

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick and Newfoundland and Labrador but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

The securities offered hereby have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws. Accordingly, the securities offered hereby may not be offered or sold in the United States except in certain transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See "Plan of Distribution".

This short form prospectus is not a disclosure document under the Corporations Act 2001 (Cth) (the "Australian Corporations Act") and has not been lodged with the Australian Securities and Investments Commission and is not required to be. Investors in Australia are advised that an offering of securities in Australia is being made to certain investors concurrently with the offering made hereunder on the basis that they are either "professional investors" or "sophisticated investors" for the purposes of the Australian Corporations Act.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of the issuer at 46-50 Kings Park Road, West Perth, Western Australia, 6005, telephone: +61 8 9429 3300 and are also available electronically at www.sedar.com.

New Issue

September 2, 2009

PRELIMINARY SHORT FORM PROSPECTUS



MOLY MINES LIMITED

C\$•

• Subscription Receipts

each representing the right to receive one ordinary share

This short form prospectus qualifies for distribution (the "**Offering**") • subscription receipts (the "**Subscription Receipts**") of Moly Mines Limited ("**Moly Mines**" or the "**Company**") at a price of \$• per Subscription Receipt (the "**Offering Price**"). Each Subscription Receipt will entitle the holder thereof to receive, without payment of additional consideration or further action, one ordinary share of the Company (a "**Share**") upon satisfaction of the Release Conditions (as defined herein under "**Plan of Distribution**").

Upon closing of the Offering, the gross proceeds (including the expenses of the Offering and the Agents' Fee (as defined herein)) from the sale of the Subscription Receipts (the "**Escrowed Proceeds**") will be held by Computershare Trust Company of Canada, as escrow agent (the "**Escrow Agent**"), and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments), pending satisfaction of the Release Conditions. The funds held by the Escrow Agent, together with all interest earned thereon, are referred to herein as the "**Escrowed Funds**".

Provided that the Release Conditions are satisfied on or before 5:00 p.m. (Toronto time) on the date that is 60 days following closing of the Offering (the "**Release Deadline**"), the Escrowed Funds (other than the Agents' Fee which

shall be paid to the Agents) will be released to the Company and the Subscription Receipts will be automatically converted into Shares, without payment of additional consideration or further action on the part of the holders.

In the event that: (i) the Release Conditions are not satisfied by the Release Deadline; or (ii) prior to such time, the Company advises the Agents or announces to the public that it does not intend to proceed with satisfying the Release Conditions (each such event being a “**Termination Event**”), then the Escrow Agent and the Company will return to the holders of the Subscription Receipts, on the second business day following the occurrence of such a Termination Event (the “**Termination Date**”), an amount equal to the aggregate Offering Price of the Subscription Receipts held by such holder and their *pro rata* share of interest earned on the Escrowed Proceeds. The Company shall be responsible and liable to such holders for any shortfall between that amount and the Escrowed Funds. See “*Description of Securities Being Distributed—Subscription Receipts*”.

No additional consideration will be received by the Company and no commission or fee will be payable by the Company in connection with the Shares issuable upon exercise of the Subscription Receipts. The Offering is made pursuant an agency agreement (the “**Agency Agreement**”) dated •, 2009 among the Company and Paradigm Capital Inc., GMP Securities L.P. and CIBC World Markets Inc. (collectively, the “**Agents**”). The Offering Price has been determined by negotiation between the Company and the Agents.

The outstanding Shares of the Company are listed and posted for trading on the Toronto Stock Exchange (the “**TSX**”) and ASX Limited (the “**ASX**”) under the trading symbol “MOL”. On September 1, 2009, the last trading day before the public announcement of the Offering, the closing price of the Shares was \$1.16 on the TSX and A\$1.36 on the ASX.

An investment in the Subscription Receipts is speculative and involves significant risk. In particular, the conversion of the Subscription Rights into Shares is subject to the satisfaction of the Release Conditions. See “Risk Factors” and “Caution Regarding Forward-Looking Statements”. Prospective investors should carefully review and evaluate these factors before investing in the Subscription Receipts.

Price: C\$ • per Subscription Receipt

	<u>Price to Public</u>	<u>Agents’ Fee⁽¹⁾</u>	<u>Net Proceeds to the Company⁽²⁾</u>
Per Subscription Receipt	\$•	\$•	\$•
Total ⁽³⁾	\$•	\$•	\$•

NOTES:

- (1) The Agents will be paid a fee (the “**Agents’ Fee**”) equal to five percent (5%) of the gross proceeds of the Offering. The Agents will also receive compensation warrants (the “**Compensation Warrants**”) entitling the Agents to subscribe for that number of Shares equal to one percent (1%) of the aggregate number of Subscription Receipts sold under the Offering once gross proceeds of the Offering exceed \$100,000,000. See “*Plan of Distribution*”.
- (2) After deducting the Agents’ Fee but before deducting the expenses of the Offering, estimated to be approximately \$700,000, which will be paid from the proceeds of the Offering.
- (3) The Company has granted to the Agents an option (the “**Over-Allotment Option**”), exercisable in whole or in part at the discretion of the Agents for a period of 30 days following the Closing Date (as defined below), to purchase up to such number of additional Subscription Receipts, at the Offering Price and on the same terms and conditions of the Offering, as is equal to 15 percent (15%) of the number of Subscription Receipts sold pursuant to the Offering. This short form prospectus also qualifies for distribution the Over-Allotment Option and the Additional Subscription Receipts (as defined below). A purchaser who acquires Additional Subscription Receipts forming part of the Agents’ over-allotment position acquires such Additional Subscription Receipts under this short form prospectus, regardless of whether the over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “*Plan of Distribution*”.

