

General Moly, Inc  
Form 10-Q  
August 08, 2016  
Table of Contents

un

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, 2016

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

Edgar Filing: General Moly, Inc - Form 10-Q

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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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

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

Edgar Filing: General Moly, Inc - Form 10-Q

The number of shares outstanding of issuer's common stock as of August 3, 2016, was 110,568,319.

---

Table of Contents

	Page
<u>Part I</u>	
<u>ITEM 1. FINANCIAL STATEMENTS</u>	2
<u>ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	24
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	33
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	35
<u>Part II</u>	
<u>ITEM 1. LEGAL PROCEEDINGS</u>	35
<u>ITEM 1A. RISK FACTORS</u>	36
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	37
<u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u>	37
<u>ITEM 4. MINE SAFETY DISCLOSURES</u>	37
<u>ITEM 5. OTHER INFORMATION</u>	37
<u>ITEM 6. EXHIBITS</u>	37
<u>SIGNATURES</u>	38

Table of Contents

## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## GENERAL MOLY, INC.

## CONSOLIDATED BALANCE SHEETS

(In thousands, except par value amounts)

	June 30, 2016 (unaudited)	December 31, 2015
ASSETS:		
CURRENT ASSETS		
Cash and cash equivalents	\$ 12,308	\$ 13,047
Deposits, prepaid expenses and other current assets	155	150
Total Current Assets	12,463	13,197
Mining properties, land and water rights	221,624	220,635
Deposits on project property, plant and equipment	87,100	85,698
Restricted cash held at EMLLC	14,687	16,636
Restricted cash held for loan procurement	1,623	1,850
Restricted cash held for reclamation bonds	960	4,932
Non-mining property and equipment, net	294	369
Other assets	2,994	2,994
TOTAL ASSETS	\$ 341,745	\$ 346,311
LIABILITIES, CRCNI, AND EQUITY:		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 595	\$ 1,762
Accrued advance royalties	500	500
Current portion of long term debt	142	142
Total Current Liabilities	1,237	2,404
Provision for post closure reclamation and remediation costs	1,131	1,198
Accrued advance royalties	5,700	5,200
Accrued payments to Agricultural Sustainability Trust	4,000	4,000
Long term debt, net of current portion	1,441	1,517
Senior Convertible Promissory Notes	5,449	5,316
Return of Contributions Payable to POS-Minerals	33,641	33,884
Other accrued liabilities	2,125	2,125

Edgar Filing: General Moly, Inc - Form 10-Q

Total Liabilities	54,724	55,644
COMMITMENTS AND CONTINGENCIES		
CONTINGENTLY REDEEMABLE NONCONTROLLING INTEREST ("CRNCI")	173,500	173,265
EQUITY		
Common stock, \$0.001 par value; 650,000,000 and 650,000,000 shares authorized, respectively, 110,568,319 and 109,298,393 shares issued and outstanding, respectively	111	109
Additional paid-in capital	281,742	281,562
Accumulated deficit during exploration and development stage	(168,332)	(164,269)
Total Equity	113,521	117,402
TOTAL LIABILITIES, CRNCI, AND EQUITY	\$ 341,745	\$ 346,311

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, 2016	June 30, 2015	June 30, 2016	June 30, 2015
REVENUES	\$ —	\$ —	\$ —	\$ —
OPERATING EXPENSES:				
Exploration and evaluation	118	277	664	394
General and administrative expense	1,546	2,007	2,908	4,994
TOTAL OPERATING EXPENSES	1,664	2,284	3,572	5,388
LOSS FROM OPERATIONS	(1,664)	(2,284)	(3,572)	(5,388)
OTHER INCOME/(EXPENSE):				
Loss on Termination of Power Transmission Contract	—	(4,317)	—	(4,317)
Loss on Extinguishment of Senior Convertible Promissory Notes	—	(810)	—	(930)
Interest expense	(250)	(275)	(499)	(836)
TOTAL OTHER (EXPENSE)/INCOME, NET	(250)	(5,402)	(499)	(6,083)
LOSS BEFORE INCOME TAXES	(1,914)	(7,686)	(4,071)	(11,471)
Income Taxes	—	—	—	—
CONSOLIDATED NET LOSS	\$ (1,914)	\$ (7,686)	\$ (4,071)	\$ (11,471)
Less: Net loss attributable to CRNCI	4	875	8	885
NET LOSS ATTRIBUTABLE TO GMI	\$ (1,910)	\$ (6,811)	\$ (4,063)	\$ (10,586)
Basic and diluted net loss attributable to GMI per share of common stock	\$ (0.02)	\$ (0.07)	\$ (0.04)	\$ (0.11)
Weighted average number of shares outstanding — basic and diluted	110,568	95,020	110,462	94,041
COMPREHENSIVE LOSS	\$ (1,910)	\$ (6,811)	\$ (4,063)	\$ (10,586)

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





Table of Contents

GENERAL MOLY, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited — In thousands)

