

Moly Mines Limited Is Doing Something That Very Few Mining Companies Do – Building Two Mines In One Year, A Molybdenum And An Iron Ore Mine, With The Iron Ore In Production By The End Of 2010



Resources
Molybdenum
(MOL-TSX, MOL-ASX)



Derek Fisher, Ph.D.
CEO and Managing Director

BIO:

Dr Fisher has more than 40 years of worldwide experience in the resource industry. He has been the principal in listing a number of companies, both in Australia and Canada, and has more than 20 years' experience as a manager of publicly listed companies. Dr Fisher began his career with the New South Wales Geological Survey in 1966 and, following graduation from the University of New England, Armidale, NSW, moved into the mineral exploration and mining in-

dustry. During the 1970s he undertook doctoral studies at the University of Toronto, Canada, gaining his PhD in 1979. Dr Fisher is an honorary life member of the Association of Mining and Exploration Companies (AMEC), having spent 13 years on the council of AMEC.

Company Profile:

Moly Mines is an ASX and TSX listed development stage resource company focused on its world class Spinifex Ridge Molybdenum project, 170km east of Port Hedland, Western Australia.

The Spinifex Ridge Molybdenum project is ready for immediate construction pending the completion of financing. All environmental approvals have been received and over A \$120 million of long lead items of plant have been constructed and delivered to Perth. A smaller 10 million tonne per annum start up mining and processing operation will be implemented for the initial development that will produce on average 11 million lbs of molybdenum in concentrate and 13.5 million lbs of copper in concentrate per annum for the first 10 years.

The Company also has an Iron Ore project expected to be in production as early as 4th quarter 2010 at an annual production rate of 800,000-1 million tonnes per annum from deposits located on the same tenements as the Spinifex Ridge Molybdenum Project.

On 23 April 2010 Moly Mines welcomed Hanlong as the Company's controlling shareholder (55%) following the settlement of the US\$200 million equity and debt funding package.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Dr. Fisher, what is the focus of Moly Mines today/

Dr. Fisher: Moly Mines is a two-mine company at the moment. First, we have very large molybdenum deposit that is ready for development. It is fully permitted, with detailed engineering largely completed, and we are just going through the financing for that now with our major shareholder, which is a Chinese company. We also have a small iron ore deposit that we will be developing. The mine is being built and we will be shipping our first iron ore from the west Australian port of Port Hedland. We are schedule for the first shipment to leave late November, early December this year (2010). That will be producing at about a rate of 1 million tonnes a year. So that is our primary focus and both those deposits sit on the same property in the Pilbara region of west Australia.

CEOCFO: What is special about your properties, and why have you chosen to work with these particular properties?

Dr. Fisher: Our two projects are in the Pilbara region of Western Australia; this is where there are other big iron ore mines and also where very big LNG operations are located. It is a richly endowed mineral area of Australia, where BHP and Rio Tinto have their iron ore mines, so there is a large-scale mining culture. It is an area with ports and infrastructure and support facilities. The deposit we started with was the big molybdenum deposit, which we acquired back in 2004. In the last five years we have put a lot of effort into that. We expanded it

from the resource of 140 million tonnes to over 1 billion tonnes, so we multiplied it by seven or eight times. It is probably the most advanced greenfields Molybdenum Project in the world today. As I said it is now construction ready and has the ability to be the world's first new major moly mine in the last 25 years. The deposit will also produce copper, and it will produce as much copper as moly, but moly is a much higher value product. Initially we were going to develop it at a 10 million tonne per annum throughput, and then expand that to 20 million tonnes per annum. At that rate it is close to 5% of the world's current demand for molybdenum. Therefore, it is a significant deposit on the world scale and the world needs new moly mines. The iron ore deposit is much smaller, but it is very easy to develop, very low capital and potentially highly profitable.

CEOCFO: Going from development to production offers different challenges; what is the expertise or the experience in your organization that will enable you to do this?

Dr. Fisher: We are a company that is a technically driven company. I am a geologist and I have been in the business for over forty years, although I don't do much geology these days and I haven't for a long time. The companies that I have created and have been involved in, have built mines all over the world in the last 25 years. The first mine I built was a gold mine back in the mid-1980's. Then we built mines in Africa, in the Congo, Armenia, Mongolia, Australia, and I could go on. In addition, a lot of the people who have worked with me over the years have stuck with me. My chief operating officer has been in the industry slightly longer with a 45 year track record and he built my first mine. My general manager was my first mine manager back in 1987, with the first gold mine that we built. We are a group of people that have come together on and off over the years, but we are a strong technical ly and have always been technically driven. We are now just expanding that team again; we actually had the team up to about seventy people. We were ready to build the molybdenum mine back in early 2008. We

had Morgan Stanley and JP Morgan mandated to raise the capital and we got within a month of a major bond issue, when everything fell in the hole. I then cut the staff back to about 25, we have held onto them for the last two years and now we are just expanding back again. We are bringing the iron ore into production first, because that is very simple. As I said before, construction of that project has started already and we will be mining there within about two months. The technical team that we have here is as good as any. In fact, the Chinese company that has come in and taken a majority interest in the company came to us after looking at a number of Australian companies. They walked through the door and basically said that they wanted to establish an international mining house. They wanted to use Australian mining expertise and they wanted to look at Moly Mines. They liked our management team, and our technical team, and wanted to know if we

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would be interested? We have gone on from there to the point where they have now put over \$200 million into the company and there will be another \$500 million in September. It has also been announced that they have got a financing line out of China for \$5 billion and we are looking for projects to spend that on. So in terms of technical expertise they like what they saw.