The following table sets out the number of Subscription Receipts and Compensation Warrants that may be issued pursuant to the Over-Allotment Option:

<u>Agents' Position</u>	<u>Maximum Size</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	•	For a period of 30 days following the Closing Date	\$•
Compensation Warrants	•	•	\$•

The Company will apply to list the Shares issuable upon conversion of the Subscription Receipts and the Shares issuable upon exercise of the Compensation Warrants on the TSX and the ASX. Listing of the Shares will be subject to the Company fulfilling all of the listing requirements of the TSX and the ASX.

The Agents conditionally offer the Subscription Receipts under the Offering on a best efforts basis and, subject to prior sale, if, as and when issued by the Company and delivered and accepted by the Agents in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to approval of certain legal matters relating to the Offering by Blake, Cassels & Graydon LLP, on behalf of the Company, and by Fraser Milner Casgrain LLP, on behalf of the Agents.

Subject to applicable laws, the Agents may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Shares of the Company at levels other than those that might otherwise prevail on the open market in accordance with applicable stabilization rules. Such transactions, if commenced, may be discontinued at any time. **The Agents may offer the Subscription Receipts at a lower price than stated above.** See "*Plan of Distribution*".

Subscriptions for Subscription Receipts will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Subject to Shareholder approval of the Offering (see "*Risk Factors*"), it is expected that closing of the Offering will occur on or about •, 2009 (the "**Closing Date**"), or such other date as the Company and the Agents may agree upon, but in any event no later than the date that is 42 days after the date a final receipt is issued for this short form prospectus. On the Closing Date, the Subscription Receipts issuable pursuant to the Offering will be available for delivery in book-entry only form through CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee and a definitive certificate representing the Subscription Receipts issuable pursuant to the Offering will be issued in registered form to CDS & CO. and deposited with CDS. Purchasers of Subscription Receipts will receive only a customer confirmation from a registered dealer that is a CDS participant and from or through which the Subscription Receipts are purchased.

The registered and head office of the Company is located at 46-50 Kings Park Road, West Perth, Western Australia, 6005.

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ELIGIBILITY FOR INVESTMENT

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Company and Fraser Milner Casgrain LLP, counsel to the Agents, provided that the Shares are listed on a “designated stock exchange”, as defined in the Income Tax Act (Canada) (the “**Tax Act**”), which includes the TSX, on the date of the Offering, the Shares will on that date be qualified investments under the Tax Act and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, registered disability savings plans, deferred profit sharing plans, registered education savings plans and tax-free savings accounts (“**TFSA**s”), each as defined in the Tax Act (collectively, “**Plans**”).

Provided that the Shares are qualified investments for Plans as described above on the date of the Offering, the Subscription Receipts will also be qualified investments on that date for any Plan provided that on that date neither the Company, nor any person with whom the Company does not deal at arm’s length for purposes of the Tax Act, is an annuitant, a beneficiary, an employer or a subscriber under or a holder of, such Plan.

Notwithstanding the foregoing, a holder of Subscription Receipts or Shares will be subject to a penalty tax if the Subscription Receipts or Shares, as the case may be, are held in a TFSA and are a “prohibited investment” for a TFSA under the Tax Act. However, the Shares and Subscription Receipts will not be prohibited investments for a TFSA held by a particular holder provided that the holder deals at arm’s length with the Company for purposes of the Tax Act, and does not have a “significant interest” (as defined in the Tax Act) in either the Company or a person or partnership that does not deal at arm’s length with the Company for purposes of the Tax Act. Holders should consult their own tax advisors as to whether the Subscription Receipts and the Shares will be a “prohibited investment” in their particular circumstances.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Company, at 46-50 Kings Park Road, West Perth, Western Australia, 6005. These documents are also available on SEDAR at www.sedar.com.

The following documents, which the Company has filed with the securities commissions or similar authorities in Canada, are specifically incorporated by reference and form an integral part of this short form prospectus:

- (a) the Company’s annual information form (“**AIF**”) for the year ended June 30, 2009, dated September 2, 2009;
- (b) the Company’s audited consolidated financial statements, the notes thereto and the auditors’ report thereon as at June 30, 2008 and for the year ended June 30, 2008, together with the related management’s discussion and analysis (“**MD&A**”) for such audited consolidated financial statements;
- (c) the Company’s unaudited consolidated financial statements and the notes thereto as at March 31, 2009 and for the nine-month period ended March 31, 2009, together with the related MD&A for such unaudited consolidated financial statements; and
- (d) the material change report of the Company dated September 2, 2009 announcing an agreement with the Trust Company of the West (“**TCW**”) for a one month extension to the maturity of its US\$150 million Interim Financing Facility (the “**Interim Financing Facility**”) to November 30, 2009 and the execution of a term sheet (the “**Restructuring Term Sheet**”) describing the basis of the restructure of the Interim Financing Facility.