	Six Months Ended	
	June 30, 2016	June 30, 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Consolidated Net loss	\$ (4,071)	\$ (11,471)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	122	120
Non-cash interest expense	133	445
Stock-based compensation for employees and directors	219	592
Loss on Termination of Power Transmission Contract	—	218
Extinguishment of Senior Convertible Promissory Notes	—	930
(Increase) in deposits, prepaid expenses and other	(5)	(39)
(Decrease) in accounts payable and accrued liabilities	(1,223)	(2,111)
(Decrease) in post closure reclamation and remediation costs	(106)	(53)
Net cash used by operating activities	(4,931)	(11,369)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase and development of mining properties, land and water rights	(477)	(2,259)
Deposits on property, plant and equipment	(1,346)	(11,315)
Decrease in restricted cash	6,148	30,495
Net cash used by investing activities	4,325	16,921
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Stock proceeds, net of issuance costs	(57)	(68)
Cash contributions returned to POS-Minerals	—	(684)
Repayment of Long-Term Debt	(76)	(106)
Net cash provided by financing activities:	(133)	(858)
Net (decrease) increase in cash and cash equivalents	(739)	4,694
Cash and cash equivalents, beginning of period	13,047	13,269
Cash and cash equivalents, end of period	\$ 12,308	\$ 17,963

Edgar Filing: General Moly, Inc - Form 10-Q

NON-CASH INVESTING AND FINANCING ACTIVITIES:

Equity compensation capitalized as development	\$ 20	\$ 139
Accrued portion of advance royalties	500	—
Conversion of Senior Convertible Promissory Notes	—	(2,488)
Non-Convertible Senior Promissory Notes Issued	—	1,340
Return of Contributions Payable to POS-Minerals	—	36,000
Reduction in Return of Contributions payable to POS-Minerals	—	(2,116)
Write off of debt issuance costs	—	(115)
Change in accrued portion of deposits on property, plant and equipment	56	(14)

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

Table of Contents

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 due 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 Contribution amount of \$36.0 million 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, 2016, 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

## Table of Contents

Return of Contributions 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, 2016, the aggregate amount of deemed capital contributions of both parties was \$1,080.3 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 12 consecutive months. If POS-Minerals puts 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 2020. 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 quarterly 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 \$14.7 million and \$16.6 million at June 30, 2016 and December 31, 2015, respectively.

## Agreement with Hanlong

On December 20, 2010, we entered into a Stockholder Agreement (the “Stockholder Agreement”) with Hanlong in connection with a Tranche 1 closing under a Securities Purchase Agreement dated March 4, 2010 (the “Purchase Agreement”) between us and Hanlong.

The Purchase Agreement with Hanlong was terminated in August 2013, though certain provisions of the Purchase Agreement and Stockholder Agreement remained in effect, and, as a result of the Tranche 1 closing, Hanlong was entitled to nominate one director to our Board so long as it maintained at least a 10% fully diluted interest in the Company. Hanlong's ownership interest on a fully diluted basis has decreased to 5.7%. In February 2016, the Governance and Nominating Committee of the Company's Board of Directors determined it would not renominate the Hanlong representative to the Board as their beneficial ownership of the Company's common stock on a fully diluted basis had fallen below 10%. As a result, the term of Hanlong's designee, Nelson Chen, as a director expired at the 2016 Annual Meeting in June 2016.

#### 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 (the "AMER 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 the AMER Warrants, which will become exercisable upon availability of an approximately \$700.0 million senior secured loan ("Bank Loan"). The funds

Table of Contents

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, 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.

The second tranche of the amended AMER Investment Agreement will include a \$6.0 million private placement representing 12.0 million shares, priced at \$0.50 per share. \$5.0 million of the \$6.0 million will be used for general corporate purposes and \$1.0 million will be set aside for the expense reimbursement account discussed above. Closing of the second tranche is contingent on the Nevada State Engineer restoring permits for the Mt. Hope Project's water rights and for the price of molybdenum to average in excess of \$8/lb for a 30 consecutive calendar day period.

The third tranche of the amended AMER Investment Agreement will include a \$10.0 million private placement representing 14.7 million shares, priced at \$0.68 per share. Execution of the third tranche is contingent on a final adjudication of the Mt. Hope Project's water rights through the Nevada courts or settlement, if further protests and appeals result from the issuance of the water permits, and for the price of molybdenum to average in excess of \$12/lb for a 30 consecutive calendar day period. After the third tranche of the agreement is executed, AMER will nominate a second director to General Moly's Board of Directors.

The amended AMER Investment Agreement creates a strategic partnership between the Company and AMER to assist in obtaining full financing for the Mt. Hope Project. The issuance of shares in connection with the second and third tranches of the AMER Investment Agreement may be subject to General Moly stockholder approval.

In addition to the AMER Investment Agreement, 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 North America, where the Company would benefit from management fees, minority equity interests, or the acquisition of both core and non-core assets. Through June 30, 2016, the Company has spent approximately \$0.4 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 Bank Loan of approximately \$700 million from a major Chinese bank or banks for development

of the Mt. Hope Project. AMER will guarantee the Bank Loan, which is anticipated to have normal and customary covenants and security arrangements.

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 nominate a third Director to General Moly's Board of Directors. All conditions under the warrant agreement must be completed no later than April 17, 2017 in order for the AMER Warrants to vest and become exercisable.

