

General Moly, Inc  
Form 10QSB/A  
November 15, 2007

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-QSB/A**

**Amendment #1**

- ☒ **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2007**

- ☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**General Moly, Inc.**

(Name of small business issuer in its charter)

**DELAWARE**  
(State or other jurisdiction  
of incorporation or  
organization)

**001-32986**  
Commission File Number

**91-0232000**  
(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)

**Idaho General Mines, Inc.  
10 North Post St., Suite 610  
Spokane, WA 99201**  
(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 at least the past 90 days. **YES x NO o**

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

The number of shares outstanding of registrant's common stock as of August 3, 2007 was 56,334,005.

Transitional Small Business Disclosure Format (check one): **YES o NO x**



## EXPLANATORY NOTE

This Amendment No. 1 on Form 10-QSB/A (this “Amendment”) amends and restates items identified below with respect to the Form 10-QSB filed by General Moly, Inc. (formerly “Idaho General Mines, Inc.”) (“we” or the “Company”) for the period ended June 30, 2007 with the Securities and Exchange Commission (the “SEC”) on August 7, 2007 (the “Original Filing”). The purpose of this Amendment is to amend and restate the previously issued financial statements included in the Original Filing for the reasons described in Note 2 to the financial statements included in Item 1 (Financial Statements) herein. Other than as set forth below, the items of the Original Filing continue to speak as of the date of the original filing date thereof, and the disclosure relating to such items is not being updated.

This Amendment amends and restates the information in Item 1 (Financial Statements) and Item 2 (Management’s Discussion and Analysis of Operation) of the Original Filing. Except for the foregoing amended and restated information and the information set forth below under the heading “Subsequent Event,” this Amendment continues to describe conditions as of the date of the Original Filing, and the disclosures contained herein have not been updated to reflect events, results or developments that have occurred after the date of the Original Filing, or to modify or update those disclosures affected by subsequent events. Among other things, forward-looking statements made in the Original Filing have not been revised to reflect events, results or developments that have occurred or facts that have become known to us after the date of the Original Filing, and such forward-looking statements should be read in their historical context. This Amendment should be read in conjunction with the Company’s filings made with the SEC subsequent to the Original Filing, including any amendments to those filings.

### *Subsequent Event*

On October 8, 2007, we reincorporated the Company in the State of Delaware (the “Reincorporation”) through a merger involving Idaho General Mines, Inc. and General Moly, Inc., a newly-formed 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. In connection with the Reincorporation, all of the outstanding securities of Idaho General Mines, Inc. were converted into securities of General Moly on a one-for-one basis. For purposes of the Company’s reporting status with the Securities and Exchange Commission, General Moly is deemed a successor to Idaho General Mines, Inc.

**PART I**  
**FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**GENERAL MOLY, INC.**  
**(AN EXPLORATION STAGE COMPANY)**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Unaudited - In thousands except per share amounts)**  
**(Restated - Note 2)**

|                                                                                                                                       | At<br>June 30<br>2007 | At<br>December 31,<br>2006 |
|---------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------------|
| <b>ASSETS:</b>                                                                                                                        |                       |                            |
| <b>CURRENT ASSETS</b>                                                                                                                 |                       |                            |
| Cash and cash equivalents                                                                                                             | \$ 27,537             | \$ 17,882                  |
| Deposits                                                                                                                              | 238                   | 147                        |
| Prepaid expense and other assets                                                                                                      | 106                   | 46                         |
| Total Current Assets                                                                                                                  | 27,881                | 18,075                     |
| Mining properties, land and water rights                                                                                              | 17,671                | 8,598                      |
| Property and equipment, net                                                                                                           | 835                   | 431                        |
| Restricted cash held for reclamation bonds                                                                                            | 575                   | —                          |
| <b>TOTAL ASSETS</b>                                                                                                                   | <b>\$ 46,962</b>      | <b>\$ 27,104</b>           |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                           |                       |                            |
| <b>CURRENT LIABILITIES</b>                                                                                                            |                       |                            |
| Accounts payable and accrued liabilities                                                                                              | \$ 3,101              | \$ 1,076                   |
| Provision for post closure reclamation and remediation costs                                                                          | 105                   | —                          |
| Current portion of long term debt                                                                                                     | 39                    | 19                         |
| Total Current Liabilities                                                                                                             | 3,245                 | 1,095                      |
| Provision for post closure reclamation and remediation costs, net of current portion                                                  | 324                   | —                          |
| Long term debt, net of current portion                                                                                                | 87                    | 58                         |
| Total Liabilities                                                                                                                     | 3,656                 | 1,153                      |
| <b>STOCKHOLDERS' EQUITY</b>                                                                                                           |                       |                            |
| Preferred stock, Series A, \$0.001 par value; 10,000,000 shares authorized, no shares issued and outstanding                          | —                     | —                          |
| Common stock, \$0.001 par value; 200,000,000 shares authorized, 54,959,000 and 43,398,000 shares issued and outstanding, respectively | 55                    | 43                         |
| Additional paid-in capital                                                                                                            | 81,919                | 46,017                     |
| Accumulated deficit before exploration stage                                                                                          | (213)                 | (213)                      |
| Accumulated deficit during exploration stage                                                                                          | (38,455)              | (19,896)                   |
| Total Stockholders' Equity                                                                                                            | 43,306                | 25,951                     |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                     | <b>\$ 46,962</b>      | <b>\$ 27,104</b>           |

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

**GENERAL MOLY, INC.**  
**(AN EXPLORATION STAGE COMPANY)**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**  
**(In thousands except per share amount)**  
**(Restated - Note 2)**

|                                                            | Three Months Ended |                  | Six Months Ended |                  | January 1,<br>2002<br>(Inception of<br>Exploration<br>Stage) to<br>June 30,<br>2007 |
|------------------------------------------------------------|--------------------|------------------|------------------|------------------|-------------------------------------------------------------------------------------|
|                                                            | June 30,<br>2007   | June 30,<br>2006 | June 30,<br>2007 | June 30,<br>2006 | June 30,<br>2007                                                                    |
| REVENUES                                                   | \$ —               | \$ —             | \$ —             | \$ —             | \$ —                                                                                |
| OPERATING EXPENSES:                                        |                    |                  |                  |                  |                                                                                     |
| Property research, exploration and development             | 6,313              | 1,706            | 10,155           | 2,976            | 20,507                                                                              |
| General and administrative expense                         | 3,533              | 3,247            | 8,932            | 4,309            | 19,477                                                                              |
| TOTAL OPERATING EXPENSES                                   | 9,846              | 4,953            | 19,087           | 7,285            | 39,984                                                                              |
| LOSS FROM OPERATIONS                                       | (9,846)            | (4,953)          | (19,087)         | (7,285)          | (39,984)                                                                            |
| OTHER INCOME                                               |                    |                  |                  |                  |                                                                                     |
| Interest and dividend income                               | 361                | 186              | 529              | 330              | 1,465                                                                               |
| Realized gains                                             | —                  | —                | —                | —                | 65                                                                                  |
| TOTAL OTHER INCOME                                         | 361                | 186              | 529              | 330              | 1,529                                                                               |
| LOSS BEFORE TAXES                                          | (9,485)            | (4,767)          | (18,558)         | (6,955)          | (38,455)                                                                            |
| INCOME TAXES                                               | —                  | —                | —                | —                | —                                                                                   |
| NET LOSS                                                   | \$ (9,485)         | \$ (4,767)       | \$ (18,558)      | \$ (6,955)       | \$ (38,455)                                                                         |
| BASIC AND DILUTED NET LOSS PER SHARE OF COMMON STOCK       | \$ (0.18)          | \$ (0.12)        | \$ (0.38)        | \$ (0.21)        |                                                                                     |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING BASIC | 53,642             | 38,410           | 48,767           | 32,706           |                                                                                     |
| FULLY DILUTED                                              | 61,409             | 46,191           | 55,421           | 41,791           |                                                                                     |

