

General Moly, Inc  
Form 10-Q  
August 14, 2017  
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from                      to

Commission File Number: 001-32986

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General Moly, Inc.

(Exact name of registrant as specified in its charter)

DELAWARE	91-0232000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1726 Cole Blvd., Suite 115  
Lakewood, CO 80401  
Telephone: (303) 928-8599  
(Address and telephone number of principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  
(Do not check if smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
YES NO

The number of shares outstanding of issuer's common stock as of August 9, 2017, was 111,167,877.

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## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## GENERAL MOLY, INC.

## CONSOLIDATED BALANCE SHEETS

(In thousands, except par value and share amounts)

	June 30, 2017 (unaudited)	December 31, 2016
ASSETS:		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,289	\$ 8,470
Deposits, prepaid expenses and other current assets	129	89
Total Current Assets	5,418	8,559
Mining properties, land and water rights	224,241	223,286
Deposits on project property, plant and equipment	87,467	87,244
Restricted cash held at EMLLC	11,046	13,025
Restricted cash held for loan procurement	1,013	1,175
Restricted cash held for reclamation bonds	799	782
Non-mining property and equipment, net	249	221
Other assets	2,994	2,994
TOTAL ASSETS	\$ 333,227	\$ 337,286
LIABILITIES, CRCNI, AND EQUITY:		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 646	\$ 855
Accrued advance royalties	500	500
Current portion of long term debt	84	165
Total Current Liabilities	1,230	1,520
Provision for post closure reclamation and remediation costs	1,649	1,587
Accrued advance royalties	5,200	5,200
Accrued payments to Agricultural Sustainability Trust	4,000	4,000
Long term debt, net of current portion	1,340	1,340
Senior Convertible Promissory Notes	5,687	5,540
Return of Contributions Payable to POS-Minerals	33,641	33,641
Other accrued liabilities	2,125	2,125

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Total Liabilities	54,872	54,953
COMMITMENTS AND CONTINGENCIES - NOTE 12		
CONTINGENTLY REDEEMABLE NONCONTROLLING INTEREST ("CRNCI")	172,644	172,659
EQUITY		
Common stock, \$0.001 par value; 650,000,000 and 650,000,000 shares authorized, respectively, 111,167,877 and 110,611,287 shares issued and outstanding, respectively	111	111
Additional paid-in capital	281,804	281,900
Accumulated deficit during exploration and development stage	(176,204)	(172,337)
Total Equity	105,711	109,674
TOTAL LIABILITIES, CRNCI, AND EQUITY	\$ 333,227	\$ 337,286

The accompanying notes are an integral part of these consolidated financial statements.

Table of ContentsGENERAL MOLY, INC. ("GMI")  
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited — In thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
REVENUES	\$ —	\$ —	\$ —	\$ —
OPERATING EXPENSES:				
Exploration and evaluation	137	118	274	664
General and administrative expense	1,586	1,546	3,094	2,908
TOTAL OPERATING EXPENSES	1,723	1,664	3,368	3,572
LOSS FROM OPERATIONS	(1,723)	(1,664)	(3,368)	(3,572)
OTHER INCOME/(EXPENSE):				
Interest expense	(225)	(250)	(514)	(499)
TOTAL OTHER (EXPENSE)/INCOME, NET	(225)	(250)	(514)	(499)
LOSS BEFORE INCOME TAXES	(1,948)	(1,914)	(3,882)	(4,071)
Income Taxes	—	—	—	—
CONSOLIDATED NET LOSS	\$ (1,948)	\$ (1,914)	\$ (3,882)	\$ (4,071)
Less: Net loss attributable to CRNCI	5	4	15	8
NET LOSS ATTRIBUTABLE TO GMI	\$ (1,943)	\$ (1,910)	\$ (3,867)	\$ (4,063)
Basic and diluted net loss attributable to GMI per share of common stock	\$ (0.02)	\$ (0.02)	\$ (0.03)	\$ (0.04)
Weighted average number of shares outstanding — basic and diluted	111,168	110,568	111,128	110,462
COMPREHENSIVE LOSS	\$ (1,943)	\$ (1,910)	\$ (3,867)	\$ (4,063)

The accompanying notes are an integral part of these consolidated financial statements.