#### 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 continuing low molybdenum prices, the Company continues its efforts to obtain full financing of the Mt. Hope Project. On April 17, 2015, the Company announced the execution of the AMER Investment Agreement with



Table of Contents

AMER. AMER has agreed to work with the Company to procure and support the Bank Loan for development of the Mt. Hope Project, and to provide a guarantee for the Bank Loan. On June 30, 2015, the Company received stockholder approval of the agreement with AMER. As discussed in Note 1, on November 30, 2015, the Company announced the receipt of funds that successfully closed the first tranche of the amended AMER Investment Agreement, resulting in a \$4 million cash inflow to the Company.

There is no assurance that the Company will be successful in obtaining 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.

In October 2015, the Company announced a management restructuring and cost reduction program, which included a 25% reduction in workforce, compensation reductions for senior executives, and a reduction of engineering, administrative, and consulting expenses. The program is focused on maintaining liquidity and sustainability during a continuing period of challenging market conditions in the mining industry.

In December 2014, the Company sold and issued \$8.5 million in units consisting of Senior Convertible Promissory Notes (the “Convertible Notes”) and warrants (the “Notes Warrants”) to accredited investors, including several directors and each of our named executive officers, pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, and Rule 506 thereunder. The Convertible Notes are unsecured obligations and are senior to any of the Company’s future secured obligations to the extent of the value of the collateral securing such obligations. The Notes Warrants are exercisable through December 26, 2019, for an aggregate of 8,535,000 shares of the Company’s common stock at \$1.00 per share. The Company received net proceeds from the sale of the units of approximately \$8.0 million, after deducting offering expenses of approximately \$0.5 million. Net proceeds from the sale are being used to fund ongoing operations. In February and April 2015, a number of the participants exercised their right to convert the Convertible Notes. Upon completion of the conversions, \$1.3 million in non-convertible Senior Promissory Notes and 2.6 million shares were issued, with \$5.9 million in Convertible Notes remaining available for conversion. See additional discussion of the Convertible Notes in Note 6.

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, 2016 (in millions):

Year	As of June 30, 2016 *
2017	0.8
2018	1.4

Total     \$ 2.2

---

\*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 \$14.7 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 Mt. Hope Project.

Through June 30, 2016, the LLC has made deposits and/or final payments of \$87.1 million on equipment orders. Of these deposits, \$70.3 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 \$16.8 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

Table of Contents

profitable production and positive cash flow from operations, or proceeds from the disposition of these assets. There can be no assurance that the LLC will be successful in generating future profitable operations, disposing of these assets or 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.

The State of Nevada Division of Environmental Protection (“NDEP”) issued a Reclamation Permit for the Mt. Hope Project on November 19, 2012, which authorizes surface disturbance and construction of facilities. The Reclamation Permit originally approved the Phase 1 reclamation cost estimate of approximately \$75.1 million. As a result of delays in financing for the construction of the Mt. Hope Project, we submitted a revised proposal to NDEP to reduce our reclamation liability to current surface disturbance estimates. In December 2015, NDEP and the BLM accepted our revised estimates approving a reduction of the reclamation estimate to approximately \$2.8 million. We worked with the LLC’s reclamation surety underwriters to satisfy the reduced \$2.8 million financial guarantee requirements for the Mt. Hope Project. As of June 30, 2016, the surety bond program is funded with a cash collateral payment of \$0.3 million, a reduction from the \$4.6 million established in November 2014, resulting in a \$4.3 million return of collateral received by the LLC in February 2016. Total restricted cash for surety bond collateral requirements and other long-term reclamation obligations at the Mt. Hope Project equal \$0.8 million. Another \$0.2 million in cash collateral is associated with surety bonds at the Liberty Project.

With our cash conservation plan, our Corporate and Liberty related cash requirements have declined to approximately \$1.7 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 \$14.7 million and \$16.6 million at June 30, 2016 and December 31, 2015, 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 through early 2018. Additional potential funding sources include public or private equity offerings, including tranches 2 and 3 of the \$20.0 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.

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 presentation 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, 2015, filed with the Securities and Exchange Commission (“SEC”) on March 11, 2016.

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 2016, the LLC had a \$41,000 loss associated with accretion of its reclamation obligations, of which \$8,000 was attributed to the Contingently Redeemable Noncontrolling Interest.

#### Revision of Financial Statements

The Company determined that prior to 2014, it had incorrectly expensed the tax withholdings on employee's cashless exercise of stock options and stock awards rather than recording the tax withheld as a reduction to Additional Paid in Capital. The aggregate impact of the error totaled \$1.07 million. The Company assessed the impact of the error for each period affected and

## Table of Contents

determined the error was not material to previously issued financial statements. Accordingly, the Company revised its financial statements to reflect the appropriate accounting treatment. As a result, the balances of Additional Paid in Capital and Accumulated Deficit as of December 31, 2015 have been reduced by \$1.07 million. This revision had no effect on the reported loss, cash, total equity or debt levels for the affected time periods.

### Reclassification of Prior Period Amounts

Certain prior period amounts have been reclassified to conform to the current period presentation.

### 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 due 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, 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.

#### 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, 2016 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

Table of Contents

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, 2016 and December 31, 2015, respectively, were as follows:

	June 30, 2016	December 31, 2015
Warrants	89,535,000	89,535,000
Stock Options	6,668	45,002
Unvested Stock Awards	1,160,320	1,658,673
Stock Appreciation Rights	1,296,437	1,402,186

These awards were not included in the computation of diluted loss per share for the three and six months ended June 30, 2016 and 2015, 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.

