

# Quarterly Activities Report

## December 2012



### Moly Mines Limited

#### Mine Operator & Developer

Spinifex Ridge, Western Australia



ASX \ TSX Code: MOL

#### Principal & Registered Office

46-50 Kings Park Road  
West Perth, WA 6005  
PO Box 8215  
Subiaco East, WA 6008  
T : +61 8 9429 3300  
F : +61 8 9429 3399  
W: www.molymines.com  
E : info@molymines.com

#### Issued Capital

Ordinary Shares: 384,893,989  
Warrants / Options: 34,010,491

#### Board of Directors

Michael Braham - Chairman  
David Craig  
David Nixon  
Liu Han  
Andy Zhmurovsky  
Kang Huan Jun  
Nelson Chen – Alternate for Liu Han  
Peter Mansell – Alternate for Kang Huan Jun

#### Officers

Collis Thorp – Acting CEO  
John McEvoy - CFO  
Martijn Bosboom - Company Secretary

#### Investor Relations

Natalie Frame (Canada):  
+1 416 777 1801

#### Share Register

Computershare  
Level 2 / 45 St Georges Terrace  
Perth, WA, 6000  
T: +61 8 9323 2000  
F: +61 8 9323 2033  
1500 University St, Suite 700  
Montreal, Quebec H3A 358  
T: +514 982 7888  
F: +514 982 7635  
www.computershare.com

### HIGHLIGHTS (all amounts are in A\$ unless otherwise stated)

#### Operations

- New mine plan
- Production and sales target at 1 million tonnes for calendar year 2013
- Updated Ore Reserve Estimate completed

#### Mine Performance (unaudited)

- 185,315 wet ore tonnes mined for the Quarter, down 36% on previous Quarter
- 261,893 wet ore tonnes shipped (sold) for the Quarter, up 44%
- 59.0% Fe average grade of ore shipped
- Gross sales revenue:
  - December Quarter: \$23.4M, up 58% from September 2012 Quarter
  - Realised CFR price of \$92.9/t, up 10% from September 2012 Quarter
- Operating cash costs / tonne of ore shipped: \$68.9/t
- Mine EBITDA:
  - December Quarter: \$0.9M
- Ore stocks on hand: 124,000 tonnes

#### Corporate & Finance (unaudited)

- Cash on hand: \$41.1M, down \$13.4M (mainly due to revenue from December 2012's iron ore shipment not being received until January 2013)
- Short term iron ore hedging initiated to take advantage of recent price strength

### Corporate

- Staff and cost reductions implemented
- Mergers and acquisitions strategy focused on near term production assets that can be financed independently from Hanlong

### Exploration

- No exploration activity to report

### Summary

At Quarter end Moly Mines Limited (**Moly Mines** or **Company**) had approximately \$64.2 million of net current assets on its balance sheet.

As reported previously, the Company initiated a scheduling and production review in September 2012. Since then, iron ore prices experienced a remarkable recovery which will have a positive impact on the Company's financial position. The review has resulted in a new mine plan based on cost and strip ratio optimisation targeting nominally 1 million tonnes for calendar year 2013. Discretionary mine capital expenditure will remain under constant review.

As announced previously, the Board has reviewed its merger and acquisition strategy. The short term focus is on near term production assets which can be financed and developed independently from its major shareholder Hanlong Mining Investment Pty Ltd part of the Sichuan Hanlong Group (**Hanlong**). Hanlong has advised it will be in a position to financially support an acquisition of project development by the Company from the second half of 2013 and in that context the Company will consider longer term and possibly larger scale opportunities. The Company continues to consider the potential to divest the iron ore mine.

### Operations

Product sales for the Quarter totalled **261,893 wet metric tonnes** from 3 vessels, up 44.7% on the September 2012 Quarter.

Free-on-board (FOB) operating costs (unaudited) for the Quarter averaged \$68.9/t ore shipped.

Iron Ore Mine Statistics (unaudited)	March 2012 Quarter	June 2012 Quarter	September 2012 Quarter	December 2012 Quarter	Total 2012 Year
Ore mined – tonnes	222,354	220,824	287,735	<b>185,315</b>	<b>916,228</b>
Ore crushed – tonnes	254,937	270,461	252,790	<b>220,768</b>	<b>998,956</b>
Ore shipped (sold) - tonnes	261,457	270,995	182,225	<b>261,893</b>	<b>976,570</b>
Average Fe Grade shipped	58.0%	59.1%	58.6%	<b>59.0%</b>	<b>58.7%</b>
Number of shipments	3	3	2	<b>3</b>	<b>11</b>

FOB cost per tonne <sup>(1)</sup> of ore shipped - A\$/t	65.7	63.3	57.1	<b>68.9</b>	<b>64.3</b>
(1)	Costs exclude freight, commissions and government royalties and corporate head office overhead.				