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GENERAL MOLY, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited — In thousands)

	Six Months Ended	
	June 30, 2017	June 30, 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Consolidated Net loss	\$ (3,882)	\$ (4,071)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	133	122
Non-cash interest expense	147	133
Stock-based compensation for employees and directors	(51)	219
(Increase) in deposits, prepaid expenses and other	(40)	(5)
(Decrease) in accounts payable and accrued liabilities	(471)	(1,223)
Increase(decrease) in post closure reclamation and remediation costs	9	(106)
Net cash used by operating activities	(4,155)	(4,931)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase and development of mining properties, land and water rights	(949)	(477)
Deposits on property, plant and equipment	(60)	(1,346)
Decrease in restricted cash	2,124	6,148
Net cash used by investing activities	1,115	4,325
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Stock proceeds, net of issuance costs	(60)	(57)
Repayment of Long-Term Debt	(81)	(76)
Net cash used by financing activities:	(141)	(133)
Net (decrease)increase in cash and cash equivalents	(3,181)	(739)
Cash and cash equivalents, beginning of period	8,470	13,047
Cash and cash equivalents, end of period	\$ 5,289	\$ 12,308
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Equity compensation capitalized as development	\$ 15	\$ 20
Accrued portion of advance royalties	—	500

Noncash change in deposits on property, plant and equipment	163	56
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The accompanying notes are an integral part of these consolidated financial statements.

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GENERAL MOLY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — DESCRIPTION OF BUSINESS

General Moly, Inc. (“we,” “us,” “our,” “Company,” “GMI,” or “General Moly”) is a Delaware corporation originally incorporated as General Mines Corporation on November 23, 1925. We have gone through several name changes and on October 5, 2007, we reincorporated in the State of Delaware (“Reincorporation”) through a merger involving Idaho General Mines, Inc. and General Moly, Inc., a Delaware corporation that was a wholly owned subsidiary of Idaho General Mines, Inc. The Reincorporation was effected by merging Idaho General Mines, Inc. with and into General Moly, with General Moly being the surviving entity. For purposes of the Company’s reporting status with the United States Securities and Exchange Commission (“SEC”), General Moly is deemed a successor to Idaho General Mines, Inc.

The Company conducted exploration and evaluation activities from January 1, 2002 until October 4, 2007, when our Board of Directors (“Board”) approved the development of the Mt. Hope molybdenum property (“Mt. Hope Project”) in Eureka County, Nevada. The Company is continuing its efforts to both obtain financing for and develop the Mt. Hope Project. However, the combination of depressed molybdenum prices and legal challenges to our water rights has further delayed ongoing development at the Mt. Hope Project. We also continue to evaluate our Liberty molybdenum and copper property (“Liberty Project”) in Nye County, Nevada.

The Mt. Hope Project

From October 2005 to January 2008, we owned the rights to 100% of the Mt. Hope Project. Effective as of January 1, 2008, we contributed all of our interest in the assets related to the Mt. Hope Project, including our lease of the Mt. Hope Project, discussed below, into Eureka Moly, LLC (“EMLLC” or “the LLC”), and in February 2008 entered into an agreement (“LLC Agreement”) for the development and operation of the Mt. Hope Project with POS-Minerals Corporation (“POS-Minerals”). Under the LLC Agreement, POS-Minerals owns a 20% interest in the LLC and General Moly, through Nevada Moly, LLC (“Nevada Moly”), a wholly-owned subsidiary, owns an 80% interest. The ownership interests and/or required capital contributions under the LLC Agreement can change as discussed below.