Any annual information form, annual or interim financial statements and related management’s discussion and analysis, material change report (other than a confidential material change report), business acquisition report, information circular or disclosure document filed pursuant to an undertaking to a Canadian securities regulatory

authority filed by the Company with any securities commission or similar regulatory authority in Canada subsequent to the date of this short form prospectus and prior to the termination of the Offering shall be deemed to be incorporated by reference into this short form prospectus, as well as any other document so filed by the Company which expressly states it to be incorporated by reference into this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or replaces such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or superseded form to constitute part of this short form prospectus.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

Certain statements in this short form prospectus which are not historical facts may constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws (“**forward-looking statements**”). Any statements related to the Company’s projected revenues, earnings, growth rates, revenue mix, staffing and resources, and product plans are forward looking statements as are any statements relating to future events, conditions or circumstances. The use of terms such as “believes”, “maintains”, “anticipate”, “continue”, “expects”, “projected”, “targeted”, “estimate”, “intend”, “may”, “will”, “should” and similar expressions are intended to assist in identification of these forward-looking statements. Readers are cautioned not to place undue reliance upon any such forward-looking statements. Such forward looking statements are not promises or guarantees of future performance and involve both known and unknown risks and uncertainties that may cause the actual results, performance, achievements or developments of the Company to differ materially from the results, performance, achievements or developments expressed or implied by such forward-looking statements.

In particular, this short form prospectus and the documents incorporated by reference contain forward-looking information pertaining to the following:

- the estimates of the Company’s mineral reserves and mineral resources;
- estimated iron ore and molybdenum production levels;
- capital expenditure programs, estimated production costs, exploration expenditures and reclamation costs;
- expectations of market prices and costs;
- supply and demand for iron ore and molybdenum;
- exploration, development and expansion plans and objectives; and
- the Company’s expectations regarding raising capital.

The Company’s actual results could differ materially from those anticipated in this forward-looking information as a result of the following and as a result of the risk factors set forth below and elsewhere in this short form prospectus and the documents incorporated by reference herein:

- volatility in market prices for iron ore and molybdenum;
- changes in foreign currency exchange rates and interest rates;
- liabilities inherent in mining operations;
- uncertainties associated with estimating mineral reserves and resources;
- failure to obtain industry partner and other third party consents and approvals, when required;
- competition for, among other things, capital, acquisitions of mineral reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions;

- geological, technical and processing problems; and
- the other factors discussed under “Risk Factors” in this short form prospectus and the documents incorporated by reference herein.

Many factors could cause the actual results of the Company to differ materially from the results, performance, achievements or developments expressed or implied by such forward-looking statements, including, without limitation, each of the factors under the section “Risk Factors” in this short form prospectus and under the section “Risk Factors” in the Company’s AIF, incorporated by reference in this short form prospectus.

All written forward-looking statements or information attributable to the Company are expressly qualified in their entirety by the foregoing cautionary statements.

Forward-looking statements speak only as of the date the statements are made. Investors should not put undue reliance on any forward-looking statements. The Company assumes no obligation to update publicly or otherwise revise any forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws.

CURRENCY AND EXCHANGE RATE INFORMATION

Unless otherwise specified, in this short form prospectus, all dollar amounts are stated in Canadian dollars and all references to “dollars” or “\$” or “C\$” are to Canadian dollars. All references to “US\$” are to U.S. dollars. All references to “A\$” are to Australian dollars. On September 1, 2009 the noon buying rate for one Australian dollar in Canadian dollars specified by the Bank of Canada was \$0.9165.

THE COMPANY

Summary of Description of Business

Moly Mines is an exploration and feasibility stage mining company with interests in a number of properties in Western Australia and New South Wales, Australia. Its principal assets are a 100 percent interest in the Spinifex Ridge Molybdenum Project and the Spinifex Ridge Iron Ore Project located approximately 140 km east-southeast of Port Hedland and 50 km northeast of Marble Bar in the Pilbara region of Western Australia. Moly Mines also owns three molybdenum exploration prospects in New South Wales. Moly Mines also holds a 10 percent interest in Cortona Resources Limited.

The Company’s registered office and principal place of business is located at 46-50 Kings Park Road, West Perth, Western Australia, 6005. The Company also maintains an office at Suite 1801, 80 Richmond Street West, Toronto, Ontario M5H 2A4, Canada.

The Company’s telephone number is +61 8 9429 3300 and the facsimile number is +61 8 9429 3399.

