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## COMPANY UPDATE

Moly Mines Limited (**ASX/TSX: MOL**) provides the following market update.

**Spinifex Ridge Iron Ore Project**

The Company's maiden shipment of Spinifex Ridge Iron Ore has been successfully completed with the ore having been discharged at the port of Qingdao, China. Provisional sales revenue was received in early January with the balance due upon completion of outturn analysis at the port.

The vessel MV Father Neptune carried 54,500 wet tonnes (52,799 dry tonnes) of iron ore fines grading 59.1% Fe with a final sales price of approximately US$150 per dry metric tonne CFR China. The next shipment of iron ore is expected to occur in mid February as mine production ramps up to achieve regular monthly shipments.

**Spinifex Ridge Molybdenum / Copper Project Financing**

In December 2010 the Company announced that it had been advised by its major shareholder, Hanlong Mining Investment Pty Ltd, that the project finance facility documentation and approvals will not be completed to the point that it is available for drawdown by 31 January 2011 as required pursuant to the Subscription Agreement dated 19 October 2009, as amended.

The non-Hanlong directors of Moly Mines have sought corporate and legal advice and they continue to consider an extension to the deadline. The market will be advised of the outcome before 31 January 2011. Moly Mines awaits receipt of the Term Sheets from the banking syndicate for the US$466 million bank loans.

Like most prospective Australian resources projects, the Spinifex Ridge Molybdenum / Copper Project has been negatively impacted by the recent strong appreciation in the Australian dollar ("**AUD**") against the United States dollar ("**USD**"), particularly since 1 December 2010. The metal products from the future mine, molybdenum, copper and silver, are priced in USD whilst most of the forecast operating costs are denominated in AUD. The appreciation in the AUD has resulted in a projected decrease in future project revenues measured in AUD at 31 December 2010 by up to 25%. This has a pronounced effect on forecast future project cashflows and the project's valuation and may present challenging economic hurdles for the project.

There has already been some depreciation in the AUD against the USD since 31 December 2010. It should also be noted that metal price fluctuations can also be just as rapid, both down and up.

Molybdenum price has particularly moved significantly twice in recent times, from US$33/lb to US$12/lb in 2008, and from US$7/lb to US$42/lb in 2004/5. It has currently been on an upward trend since July 2010 to the current price of US$17.30/lb.

The Company's financial model being used in the financing process for the Spinifex Ridge Molybdenum / Copper Project is also being continually adjusted to reflect other variables, such as the planned fixed price Engineering, Procurement and Construction (EPC) contract for the mine's processing facilities and infrastructure. This contract is currently being negotiated with Chinese and Australian engineering groups, as are the banking terms to be agreed with the Chinese banking syndicate and Hanlong for the US$500 million project financing facilities. At the time of completing these arrangements, the financial model will reflect independent molybdenum price forecasts and other commodity prices and economic parameters existing at that time including the foreign exchange forward curve. The ability of the Company to complete the Spinifex Ridge Molybdenum / Copper Project financing process will likely be dependent on an improvement in both the foreign exchange outlook and molybdenum prices above current levels.

With respect to the Company's 31 December 2010 financial statements, it is likely that applying the foreign exchange forward curve at 31 December 2010 to the forecast project cashflows will lead to an adjustment to the carrying value of the project. Total expenditure capitalized to Mine, Properties and Development in the Company's balance sheet at 31 December 2010 was approximately A$144 million. The quantum of any adjustment to the project's carrying value will be subject to audit review processes by the Company's Audit and Risk Management Committee in conjunction with its external auditor.

Yours sincerely

Andrew Worland
Company Secretary

*This news release includes "forward-looking statements" as that term within the meaning of securities laws of applicable jurisdictions. Forward-looking statements involve known and unknown risks, uncertainties and other factors that are in some cases beyond Moly Mines' control. These forward- looking statements include, but are not limited to, all statements other than statements of historical facts contained in this news release, including, without limitation, those regarding Moly Mines' future expectations. Readers can identify forward-looking statements by terminology such as "aim," "anticipate," "assume," "believe," "continue," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "potential," "predict," "project," "risk," "should," "will" or "would" and other similar expressions. Risks, uncertainties and other factors may cause Moly Mines' actual results, performance, production or achievements to differ materially from those expressed or implied by the forward-looking statements (and from past results, performance or achievements). These factors include the failure to complete and commission the mine facilities, processing plant and related infrastructure in the time frame and within estimated costs currently planned; variations in global demand and price for molybdenum and copper; fluctuations in exchange rates between the U.S. dollar and the Australian dollar; failure to recover the resource and reserve estimates of the Project; the failure of Moly Mines' suppliers and service providers to fulfill their obligations under construction, supply and tolling agreements; unforeseen geological, physical or meteorological conditions, natural disasters or cyclones; changes in the regulatory environment, industrial disputes, labor shortages, political and other factors; the inability to obtain additional financing, if required, on commercially suitable terms; and global and regional economic conditions. Readers are cautioned not to place undue reliance on forward-looking statements. We assume no obligation to update such information*