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

**GENERAL MOLY, INC.**  
**(AN EXPLORATION STAGE COMPANY)**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**  
**(In thousands)**  
**(Restated - Note 2)**

|                                                                             | <b>Six Months<br/>Ended June 30,<br/>2007</b> | <b>Six Months<br/>Ended June 30,<br/>2006</b> | <b>January 1, 2002<br/>(Inception of<br/>Exploration<br/>Stage to<br/>June 30, 2007)</b> |
|-----------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|------------------------------------------------------------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                |                                               |                                               |                                                                                          |
| Net loss                                                                    | \$ (18,558)                                   | \$ (6,955)                                    | \$ (38,455)                                                                              |
| Adjustments to reconcile net loss to net cash used by operating activities: |                                               |                                               |                                                                                          |
| Services and expenses paid with common stock                                | 304                                           | 950                                           | 1,991                                                                                    |
| Depreciation and amortization                                               | 76                                            | 14                                            | 149                                                                                      |
| Other                                                                       | —                                             | —                                             | 17                                                                                       |
| Equity compensation for management and directors                            | 4,519                                         | 676                                           | 7,829                                                                                    |
| Decrease (increase) in restricted cash                                      | (84)                                          | —                                             | (84)                                                                                     |
| Decrease (increase) in deposits, prepaid expenses and other                 | (151)                                         | (146)                                         | (373)                                                                                    |
| (Decrease) increase in accounts payable and accrued liabilities             | 1,971                                         | (397)                                         | 3,047                                                                                    |
| (Decrease) increase in post closure reclamation and remediation costs       | 220                                           | —                                             | 220                                                                                      |
| Net cash used by operating activities                                       | (11,703)                                      | (5,858)                                       | (25,659)                                                                                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                |                                               |                                               |                                                                                          |
| Payments for the purchase of equipment                                      | (480)                                         | (256)                                         | (1,179)                                                                                  |
| Purchase of securities                                                      | —                                             | —                                             | (137)                                                                                    |
| Purchase of mining property, claims, options                                | (8,475)                                       | (4,460)                                       | (15,941)                                                                                 |
| Net increase in debt                                                        | 49                                            | —                                             | 49                                                                                       |
| Cash provided by sale of marketable securities                              | —                                             | —                                             | 247                                                                                      |
| Net cash used by investing activities                                       | (8,906)                                       | (4,716)                                       | (16,961)                                                                                 |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                |                                               |                                               |                                                                                          |
| Proceeds from issuance of stock                                             | 30,264                                        | 32,719                                        | 70,112                                                                                   |
| Net cash provided by financing activities                                   | 30,264                                        | 32,719                                        | 70,112                                                                                   |
| Net increase (decrease) in cash and cash equivalents                        | 9,655                                         | 22,145                                        | 27,491                                                                                   |
| Cash and cash equivalents, beginning of period                              | 17,882                                        | 257                                           | 46                                                                                       |
| Cash and cash equivalents, end of period                                    | \$ 27,537                                     | \$ 22,402                                     | \$ 27,537                                                                                |
| <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>                   |                                               |                                               |                                                                                          |
| Income taxes paid                                                           | \$ —                                          | \$ —                                          | \$ —                                                                                     |
| Interest paid                                                               | \$ 3                                          | \$ —                                          | \$ 3                                                                                     |
| <b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>                         |                                               |                                               |                                                                                          |
| Common stock issued for equipment                                           | \$ —                                          | \$ 11                                         | \$ 11                                                                                    |
| Common stock and warrants issued for property                               | \$ 826                                        | \$ —                                          | \$ 1,575                                                                                 |

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|                                                                                  |    |     |    |     |     |
|----------------------------------------------------------------------------------|----|-----|----|-----|-----|
| Restricted cash held for reclamation bond acquired in a business combination     | \$ | 491 | \$ | —\$ | 491 |
| Post closure reclamation and remediation costs assumed in a business combination | \$ | 209 | \$ | —\$ | 209 |
| Accounts payable and accrued expenses assumed in a business combination          | \$ | 54  | \$ | —\$ | 54  |

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

**GENERAL MOLY, INC.**  
**(AN EXPLORATION STAGE COMPANY)**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1—BASIS OF PRESENTATION**

General Moly, Inc. ("the Company" or "GMO") is a Delaware corporation originally incorporated as General Mines Corporation on November 23, 1925. In 1966, the Company amended its articles of incorporation to change its name to Idaho General Petroleum and Mines Corporation, and amended its articles again in 1967 changing its name to Idaho General Mines, Inc. On October 8, 2007, the Company reincorporated in the State of Delaware (the "Reincorporation") through a merger involving Idaho General Mines, Inc. and General Moly, Inc., a newly-formed 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 Securities and Exchange Commission, General Moly is deemed a successor to Idaho General Mines, Inc.

The Company's historic activities have principally consisted of the exploration for nonferrous and precious metals in and around Shoshone County, Idaho. The Company entered a new exploration stage in early January 2002 when it shifted its focus to minerals exploration. In May 2004, the Company began a search for substantive mineral properties with a focus on metals such as copper, zinc, silver, gold and specialty metals. GMO entered into an option to lease the Mount Hope molybdenum property located in Nevada in November 2004 and exercised that option in October 2005 after several phases of feasibility studies and project design studies which indicated the attractiveness of the project. GMO similarly optioned the Hall Tonopah molybdenum-copper property, also in Nevada, in 2005 and exercised that option to purchase the Hall Tonopah property in March 2006 with the intent of assessing economic feasibility by exploring and assessing the property's potential. Accordingly, GMO has assumed the role of exploring, and as warranted, developing major mineral deposits which are at a relatively advanced stage and are worthy of economic consideration.

The interim Condensed Consolidated Financial Statements of the Company and its subsidiaries 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 Condensed Consolidated Financial Statements are not necessarily indicative of the results that may be reported for the entire year. These interim Condensed Consolidated Financial Statements should be read in conjunction with GMO's Consolidated Financial Statements included in its Annual Report on Form 10-KSB/A for the year ended December 31, 2006.

On January 30, 2007, the Company completed the acquisition of all of the issued and outstanding shares of a corporation that owned a royalty interest in our Hall-Tonopah Property (see note 6). Upon its acquisition, the corporation was consolidated as a wholly owned subsidiary of the Company.

Certain amounts for the three and six months ended June 30, 2006 have been reclassified to conform to the 2007 presentation.

**NOTE 2 - RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS**

The Company has corrected its accounting treatment for certain non-cash adjustments primarily related to the calculation of and recognition of compensation expense and the valuation of warrants to purchase common shares of the Company under FASB Statement 123 - *Accounting for Stock-Based Compensation*, FASB Statement 123(R) - *Share Based Payment* and EITF 96-18 - *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Connection with Selling Goods and Services*. The Company had utilized volatility assumptions



which were too low in determining the value of certain equity instruments issued during the periods and failed to attribute value to certain warrants included as consideration in transactions with third parties. This resulted in the Company valuing equity instruments granted and/or issued at too low of a value and, accordingly, the amounts recorded for these non-cash transactions were understated.