RECENT DEVELOPMENTS

Subject to approval of the Shareholders, the Company intends to introduce a share purchase plan to provide each of its Shareholders the right to increase their investment in the Company by purchasing up to A\$15,000 of Shares at a price to be determined. The terms of the share purchase plan (including record date and offer price) have yet to be determined, but are expected to be determined after the lodgment of a final prospectus in respect of the Offering.

CONSOLIDATED CAPITALIZATION

Except as described below, there has been no material change in the share or loan capital of the Company since March 31, 2009. The following table sets forth the consolidated capitalization of the Company as at March 31, 2009 before and after giving effect to the Offering.

	As at March 31, 2009	Unaudited as at March 31, 2009 following completion of the Offering and the Debt Restructuring ⁽³⁾ ⁽⁴⁾
	A\$000	A\$000
Cash	98,024	•
Total Debt ⁽²⁾ ⁽⁴⁾	227,530	•
Shareholders Equity	164,878	•
Retained Earnings (Deficit)	(127)	•
Total Capitalization	<u>164,751</u>	•

Notes:

- (1) These figures do not include shares issuable upon the exercise of options.
- (2) US\$ denominated debt translated at 0.6873:1 (US\$:A\$), being the foreign exchange rate as at March 31, 2009.
- (3) Net proceeds of the Offering (without regard to the Over-Allotment Option), after deducting the Agents' Fee and estimated expenses of \$700,000.
- (4) The short term debt of the Company consists of a US\$150 million debt financing facility (the "**Interim Financing Facility**") with various funds associated with the Trust Company of the West ("**TCW**") and together with its associated funds, the "**Noteholders**"). The Company's 100% owned subsidiary Moly Metals Australia Pty Ltd issued notes with an aggregate principal value of US\$150 million (the "**Notes**"). The Notes bear interest at the rate of 20 percent per annum compounded quarterly and were originally due for repayment on October 31, 2009. The Noteholders have agreed to a one month extension to allow the Company to complete a minimum US\$25 million equity raising before November 30, 2009. US\$12.1 million was repaid against the loan on July 22, 2009. As a consequence of the Interim Financing Facility, the Company issued 17,874,118 warrants to the Noteholders. Each warrant has a 10 year maturity and is exercisable into one new Share at an exercise price of \$0.0001.

The long term debt of the Company will consist of a restructure of the short term debt with US\$140 million to be repaid over varying maturity dates being US\$40 million by April 30, 2011 (the "**Surplus Equipment Debt**"), US\$56 million by October 31, 2011 (the "**Equity Debt**"), US\$24 million by October 31, 2011 (the "**Equipment Debt**") and US\$20 million by October 31, 2014 (the "**Iron Ore Debt**"). The Surplus Equipment Debt will be reduced dollar for dollar from the proceeds from the sale of surplus equipment from the Spinifex Ridge Molybdenum Project. The Equipment Debt is for the equipment already purchased and allocated to the 10 mt/a Spinifex Ridge Molybdenum Project. The Iron Ore debt is applied against the Spinifex Ridge Iron Ore Project at an interest rate of 15 percent (15%) per annum. The Noteholders will be issued 5,958,039 warrants in Moly Mines at an issue price of \$0.0001 per warrant. The warrants will not be issuable if the Company fully repays the US\$140 million by 30 November 2009.

PRICE RANGE AND TRADING VOLUME OF THE SHARES

The Shares are listed for trading on the TSX and the ASX under the symbol "MOL". The following table sets forth the high and low prices at which the Shares were traded and the trading volumes of the Company's Shares on the TSX and the ASX for the twelve-month period before the date of this short form prospectus.

Date	ASX				TSX			
	Trading Price (A\$) Close	Price Range (A\$)		Trading Volume	Trading Price (\$) Close	Price Range (\$)		Trading Volume
		High	Low			High	Low	
2009								
September ⁽¹⁾	1.36	1.420	1.225	1,030,587	1.16	1.260	1.150	1,662,608
August	1.450	1.880	0.655	46,322,283	1.100	1.680	0.810	40,037,325
July	0.540	0.540	0.430	8,957,516	0.520	0.520	0.365	5,773,651
June	0.550	0.660	0.390	19,986,716	0.480	0.540	0.345	11,822,099
May	0.375	0.500	0.370	13,906,547	0.340	0.445	0.320	11,843,768
April	0.415	0.475	0.255	14,709,651	0.385	0.425	0.210	10,362,708
March	0.260	0.280	0.205	4,532,452	0.210	0.240	0.165	3,932,685
February	0.250	0.330	0.245	2,106,889	0.185	0.260	0.185	3,793,577
January	0.275	0.440	0.275	3,763,835	0.200	0.350	0.200	5,180,811
2008								
December	0.375	0.375	0.220	2,884,925	0.270	0.270	0.180	2,544,317
November	0.285	0.435	0.220	11,163,621	0.235	0.315	0.130	19,711,830
October	0.360	1.130	0.335	10,779,699	0.280	0.700	0.220	22,137,361
September	1.270	2.220	1.270	5,203,738	0.700	1.800	0.700	4,514,416

Notes:

(1) Price range and trading information for September 2009 only includes information for September 1, 2009.