Pursuant to the terms of the LLC Agreement, POS-Minerals made its first and second capital contributions to the LLC totaling \$100.0 million during the year ended December 31, 2008 (“Initial Contributions”). Additional amounts of \$100.7 million were received from POS-Minerals in December 2012, following receipt of major operating permits for the Mt. Hope Project, including the Record of Decision (“ROD”) from the U.S. Bureau of Land Management (“BLM”).

In addition, under the terms of the LLC Agreement, since commercial production at the Mt. Hope Project was not achieved by December 31, 2011, the LLC will be required to return to POS-Minerals \$36.0 million, since reduced to \$33.6 million as discussed below, of its capital contributions (“Return of Contributions”), with no corresponding reduction in POS-Minerals’ ownership percentage. Effective January 1, 2015, as part of a comprehensive agreement concerning the release of the reserve account described below, Nevada Moly and POS-Minerals agreed that the Return of Contributions will be payable to POS-Minerals on December 31, 2020; provided that, at any time on or before November 30, 2020, Nevada Moly and POS-Minerals may agree in writing to extend the due date to December 31, 2021; and if the due date has been so extended, at any time on or before November 30, 2021, Nevada Moly and POS-Minerals may agree in writing to extend the due date to December 31, 2022. If the repayment date is extended, the unpaid amount will bear interest at a rate per annum of LIBOR plus 5%, which interest shall compound quarterly, commencing on December 31, 2020 through the date of payment in full. Payments of accrued but unpaid interest, if any, shall be made on the repayment date. Nevada Moly may elect, on behalf of the Company, to cause the Company to prepay, in whole or in part, the Return of Contributions at any time, without premium or penalty, along with accrued and unpaid interest, if any.

The original Return of Contributions amount due to POS-Minerals is reduced, dollar for dollar, by the amount of capital contributions for equipment payments required from POS-Minerals under approved budgets of the LLC, as discussed further below. As of June 30, 2017, this amount has been reduced by \$2.4 million, consisting of 20% of an \$8.4 million principal payment made on milling equipment in March 2015, a \$2.2 million principal payment made on electrical transformers in April 2015, and a \$1.2 million principal payment made on milling equipment in April 2016, such that the remaining amount due to POS-Minerals is \$33.6 million. If Nevada Moly does not fund its additional capital contribution in order for the LLC to make the required Return of Contributions to POS-Minerals set forth above, POS-Minerals has an election to either make a secured loan to the LLC to fund the Return of Contributions, or receive an additional interest in the LLC estimated to be 5%. In the latter case, Nevada Moly’s interest in the LLC is subject to dilution by a percentage equal to the ratio of 1.5 times the amount of the unpaid Return of Contributions

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over the aggregate amount of deemed capital contributions (as determined under the LLC Agreement) of both parties to the LLC (“Dilution Formula”). At June 30, 2017, the aggregate amount of deemed capital contributions of both parties was \$1,083.9 million.

Furthermore, the LLC Agreement permits POS-Minerals to put/sell its interest in the LLC to Nevada Moly after a change of control of Nevada Moly or the Company, as defined in the LLC Agreement, followed by a failure by us or our successor company to use standard mining industry practice in connection with the development and operation of the Mt. Hope Project as contemplated by the parties for a period of twelve (12) consecutive months. If POS-Minerals exercises its option to put or sell its interest, Nevada Moly or its transferee or surviving entity would be required to purchase the interest for 120% of POS-Minerals’ total contributions to the LLC, which, if not paid timely, would be subject to 10% interest per annum.

