General Moly, Inc
Form 10-Q
November 04, 2015
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2015

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

For the transition period from to

Commission File Number: 001-32986

General Moly, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

The number of shares outstanding of issuer's common stock as of October 29, 2015, was 95,862,066.

Table of Contents

		Page
	Part I	
ITEM 1.	FINANCIAL STATEMENTS	2
ITEM 2.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	23
ITEM 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	33
ITEM 4.	CONTROLS AND PROCEDURES	34
	Part II	
ITEM 1.	LEGAL PROCEEDINGS	34
ITEM 1A.	RISK FACTORS	35
ITEM 2.	UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	36
ITEM 3.	DEFAULTS UPON SENIOR SECURITIES	36
ITEM 4.	MINE SAFETY DISCLOSURES	36
ITEM 5.	OTHER INFORMATION	36
ITEM 6.	EXHIBITS	37
	SIGNATURES	38

Table of Contents

PART I - FINANCIAL INFORMATION

ITEM 1.FINANCIAL STATEMENTS

GENERAL MOLY, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except par value amounts)

	September 30, 2015	December 31, 2014
ASSETS:		
CURRENT ASSETS		
Cash and cash equivalents	$ 14,671	$ 13,269
Deposits, prepaid expenses and other current assets	243	698
Total Current Assets	14,914	13,967
Mining properties, land and water rights	219,922	216,595
Deposits on project property, plant and equipment	85,609	74,151
Restricted cash held at EMLLC	16,636	36,000
Restricted cash held for electricity transmission	—	12,021
Restricted cash held for reclamation bonds	4,923	5,358
Non-mining property and equipment, net	407	519
Debt Issuance Costs	169	441
Other assets	2,994	2,994
TOTAL ASSETS	$ 345,574	$ 362,046
LIABILITIES, CRCNI, AND EQUITY:		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 2,593	$ 4,633
Accrued advance royalties	500	500
Current portion of long term debt	240	290
Total Current Liabilities	3,333	5,423
Provision for post closure reclamation and remediation costs	1,170	1,276
Accrued advance royalties	5,700	5,200
Accrued payments to Agricultural Sustainability Trust	4,000	4,000
Long term debt, net of current portion	1,481	249
Senior Convertible Promissory Notes	5,423	7,763
Return of Contributions Payable to POS-Minerals	33,884	—
Other accrued liabilities	1,125	1,125

Total Liabilities	56,116	25,036
COMMITMENTS AND CONTINGENCIES		
CONTINGENTLY REDEEMABLE NONCONTROLLING INTEREST ("CRNCI")	173,265	210,317
EQUITY		
Common stock, $0.001 par value; 650,000,000 and 200,000,000 shares authorized, respectively, 95,742,698 and 92,200,657 shares issued and outstanding, respectively	96	92
Additional paid-in capital	279,475	276,718
Accumulated deficit during exploration and development stage	(163,378)	(150,117)
Total Equity	116,193	126,693
TOTAL LIABILITIES, CRNCI, AND EQUITY	$ 345,574	$ 362,046

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

2

Table of Contents

GENERAL MOLY, INC. ("GMI")
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited — In thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
REVENUES	$ —	$ —	$ —	$ —
OPERATING EXPENSES:				
Exploration and evaluation	464	653	859	1,773
General and administrative expense	2,169	2,585	7,163	6,651
TOTAL OPERATING EXPENSES	2,633	3,238	8,022	8,424
LOSS FROM OPERATIONS	(2,633)	(3,238)	(8,022)	(8,424)
OTHER INCOME/(EXPENSE):				
Loss on Termination of Power Transmission Contract	—	—	(4,317)	—
Loss on Extinguishment of Senior Convertible Notes	—	—	(930)	—
Interest expense	(56)	—	(892)	—
TOTAL OTHER (EXPENSE)/INCOME, NET	(56)	—	(6,139)	—
LOSS BEFORE INCOME TAXES	(2,689)	(3,238)	(14,161)	(8,424)
Income Taxes	—	—	—	—
CONSOLIDATED NET LOSS	$ (2,689)	$ (3,238)	$ (14,161)	$ (8,424)
Less: Net loss attributable to CRNCI	15	—	900	—
NET LOSS ATTRIBUTABLE TO GMI	$ (2,674)	$ (3,238)	$ (13,261)	$ (8,424)
Basic and diluted net loss attributable to GMI per share of common stock	$ (0.03)	$ (0.04)	$ (0.14)	$ (0.09)
Weighted average number of shares outstanding — basic and diluted	95,725	91,884	94,609	91,873
COMPREHENSIVE LOSS	$ (2,674)	$ (3,238)	$ (13,261)	$ (8,424)

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

3

Table of Contents

GENERAL MOLY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited — In thousands)