Ore stocks on hand at Quarter end totalled 123,876 tonnes (excluding low grade stocks).

Since the commencement of operations, approximately 590,000 tonnes of lower grade iron ore (grading 50%-55% iron) have been stockpiled for future blending and processing. These stocks have not been valued for the purposes of the Company's financial statements.

The iron ore off-take agreement (Off-take Agreement) between Moly Metals Australia Pty Ltd and Hanlong Metals Limited (Hanlong Metals) includes a clause that either party may trigger a "negotiation in good faith" process should that party believe that the pricing mechanism under the Off-take Agreement is no longer appropriate. The process has been triggered and negotiations have started. It is expected these negotiations will lead to a revised mechanism during the March 2013 quarter. Pending these negotiations, shipments are being priced on a "shipment by shipment" basis.

### **Spinifex Ridge Molybdenum / Copper Project**

The development of the Spinifex Ridge Molybdenum / Copper Project was deferred in December 2011 and will remain on care and maintenance with tenement and permitting obligations being met.

### **Corporate and Finance**

#### **Staff reductions**

As announced previously, the Company has implemented a cost and staff reduction program at a corporate level which is forecast to reduce corporate costs to about \$6.1 million for calendar year 2013.

#### **Hedging Program**

In January 2013, the Company took advantage of stronger iron ore prices to enter into the following iron ore hedges:

- US\$135/tonne flat forward on 160,000 tonnes of 62% iron ore for the period February to September 2013 (equivalent to 20,000 tonnes per month)
- Put at US\$120/tonne and call at US\$146/tonne on 160,000 tonnes of 62% iron ore for the period February to September 2013 (equivalent to 20,000 tonnes per month)

#### **Securities on Issue**

On 31 October 2012 13,828,334 institutional warrants with an exercise price of A\$ 1.06 or C\$ 1.06 expired.

During the Quarter 4,833,337 employee options were cancelled by reason of resignation or termination of employment.

# Quarterly Activities Report

## December 2012



	Balance
	31 Dec 2012
Ordinary shares	384,893,989
Options	
- EIG Warrants	4,832,157
- Employee options	10,516,663
<b>Total</b>	<b>15,348,820</b>
<b>Diluted Total</b>	<b>400,242,809</b>

### *New Company Secretary appointed*

The Company's General Counsel, Martijn Bosboom, was appointed Company Secretary replacing Andrew Worland who ceased employment with the Company on 30 November 2012.

### *Finance - unaudited*

Gross sales revenue earned on the three shipments for the December 2012 Quarter averaged a price of **A\$92.9/t** (dry metric tonnes) and totalled **\$23.4 million**. Net revenue, (being gross revenue less freight, commissions and royalties), earned for the Quarter was **\$18.9 million**. Mine earnings before interest, depreciation and amortization charges for the Quarter totalled **\$0.9 million**.

