finance

At Quarter end, Moly Mines Limited (“Moly Mines” or “the Company”) had \$61.4 M in cash (unaudited), compared to \$65.8 M at the end of the June 2016 quarter. This reduction includes \$1.6 M in exchange rate fluctuations and the first drawdown of the loan to Gulf (\$1.2 M).

Gulf Transaction status

As announced to the ASX on 22 September 2016, Moly entered into an Offer Implementation Agreement (‘IOA’) whereby Moly would acquire all of the issued shares in Gulf, an unlisted public company which owns (100%) the high quality Skardon River Bauxite Project (‘Skardon River’) in Queensland.

Moly has secured acceptances from shareholders representing ~55.6% of Gulf shares and expects that, in the absence a Superior Proposal, or any conditions precedent not being met, and following approval by Moly shareholders, the transaction will complete shortly thereafter.

Having assessed a range of resources assets since the mine–gate sale of the Spinifex Ridge iron ore in 2013, Moly identified Skardon River as an outstanding opportunity in which to invest the Company’s substantial cash reserves. Skardon River represents a high-quality, low cost, near term bauxite production asset with established infrastructure, and provides a pathway for the relisting of Moly on the ASX.

Subsequent to the end of the Quarter, Moly and Gulf have agreed to increase the interim loan to \$2.9 M to allow Gulf to advance project development work at Skardon River.

Regulatory approvals

The Gulf transaction is conditional on receipt of necessary approvals from the Foreign Investment Review Board and Australian Stock Exchange (ASX).

Moly is currently consulting closely with both FIRB and ASX with a view to obtaining necessary approvals as soon as possible.

Shareholder Approval

A General Meeting for Moly shareholders to approve the transaction is expected to be held in December 2016, assuming necessary ASX approvals are obtained. Shareholders will be sent details regarding this meeting well in advance of that meeting. The Notice of Meeting will include a prospectus on the combined group as well as independent technical and valuation reports which will allow shareholders to make an informed decision on the General Meeting resolutions.

The shares of the Company remain suspended from official quotation by ASX. The Board and executive team recognises the patience of Moly Mines shareholders over the past two and a half years, while shares in Moly have been in trading suspension pending the acquisition of a new

project. The Company is currently working through the necessary relisting procedures with the ASX in connection with the Gulf acquisition.

Moly Mines continues to be a Reporting Issuer in Canada.

Operations

On the basis that Moly will secure all necessary approvals, Gulf has initiated a number of on-site activities at Skardon River in order to rapidly progress the project towards production.

The project has been previously the subject of a Definitive Feasibility Study in 2015, which demonstrated the strong potential for the extraction of Direct Shipping Ore (DSO) grade bauxite material. Moly's strategy will see the project progress through a Bankable Feasibility Study (BFS) in the first half of 2017, to be in a position to make a Final Investment Decision soon after.

The works will be conducted by Gulf Alumina, and funded via an unsecured loan from Moly, the details of which were outlined in the Implementation Agreement. To accelerate the site work activity, and to ensure valuable work can be conducted prior to the wet season in northern Queensland, Moly has agreed to increase this loan facility by A\$1 M to a total of A\$2.9 M.

Works being conducted include drilling activity in order to deliver a reserve and resource upgrade.

Approval for the project under the EPBC Act was received from the Commonwealth in late September. This represents a significant milestone in the development of the project.

Subsequent to the end of the Quarter, the Queensland Department of Natural Resources and Mines granted two Mining Development Licences at Skardon River on tenements adjacent to the existing Mining Leases.

Appendix A: Mining Tenements

Mining tenements held at the end of the September 2016 quarter, and their location, are given in the table below.

Western Australia

Tenement ID	District	Description	Ownership (100%)	Status
M45/1095	Marble Bar	Spinifex Ridge Project	Moly Metals	Granted
M45/1096	Marble Bar	Spinifex Ridge Project	Moly Metals	Granted
M45/1164	Marble Bar	Spinifex Ridge Project	Moly Metals	Granted
G45/276	Marble Bar	Spinifex Ridge Project	Moly Metals	Granted
L45/159	Marble Bar	Spinifex Ridge Infrastructure	Moly Metals	Granted
L45/160	Marble Bar	Spinifex Ridge Infrastructure	Moly Metals	Granted
L45/185	Marble Bar	Spinifex Ridge Infrastructure	Moly Metals	Granted
L45/186	Marble Bar	Spinifex Ridge Infrastructure	Moly Metals	Granted