In November 2012, the Company and POS-Minerals began making monthly pro rata capital contributions to the LLC to fund costs incurred as required by the LLC Agreement. The interest of a party in the LLC that does not make its monthly pro rata capital contributions to fund costs incurred is subject to dilution based on the Dilution Formula. The Company and POS-Minerals consented, effective July 1, 2013, to Nevada Moly accepting financial responsibility for POS-Minerals’ 20% interest in costs related to Nevada Moly’s compensation and reimbursement as Manager of the LLC, and certain owners’ costs associated with Nevada Moly’s ongoing progress to complete project financing for its 80% interest, resulting in \$2.9 million paid by Nevada Moly on behalf of POS-Minerals during the term of the consensual agreement, which ended on June 30, 2014. From July 1, 2014 to December 31, 2014, POS-Minerals once again contributed its 20% interest in all costs incurred by the LLC. Subject to the terms above, all required monthly contributions have been made by both parties.

Effective January 1, 2015, Nevada Moly and POS-Minerals signed an amendment to the LLC Agreement under which a separate \$36.0 million belonging to Nevada Moly, held by the LLC in a reserve account established in December 2012, is being released for the mutual benefit of both members related to the jointly approved Mt. Hope Project expenses through 2021. In January 2015, the reserve account funded a reimbursement of contributions made by the members during the fourth quarter of 2014, inclusive of \$0.7 million to POS-Minerals and \$2.7 million to Nevada Moly. The funds are now being used to pay ongoing expenses of the LLC until the Company obtains full financing for its portion of the Mt. Hope Project construction cost, or until the reserve account is exhausted. Any remaining funds after financing is obtained will be returned to the Company. The balance of the reserve account was \$11.0 million and \$13.0 million at June 30, 2017 and December 31, 2016, respectively.

Agreement with AMER International Group (“AMER”)

Private Placement

In April 2015, the Company and AMER entered into a private placement for 40.0 million shares of the Company's common stock and warrants to purchase 80.0 million shares of the Company's common stock, priced using the trailing 90-day volume weighted average price ("VWAP") of \$0.50 on April 17, 2015, the date the Investment and Securities Purchase Agreement ("AMER Investment Agreement") was signed. General Moly received stockholder approval of the transaction at its 2015 Annual Meeting.

On November 2, 2015, the Company and AMER entered into an amendment to the AMER Investment Agreement, utilizing a three-tranche investment. The first tranche of the amended AMER Investment Agreement closed on November 24, 2015 for a \$4.0 million private placement representing 13.3 million shares, priced at \$0.30 per share, and warrants (the "AMER Warrants") to purchase 80.0 million shares of common stock at \$0.50 per share, which will become exercisable upon availability of an approximately \$700.0 million senior secured loan ("Bank Loan"). The funds received from the \$4.0 million private placement have been divided evenly between general corporate purposes and an expense reimbursement account available to both AMER and the Company to cover anticipated Mt. Hope financing costs and other jointly sourced business development opportunities. In addition, AMER and General Moly entered into a Stockholder Agreement allowing AMER to nominate a director to the General Moly Board of Directors, and additional directors following the close of Tranche 3, discussed below, and drawdown of the Bank Loan. The Stockholder Agreement also governs amer's acquisition and transfer of General Moly shares. Prior to closing, the parties agreed to eliminate certain conditions to closing. Following the closing, AMER nominated Tong Zhang to serve as a director of the Company, and he was appointed to the Board of Directors on December 3, 2015.

On August 7, 2017, the Company and AMER entered into a second amendment to the Investment and Securities Purchase Agreement, under which the second tranche of AMER's investment is anticipated to close no later than September 30, 2017 and will include a \$6.0 million private placement representing 14.6 million shares, priced at \$0.41 per share.

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The third tranche of the amended AMER Investment Agreement will include a \$10.0 million private placement representing 20.0 million shares, priced at \$0.50 per share. Completion of the third tranche is anticipated to occur on the later of (i) March 31, 2018 or 90 days following the close of a joint business opportunity involving use of 10.0 million shares of General Moly stock or (ii) 90 days after reinstatement of water permits from the Nevada State Engineer for the Mt. Hope Project. After the third tranche of the agreement is completed, AMER will be entitled to nominate a second director to General Moly's Board of Directors.