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Additionally during the periods, the Company did not account for forfeitures of employee options which occurred prior to vesting, resulting in an overstatement of non-cash compensation expense, and allocated stock-related compensation costs to the incorrect service periods. Furthermore, in the year ended December 31, 2006, the Company incorrectly allocated a portion of the cash consideration paid for water rights to non marketable securities and subsequently impaired such securities, rather than allocating this portion of the consideration to the purchase of such water rights.

In addition, the Company has corrected certain other immaterial errors. At June 30, 2007 the cumulative effect of all corrections was an increase to the cost of our land and mining claims of \$713,000, an increase in property research, exploration and development expense of \$423,000, an increase in general and administration expense of \$186,000, a decrease in realized loss on marketable securities of \$ 321,000, and an increase to our net equity of \$363,000.

The impact of these errors on each of the Company's previously issued financial statements, are set forth in the table below (in thousands except per share amounts).

|                                                                | As Originally<br>Reported | As<br>Restated | Impact of the<br>error Increase<br>(Decrease) |
|----------------------------------------------------------------|---------------------------|----------------|-----------------------------------------------|
| <b>Income Statement for the six months ended June 30, 2006</b> |                           |                |                                               |
| Property research, exploration and development expenses \$     | 2,816                     | 2,976          | 160                                           |
| General and administrative expenses                            | 4,413                     | 4,309          | (104)                                         |
| Net loss                                                       | 6,899                     | 6,955          | 56                                            |
| Basic and fully diluted loss per share                         | .21                       | .21            | -                                             |
| <b>Income Statement for the six months ended June 30, 2007</b> |                           |                |                                               |
| Property research, exploration and development expenses \$     | 10,070                    | 10,155         | 85                                            |
| General and administrative expenses                            | 8,936                     | 8,932          | (4)                                           |
| Net loss                                                       | 18,477                    | 18,558         | 81                                            |
| Basic and fully diluted loss per share                         | .38                       | .38            | -                                             |
| <b>Balance Sheet at December 31, 2006</b>                      |                           |                |                                               |
| Land and Mining Claims                                         | 7,885                     | 8,598          | 713                                           |
| Total Assets                                                   | 26,391                    | 27,104         | 713                                           |
| Accrued Liabilities                                            | 970                       | 1,095          | 125                                           |
| Additional Paid in Capital                                     | 45,221                    | 46,017         | 796                                           |
| Accumulated Deficit                                            | (19,902)                  | (20,109)       | (207)                                         |
| Total Stockholders' Equity                                     | 25,362                    | 25,951         | 589                                           |
| <b>Balance Sheet at June 30, 2007</b>                          |                           |                |                                               |
| Land and Mining Claims                                         | 16,958                    | 17,671         | 713                                           |
| Total Assets                                                   | 46,249                    | 46,962         | 713                                           |
| Accrued Liabilities                                            | 2,895                     | 3,245          | 350                                           |
| Additional Paid in Capital                                     | 81,268                    | 81,919         | 796                                           |
| Accumulated Deficit                                            | (38,380)                  | (38,668)       | (288)                                         |
| Total Stockholders' Equity                                     | 42,943                    | 43,306         | 363                                           |

#### NOTE 3-LIQUIDITY AND CAPITAL REQUIREMENTS (AND SUBSEQUENT EVENT)

On October 4, 2007, the Company's Board of Directors approved the development of the Mount Hope Project as contemplated in the Bankable Feasibility Study. The development of the Mount Hope Project has an estimated total capital requirement of approximately \$1 billion comprised of initial construction cost in excess of \$850 million; \$50 to \$70 million in cash bonding requirements; \$27 million in advance royalty payments; and amounts necessary for financing costs and working capital. Such capital requirements are management's best estimates based on the Bankable Feasibility Study and other available information, and are subject to change, which changes could be material. The Company will also require additional capital to continue the exploration and evaluation of Hall-Tonopah, as well as continue payment of ongoing general, administrative and operations costs associated with supporting its planned operations, the amounts of which are presently unknown.

The capital will be required through the commencement of Mount Hope production estimated to be in the second half of 2010. Our ability to develop the project on time and on budget is dependent on, among other things, our ability to raise the necessary capital to fund the Mount Hope Project both in sufficient quantity of capital and at the time such capital is needed. Additionally, if the estimated costs of the Mount Hope Project are exceeded we will need to raise additional capital to fund such overruns.

The Company does not currently have the capital necessary to complete the Mount Hope Project and, accordingly, plans to raise the capital on an ongoing basis when needed. Our current business plan and project time schedule will require the Company to raise approximately \$200 million in capital from now through December 31, 2008 with \$10 to \$20 million of such amount required by December 31, 2007. If the Company is unable to raise sufficient quantities of capital when needed, it will be necessary to develop alternative plans that would likely delay the development and completion of the Mount Hope Project. There is no assurance that we will be able to obtain the necessary financing for the Mt. Hope Project on customary terms, or at all.

#### **NOTE 4—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 and have been consistently applied in the preparation of the financial statements.

##### **Accounting Pronouncements—Recent**

In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109" (hereinafter "FIN 48"), which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company's adoption of FIN 48 did not have any impact on the Company's previously reported financial position, as it has no uncertain tax positions.

##### **Cash and Cash Equivalents**

For the purposes of the statement of cash flows, the Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

##### **Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America 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.

## **Exploration Stage Activities**

The Company has been in the exploration stage since January 2002 and has not realized any revenue from operations. It will be primarily engaged in minerals exploration until it enters a development or operations stage.

## **Fair Value of Financial Instruments**

The Company's financial instruments include cash, accounts payable and accrued liabilities. All instruments are accounted for on a historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value at June 30, 2007 and December 31, 2006.

## **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. When a property reaches the production stage, the related capitalized costs are amortized using the units-of-production method on the basis of periodic estimates of ore 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 operations.

## **Mineral Exploration and Development Costs**

All exploration expenditures are expensed as incurred. Significant property acquisition payments for active exploration properties are capitalized. If no minable 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 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.

## **Reclamation and Remediation**

Expenditures for ongoing compliance with environmental regulations that relate to current exploration operations are expensed. Expenditures resulting from the remediation of existing conditions caused by past operations that do not contribute to future revenue generations are expensed. Liabilities are recognized when environmental assessments indicate that remediation efforts are probable and the costs can be reasonably estimated.

Estimates of such liabilities are based upon currently available facts, existing technology and presently enacted laws and regulations taking into consideration the likely effects of inflation and other societal and economic factors, and include estimates of associated legal costs. These amounts also reflect prior experience in remediating contaminated sites, other companies' clean-up experience and data released by The Environmental Protection Agency or other organizations. Such estimates are by their nature imprecise and can be expected to be revised over time because of changes in government regulations, operations, technology and inflation. Recoveries are evaluated separately from the liability and, when recovery is assured, the Company records and reports an asset separately from the associated liability.

## **Provision for Taxes**

Income taxes are provided based upon the liability method of accounting pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (hereinafter "SFAS No. 109"). 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. 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 imposed by SFAS No. 109 to allow recognition of such an asset.

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## **Basic and Diluted Net Loss Per Share**

Net loss per share was computed by dividing the net loss 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. Diluted net loss per share for GMO is the same as basic net loss per share, as the inclusion of common stock equivalents would be antidilutive.

## **NOTE 5—INVESTMENTS**

The Company accounts for its investments in debt and equity securities in accordance with the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and reports its investments in available for sale securities at their fair value, with unrealized gains and losses excluded from income or loss and included in other comprehensive income or loss.

## **NOTE 6—MINING PROPERTIES, LAND AND WATER RIGHTS**

**Mount Hope.** The Company is currently in the process of evaluating the Mount Hope molybdenum project and acquiring necessary rights, land and claims related to the operations.