On September 1, 2009, the last trading day before the public announcement of the Offering, the closing price of the Shares was \$1.16 on the TSX and A\$1.36 on the ASX.

USE OF PROCEEDS

Upon closing of the Offering, the Escrowed Funds will be held by the Escrow Agent and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments), pending satisfaction of the Release Conditions.

The net proceeds to the Company from the Offering hereunder will be \$● after deducting the Agents' Fee of \$● and the estimated expenses of the Offering of \$700,000. If the Over-Allotment Option is exercised in full, the net proceeds of the Offering will be \$● after deducting the Agents' Fee of \$● and the estimated expenses of the Offering of \$●. See "*Plan of Distribution*".

The initial \$25 million of net proceeds raised by the Offering will be primarily used to develop the Spinifex Ridge Iron Ore Project, to progress the development of the Spinifex Ridge Molybdenum Project and for general corporate and working capital purposes. Any surplus net proceeds will be used to pay down, in the first instance, the US\$80 million notes due October 31, 2011 under the Interim Financing Facility, and then the US\$20 million notes due October 30, 2014 under the Interim Financing Facility (the proceeds of which were used to primarily used to finalize the engineering, design and construction of key long-lead items of plant and equipment for the Spinifex Ridge Molybdenum Project, to progress the development of the Spinifex Ridge Molybdenum Project and for general working capital purposes agreed with the lender).

There may be circumstances where a reallocation of the net proceeds of the Offering is advisable for business reasons that management, in its sole determination, may consider to be in the best interests of the Company.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

The Offering consists of • Subscription Receipts at an Offering Price of \$• per Subscription Receipt. Each Subscription Receipt will entitle the holder to receive, without payment of additional consideration or further action, one Share upon satisfaction of the Release Conditions.

Subscription Receipts

The following summary of the material attributes and characteristics of the Subscription Receipts does not include a description of all of the terms of the Subscription Receipts, and reference should be made to the Subscription Receipt Agreement (as defined herein) for a complete description of the terms of the Subscription Receipts.

The Subscription Receipts will be issued on the Closing Date pursuant to a Subscription Receipt Agreement to be entered into on the Closing Date of the Offering between the Company, Paradigm Capital Inc. (on behalf of the Agents) and the Escrow Agent (the “**Subscription Receipt Agreement**”). The Escrowed Proceeds will be delivered to and held by the Escrow Agent and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments) pending satisfaction of the Release Conditions. Provided that the Release Conditions are satisfied on or before the Release Deadline, upon such occurrence the Escrowed Funds, less the Agents’ Fee which shall be paid to the Agents, will be released to the Company and holders of Subscription Receipts will receive, without payment of additional consideration or further action, one Share for each Subscription Receipt held.

In connection with the satisfaction of the Release Conditions, the Escrow Agent will release the Escrow Funds to the Company (less the Agents’ Fee which shall be paid to the Agents) upon: (i) an irrevocable direction of the Company to Computershare Trust Company of Canada (in its capacity as Canadian registrar and transfer agent of the Shares) to issue the Shares to holders of record of Subscription Receipts as at the date and time that the Release Conditions are satisfied; and (ii) a notice from the Company and Paradigm Capital Inc., on behalf of the Agents, to the Escrow Agent, confirming that the Release Conditions have been satisfied. The Company shall issue a press release setting out the date the Release Conditions are satisfied.

In the event that the Release Conditions are not satisfied by the Release Deadline or if prior to such time, the Company advises the Agents or announces to the public that it does not intend to satisfy the Release Conditions, the Escrow Agent and the Company will return to holders of Subscription Receipts, on the Termination Date, an amount equal to the aggregate Offering Price of the Subscription Receipts held by them and their *pro rata* share of interest (net of any applicable withholding tax) earned on the Escrowed Proceeds. The Company will be responsible and liable to the holders of Subscription Receipts for any shortfall between the aggregate Offering Price and the Escrowed Funds.

Holders of Subscription Receipts will not have any voting or pre-emptive rights or other rights as shareholders of the Company and will not be entitled to receive any dividends of the Company in respect of such Subscription Receipts prior to the issuance of Shares upon conversion of such Subscription Receipts, if at all.

The Subscription Receipt Agreement will also provide for, and contain provisions for, adjustment to the amount and kind of securities or other properties issuable upon exercise of the Subscription Receipts if there is: (a) any subdivision, consolidation or change of the Shares; (b) any consolidation, amalgamation, arrangement or other business combination of the Company resulting in any reclassification or change of the Shares into other shares; or (c) any sale, lease, exchange or transfer of all or substantially all of the Company’s assets to another entity, pursuant to which each holder of a Subscription Receipt which is thereafter converted shall receive, in lieu of Shares, the kind and number or amount of other securities or property which such holder would have been entitled to receive as a result of such event if such Subscription Receipt had been converted prior to the event.