The further amended AMER Investment Agreement reaffirms continuation of the strategic partnership formed between the Company and AMER to assist in obtaining full financing for the Mt. Hope Project. The issuance of shares in connection with the third tranche of the AMER Investment Agreement may be subject to General Moly stockholder approval.

In addition to the AMER Investment Agreement discussed above, the Company and AMER are jointly evaluating other potential opportunities, ranging from outright acquisitions, privatizations, or significant minority interest investments. The current focus is on base metal prospects in the Americas, where the Company would benefit from management fees, equity interests, or the acquisition of both core and non-core assets. Through June 30, 2017, the Company and AMER have spent approximately \$1.0 million from the expense reimbursement account described above in connection with such evaluations.

## Term Loan

AMER has agreed to work cooperatively with the Company upon the return of improved molybdenum prices to procure and support a senior secured term loan ("Bank Loan") of approximately \$700 million from a major Chinese bank or banks for development of the Mt. Hope Project, and to provide a guarantee for the Bank Loan.

When documentation is complete and drawdown of the approximately \$700 million Bank Loan becomes available, the AMER Warrants will become exercisable by AMER at \$0.50. After drawdown of the Bank Loan, AMER will be entitled to nominate a third Director to General Moly's Board of Directors. All conditions under the warrant agreement were originally required to be completed no later than April 17, 2017 in order for the AMER Warrants to vest and become exercisable. As the Bank Loan was not available on this date, on April 17, 2017, and again subsequently on June 16, 2017, July 16, 2017, and August 7, 2017, the Company and AMER entered into the First Amendment, Second Amendment, Third Amendment, and Fourth Amendment (the "Warrant Amendments") to the AMER Warrants. With the Fourth Amendment, the Company and AMER agreed to extend the deadline for satisfaction of all conditions to vesting of the AMER Warrants to the third anniversary of the issuance of the ROD for the Mt. Hope Project, discussed below in Note 12, Permitting Considerations.

## Molybdenum Supply Agreement

The Company and AMER have agreed on the substantive terms of a definitive agreement that would provide a one-time option exercisable simultaneously with Bank Loan execution to purchase the balance of the Company's share of Mt. Hope molybdenum production, estimated to be approximately 16.5 million pounds annually, for the first five years of production, and 70% of the Company's annual share of Mt. Hope molybdenum production thereafter at a cost of spot price less a slight discount.

## NOTE 2 — LIQUIDITY

The cash needs for the development of the Mt. Hope Project are significant and require that we and/or the LLC arrange for financing to be combined with funds anticipated to be received from POS-Minerals in order to retain its 20% membership interest. If we are unsuccessful in obtaining financing, we will not be able to proceed with the development of the Mt. Hope Project.

Although hampered by the slowly recovering low molybdenum prices, the Company continues its efforts to obtain full financing of the Mt. Hope Project. AMER continues its support and agreement to work with the Company to procure a Bank Loan of approximately \$700 million from a major Chinese bank or banks for the development of the Mt. Hope Project, and to provide a guarantee for the Bank Loan. As discussed in Note 1, on November 30, 2015, the Company announced the receipt of funds to successfully close the first tranche of the amended Investment Agreement, resulting in a \$4 million cash inflow to the Company. Additionally, as discussed in Note 1 above, on August 7, 2017, the Company and AMER entered into Amendment No. 2 to the Investment and Securities Purchase Agreement setting the closing date for Tranche 2 on September 30, 2017 and removing the provision that makes the receipt of the second tranche contingent on the Nevada State Engineer restoring water permits for the Mt. Hope Project and for the price of molybdenum to average in excess of \$8/lb for a 30 consecutive calendar day period. When Tranche 2 closes, it will provide a \$6.0 million cash inflow to the Company on September 30, 2017. Based on our current operating forecast, and the combination of the liquidity provided by Amendment No. 2 and our current cash on hand, the Company expects to be able to fund its operations and meet its financial obligations well into the second quarter of 2019. However, there can be no assurance that the Company will be successful in achieving its forecast.