In November 2004, GMO entered into an option to lease all property and assets of the Mount Hope Molybdenum Property from Mt. Hope Mines, Inc. and in October 2005 exercised its rights under the option. The renewable lease allows GMO to proceed for the next 30 years with permitting, developing and mining the deposit and for so long thereafter as GMO maintains an active operation. At December 31, 2004, the Company had paid \$186,044 cash and issued 500,000 shares of common stock with warrants to purchase 500,000 shares of common stock to Mt. Hope Mines, Inc. for the Mount Hope option. Pursuant to the terms of the lease, the underlying total royalty on production payable to Mt. Hope Mines, Inc., less certain deductions, is three percent for a molybdenum price up to \$12 per pound, four percent for a molybdenum price up to \$15 per pound, and five percent for a molybdenum price above \$15 per pound (the "Production Royalties"). GMO is subject to certain periodic payments as set forth in Note 11 "Commitments and Contingencies." Additionally, GMO is obligated to pay Exxon Mineral Company a one percent net smelter royalty on all production.

In July 2006, the Company purchased deeded land which includes certain BLM grazing rights and certain water rights for \$1,869,000. The primary purpose for the purchase of this asset was to acquire the water rights for use by the Mount Hope operations.

In November 2006, the Company purchased from Atlas Precious Metals, Inc. patented millsite claims for \$32,090, water rights for \$363,687 and fee land in Eureka, Nevada for \$26,740 with improvements of \$5,350. The primary purpose of this purchase was to acquire the water rights of 1,448 acre feet for the Mount Hope operation.

In April 2007, the Company purchased land including all water rights and various personal property for cash of \$3,200,000 and 50,000 shares of common stock valued at \$308,000. The primary purpose of this purchase was to acquire the water rights for the Mount Hope operation.

In May 2007, the Company purchased water rights for cash of \$1,375,000 and 17,000 shares of common stock valued at \$98,000. The primary purpose of this purchase was to acquire the water rights for the Mount Hope operation.

**Hall-Tonopah.** The Company is currently in the process of exploration and evaluation of the Hall-Tonopah molybdenum project.

During the year ended December 31, 2005, the Company entered into an option agreement with High Desert Winds LLC ("High Desert") for High Desert's approximately ten square mile property in Nye County, Nevada, including water rights, mineral and surface rights, buildings and certain equipment (the "Hall-Tonopah Property"). On March 17, 2006, the Company entered into a purchase agreement with High Desert whereby it purchased a substantial portion of the Hall-Tonopah Property. At closing, the Company paid High Desert a cash payment of \$4,460,000 for the portion of the Hall-Tonopah Property that it purchased and made a deferred payment of \$990,000 in November of 2006 for the purchase of the remaining portion of this property for the total purchase price of \$5,450,000 including buildings and equipment at the Hall-Tonopah site. The primary purpose of the Hall-Tonopah purchase was to further the Company's strategy of exploring and developing potential molybdenum properties.



At December 31, 2006, the Hall-Tonopah Property was subject to a 12 percent royalty payable with respect to the net revenues generated from molybdenum or copper minerals removed from the properties purchased. In January 2007, the Company completed the acquisition of all of the issued and outstanding shares of the corporation that held the 12 percent net smelter royalty interest in the mineral rights of the Hall-Tonopah Property and, as a result of this purchase, the Company now owns the Hall-Tonopah Property and all associated mineral rights without future royalty obligations. As set forth in the Purchase Agreement, the Company paid approximately \$3,691,000 in cash at closing, net of cash acquired of \$1,246,000. At first commercial production of the property, the Company has agreed to pay an additional \$6,000,000. Because the Company cannot determine beyond a reasonable doubt that the mine will attain commercial production, the Company has not recognized the \$6,000,000 liability in its financial statements. In connection with the acquisition, the Company also received restricted cash totaling \$491,000 and assumed reclamation and remediation costs, accounts payable and accrued liabilities of \$263,000.

In March 2007, the Company purchased a patented lode mining claim adjacent to the Hall-Tonopah Property for \$175,000 cash. Additionally, in March 2007, the Company completed the purchase of certain patented lode mining claims referred to as the Liberty Claims on property adjacent to the Hall-Tonopah Property for cash of \$75,000 and 150,000 shares of common stock valued at \$420,000. These two acquisitions of mining claims were completed to control additional mineral rights needed for the development of the Hall-Tonopah Property. The Company currently believes that it has all the mineral, water and surface rights necessary to develop the Hall-Tonopah Property.

**Other Properties.** The Company's mining claims and land purchased prior to 2006 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 Chicago-London group, located near the town of Murray in Shoshone County, Idaho, (c) 265 acres of private land with three unpatented claims in Josephine County, Oregon, known as the Turner Gold project.

The following is a summary of mining properties, land and water rights at June 30, 2007 and December 31, 2006 (in thousands):

|                              | At June 30,<br>2007 | At Dec. 31,<br>2006 |
|------------------------------|---------------------|---------------------|
| Mount Hope:                  |                     |                     |
| Real estate and water rights | \$ 7,125            | \$ 2,292            |
| Total Mount Hope             | 7,125               | 2,292               |
| Hall-Tonopah:                |                     |                     |
| Hall-Tonopah Property        | 9,162               | 5,417               |
| Liberty claims               | 495                 | —                   |
| Total Hall-Tonopah           | 9,657               | 5,417               |
| Other Properties:            |                     |                     |
| Little Pine Creek land       | 1                   | 1                   |
| Chicago-London group         | 80                  | 80                  |
| Turner Gold land             | 808                 | 808                 |
| Total Other Properties       | 889                 | 889                 |
| Total                        | \$ 17,671           | \$ 8,598            |

**NOTE 7—PROPERTY AND EQUIPMENT**

During the six months ended June 30, 2007, the Company purchased depreciable assets such as vehicles, equipment and computers in the amount of \$481,000. The vehicles, equipment and computers will be depreciated over useful lives of three to seven years using straight line depreciation. Depreciation expense for the six months ended June 30, 2007 was \$76,000.

Capital assets are recorded at cost. Depreciation is calculated using the straight-line method over three to twenty years. The following is a summary of property, equipment, and accumulated depreciation at June 30, 2007 and December 31, 2006 (in thousands):

|                                | Cost   | Accumulated<br>Depreciation | Net Book Value<br>at June 30,<br>2007 | Net Book<br>Value at<br>Dec. 31,<br>2006 |
|--------------------------------|--------|-----------------------------|---------------------------------------|------------------------------------------|
| Field Equipment and Vehicles   | \$ 391 | \$ 67                       | \$ 324                                | \$ 167                                   |
| Office Furniture and Computers | 326    | 67                          | 259                                   | 209                                      |
| Buildings and Improvements     | 267    | 15                          | 252                                   | 55                                       |
| Total                          | \$ 984 | \$ 149                      | \$ 835                                | \$ 431                                   |

**NOTE 8—RELATED PARTY TRANSACTIONS**

In January 2007, the Company entered into an employment agreement with a son of the Company's Chairman for services as Director of Projects and Operations. Under this agreement, the Company granted a stock option to purchase 140,000 shares at \$2.78 per share, the closing price of the Company's stock on January 30, 2007. Also under this agreement the Company issued an additional 90,000 shares of nonvested common stock at \$2.78 that will vest based on certain performance based milestones. The Company has recorded the expense associated with these shares this period as per the accounting guidelines of SFAS No. 123(R), *Share-Based Payment*.

Additional related party transactions are included as part of Note 9.