#### 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.



Table of Contents

## 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	Four to ten years
Office furniture, fixtures, and equipment	Five to seven years
Vehicles	Three to five years
Leasehold improvements	Three years or the term of the lease, whichever is shorter
Residential trailers	Ten to twenty years
Buildings and improvements	Ten to twenty seven and one-half years

At June 30, 2016 and December 31, 2015, accumulated depreciation and amortization was \$2.2 and \$2.1 million, respectively, of which \$1.9 and \$1.9 million, respectively, was capitalized.

## Senior Convertible Promissory Notes and other Long-Term Debt

As discussed in Note 2, in December 2014, the Company sold and issued \$8.5 million in units consisting of the Convertible Notes and the Notes Warrants to accredited investors, including several directors and each of the named executive officers of the Company, pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, and Rule 506 thereunder. The Convertible Notes are unsecured obligations and are senior to any of the Company's future secured obligations to the extent of the value of the collateral securing such obligations.

The Convertible Notes bear interest at a rate of 10.0% per annum, payable in cash quarterly in arrears on each March 31, June 30, September 30, and December 31. The Convertible Notes are convertible at any time in an amount equal to 80% of the greater of (i) the average VWAP for the 30 Business Day period ending on the Business Day prior to the date of the conversion, or (ii) the average VWAP for the 30 Business Day period ending on the original issuance date of the Convertible Notes. Each Note will convert into a maximum of 100 shares per note, resulting in the issuance of up to 8,535,000 shares. General Moly's named executive officers and board of directors who participated in the offering are restricted from converting at a price less than \$0.32, the most recent closing price at the time that the Convertible Notes were issued. The Convertible Notes are mandatorily redeemable at par plus the present value of remaining coupons upon (i) the availability of cash from a financing for the Mt. Hope Project or (ii) any other debt financing by the Company. In addition, 50% of any proceeds from the sale of assets cumulatively exceeding \$250,000 will be used to prepay the Convertible Notes at par plus the present value of remaining coupons. The Company has the right to redeem the Convertible Notes at any time at par plus the present value of remaining coupons. The Private Placement was negotiated by independent members of General Moly's board of directors, none of whom participated in the transaction. As of June 30, 2016, an aggregate of \$2.6 million of Convertible Notes had been converted into

2,625,000 shares of common stock and \$1.3 million of non-convertible Senior Promissory Notes, resulting in a \$0.2 million annual reduction in interest payments made by the Company in the servicing of the Convertible Notes, as further discussed in Note 6 below.

The Company evaluates its contracts for potential derivatives. See Note 6 for a description of the Company's accounting for embedded derivatives and the Convertible Notes.

The Company additionally has certain debt related to a land mortgage, which is allocated between long-term and current based on payments contractually required to be made within the next twelve months.

Debt issuance costs are costs incurred in connection with the Company's debt financings that have been capitalized and are being amortized over the stated maturity period or estimated life of the related debt, using the effective interest method.

#### Provision for Taxes

Income taxes are provided based upon the asset and liability method of accounting. Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. In accordance with authoritative guidance under Accounting Standards Codification ("ASC") 740, Income Taxes, a valuation allowance is recorded against the deferred tax asset if management does not believe the Company has met the "more likely than not" standard to allow recognition of such an asset.

## Table of Contents

### Reclamation and Remediation

Expenditures for ongoing compliance with environmental regulations that relate to current operations are expensed or capitalized as appropriate. Future obligations to retire an asset, including reclamation, site closure, dismantling, remediation and ongoing treatment and monitoring, are recorded as a liability at fair value at the time of construction or development. The fair value determination is based on estimated future cash flows, the current credit-adjusted risk-free discount rate and an estimated inflation factor. The value of asset retirement obligations is evaluated on a quarterly basis or as new information becomes available on the expected amounts and timing of cash flows required to discharge the liability. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount will be depreciated or amortized over the estimated life of the asset upon the commencement of commercial production. An accretion cost, representing the increase over time in the present value of the liability, is also recorded each period as accretion expense. As reclamation work is performed or liabilities are otherwise settled, the recorded amount of the liability is reduced.

### Stock-based Compensation

Stock-based compensation represents the fair value related to stock-based awards granted to members of the Board, officers and employees. The Company uses the Black-Scholes model to determine the fair value of stock-based awards under authoritative guidance for Stock-Based Compensation. For stock-based compensation that is earned upon the satisfaction of a service condition, the cost is recognized on a straight-line basis (net of estimated forfeitures) over the requisite vesting period (up to three years). Awards expire five years from the date of vesting.

Further information regarding stock-based compensation can be found in Note 9 — “Equity Incentives.”

### Warrants

The Company has issued warrants in connection with several financing transactions and uses the Black-Scholes model or a lattice to determine the fair value of these transactions based on the features included in each.

### Recently Issued Accounting Pronouncements

Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting

In March 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The update aims to simplify several aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The company is currently reviewing the standard to determine the impact on its financial statements.

#### Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The update aims to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The company is currently reviewing the standard to determine the impact on its financial statements.