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Additionally, there is no assurance that the Company will be successful in the financing required to complete the Mt. Hope Project, or in raising additional financing in the future on terms acceptable to the Company, or at all.

We continue to work with our long-lead vendors to manage the timing of contractual payments for milling equipment. The following table sets forth the LLC's remaining cash commitments under these equipment contracts (collectively, "Purchase Contracts") at June 30, 2017 (in millions):

Year	As of June 30, 2017 *
2017	0.4
2018	—
2019	1.4
2020	0.4
Total	\$ 2.2

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\*All amounts are commitments of the LLC, and as a result of the agreement between Nevada Moly and POS-Minerals are to be funded by the \$36.0 million reserve account, now \$11.0 million as discussed above in Note 1, until such time that the Company obtains financing for its portion of construction costs at the Mt. Hope Project or until the reserve account balance is exhausted, and thereafter are to be funded 80% by Nevada Moly and 20% by POS-Minerals.

POS-Minerals remains obligated to make capital contributions for its 20% portion of equipment payments required by approved budgets of the LLC, and such amounts contributed by the reserve account on behalf of POS-Minerals will reduce, dollar for dollar, the amount of capital contributions that the LLC is required to return to POS-Minerals, as described in Note 1.

If the LLC does not make the payments contractually required under these purchase contracts, it could be subject to claims for breach of contract or to cancellation of the respective purchase contract. In addition, the LLC may proceed to selectively suspend, cancel or attempt to renegotiate additional purchase contracts if necessary to further conserve cash. If the LLC cancels or breaches any contracts, the LLC will take all appropriate action to minimize any losses, but could be subject to liability under the contracts or applicable law. The cancellation of certain key contracts could cause a delay in the commencement of operations, and could add to the cost to develop the Company's interest in the Mt. Hope Project.

Through June 30, 2017, the LLC has made deposits and/or final payments of \$87.5 million on equipment orders. Of these deposits, \$70.4 million relate to fully fabricated items, primarily milling equipment, for which the LLC has additional contractual commitments of \$2.2 million noted in the table above. The remaining \$17.1 million reflects both partially fabricated milling equipment, and non-refundable deposits on mining equipment. As discussed in Note

12, the mining equipment agreements remain cancellable with no further liability to the LLC. The underlying value and recoverability of these deposits and our mining properties in our consolidated balance sheets are dependent on the LLC's ability to fund development activities that would lead to profitable production and positive cash flow from operations, or proceeds from the sale of these assets. There can be no assurance that the LLC will be successful in generating future profitable operations, selling these assets or that the Company will secure additional funding in the future on terms acceptable to us or at all. Our consolidated financial statements do not include any adjustments relating to recoverability and classification of recorded assets or liabilities.

With our ongoing cash conservation plan, our current Corporate and Liberty related cash requirements have declined to approximately \$1.5 million per quarter, while all Mt. Hope Project related funding is payable out of the \$36.0 million reserve account, the balance of which was \$11.0 million and \$13.0 million at June 30, 2017 and December 31, 2016, respectively. Accordingly, based on our current cash on hand and our ongoing cash conservation plan, the Company expects it will have adequate liquidity to fund our working capital needs into the second quarter of 2018. As discussed in Note 4 below, we are working with the Nevada Department of Environmental Protection ("NDEP") on an updated closure plan for the Liberty Project that may require additional cash outlays this year and in 2018. Additional potential funding sources include public or private equity offerings, including closing tranche 3 with respect to the remaining \$10.0 million investment from AMER described in Note 1, or sale of other assets owned by the Company. There is no assurance that the Company will be successful in securing additional funding. This could result in further cost reductions, contract cancellations, and potential delays which ultimately may jeopardize the development of the Mt. Hope Project.