**NOTE 9—COMMON STOCK AND COMMON STOCK WARRANTS**

In April 2007, the Company completed the private placement of units for gross proceeds of \$25,000,000 less placement agent and finder's fees of \$1,500,000. In the aggregate, the Company issued 7,353,000 units at a price of \$3.40 per unit. Each unit consisted of one share of common stock and a warrant to purchase one half of one share of common stock. Each warrant will be exercisable at a price of \$5.20 per whole share for a period of one year from the date of closing. The Units were offered and sold pursuant to exemptions from registration under Regulation S of the Securities Act of 1933, as amended (the "Securities Act"), for offers and sales occurring outside the United States, and Rule 506 of Regulation D and Section 4(2) of the Securities Act, as a transaction not involving any public offering.

During the six months ending June 30, 2007, the Company had the following issuances of common stock. The Company issued 303,000 shares of common stock upon the cashless exercise of warrants and 255,000 shares of common stock upon the cashless exercise of stock options. Warrants and options in the amount of 2,779,000 and 326,000 were exercised for cash in the amount of \$6,387,000 and \$379,000 respectively. The Company issued 150,000 shares of common stock in the completion of the Liberty Claims purchase valued at \$420,000, issued 17,000 shares of common stock in the completion of a water rights purchase associated with Mount Hope valued at \$98,000, issued 50,000 shares of common stock as part of the consideration paid for property in the Mount Hope vicinity valued at \$308,000, and issued 75,000 shares of common stock in exchange for services valued at \$304,000. The Company issued 620,000 shares of nonvested stock to officers and management of the Company. During the first

six months of 2007, shareholders returned to the Company 39,000 shares of common stock due to a stock option exercise pricing error in 2006.

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During the year ended December 31, 2006 the Company had two private placements of Common Stock Units. In the first private placement, the Company sold 3,021,936 common stock units for \$1.10 per unit. The Company received cash of \$3,324,130 less cash placement agent and finder's fees of \$157,699 and issued 170,550 Common Stock Units for finder's fees valued at \$1.80 per unit for a total value of \$307,511. Each unit consisted of one of share of common stock with warrants to purchase one-half share of common stock at a price of \$1.75 for each whole share for a period of two years. In the second private placement, the Company sold 15,000,000 common stock units for \$2.00 per unit. Each unit consisted of one of share of common stock with warrants to purchase one-half share of common stock at a price of \$3.75 for each whole share for a period of two years. The Company received cash of \$30,000,000 less cash placement agent and finder's fees of \$2,125,000 and issued 800,000 warrants to purchase shares of common stock at a price of \$3.75 for each whole share for a period of five years for finder's fees valued at \$2.17 per warrant for a total value of \$1,735,214.

Also in the year ended December 31, 2006, the Company issued 1,482,147 shares of common stock for the cashless exercise of warrants and 1,008,837 shares of common stock for the cashless exercise of stock options. Warrants and options in the amount of 5,838,055 and 340,000 were exercised for cash in the amount of \$4,476,927 and \$60,670 respectively, less combined brokerage fees of \$230,684. The Company issued 50,000 shares of common stock for services valued at \$112,566. The Company issued 75,000 warrants to purchase shares of common stock at a price of \$2.10 for a period of two years in exchange for services valued at \$1.07 per warrant for a total value of \$79,946.

The following is a summary of common stock warrant activity for the six months ended June 30, 2007:

|                                               | Number of Shares<br>Under Warrants | Exercise Price    |
|-----------------------------------------------|------------------------------------|-------------------|
| Balance at December 31, 2006                  | 12,268,000                         | \$ 0.80 to \$3.75 |
| Issued in connection with a private placement | 3,676,000                          | \$ 5.20           |
| Exercised for cash                            | (2,779,000)                        | \$ 0.80 to \$3.75 |
| Exercised in cashless exchange                | (400,000)                          | \$ 1.00           |
| Expired                                       | (60,000)                           | \$ 1.00           |
| Balance at June 30, 2007                      | 12,705,000                         | \$ 0.80 to \$5.20 |
| Weighted average exercise price               | \$ 3.82                            |                   |

Of the warrants outstanding at June 30, 2007, 7,050,000 are exercisable at \$3.75 per warrant and expire February 2011; 3,676,000 are exercisable at \$5.20 per share and expire April 2008; and the remaining 1,979,000 are exercisable at prices ranging from \$.80 to \$2.10 and expire through November 2010.

#### NOTE 10—PREFERRED STOCK

In October 2004, shareholders of the Company authorized 10,000,000 shares of no 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 of directors. The directors have the power to determine the preferences, limitations and relative rights of each series of preferred stock.

In November 2004, the board of directors unanimously consented to amend the articles of incorporation of the Company. The amendment reclassified 10,000,000 shares of the Company's no par value preferred stock into 10,000,000 shares of \$0.001 par value Series A preferred stock. At June 30, 2007 and December 31, 2006, no shares of \$0.001 par value Series A preferred stock were issued or outstanding.



## **NOTE 11—STOCK BASED COMPENSATION**

### **Stock Based Compensation Plans**

During 2006, the board of directors and shareholders adopted the 2006 Equity Incentive Plan of the Company (the “2006 Plan”). During 2004, the board of directors and shareholders adopted the 2003 Stock Option Plan of the Company (the “2003 Plan” and together with the 2006 Plan, the “Plans”). The purpose of the Plans is to give the Company greater ability to attract, retain, and motivate its officers and key employees. The Plans are intended to provide the Company with the ability to provide incentives more directly linked to the success of the Company’s business and increases in shareholder value.

Under the 2006 Plan, the board of directors is authorized to grant incentive stock options (“ISOs”) to employees (pursuant to Internal Revenue Code 422), non-statutory stock options, restricted stock awards, restricted stock units and stock appreciation rights. The aggregate number of shares of common stock that may be issued pursuant to awards granted under the 2006 Plan will not exceed 3,500,000 plus the number of shares that are ungranted and those that are subject to reversion under the 2003 Plan. As of June 30, 2007, the maximum number of shares available for issuance under the 2003 Plan was 360,000 shares. Shares under the 2003 Plan that become eligible for awards under the 2006 Plan may not be granted again under the 2003 Plan.

### **Stock Options**

During the six months ending June 30, 2007, the Company issued 1,865,000 options under the 2006 Plan with an exercise price ranging from \$2.41 to \$6.40 with vesting at various dates through 2009. These options were granted to members of the board of directors, officers, employees and consultants of the Company. The fair value of each option is estimated on the issue date using the Black-Scholes Option Price Calculation. The following assumptions were made in estimating the fair value: risk free interest of 4.94% to 5.05%; volatility of 88% to 91%; dividend rate of 0%; and expected life of 2.0 years. The total value of options awarded during the first six months of 2007 was calculated at \$3,858,000. Expense was recorded of \$2,803,000 for the options which were earned in the first six months ended June 30, 2007.

During the year ended December 31, 2006, the Company granted 1,665,000 non-qualified stock options outside of the Plans with an exercise price ranging from \$2.25 to \$3.68 with vesting at various dates through 2008. These options were granted to members of the board of directors, officers, and employees of the Company. The Company issued 60,000 of ISOs within the 2003 Plan with an exercise price of \$2.10 with vesting at various dates through 2008. The fair value of each option is estimated on the issue date using the Black-Scholes Option Price Calculation. The following assumptions were made in estimating the fair value: risk free interest of 5%; volatility of 101%; dividend rate of 0% and expected life of 2.4 years. The total value of options awarded during 2006 was calculated at \$3,347,000. Expense was recorded of \$2,105,000 for the options which were earned in 2006.