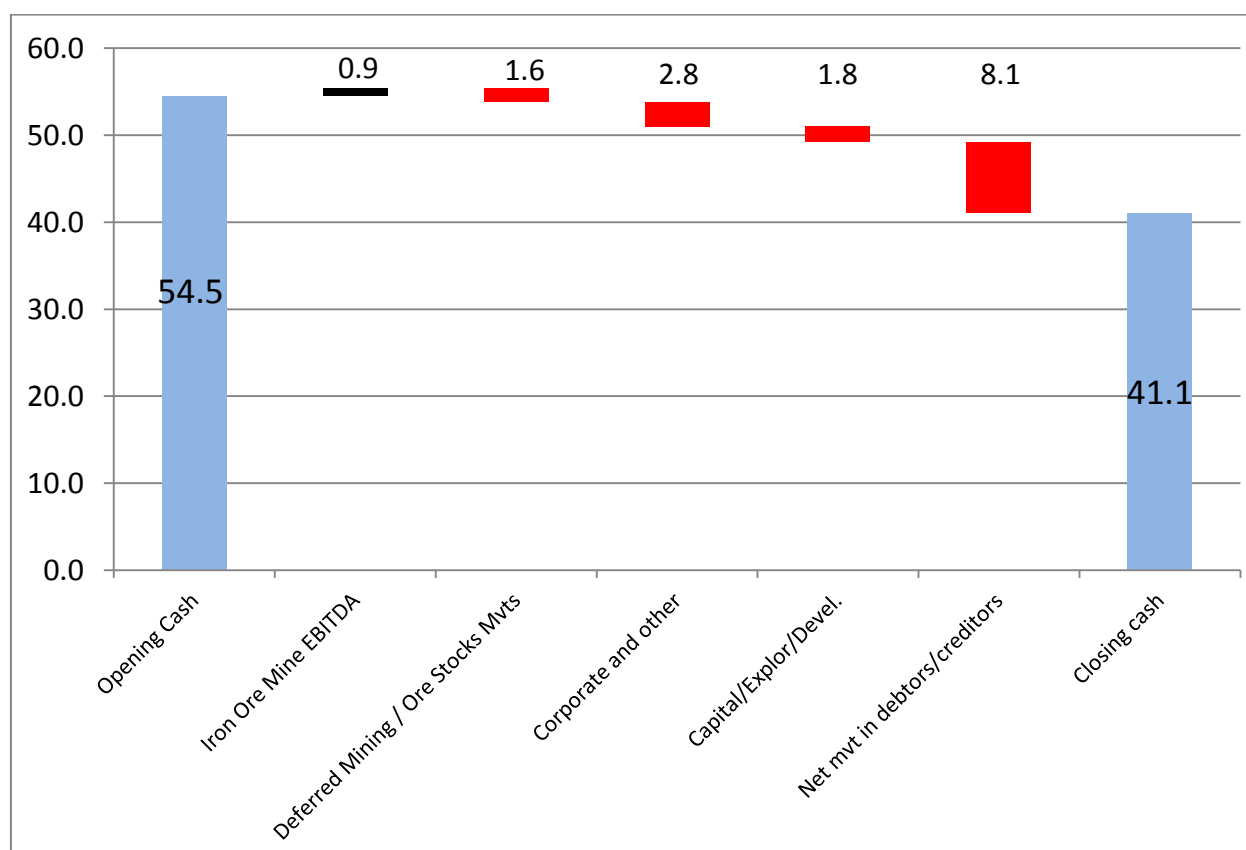
# Quarterly Activities Report

## December 2012



Iron Ore Mine Financials (unaudited)		March 2012 Quarter	June 2012 Quarter	September 2012 Quarter	December 2012 Quarter	Total 2012 Year
Sales price achieved	A\$/dmt	110.4	110.8	84.6	92.9	100.9
Gross sales revenue	A\$'000	27,107	28,631	14,833	23,397	93,968
Net sales revenue	A\$'000	21,441	22,985	11,570	18,904	74,900
EBITDA	A\$'000	4,276	5,833	1,164	880	12,153
Cash receipts from sales	A\$'000	26,115	27,055	26,740	13,719	93,629

A reconciliation of Spinifex Ridge Iron Ore Mine earnings before interest, depreciation and amortization, corporate expenditure and net corporate cashflows for the Quarter ended 31 December 2012 is shown below – A\$'M (unaudited):



### Spinifex Ridge Iron Ore Mine

In November 2012 the Company released an updated insitu Ore Reserve Estimate based on the Ore Resource Estimate as reported in the June 2012 Quarterly Activities Report. The Ore Reserve Estimate takes into account depletion through mining as of 31 May 2012 but does not include port or mine site stockpiles. For further detail, the Company refers to the NI43-101 Technical Reserve Update that was announced on 3 December 2012.

### Ore Reserve Estimate – 30 November 2012

JORC Category	Volume kBCM	Tonnes kT	Fe %	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	P%	LOI%	S%
Proven	-	-	-		-	-	-	-
Probable	1,018	3,098	60.02	1.08	7.6	0.13	4.0	0.00715
Total	1,018	3,098	60.02	1.08	7.6	0.13	4.0	0.00715

*“The scientific and technical information in this report that relates to the in-situ Mineral Reserve estimates for the Spinifex Ridge Iron Ore Deposit is based on information compiled by Mr Benjamin Cairns, who is a consultant working for Westoria Capital Pty Ltd. Mr Cairns is a Member of the Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’ and to qualify as a “Qualified Person” as defined in National Instrument 43 -101 – Standards of Disclosure for Mineral Projects (“NI 43-101”) of the Canadian Securities Administrators. Mr Cairns has reviewed and approved the disclosure of the relevant scientific or technical information in the form and context to which they appear in this report that relates to the Spinifex Ridge Iron Ore Mineral Reserve estimate. Mr Cairns consents to the inclusion in the report of the matters based on his information in the form and context in which it appears”.*