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NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements (“interim statements”) of the Company are unaudited. In the opinion of management, all adjustments and disclosures necessary for a fair statement of these interim statements have been included. All such adjustments are, in the opinion of management, of a normal recurring nature. The results reported in these interim statements are not necessarily indicative of the results that may be presented for the entire year. These interim statements should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the Securities and Exchange Commission (“SEC”) on March 16, 2017.

This summary of significant accounting policies is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (“GAAP”) and have been consistently applied in the preparation of the financial statements.

Accounting Method

Our financial statements are prepared using the accrual basis of accounting in accordance with GAAP. With the exception of the LLC, all of our subsidiaries are wholly owned. In February 2008, we entered into the LLC Agreement, which established our ownership interest in the LLC at 80%. The consolidated financial statements include all of our wholly owned subsidiaries and the LLC. The POS-Minerals contributions attributable to their 20% interest are shown as Contingently Redeemable Noncontrolling Interest on the Consolidated Balance Sheet. The net loss attributable to contingently redeemable noncontrolling interest is reflected separately on the Consolidated Statement of Operations and reduces the Contingently Redeemable Noncontrolling Interest on the Consolidated Balance Sheet. Net losses of the LLC are attributable to the members of the LLC based on their respective ownership percentages in the LLC. During 2017, the LLC had a \$74,000 loss primarily associated with accretion of its reclamation obligations, of which \$15,000 was attributed to the Contingently Redeemable Noncontrolling Interest.

Contingently Redeemable Noncontrolling Interest (“CRNCI”)

Under GAAP, certain noncontrolling interests in consolidated entities meet the definition of mandatorily redeemable financial instruments if the ability to redeem the interest is outside of the control of the consolidating entity. As described in Note 1 — “Description of Business”, the LLC Agreement permits POS-Minerals the option to put its interest in the LLC to Nevada Moly upon a change of control, as defined in the LLC Agreement, followed by a failure by us or our successor company to use standard mining industry practice in connection with the development and operation of the Mt. Hope Project as contemplated by the parties for a period of 12 consecutive months. As such, the CRNCI has continued to be shown as a separate caption between liabilities and equity. The carrying value of the CRNCI has

historically included the \$36.0 million Return of Contributions, now \$33.6 million, that will be returned to POS-Minerals in 2020, unless further extended by the members of the LLC as discussed above. The expected Return of Contributions to POS-Minerals was carried at redemption value as we believed redemption of this amount was probable. Effective January 1, 2015, Nevada Moly and POS-Minerals agreed that the Return of Contributions will be payable to POS-Minerals on December 31, 2020, unless further extended by the members of the LLC as discussed above. As a result, we have reclassified the Return of Contributions payable to POS-Minerals from CRNCI to a non-current liability at redemption value, and subsequently reduced it by \$2.4 million, consisting of 20% of an \$8.4 million principal payment made on milling equipment in March 2015 and a \$2.2 million principal payment made on electrical transformers in April 2015, and a \$1.2 million principal payment made on milling equipment in April 2016, such that the remaining amount due to POS-Minerals is \$33.6 million.

The remaining carrying value of the CRNCI has not been adjusted to its redemption value as the contingencies that may allow POS-Minerals to require redemption of its noncontrolling interest are not probable of occurring. Under GAAP, until such time as that contingency has been eliminated and redemption is no longer contingent upon anything other than the passage of time, no adjustment to the CRNCI balance should be made. Future changes in the redemption value will be recognized immediately as they occur and the Company will adjust the carrying amount of the CRNCI to equal the redemption value at the end of each reporting period.