The following is a summary of the Company's stock option plans as of June 30, 2007:

|                                                            | Number of securities to be issued upon exercise of outstanding options | Weighted average exercise price of outstanding options | Number of securities remaining available for future issuance under equity compensation plans |
|------------------------------------------------------------|------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------------------------------------------|
| Equity compensation plans not approved by security holders | 2,057,000                                                              | \$ 1.20                                                | n/a                                                                                          |
| Equity compensation plans approved by security holders:    |                                                                        |                                                        |                                                                                              |
| 2006 Plan                                                  | 1,845,000                                                              | 3.98                                                   | 1,015,000(1)                                                                                 |
| 2003 Plan                                                  | 540,000                                                                | 0.59                                                   | 360,000                                                                                      |
| Total                                                      | 4,442,000                                                              | \$ 2.28                                                | 1,375,000                                                                                    |

(1) The aggregate number of shares of common stock that may be issued pursuant to awards granted under the 2006 Equity Incentive Plan will not exceed 3,500,000 plus the number of shares that are ungranted and those that are subject to reversion under the 2003 Stock Plan. Shares under the 2003 Plan that become eligible for awards under the 2006 Plan may not be granted again under the 2003 Plan.

The following is a summary of stock option activity in 2006 and 2007:

|                                                            | Number of Shares Under Warrants | Exercise Price |
|------------------------------------------------------------|---------------------------------|----------------|
| Outstanding January 1, 2006                                | 4,020,000                       | \$ 0.43        |
| Granted                                                    | 1,725,000                       | 3.01           |
| Exercised                                                  | (1,615,000)                     | 0.49           |
| Forfeited                                                  | (480,000)                       | 1.57           |
| Expired                                                    | —                               | —              |
| Outstanding at December 31, 2006                           | 3,650,000                       | \$ 1.48        |
| Options exercisable at December 31, 2006                   | 2,705,000                       |                |
| Weighted average fair value of options granted during 2006 | \$ 3.10                         |                |
| Outstanding January 1, 2007                                | 3,650,000                       | \$ 1.48        |
| Granted                                                    | 1,865,000                       | 3.97           |
| Exercised                                                  | (956,000)                       | 2.48           |
| Forfeited                                                  | (117,000)                       | 2.71           |
| Expired                                                    | —                               | —              |
| Outstanding June 30, 2007                                  | 4,442,000                       | \$ 2.28        |
| Exercisable at June 30, 2007                               | 3,402,000                       |                |
| Weighted Average Fair Value Granted During 2007            | \$ 2.07                         |                |

### Nonvested Shares of Common Stock

During the six months ending June 30, 2007, the Company issued 620,000 shares of nonvested common stock to officers and employees of the Company that will vest based on certain performance based milestones established for

each person. The total value of restricted stock awarded and expensed during the first six months of 2007 was calculated at \$1,716,000.

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**NOTE 12—INCOME TAXES**

At June 30, 2007 and December 31, 2006, the Company had deferred tax assets principally arising from the net operating loss carry forwards for income tax purposes multiplied by an expected rate of 34%. As management of the Company cannot determine that it is more likely than not that the Company will realize the benefit of the deferred tax assets, a valuation allowance equal to the deferred tax asset has been established at June 30, 2007 and December 31, 2006. The significant components of the deferred tax asset at June 30, 2007 and December 31, 2006 were as follows (in thousands):

|                                        | <b>June 30,<br/>2007</b> | <b>December 31,<br/>2006</b> |
|----------------------------------------|--------------------------|------------------------------|
| Net operating loss carry forward       | \$ 12,202                | \$ 8,425                     |
| Deferred tax asset                     | \$ 4,149                 | \$ 2,865                     |
| Deferred tax asset valuation allowance | \$ (4,149)               | \$ (2,865)                   |
| Net deferred tax asset                 | —                        | —                            |

At June 30, 2007 and December 31, 2006, the Company had a net operating loss carry forward of approximately \$12,202,000 and \$8,425,000 respectively, which expire in the years 2022 through 2027. The change in the allowance account from December 31, 2006 to June 30, 2007 was \$1,284,000.

**NOTE 13—COMMITMENTS AND CONTINGENCIES****Mount Hope**

The Mount Hope Lease may be terminated upon the expiration of its 30-year term, earlier at our election, or upon our material breach and failure to cure such breach. If we terminate the lease, termination is effective 30 days after receipt by MHMI of our written notice to terminate the Mount Hope Lease. In order to maintain the lease, the Company must pay certain deferral fees and advance royalties as discussed below.

The Mount Hope Lease Agreement requires a royalty advance (the “Construction Royalty Advance”) of the greater of \$2,500,000 or 3% of the construction capital cost estimate upon the earliest of the Company’s securing project financing in sufficient amounts to develop and put into operation the Mount Hope property at a production level of at least 10 million pounds of annual production or October 19, 2008.

The Company has the right to defer the Construction Royalty Advance for one or two years by payment of a deferral fee (the “Deferral Fee”) in the amount of \$350,000 on or before October 19, 2008 and October 19, 2009 in the event project financing for the project has not been secured by each of the dates. By October 19, 2010, the Company must pay at a minimum \$2,500,000 of the Construction Royalty Advance with the remainder due upon securing project financing or 50% of the remainder on October 19, 2011 and the other 50% due on October 19, 2012.

Once the Company has paid in full the Construction Royalty Advance, the Company is obligated to pay an advance royalty (the “Annual Advance Royalty”) each October 19 thereafter in the amount of \$500,000 per year. The Construction Royalty Advance and the Annual Advance Royalty are collectively referred to as the “Advance Royalties”. All Advance Royalties are credited against the Production Royalties (see note 4) once the mine has achieved commercial production. (The Deferral Fees are not recoverable against Production Royalties.)

Based on the Company's current estimate of developing and operating the mine, we believe our contractual obligations under the Mount Hope Lease Agreement will be as shown in the following table. This estimate is based on our current estimates of the timing of securing project financing and construction capital costs. The Company is currently in the process of developing a new bankable feasibility study and our estimates of both the amount and the timing may change upon completion of the bankable feasibility study (in thousands).

| Year       | Deferral Fees | Advance Royalties | Total     |
|------------|---------------|-------------------|-----------|
| 2007       | \$ 350        | \$ —              | 350       |
| 2008       | 350           | —                 | 350       |
| 2009       | —             | 21,000            | 21,000    |
| 2010       | —             | 500               | 500       |
| 2011       | —             | 500               | 500       |
| Thereafter |               |                   |           |
| (1)        | —             | —                 | —         |
| Total      | \$ 700        | \$ 22,000         | \$ 22,700 |

(1) After the first full year of production the Company estimates that the Production Royalties will fully recover the Advance Royalties for the life of the project and, further, the Advance Royalties will be fully recovered (credited against Production Royalties) by the end of 2012.

### Environmental Considerations

The Company owns and has owned mineral property interests on certain public and private lands in Shoshone County, Idaho. The Company's mineral property holdings known as the Little Pine Creek and the Chicago-London properties include lands contained in mining districts that have been designated as "Superfund" sites pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act. The Company and its properties have been and are subject to a variety of federal and state regulations governing land use and environmental matters. The Company believes it has been in substantial compliance with all such regulations, and is unaware of any pending action or proceeding relating to regulatory matters that would affect the financial position of the Company. The Company's management acknowledges, however, that the possibility exists that the Company may be subject to further environmental liabilities associated with its properties in the future, and that the amount and nature of any liabilities the Company may be held responsible for is impossible to estimate.