#### NOTE 4 — MINING PROPERTIES, LAND AND WATER RIGHTS

We currently have interests in two mining properties that are the primary focus of our development, the Mt. Hope Project and the Liberty Project. We also have certain other, non-core, mining properties that are being evaluated for future development or sale.

The Mt. Hope Project. We are currently continuing our efforts associated with the future opportunity to develop the Mt. Hope Project. In January 2014, the Company published an updated Technical Report on the Mt. Hope Project using Canadian Instrument NI 43-101 guidelines, which provided data on the viability and expected economics of the project. Based on the findings in the study, on a 100% basis, we reported 1.4 billion pounds of contained (1.2 billion pounds recoverable) molybdenum in proven and probable reserves.

Table of Contents

Liberty Project. We are currently continuing to evaluate the Liberty Project. In July 2014, the Company published an updated NI 43-101 compliant pre-feasibility study, which more closely examined the use of existing infrastructure and the copper potential of the property.

Other Mining Properties. We also have mining claims and land purchased prior to 2006 which consist in part of (a) approximately 107 acres of fee simple land in the Little Pine Creek area of Shoshone County, Idaho, (b) six patented mining claims known as the Chicago-London group, located near the town of Murray in Shoshone County, Idaho, (c) 34 unpatented mining claims in Marion County, Oregon, known as the Detroit property and (d) 83 unpatented mining claims in Sanders and Madison County, Montana.

Summary. The following is a summary of mining properties, land and water rights at June 30, 2016 and December 31, 2015 (in thousands):

	At June 30, 2016	At December 31, 2015
Mt. Hope Project:		
Development costs	\$ 170,227	\$ 169,735
Mineral, land and water rights	11,324	11,324
Advance Royalties	30,300	29,800
Total Mt. Hope Project	211,851	210,859
Total Liberty Project	9,692	9,695
Other Properties	81	81
Total	\$ 221,624	\$ 220,635

Development costs of \$170.2 million include hydrology and drilling costs, expenditures to further the permitting process, capitalized salaries, project engineering costs, and other expenditures required to fully develop the Mt. Hope Project. Deposits and/or final payments on project property, plant and equipment of \$87.1 million represent ongoing progress payments on equipment orders for the custom-built grinding and milling equipment, related electric mill drives, and other processing equipment that require the longest lead times.

## NOTE 5 — ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations (“ARO”) arise from the acquisition, development, construction and normal operation of mining property, plant and equipment due to government controls and that protect the environment, and are primarily related to closure and reclamation of mining properties. The exact nature of environmental issues and costs, if any,

which the Company or the LLC may encounter in the future are subject to change, primarily because of the changing character of environmental requirements that may be enacted by governmental authorities.

The following table shows asset retirement obligations for future mine closure and reclamation costs in connection with the Mt. Hope Project and within the boundaries of the Plan of Operations (“PoO”):

	(in thousands)
At January 1, 2015	\$ 1,077
Accretion Expense	72
Adjustments*	(92)
At December 31, 2015	\$ 1,057
Accretion Expense	40
Adjustments*	(106)
At June 30, 2016	\$ 991

---

\*Includes additions, annual changes to the escalation rate, the market-risk premium rate, or reclamation time periods.

The estimated future reclamation costs for the Mt. Hope Project have been discounted using a rate of 8%. The total inflated and undiscounted estimated reclamation costs associated with current disturbance under the PoO at the Mt. Hope Project were \$6.6 million at June 30, 2016, inclusive of \$2.1 million for mitigation of sage grouse habitat that would be affected by development of the Mt. Hope Project. Increases in ARO liabilities resulting from the passage of time are recognized as accretion expense.

Table of Contents

The LLC is required by federal and state laws in the U.S. to provide financial assurance sufficient to allow a third party to implement approved closure and reclamation plans if the LLC is unable to do so. The laws govern the determination of the scope and cost of the closure, and the amount and forms of financial assurance. As of December 31, 2015, the LLC had provided the appropriate regulatory authorities with \$75.1 million in reclamation financial guarantees through the posting of surety bonds for reclamation of the Mt. Hope Project as approved in the ROD. As of December 31, 2015, we had \$4.6 million in cash deposits associated with these bonds, which are specific to the PoO disturbance and accounted for as restricted cash and are unrelated to the inflated and undiscounted liability referenced above.

As a result of delays in financing for the construction of the Mt. Hope Project, we submitted a revised proposal to NDEP and the BLM to reduce our reclamation liability to current surface disturbance. On December 21, 2015, NDEP and the BLM accepted our revised estimates approving a reduction of the reclamation cost estimate to approximately \$2.8 million. Thereafter, we worked with the LLC's reclamation surety underwriters to satisfy the reduced \$2.8 million financial guarantee requirements for the Mt. Hope Project. As of June 30, 2016, the surety bond program is funded with a cash collateral payment of \$0.3 million, a reduction from the \$4.6 million established in November 2014, resulting in a \$4.3 million return of collateral received by the LLC in February 2016.

The LLC has a smaller liability at the Mt. Hope Project for disturbance associated with exploration drilling which occurred outside the PoO boundaries shown, in the table below. The LLC has not discounted this reclamation liability as the total amount is less than \$0.1 million.