From time to time while the Subscription Receipts are outstanding, the Company, Paradigm Capital Inc. and the Escrow Agent, without the consent of the holders of the Subscription Receipts, may amend or supplement the Subscription Receipt Agreement for certain purposes, including making any change that, in the opinion of the Escrow Agent, does not prejudice the rights of the holders of the Subscription Receipts. The Subscription Receipt

Agreement will provide for other modifications and alterations thereto and to the Subscription Receipts issued thereunder by way of a resolution approved by more than 66⅔ percent of the votes cast in person or by proxy by Subscription Receipt holders.

The Company may from time to time purchase, by private contract or otherwise, any of the Subscription Receipts.

Shares

As at June 30, 2009, the Company had an aggregate of 93,691,677 fully paid Shares issued and outstanding and no other shares in the capital of the Company of any other classes are issued or outstanding. Under the Australian Corporations Act 2001 (Cth), the Company is authorized to issue an unlimited number of Shares. However, under the ASX Listing Rules, in order to issue greater than 15 percent of the existing shares on issue in any 12 month period (which is calculated in accordance with a prescribed formula), the Company must, subject to certain exceptions, seek separate shareholder approval. One of the aforementioned exceptions is an issue of securities which is approved in advance by the shareholders at a general meeting or an issue that is subsequently approved by shareholders at a general meeting. Accordingly, a meeting of the Shareholders will be held on or around ●, 2009, at which the shareholders will vote on a resolution to approve the issuance of up to ● Shares pursuant to the Offering (the “**Shareholder Approval**”). The resolution to be presented to the Company’s shareholders in this regard must be passed by a simple majority of the votes cast thereon, either in person or by proxy.

If the Release Conditions are not satisfied, the Shares issuable upon the exercise of the Subscription Receipts will not be issued. The Escrow Agent and the Company will repay to the holders of the Subscription Receipts an amount equal to the aggregate Offering Price of the Subscription Receipts plus a *pro rata* share of the interest earned on the Escrowed Proceeds. The Company shall be responsible and liable to the purchasers for any shortfall between the aggregate Offering Price and the Escrowed Funds.

The Shares are listed on the TSX and the ASX under the symbol “MOL”.

PRIOR SALES

The following table presents the distributions of Shares during the twelve-month period before the date of this short form prospectus:

<u>Date of Transaction</u>	<u>Number of Shares Issued</u>	<u>Exercise Price (A\$)</u>
19/08/09	66,000	0.40
14/08/09	238,000	0.40
20/02/09	7,500,000	0.20

PLAN OF DISTRIBUTION

Subject to the terms and conditions of the Agency Agreement, the Company has agreed to sell and the Agents have agreed to act as agents to offer for sale to the public on a reasonable best efforts basis, on the Closing Date, being ●, 2009 or any later date as may be agreed upon by the parties but not later than the date that is 42 days after the date a final receipt is issued for this short form prospectus, ● Subscription Receipts at a price of \$● per Subscription Receipt, payable in cash to the Escrow Agent against delivery of certificates representing the Shares offered under the Offering. The Subscription Receipts are being offered to the public in all of the provinces of Canada other than Québec and Prince Edward Island and on a private placement basis in the United States. Subject to applicable law, the Agents may also offer the Shares outside Canada and the United States.

On closing of the Offering, the Escrowed Proceeds will be delivered to and held by the Escrow Agent and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments). The Escrowed Funds (less the Agents’ Fee which shall be paid to the Agents) shall be released from escrow to the

Company upon: (1) the Company obtaining Shareholder Approval; and (2) the Company entering into a restructuring agreement with TCW on substantially the terms set forth in the Restructuring Term Sheet (together, the “**Release Conditions**”).

The Agency Agreement provides that the Company will pay to the Agents’ Fee in consideration for their services in connection with the Offering. Further, should the gross proceeds of the offering exceed \$100,000,000, the Company has agreed to issue to the Agents on the Closing Date, Compensation Warrants entitling the Agents to subscribe for that number of Shares equal to one percent of the aggregate number of Subscription Receipts sold under the Offering at an exercise price equal to the Offering Price. The Compensation Warrants will have a term of 24 months from the Closing Date. The Company has also agreed to reimburse the Agents for their expenses, legal fees and disbursements incurred in connection with the Offering. If the Release Conditions are not satisfied on or before the Release Deadline or another Termination Event occurs, the Agents’ Fee will not be paid.

The Agents have agreed to use their reasonable best efforts to sell the Subscription Receipts offered hereby, but they are not obligated to purchase any such Subscription Receipts. The obligations of the Agents under the Agency Agreement are conditional and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated in certain stated circumstances and upon the occurrence of certain stated events.

Upon satisfaction of the Release Conditions, the Escrowed Funds (except the Agents’ Fee which shall be paid to the Agents) shall be released to the Company. If the Release Conditions are not satisfied on or before the Release Deadline, the Escrow Agent and the Company will return to the holders of the Subscription Receipts on the Termination Date an amount equal to the aggregate Offering Price of the Subscription Receipts held by them and a *pro rata* share of the interest earned thereon. The Company shall be responsible and liable to the holders of the Subscription Receipts for any shortfall between the Offering Price and the Escrowed Funds.