### Other Commitments and Contingencies

The Company has entered into miscellaneous notes for vehicles and leases for office equipment at various interest rates and terms totaling \$150,000. The table below shows these obligations over the next five years (in thousands).

| Year                     | Lease Payment | Interest on Leases | Note Payment | Note Interest |
|--------------------------|---------------|--------------------|--------------|---------------|
| 2007 (Remaining portion) | \$ 5          | \$ 1               | \$ 17        | \$ 2          |
| 2008                     | 10            | 2                  | 35           | 3             |
| 2009                     | 10            | 1                  | 35           | 2             |
| 2010                     | 10            | 1                  | 6            | —             |
| 2011                     | 10            | —                  | —            | —             |
| Total                    | \$ 45         | \$ 5               | \$ 93        | \$ 7          |

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**

The following discussion of our financial condition and plan of operations constitutes management's review of the factors that affected our financial and operating performance for the six months ended June 30, 2007 and 2006. This discussion should be read in conjunction with the financial statements and notes thereto contained elsewhere in this report and in our Form 10-KSB/A, for the year ended December 31, 2006.

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## Overview

We are in the business of the exploration, development and, if warranted, the mining of properties containing molybdenum, as well as silver, gold, base metals and other specialty metals. We currently have a 30-year renewable lease for the lands, surface rights, patented and unpatented claims related to the Mount Hope Project, a primary molybdenum property, located in Eureka County, Nevada. In 2006, we acquired a second significant molybdenum project, the Hall-Tonopah project, located in Nye County, Nevada. We also own other properties and mineral rights on which we intend to conduct mineral exploration and evaluation for determining economic viability for further development. We continue to identify, investigate, and acquire other potential properties for future development.

**Mount Hope.** In November 2004, we entered into an option agreement with Mt. Hope Mines, Inc., or MHMI, pursuant to which we were granted an exclusive one-year option to enter into a lease agreement for Mount Hope's previously drilled molybdenum deposit consisting of 13 patented claims and 109 unpatented claims in Eureka County, Nevada, for a lease period of 30 years. In April 2005, we completed a Phase 1 Mine Feasibility Study with respect to Mount Hope and began the permitting process for placing into production an open pit molybdenum mine, concentrator and processing facility capable of producing 44,000 short tons (40,000 metric tons) of ore per day. In October 2005, we exercised the option and our lease agreement with MHMI became effective.

In December 2005, we completed a Technical Report that evaluated the potential to profitably extract the deeper portion of the Mount Hope deposit and augmented the mine plan contained in the 2005 Phase I Mine Feasibility Study. The augmented mine plan allowed for the mining and processing of 1.0 billion short tons (920 million tons) of molybdenum bearing rock over a mine production life of 50 or more years.

In June 2007, the Company completed a five hole drill program that produced an aggregate of over 5,100 feet of core and 1,400 feet of RC drilling. The holes targeted mineralization expected to be mined within the first five years of the mine plan. The core material intersected long runs of mineralization with average molybdenum grades ranging between 0.145% and 0.118% ranging between 635 and 905 feet in thickness.

The Company intends to conduct another drilling program prior to the end of 2007, which will consist of approximately 14 holes (over 21,000 feet of core) that target mineralization within the first ten years of planned production.

In July 2007, the Company announced plans to increase mill throughput capacity at Mount Hope from 44,000 short tons per day (40,000 metric tons) to an average of approximately 60,000 short tons per day (54,000 metric tons), with actual annual throughput dependant on ore characteristics and other factors. The increased throughput capacity is expected to expand average annual molybdenum production during the first ten years of production to 37 million pounds from the Company's prior estimates of approximately 31 million pounds.

The Company is currently in the process of developing a bankable feasibility study with respect to the Mount Hope Project, which, due to the additional engineering required to accommodate the higher throughput capacity, is now scheduled to be completed in late August of 2007. The bankable feasibility study will include optimized mine and waste rock placement plans as well as revised estimates for capital and operating costs. As we are currently focused primarily on the development of the Mount Hope Project, we do not expect to generate revenues from operations before production of molybdenum begins at the Mount Hope Project.

**Hall-Tonopah.** In March 2006, we purchased from High Desert Winds LLC its approximately ten square mile property in Nye County, Nevada, including water rights, mineral and surface rights, buildings and certain equipment. The property includes the former Hall molybdenum and copper deposit which was mined by open pit methods between 1982 and 1985 by the Anaconda Minerals Company and between 1988 and 1991 by Cyprus Metals Company for molybdenum. Equatorial Tonopah, Inc. mined copper from 1999 to 2000 on this property. Much of the deposit

was drilled but not developed or mined.

In January 2007, we purchased 100% of the corporation which owned a 12% net smelter returns royalty on the Hall-Tonopah Property, effectively eliminating the royalty on the property.

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From January 2007 through April 2007, we completed a drilling program at Hall-Tonopah on the molybdenum mineralization of the existing molybdenum pit developed by Cyprus and an east extension mineralized area near the top of the east side of the existing pit. This program included 13 reverse circulation drill holes and six diamond drill holes.

The drilling program was designed to validate and confirm the continuity of mineralization indicated in the previous results of drilling by Anaconda and Cyprus. The new drilling confirmed previous drill results for the upper ore body, and has indicated near surface high grade mineralization greater than 0.10% on the east side of the existing molybdenum pit.

The Company is conducting a pre-feasibility study on the Hall-Tonopah Property, which it expects to complete before year-end 2007.

**Other Properties.** We also currently own several other properties located in the western United States. These properties include additional molybdenum deposits as well as copper and gold deposits.

#### **Results of Operations for the Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006**

We are classified as an exploration stage company with no producing mines and, accordingly, we do not produce income. Our net loss for the six months ended June 30, 2007 was \$(18,558,000) as compared to a net loss of \$(6,955,000) for the six months ended June 30, 2006. The increase of \$11,603,000 is attributable primarily to increased level of expenditures in exploration and research studies required to complete our Environmental Impact Statement and our bankable feasibility study at Mount Hope as well as continuing research and exploration at Hall-Tonopah as we continue to evaluate our molybdenum resources there. General and administrative costs are also increasing as we continue to expand our support personnel for the higher levels of activity in our exploration efforts.

Exploration and development expenditures of \$10,155,000 were incurred at the Mount Hope Project and the Hall-Tonopah Project during the six months ended June 30, 2007, as we continued to drill and evaluate our properties. This is consistent with our stated objective to complete our Mount Hope Project plans and to focus on the permitting required to bring the project to commercial production and to confirm existing mineralization as well as identify additional molybdenum resources at Hall-Tonopah. The expenditures during the six months ended June 30, 2007 were related to this objective, including associated costs involved in properly evaluating and developing our feasibility study for the Mount Hope Project.

We also incurred corporate and administrative costs of \$8,932,000 for the six months ended June 30, 2007 compared with \$4,309,000 for the six months ended June 30, 2006 consistent with our increased activity levels. These costs include employee compensation expenses, increase in staffing levels of corporate personnel and associated costs, marketing and investor relations expenses, general legal expenses, and accounting and compliance issues reflecting the greater complexity of our operations.

During the six months ended June 30, 2007, we added key Officers, Directors and employees as a continuation of our previously announced reorganization of the executive team to keep up with our significant growth. In connection with our compensation programs we granted stock options and unvested common shares to attract, retain and motivate our Officers, Directors and key employees. As a result, we incurred non-cash equity compensation costs of \$4,519,000 in the six months ended June 30, 2007 compared with \$676,000 in the six months ended June 30, 2006. Approximately one half of the amount for the six months ended June 30, 2007 was as a result of the initial retention of Officers, Directors and employees and, accordingly, will not be of a recurring nature.