Total restricted cash for surety bond collateral requirements and other long-term reclamation obligations at the Mt. Hope Project equal \$0.8 million. Another \$0.2 million in cash collateral is associated with surety bonds at the Liberty Project.

The Company's Liberty Project is currently in the exploration stage. The Company has not discounted the reclamation liability incurred at the Liberty Project as the total is approximately \$0.1 million, also shown in the table below.

	Mt. Hope Project outside PoO boundary Liberty (in thousands)	
At January 1, 2015	81	118
Adjustments *	(59)	—
At December 31, 2015	\$ 22	\$ 118
Adjustments *	—	—

---

\*Includes reduced / reclaimed disturbance

#### NOTE 6 — SENIOR CONVERTIBLE PROMISSORY NOTES

In December 2014, the Company sold and issued 85,350 Units consisting of the Convertible Notes and the Notes Warrants to qualified buyers pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, of which 23,750 Units were sold and issued to related parties, including several directors and each of our named executive officers. The Convertible Notes are unsecured obligations and are senior to any of the Company's future secured obligations to the extent of the value of the collateral securing such obligations.

The transaction value of \$8.5 million was allocated between debt for the Convertible Notes and equity for the Notes Warrants based on the relative fair value of the two instruments. This resulted in recording \$0.8 million in Additional Paid In Capital for the relative fair value of the Notes Warrants and \$7.7 million as Convertible Notes. The Company received net proceeds from the sale of the Convertible Notes of approximately \$8.0 million, after deducting offering expenses of approximately \$0.5 million, which was allocated between debt and equity. As a result, the Company recognized \$0.4 million as Debt Issuance Costs to be amortized over the expected redemption period, and \$0.1 million recognized as a reduction to Additional Paid in Capital. Net proceeds from the sale are being used to fund ongoing operations until the Company's portion of project financing is obtained.

The Convertible Notes bear interest at a rate of 10.0% per annum, payable in cash quarterly in arrears on each June 30, June 30, September 30, and December 31. The Notes mature on December 26, 2019 unless earlier redeemed, repurchased or converted. The Company may redeem the Convertible Notes for cash, either in whole or in part, at any time, in exchange for the



Table of Contents

sum of (i) a cash payment equal to the unpaid principal plus all accrued but unpaid interest through the date of redemption and (ii) the present value of the remaining scheduled interest payments discounted to the maturity date at the annual percentage yield on U.S. Treasury securities with maturity similar to the notes plus 25 basis points (the “Optional Redemption”). The Notes are mandatorily redeemable at par plus the present value of remaining coupons upon (i) the availability of cash from a financing for Mt. Hope and (ii) any other debt financing by the Company. In addition, 50% of any proceeds from the sale of assets cumulatively exceeding \$250,000 will be used to prepay the Convertible Notes at par plus the present value of remaining coupons (the “Mandatory Redemption”).

The Notes are convertible at any time in an amount equal to 80% of the greater of (i) the average VWAP for the 30 Business Day period ending on the Business Day prior to the date of the conversion, or (ii) the average VWAP for the 30 Business Day period ending on the original issuance date of the Convertible Notes. Each Note will convert into a maximum of 100 shares per note, resulting in the issuance of 8,535,000 shares, or 9.3% of shares outstanding as of December 31, 2014 (the “Conversion Option”). General Moly’s executive management team and board of directors who participate in the offering will be restricted from converting at a price less than \$0.32, the most recent closing price at the time that the Convertible Notes were issued.

If the Company undergoes a “fundamental change”, the Convertible Notes will be redeemed for cash at a repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased plus accrued and unpaid interest, including contingent interest and additional amounts, if any. Examples of a “fundamental change” include the reclassification of the common stock, consolidation or merger of the Company with another entity or sale of all or substantially all of the Company’s assets.

During the year ended December 31, 2015, certain holders of the Convertible Notes, including both directors and named executive officers of the Company, elected to convert notes totaling \$2.6 million, reducing the principal balance of the Convertible Notes to \$5.9 million. Upon conversion, the Convertible Notes holders received 2,625,000 shares of common stock, at conversion prices ranging from \$0.3462 to \$0.5485, and were issued non-convertible Senior Promissory Notes (“Promissory Notes”) of \$1.3 million, pursuant to the terms of the share maximum provision of the Conversion Option. The Promissory Notes have identical terms to the Convertible Notes, with the exception that the holder no longer has a Conversion Option. Accordingly, the Promissory Notes bear interest equal to 10.0% per annum, payable in cash quarterly in arrears on each June 30, June 30, September 30, and December 31 and mature on December 26, 2019. The conversions resulted in a \$0.2 million annual reduction in interest payments made by the Company in the servicing of the Notes.

Based on the redemption and conversion features discussed above, the Company determined that there were embedded derivatives that require bifurcation from the debt instrument and accounted for under ASC 815. Embedded derivatives are separated from the host contract, the Convertible Notes, and carried at fair value when: (a) the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract; and (b) a separate, stand-alone instrument with the same terms would qualify as a derivative instrument. The Company has concluded that the Mandatory Redemption and Conversion Option features embedded within the Convertible Notes meet these criteria and, as such, must be valued separate and apart from the Convertible Notes as one embedded derivative and recorded at fair value each reporting period (the “Embedded

Derivatives”).