CEOCFO: Where does the expertise come into play?

Dr. Fisher: The attitude of the Chinese group when they walked into our office was, 'If you want to learn about finance you go to New York or Boston, if you want to learn about law you go to London, but if you want to learn about mining you come to Australia'. I thought that was interesting and I could see the point in that some of the bigger mining companies are Australian base and a lot of their technology is Australian. In many respects, Australia leads the world in large-scale mining technology. What the Chi-

nese lack in mining is that they tend not to use large-scale equipment. They tend to have labor intensive style mines and in North America and Australia modern mining today is all about economies of scale. In North America and Australia, they tend to use bigger equipment, whether it is in the mines or whether it is in the crushing facilities or in the transport. Just look at transport of iron ore. Our railways are the highest axel weight railways in the world and the heavy haulage rail technology is Australian technology. We bring to the scene a history of quality mining technology, particularly large-scale mining technology.

CEOCFO: Are you looking for a particular diversity in types of metals or projects; what is your criteria?

Dr. Fisher: The Chinese group who has taken an interest in us is a group called Hanlong and they bought 55% of our company. So they are very much our masters. They are a privately owned organization; this is not a state-owned company. They are aggressive, and they have a very flat management structure. Our iron deposit inspired them to start looking further at iron ore. We have developed iron ore strategies for Moly Mines in terms of expanding our interest in iron ore.

CEOCFO: What is your take on the world economics, commodity prices?

Dr. Fisher: We are in Australia, so we don't have a New York view, or Toronto view, or London view on life. It tends to be a little different to what you get if you go to Wall Street or midtown New York and talk to some of the institutions there, or go to Bay Street in Toronto. We are so influenced by what is happening in China, and so influenced by what we see in China. We are influenced also by having gone through the financial downturn, which everyone else suffers, except we didn't suffer a recession in this country. Australia is not suffering a recession as its economy is built on the back of its resource industry. Even now just in the last week the government announced the unemployment rate in Australia, which is 4.9% and in Western Australia it is 4.1%. So this country is booming; don't think

otherwise, and we are influenced by that view. That is being driven by resources demand in our part of the world and obviously, China is a major player, but also India and the Asian economies. One of our directors is from New York, and he is a New York banker. What I say to these people is you have got to get into China to have a look at what China is about and I don't mean Beijing, Shanghai, or Hong Kong. You have got to go into the country of China. I will give you some examples. Hanlong, the company that is behind us, is largely owned by one individual. This company is based out of Chengdu in Sichuan, which is a small town of 13 million people, and it is not far from Chonking, with a population of 33 million people. Most westerners haven't heard of these cities. I was in Tibet ten days ago, then came back through Xinghia Province to the north and went to a city call Xingning, which is the same altitude as Lasa. The Tibet plateau continues into China and Xingning, a city of about 5 million people sits on that plateau. It has thirty, forty, and fifty story high-rise buildings. The city is an elevation of about 10,000 feet (3,500 meters), it has highways, freeways, and no one outside of China has ever heard of it. The stuff that is going on in China is just extraordinary, the way that country is modernizing, the way it is getting an entrepreneurial attitude; it just blows your brain. China cannot possibly supply the raw materials, the minerals, the metals it needs to support the urbanization, the modernization of that country. However,

it is not stopping. It may slow down at times, but I tell you what, if you pick-up western newspapers particularly European and North American newspapers, there is so much garbage written in there about China. The journalists need to get out of their comfort zones and go and visit these places, just to see what this country is doing. India is the same, it is behind, but is similar. So where do I think the resources, gold and metal prices are going? I think they are going to be healthy for a long time. My attitude is extremely positive. North America, Canada, Europe are a different scene, but if I was in the metals industry I wouldn't be paying too much attention to them.

CEOCFO: Why should potential investors look at Moly Mines?

Dr. Fisher: At Moly Mines, we are focused on developing the Spinifex Ridge deposits. It will be the first of the new Moly mines in the world. There hasn't been a new moly mine for probably 25 years. Construction will start by the end of this year. On top of that we have an iron ore play, and we will be shipping iron ore out of Port Hedland by the end of this year. Numbers show that we should be shipping out of Port Hedland for about \$50 to \$60 a tonne, and it is about \$15 a tonne transport into China. If you are familiar with iron ore prices at the moment, if we can't make at least \$50 a tonne on those shipments, there is something very wrong. So for a capital cost of about \$15 million, we are going to be producing for at least five years, and we

anticipate close to \$50 million net a year, from a very small operation. So that complements what we are doing in molybdenum. In terms of where are going beyond that, and why investors should start taking notice, Hanlong has announced publicly that one of the Chinese banks has given them a line of credit of \$5 billion to invest in the Australian resources industry and in Australian agriculture and renewable energy. However, it is largely going into resources and principally iron ore. So we have been encouraged by them to develop that strategy and move rapidly with respect to those investments. That will largely come through Moly Mines. Hanlong's attitude is one of creating an international mining house. That may sound like hot air, but they have been moving rapidly and have already invested \$200 million in Moly Mines, they are organizing the next \$500 million for the initial development of Spinifex Ridge and that is due to be completed by September. We have a team in China as we speak, finalizing details. In addition, we are doing a large amount of work on the expanded iron ore strategy .

CEOCFO: These are very exciting times for Moly Mines!

Dr. Fisher: It is an extraordinarily exciting time for Moly Mines! We will be building two mines this year. Not too many mining companies of our size will be building two mines at the same time and one of them will be in production before the end of the year.

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