The Agents may not, throughout the period of distribution, bid for or purchase Subscription Receipts or Shares of the Company. The foregoing restriction is subject to certain exemptions as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Subscription Receipts or Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. The Company has been advised that, in connection with the Offering and subject to the foregoing, the Agents may over-allot or effect transactions which stabilize or maintain the market price of the Subscription Receipts or the Shares at levels above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

As a result of the foregoing, the Company has granted to the Agents an option (the “**Over-Allotment Option**”), exercisable in whole or in part at the discretion of the Agents for a period of 30 days following the Closing Date, to purchase up to such number of additional Subscription Receipts, at the Offering Price and on the same terms and conditions of the Offering, as is equal to 15 percent of the number of Subscription Receipts sold pursuant to the Offering (the “**Additional Subscription Receipts**”). The Agents will receive a fee equal to five percent of the additional gross proceeds as a result of an exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the additional gross proceeds to the Company is expected to be \$•. This short form prospectus also qualifies for distribution the Over-Allotment Option and the Additional Subscription Receipts. A purchaser who acquires Additional Subscription Receipts forming part of the Agents’ over-allotment position acquires such Additional Subscription Receipts under this short form prospectus, regardless of whether the over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Subscriptions for Subscription Receipts will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

The Company will apply to list the Shares issuable upon conversion of the Subscription Receipts distributed under this short form prospectus (including the Shares issuable upon exercise of the Compensation Warrants) on the TSX and the ASX. Listing of the Shares will be subject to the Company fulfilling all the listing requirements of the TSX

and the ASX. **There is no market through which the Subscription Receipts may be sold and purchasers may not be able to resell Subscription Receipts purchased under this short form prospectus.**

It is expected that one or more global certificates for the Subscription Receipts distributed by this short form prospectus in Canada will be issued in registered form to CDS and will be deposited with CDS on the Closing Date. No certificate evidencing the Subscription Receipts will be issued to Canadian resident purchasers, except in certain limited circumstances, and registration will be made in the depository service of CDS. Canadian resident purchasers of the Subscription Receipts will receive only a customer confirmation from the Agents or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Subscription Receipts is purchased.

The Subscription Receipts and the Shares issuable upon exercise of the Subscription Receipts have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), or any state securities laws and, subject to certain exemptions, may not be offered or sold in the United States or to, or for the benefit of, any U.S. person (as defined in Regulation S under the U.S. Securities Act) except in transactions exempt from the registration requirements of the U.S. Securities Act. Each Agent has agreed that it will not offer or sell the Subscription Receipts and Shares issuable upon exercise (including the Additional Subscription Receipts) within the United States or to, or for the account or benefit of, persons in the United States. This short form prospectus does not constitute an offer to sell or solicitation of an offer to buy any of the Subscription Receipts in the United States. In addition, until 40 days after the closing date, an offer or sale of Subscription Receipts within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act.

RISK FACTORS

An investment in the Subscription Receipts offered under this short form prospectus involves a significant degree of risk and should be considered speculative in nature. In particular, completion of the Offering is subject to satisfaction of the Release Conditions. An investment in the Subscription Receipts offered under this short form prospectus should only be made by those persons who can afford the loss of their entire investment.

All statements regarding the Company’s business should be viewed in light of the risk factors listed below. Investors should consider carefully whether investment in the Subscription Receipts and/or the Shares is suitable for them in the light of the information in this short form prospectus and in the documents incorporated by reference and their personal circumstances. Such information does not purport to be an exhaustive list. If any of the identified risks were to materialize, the Company’s business, financial position, results and/or future operations may be materially adversely affected. Additional risks and uncertainties not presently known to the Company, or which the Company currently deems immaterial, may also have an adverse effect upon the Company. There can be no certainty that the Company will be able to implement successfully the business strategy set out in this short form prospectus and in the documents incorporated by reference. No representation is or can be made as to the future performance of the Company and there can be no assurance that the Company will achieve its objectives. **Investors should consult their own professional advisers to assess the tax, legal and other aspects of an investment in Subscription Receipts and/or Shares.**

Risks relating to the Company

Prospective investors should consider carefully all of the information set out in this short form prospectus and in the documents incorporated by reference and the risks attaching to an investment in the Subscription Receipts and/or Shares including, in particular, the specific risk factors disclosed under the heading “Risk Factors” in the Company’s AIF dated September 2, 2009, in the MD&A of the Company for the year ended June 30, 2008 and in the other documents incorporated by reference herein. See “*Documents Incorporated by Reference*”.

Risks relating to the Offering

Failure to Satisfy Release Conditions

There can be no assurance that the Release Conditions will be satisfied by the Release Deadline or that another Termination Event will not occur.