A probability-weighted calculation was utilized to estimate the fair value of the Mandatory Redemption.

The Company used a binomial lattice model in order to estimate the fair value of the Conversion Option in the Convertible Notes. A binomial lattice model generates two probable outcomes, arising at each point in time, starting from the date of valuation until the maturity date. A lattice was initially used to determine if the Convertible Notes would be converted or held at each decision point. Within the lattice model, the Company assumes that the Convertible Notes will be converted early if the conversion value is greater than the holding value.

As of June 30, 2016 and December 31, 2015, respectively, the carrying value of the Convertible Notes, absent the embedded derivatives, was \$5.4 million and \$5.3 million inclusive of an unamortized debt discount of \$0.5 million and \$0.6 million, all of which is considered long term debt. The fair value of the Convertible Notes was \$7.5 million and \$7.5 million at June 30, 2016 and December 31, 2015, respectively. As of June 30, 2016, the carrying value of the Promissory Notes was \$1.3 million. The fair value of the Promissory Notes was \$1.1 million at June 30, 2016.

The embedded derivatives recorded in Convertible Notes at fair value were \$0.2 million and \$0.2 million at June 30, 2016 and December 31, 2015, respectively. The changes in the estimated fair value of the embedded derivatives during the six months ended June 30, 2016 resulted in a net gain of approximately \$30,000. Gain or loss on embedded derivatives is recognized as Interest Expense in the Statement of Operations.

Table of Contents

The Company has estimated the fair value of the Convertible Notes, embedded derivatives, and Promissory Notes based on Level 3 inputs. Changes in certain inputs into the valuation models can have a significant impact on changes in the estimated fair value. For example, the estimated fair value of the embedded derivatives will generally decrease with: (1) a decline in the stock price; (2) increases in the estimated stock volatility; and (3) an increase in the estimated credit spread.

The following inputs were utilized to measure the fair value of the embedded derivatives: (i) price of the Company's common stock; (ii) Conversion Rate (as defined in the Note); (iii) Conversion Price (as defined in the Notes); (iv) maturity date; (v) risk-free interest rate; (vi) estimated stock volatility; (vii) estimated credit spread for the Company; (viii) default intensity; and (ix) recovery rate.

The following tables set forth the inputs to the models that were used to value the embedded derivatives:

	June 30, 2016	December 31, 2015
Stock Price	\$ 0.35	\$ 0.20
Maturity Date	December 31, 2019	December 31, 2019
Risk-Free Interest Rate	0.79%	1.54%
Estimated Stock Volatility	40.00%	40.00%
Default Intensity	2.00%	2.00%
Recovery Rate	30.00%	30.00%

Type of Event	Expected Date	Probability of Event
Mandatory Redemption	April 17, 2018	80%
Conversion Option	September 30, 2018	10%
Note Reaches Maturity	December 31, 2019	10%

## NOTE 7 — COMMON STOCK UNITS, COMMON STOCK AND COMMON STOCK WARRANTS

During the three months and six months ended June 30, 2016, we issued 1,042 and 1,269,926 shares of common stock pursuant to stock awards under the 2006 Equity Incentive Plan, respectively.

During the year ended December 31, 2015, 1,139,403 shares of common stock were issued pursuant to stock awards under the 2006 Equity Incentive Plan. Additionally, we issued 2.6 million shares upon the conversion of certain Convertible Notes in February and April 2015 and 13.3 million shares of common stock to AMER upon closing of the amended AMER Investment Agreement in November 2015.

On December 26, 2014, the Company issued 8.5 million Notes Warrants in connection with the private placement of its Convertible Notes described in Note 6 at a price of \$1.00 per share and having a relative fair value of \$0.8 million. In addition, the \$0.8 million value placed on the Notes Warrants was considered a debt discount and is being amortized over the expected redemption period.

On November 24, 2015, the Company issued 80.0 million AMER warrants in connection with the closing of the amended AMER Investment Agreement at a price of \$0.50 per share and a relative fair value of \$0.5 million, resulting in an entry to additional paid-in capital.

Of the warrants outstanding at June 30, 2016, 8.5 million Notes Warrants are exercisable at \$1.00 per share at any time through their expiration on December 26, 2019, 1.0 million warrants are exercisable at \$5.00 per share once General Moly has received financing necessary for the commencement of commercial production at the Mt. Hope Project and will expire one year thereafter, and the 80.0 million AMER Warrants become exercisable upon availability of the Bank Loan prior to April 17, 2017, as described in Note 1 above. Should the vesting condition not be met on the AMER Warrants prior to April 17, 2017, pending potential renegotiation of the AMER Investment Agreement, the warrants will expire.

Pursuant to our amended Certificate of Incorporation, approved by the stockholders at the general meeting of June 30, 2015, we are authorized to issue 650.0 million shares of \$0.001 par value common stock. All shares have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company. The Certificate of Amendment was filed in Delaware on July 14, 2015.

Table of Contents

Additionally, on June 30, 2015, the Company's stockholders approved an amendment to the Company's certificate of incorporation providing the Board with the flexibility to effect a reverse stock split of the Company's common stock within twelve months of that date. As this amendment was not implemented by the Board within the twelve month period following approval, it has expired and is no longer available to the Company.