#### **Liquidity and Capital Resources**

We have limited capital resources and thus have to rely upon the sale of equity and debt securities for the cash required for exploration and development purposes, for acquisitions and to fund our administration. Since we do not expect to generate any revenues in the near future, we must continue to rely upon the sale of our equity and debt securities to raise capital. There can be no assurance that financing, whether debt or equity, will always be available to us in the amount required at any particular time or for any period or, if available, that it can be obtained on terms satisfactory to us.

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Our cash balance at June 30, 2007 was \$27,537,000 compared to \$22,501,000 at June 30, 2006. Total assets at June 30, 2007 were \$46,962,000 compared to \$28,336,000 at June 30, 2006. The change in these balances reflects the purchase of property and water rights for our Mount Hope Project and the purchase of a corporation to secure the royalty at our Hall-Tonopah project offset by proceeds received in March 2007, from a private placement of equity. Current liabilities at June 30, 2007 were \$3,245,000 compared to \$293,000 at June 30, 2006. This increase in current liabilities reflects our increased accounts payable due to increased drilling expenses and expenses related to the preparation of our bankable feasibility study, and due to the increase in our required provision for post closure reclamation and remediation costs.

On January 10, 2006, we concluded a private placement of 3,441,936 units at a price of \$1.10 per unit. Each unit consisted of one share of our common stock and one-half of one warrant to purchase one share of our common stock. Each whole warrant is exercisable for 24 months from the date of issuance and carries an exercise price of \$1.75 per whole share. The gross proceeds of this offering were \$3,786,000 and, after payment of sales commissions and finder's fees, we received net proceeds of \$3,621,000.

On February 15, 2006, we concluded a private placement of 15,000,000 units at a price of \$2.00 per unit. Each unit consisted of one share of our common stock and a warrant to purchase one-half of a share of our common stock. Each whole warrant is exercisable for five years from the date of issuance and carries an exercise price of \$3.75 per whole share. The gross proceeds of this offering were \$30,000,000 and, after payment of sales commissions and finder's fees, we received net proceeds of \$27,875,000. In the aggregate, we issued 15 million shares of common stock and warrants to purchase an additional 8.3 million shares, including warrants issued as compensation to the placement agent.

On January 30, 2007, the Company completed its previously announced acquisition of all of the issued and outstanding shares of a corporation that held a 12 percent net smelter royalty interest in the mineral rights of the Company's Hall-Tonopah molybdenum-copper property in Nye County, Nevada. The Company now owns the Hall-Tonopah Property and all associated mineral rights without future royalty obligations. As set forth in the Purchase Agreement, the Company paid approximately \$4,937,000 in cash at closing. At first commercial production of the property, the Company has agreed to pay an additional \$6,000,000.

In April 2007, we concluded a private placement of 7,353,000 units for gross proceeds of \$25,000,000, with net proceeds to the Company of approximately \$23,500,000 after legal and other related expenses. In the aggregate, the Company issued the units at a price of \$3.40 per unit. Each unit consisted of one share of common stock and a warrant to purchase one half of one share of common stock. Each warrant will be exercisable at a price of \$5.20 per whole share for a period of one year from the date of closing.

See note 13 to the condensed consolidated notes to the financial statements for a discussion of commitments and contingencies.

### **Changes in Accounting Policies**

We did not change our accounting policies during the six months ended June 30, 2007.

### **Special Note Regarding Forward-Looking Statements**

Certain statements in this report may constitute forward-looking statements, which involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements of our company, the Mount Hope Project, Hall-Tonopah project and our other projects, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. We use the words "may", "will", "believe", "expect", "anticipate", "intend", "future", "plan", "estimate", "potential" and other similar expressions to identify forward-looking statements. Forward-looking statements may include, but are not limited to, statements with



respect to the following:

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- the timing and possible outcome of pending regulatory and permitting matters;
- the parameters and design of our planned initial mining facilities at the Mount Hope Project;
- future financial or operating performances of our company and our projects;
- the estimation and realization of mineral reserves, if any;
- the timing of exploration, development and production activities and estimated future production, if any;
- estimates related to costs of production, capital, operating and exploration expenditures;
- requirements for additional capital;
- government regulation of mining operations, environmental conditions and risks, reclamation and rehabilitation expenses;
- title disputes or claims;
- limitations of insurance coverage; and
- the future price of molybdenum, gold, silver or other metals.

You should not place undue reliance on these forward-looking statements, which speak only as of the date of this report. These forward-looking statements are based on our current expectations and are subject to a number of risks and uncertainties, including those set forth above. Although we believe that the expectations reflected in these forward-looking statements are reasonable, our actual results could differ materially from those expressed in these forward-looking statements, and any events anticipated in the forward-looking statements may not actually occur. Except as required by law, we undertake no duty to update any forward-looking statements after the date of this report to conform those statements to actual results or to reflect the occurrence of unanticipated events. We qualify all forward-looking statements contained in this report by the foregoing cautionary statements.

### ITEM 3. CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Quarterly Report on Form 10-QSB/A. Based on the foregoing and in light of the material weakness due to the lack of effective controls over the valuation and accuracy of stock compensation expense and valuation of warrants to purchase common stock (as previously disclosed in our Annual Report on Form 10-KSB/A for the year ended December 31, 2006), our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are not effective, as of the end of the period covered by this report, to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

As more fully described in our Annual Report on Form 10-KSB/A for the year ended December 31, 2006, the Company has implemented a number of internal control procedures to remediate the material weakness discussed above. Specifically during the period covered by this report we hired new officers with substantially greater knowledge of and experience in internal controls and complex financial instruments. The CEO and Financial Officers of the Company have been hired/appointed to their present positions beginning January 2007 as follows:

- a. Chief Executive Officer - January 2007
- b. Chief Financial Officer - April 2007
- c. Controller and Treasurer - June 2007

As part of the monthly and quarterly closing process, the controller, with the oversight of the CFO tracks equity instrument transactions during each quarter and reviews the results of the stock option software for the recording of share based payments, to ensure such calculations are made in accordance with accounting principals generally

accepted in the United States.

Also, a new board member and chairman of the audit committee with substantial experience and knowledge in internal controls and complex financial instruments was appointed in April 2007. As a result of this process, we made changes during the quarter ended June 30, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. As a result of these specific internal control improvements during the quarter plus the other improvements discussed more fully in the Form 10-KSB/A, we believe the material weakness that existed at June 30, 2007 has been remediated as of the date of this filing.

The Company intends to continually review and evaluate the design and effectiveness of our disclosure controls and procedures as well as our internal control over financial reporting to improve our controls and procedures over time as the Company's business transitions into mining operations and to correct any deficiencies that we may discover in the future. The Company anticipates that additional changes to our internal control and procedures will be made as we takes steps to become compliant with Section 404 of the Sarbanes-Oxley Act of 2002, which we anticipate will apply for our annual report for the year ended December 31, 2007.

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**PART II**  
**OTHER INFORMATION**

**ITEM 6. EXHIBITS**

| <b>Exhibit<br/>Number</b> | <b>Description of Exhibit</b>                                                            |
|---------------------------|------------------------------------------------------------------------------------------|
| 31.1                      | Certification of CEO pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act |
| 31.2                      | Certification of CFO pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act |
| 32.1                      | Certification of CEO pursuant to 18 U.S.C. Section 1350                                  |
| 32.2                      | Certification of CFO pursuant to 18 U.S.C. Section 1350                                  |

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**SIGNATURES**

In accordance with the requirements of the Exchange Act, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: November 15, 2007

GENERAL  
MOLY,  
INC.

/s/ Bruce  
D. Hansen  
Bruce D.  
Hansen  
Chief  
Executive  
Officer