#### Estimates

The process of preparing consolidated financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

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### Asset Impairments

We evaluate the carrying value of long-lived assets to be held and used, using a fair-value based approach when events and circumstances indicate that the related carrying amount of our assets may not be recoverable. The economic environment and molybdenum and copper prices may be considered as impairment indicators for the purposes of these impairment assessments. In accordance with U.S. GAAP, the carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flows from such asset is less than its carrying value. In that event, an impairment charge will be recorded in our Consolidated Statement of Operations and Comprehensive Loss based on the difference between book value and the estimated fair value of the asset computed using discounted future cash flows, or the application of an expected fair value technique in the absence of an observable market price. Future cash flows include estimates of recoverable quantities to be produced from estimated proven and probable mineral reserves, commodity prices (considering current and historical prices, price trends and related factors), production quantities and capital expenditures, all based on life-of-mine plans and projections. In estimating future cash flows, assets are grouped at the lowest level for which identifiable cash flows exist that are largely independent of cash flows from other asset groups. Generally, in estimating future cash flows, all assets are grouped at a particular mine for which there are identifiable cash flows. While our June 30, 2017 impairment analysis did not result in any long-lived asset impairments, there can be no assurance that there will not be asset impairments if commodity prices experience a sustained decline and/or if there are significant downward adjustments to estimates of recoverable quantities to be produced from proven and probable mineral reserves or production quantities, and/or upward adjustments to estimated operating costs and capital expenditures, all based on life-of-mine plans and projections.

### Cash and Cash Equivalents and Restricted Cash

We consider all highly liquid investments with original maturities of three months or less to be cash equivalents. The Company's cash equivalent instruments are classified within Level 1 of the fair value hierarchy established by FASB guidance for Fair Value Measurements because they are valued based on quoted market prices in active markets.

We consider all restricted cash, inclusive of the reserve account discussed above, the loan procurement account and reclamation surety bonds, to be long-term.

### Basic and Diluted Net Loss Per Share

Net loss per share was computed by dividing the net loss attributable to the Company by the weighted average number of shares outstanding during the period. The weighted average number of shares was calculated by taking the number of shares outstanding and weighting them by the amount of time that they were outstanding. Outstanding awards as of June 30, 2017 and December 31, 2016, respectively, were as follows:

	June 30, 2017	December 31, 2016
Warrants	89,535,000	89,535,000
Shares Issued upon conversion of Senior Notes	5,910,000	5,910,000
Unvested Stock Awards	1,735,553	1,105,435
Stock Appreciation Rights	1,015,230	1,269,101

These awards were not included in the computation of diluted loss per share for the three and six months ended June 30, 2017 and 2016, respectively, because to do so would have been anti-dilutive. Therefore, basic loss per share is the same as diluted loss per share.

#### Mineral Exploration and Development Costs

All exploration expenditures are expensed as incurred. Significant property acquisition payments for active exploration properties are capitalized. If no economic ore body is discovered, previously capitalized costs are expensed in the period the property is abandoned. Expenditures to develop new mines, to define further mineralization in existing ore bodies, and to expand the capacity of operating mines, are capitalized and amortized on a units-of-production basis over proven and probable reserves.

Should a property be abandoned, its capitalized costs are charged to operations. The Company charges to the consolidated statement of operations the allocable portion of capitalized costs attributable to properties sold. Capitalized costs are allocated to properties sold based on the proportion of claims sold to the claims remaining within the project area.

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Mining Properties, Land and Water Rights

Costs of acquiring and developing mining properties, land and water rights are capitalized as appropriate by project area. Exploration and related costs and costs to maintain mining properties, land and water rights are expensed as incurred while the property is in the exploration and evaluation stage. Development and related costs and costs to maintain mining properties, land and water rights are capitalized as incurred while the property is in the development stage. When a property reaches the production stage, the related capitalized costs are amortized using the units-of-production basis over proven and probable reserves. Mining properties, land and water rights are periodically assessed for impairment of value, and any subsequent losses are charged to operations at the time of impairment. If a property is abandoned or sold, a gain or loss is recognized and included in the consolidated statement of operations.

The Company has capitalized royalty payments made to Mt. Hope Mines, Inc. (“MHMI”) (discussed in Note 12 below) during the development stage. The amounts will be applied to production royalties owed upon the commencement of production.

Depreciation and Amortization

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Property and equipment are depreciated using the following estimated useful lives:

Field equipment