NOTE 8 — PREFERRED STOCK

Pursuant to our Certificate of Incorporation we are authorized to issue 10,000,000 shares of \$0.001 per share par value preferred stock. The authorized but unissued shares of preferred stock may be issued in designated series from time to time by one or more resolutions adopted by the Board. The Board has the authority to determine the preferences, limitations and relative rights of each series of preferred stock. At June 30, 2016, and December 31, 2015, no shares of preferred stock were issued or outstanding.

NOTE 9 — EQUITY INCENTIVES

In 2006, the Board and shareholders of the Company approved the 2006 Equity Incentive Plan ("2006 Plan") that replaced the 2003 Equity Incentive Plan ("2003 Plan"). In May 2010, our shareholders approved an amendment to the 2006 Plan increasing the number of shares that may be issued under the plan by 4,500,000 shares to 9,600,000 shares. In June 2016, our shareholders approved an additional amendment to the 2006 Plan increasing the number of shares that may be issued under the plan by 5,000,000 shares to 14,600,000 shares. The 2006 Plan authorizes the Board, or a committee of the Board, to issue or transfer up to an aggregate of 14,600,000 shares of common stock, of which 6,007,152 remain available for issuance as of June 30, 2016. Awards under the 2006 Plan may include incentive stock options, non-statutory stock options, restricted stock units, restricted stock awards, and stock appreciation rights ("SARs"). At the option of the Board, SARs may be settled with cash, shares, or a combination of cash and shares. The Company settles the exercise of other stock-based compensation with newly issued common shares.

Stock-based compensation cost is estimated at the grant date based on the award's fair value as calculated by the Black-Scholes option pricing model and is recognized as compensation ratably on a straight-line basis over the requisite vesting/service period. As of June 30, 2016, there was \$0.9 million of total unrecognized compensation cost related to share-based compensation arrangements, which is expected to be recognized over a weighted-average period of 2.3 years.

Stock Options and Stock Appreciation Rights

All stock options and SARs are approved by the Board prior to or on the date of grant. Stock options and SARs are granted at an exercise price equal to or greater than the Company's closing stock price on the date of grant. Both award types vest over a period of zero to three years with a contractual term of five years after vesting. The Company estimates the fair value of stock options and SARs using the Black-Scholes valuation model. Key inputs and assumptions used to estimate the fair value of stock options and SARs include the grant price of the award, expected option term, volatility of the Company's stock, the risk-free rate and the Company's dividend yield.

At June 30, 2016, the aggregate intrinsic value of outstanding and exercisable (fully vested) options and SARs was nil and had a weighted-average remaining contractual term of 1.7 years. No options or SARs were exercised during the six months ended June 30, 2016.

#### Restricted Stock Units and Stock Awards

Grants of restricted stock units and stock awards ("Stock Awards") have been made to Board members, officers, and employees. Stock Awards have been granted as performance based, earned over a required service period, or to Board members and the Company Secretary without any service requirement. Time based grants for officers and employees generally vest and stock is received without restriction to the extent of one-third of the granted stock for each year following the date of grant. Performance based grants are recognized as compensation based on the probable outcome of achieving the performance condition. Stock Awards issued to members of the Board of Directors and the Company Secretary that are fully vested at the time of issue are recognized as compensation upon grant of the award.

The compensation expense recognized by the Company for Stock Awards is based on the closing market price of the Company's common stock on the date of grant. For the six months ended June 30, 2016, the weighted-average grant date fair value for Stock Awards was \$0.18. The total fair value of stock awards vested during the six months ended June 30, 2016 is \$0.3 million.

Table of Contents

## Summary of Equity Incentive Awards

The following table summarizes activity under the Plans during the six months ended June 30, 2016:

	Stock Options		SARs		Stock Awards	
	Weighted		Weighted	Number	Weighted	
	Average		Average	of Shares	Average	
	Exercise	Number of Shares	Strike	Under	Grant	Number of
	Price	Under Option	Price	Option	Price	Shares
Balance at January 1, 2016	\$ 8.36	45,002	\$ 2.93	1,402,186	\$ 1.73	1,658,673
Awards Granted	—	—	—	—	0.18	801,986
Awards Exercised or Earned	—	—	—	—	0.44	(1,300,339)
Awards Forfeited	—	—	1.15	(583)	—	—
Awards Expired	8.56	(38,334)	1.18	(105,166)	—	—
Balance at June 30, 2016	\$ 7.17	6,668	3.08	1,296,437	2.11	1,160,320
Exercisable at June 30, 2016	\$ 7.17	6,668	2.47	238,584		

A summary of the status of the non-vested awards as of June 30, 2016 and changes during the six months then ended is presented below:

	Stock Options		SARs		Stock Awards	
	Weighted		Weighted	Number	Weighted	
	Average		Average	of Shares	Average	
	Fair	Number of Shares	Fair	Under	Fair	Number of
	Value	Under Option	Value	Option	Value	Shares
Balance at January 1, 2016	\$ —	—	\$ 3.21	1,058,436	\$ 1.73	1,658,673
Awards Granted	—	—	—	—	0.18	801,986
Awards Vested or Earned	—	—	—	—	0.44	(1,300,339)
Awards Forfeited						