The first Release Condition requires Shareholder Approval under the ASX Listing Rules. ASX Listing Rule 7.1 provides that a company must not, without the approval of its ordinary security holders (and subject to a number of exceptions), issue or agree to issue securities that, in any rolling 12-month period, amount to more than 15 percent of its ordinary securities. As the Company proposes to issue more than 15 percent of its ordinary shares on issue under the Offering, it requires Shareholder approval.

Details of the approval required will be contained in the notice of meeting (and accompanying explanatory memorandum) convening a general meeting of Shareholders, expected to be dispatched in September 2009.

There can be no certainty, nor can the Company provide any assurance whatsoever, that the Shareholders will approve the Offering. If they do not, then the Company will be unable to satisfy the Release Condition by the Release Deadline, resulting in a Termination Event. A Termination Event will have a material adverse effect on the market price and value of the Shares and on the financial condition of the Company.

The second Release Condition requires the Company to enter into a restructuring agreement (the “**Restructuring Agreement**”) with TCW with respect to the Interim Financing Facility on substantially the terms set forth in the Restructuring Term Sheet. As of the date hereof, the Restructuring Agreement has not been executed. Although management believes that the material terms have been settled as between the various parties, there can be no assurance that the terms of the final Restructuring Agreement will be as described in this short form prospectus and the final Restructuring Agreement may ultimately contain provisions that are more onerous, as compared to those described herein.

If the Release Conditions are not satisfied by the Release Deadline or another Termination Event occurs, the Escrow Agent and the Company must repay to holders of Subscription Receipts an amount equal to the Offering Price thereof plus a *pro rata* share of the interest earned on the Escrowed Proceeds (the Escrow Proceeds being the proceeds from the sale of the Subscription Receipts less the Agents’ expenses and the Agents’ Fee which will have been paid to the Agents upon closing of the Offering).

The Company is responsible and liable for any shortfall between the Escrowed Funds and the amount due to be paid to the holders of the Subscription Receipts (such amount being effectively the Agents’ expenses and the Agents’ Fee). There can be no assurance that the Company will be able to fund such shortfall.

No market for Subscription Receipts

The Company will apply for the listing of the Shares issuable upon conversion of the Subscription Receipts and the Shares issuable upon exercise of the Compensation Warrants on the TSX and the ASX. However, there is no market through which the Subscription Receipts may be sold and purchasers may not be able to resell the Subscription Receipts distributed under this short form prospectus. Listing will be subject to the Company fulfilling all the listing requirements of the TSX and the ASX.

Moly Mines has discretion in the use of net proceeds from the Offering

The Company currently intends to allocate the net proceeds it will receive from the Offering as described under “Use of Proceeds”. However, management will have discretion in the actual application of the net proceeds and may elect to allocate net proceeds differently from that described in “Use of Proceeds” if they believe that it would be in the best interests of the Company to do so. Shareholders may not agree with the manner in which management chooses to allocate and spend the net proceeds. The failure by management to apply these funds effectively could have a material adverse effect on the Company’s business.

INTERNATIONAL ISSUER

The Company is incorporated and organized under the laws of a foreign jurisdiction and resides outside of Canada. Although the Company has appointed Blakes Extra Provincial Services Inc. of 199 Bay Street, Suite 2800, Commerce Court West, Toronto, Ontario M5L 1A9 as its agent for service of process in Canada, it may not be possible for investors to collect from the Company judgments obtained in Canadian courts predicated on the civil liability provisions of securities legislation.

INTEREST OF EXPERTS

Certain legal matters relating to the Offering will be passed upon by Blake, Cassels & Graydon LLP, on behalf of the Company and by Fraser Milner Casgrain LLP, on behalf of the Agents. As at the date hereof, the partners and associates of Fraser Milner Casgrain LLP, as a group, and Blake, Cassels & Graydon LLP, as a group, own, directly or indirectly, less than one percent of the Shares.

Ernst & Young LLP is the auditor of the Company and is independent of the Company in accordance with the applicable rules of professional conduct.

AUDITORS

The Company's auditors are Ernst & Young, The Ernst & Young Building, 11 Mounts Bay Road, Perth, Western Australia.

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for the Company's Shares in Canada is Computershare Trust Company of Canada at its principal offices located at 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1. The Company's registrar and transfer agent for its Shares in Australia is Computershare at its offices located at Level 2, 45 St Georges Terrace, Perth, WA 6000, Australia.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

CERTIFICATE OF THE COMPANY

Dated September 2, 2009

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick and Newfoundland and Labrador.

(Signed) DEREK FISHER
Chief Executive Officer and Managing Director

(Signed) JOHN MCEVOY
Chief Financial Officer

On behalf of the Board of Directors of Moly Mines Limited

(Signed) DAVID CRAIG
Chairman

(Signed) DAVID NIXON
Director

CERTIFICATE OF THE AGENTS

Dated September 2, 2009

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick and Newfoundland and Labrador.

PARADIGM CAPITAL INC.

(Signed) ANDREW PARTINGTON

GMP SECURITIES L.P.

(Signed) MARK WELLINGS

CIBC WORLD MARKETS INC.

(Signed) RICK MCCREARY