	Nine Months Ended	
	September 30, 2015	September 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated Net loss	$ (14,161)	$ (8,424)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	181	219
Non-cash interest expense	305	—
Stock-based compensation for employees and directors	759	1,405
Loss on Termination of Power Transmission Contract	218	—
Loss on Extinguishment of Senior Convertible Notes	930	
Decrease in deposits, prepaid expenses and other	455	310
(Decrease) increase in accounts payable and accrued liabilities	(2,114)	663
(Decrease) in post closure reclamation and remediation costs	(162)	(274)
Net cash used by operating activities	(13,589)	(6,101)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase and development of mining properties, land and water rights	(3,374)	(7,042)
Deposits on property, plant and equipment	(11,384)	(746)
Proceeds from sale of land and equipment	425	—
Decrease (increase) in restricted cash	31,820	(10)
Net cash used by investing activities	17,487	(7,798)

CASH FLOWS FROM FINANCING ACTIVITIES:		
Stock proceeds, net of issuance costs	(70)	(11)
Cash contributions (returned to)/received from POS-Minerals	(2,268)	440
Repayment of Long-Term Debt	(158)	(195)
Net cash provided by financing activities:	(2,496)	234
Net increase (decrease) in cash and cash equivalents	1,402	(13,665)
Cash and cash equivalents, beginning of period	13,269	21,685
Cash and cash equivalents, end of period	$ 14,671	$ 8,020
NON-CASH INVESTING AND FINANCING ACTIVITIES:		

Equity compensation capitalized as development	$ 109	$ 590
Accrued portion of advance royalties	500	500
Conversion of Senior Convertible Promissory Notes	(2,488)	—
Non-Convertible Senior Promissory Notes Issued	1,340	—
Return of Contributions Payable to POS-Minerals	36,000	—
Reduction in Return of Contributions payable to POS-Minerals	(2,116)	—
Write off of debt issuance costs	(115)	—
Change in accrued portion of deposits on property, plant and equipment	74	(717)

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

Table of Contents

GENERAL MOLY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — DESCRIPTION OF BUSINESS

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

The Company conducted exploration and evaluation activities from January 1, 2002 until October 4, 2007, when our Board of Directors ("Board") approved the development of the Mt. Hope molybdenum property ("Mt. Hope Project") in Eureka County, Nevada. The Company is continuing its efforts to develop the Mt. Hope Project. Since that time, the Company has continued its efforts to both obtain financing for and develop the Mt. Hope Project. However, the combination of financing delays and court proceedings has resulted in a current suspension of development. We also continue to evaluate the copper resource of our Liberty molybdenum and copper property ("Liberty Project") in Nye County, Nevada.

The Mt. Hope Project

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

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

In addition, under the terms of the LLC Agreement, since commercial production at the Mt. Hope Project was not achieved by December 31, 2011, the LLC will be required to return to POS-Minerals $36.0 million, since reduced to $33.9 million as discussed below, of its capital contributions ("Return of Contributions"), with no corresponding reduction in POS-Minerals' ownership percentage. Effective January 1, 2015, as part of a comprehensive agreement concerning the release of the reserve account described below, Nevada Moly and POS-Minerals agreed that the Return of Contributions will be due to POS-Minerals on December 31, 2020; provided that, at any time on or before November 30, 2020, Nevada Moly and POS-Minerals may agree in writing to extend the due date to December 31, 2021; and if the due date has been so extended, at any time on or before November 30, 2021, Nevada Moly and POS-Minerals may agree in writing to extend the due date to December 31, 2022. If the repayment date is extended, the unpaid amount will bear interest at a rate per annum of LIBOR plus 5%, which interest shall compound quarterly, commencing on December 31, 2020 through the date of payment in full. Payments of accrued but unpaid interest, if any, shall be made on the repayment date. Nevada Moly may elect, on behalf of the Company, to cause the Company to prepay, in whole or in part, the Return of Contributions at any time, without premium or penalty, along with accrued and unpaid interest, if any.

The original Return of Contribution amount of $36.0 million due to POS-Minerals can be reduced, dollar for dollar, by the amount of capital contributions for equipment payments required from POS-Minerals under approved budgets of the LLC, as discussed further below. As of September 30, 2015, this amount has been reduced by $2.1 million, consisting of 20% of an $8.4 million principal payment made on milling equipment in March 2015 and a $2.2 million principal payment made on electrical transformers in April 2015, such that the remaining amount due to POS-Minerals is $33.9 million. If Nevada Moly does not fund its additional capital contribution in order for the LLC to make the required Return of Contributions to POS-Minerals set forth above, POS-Minerals has an election to either make a secured loan to the LLC to fund the Return of Contributions, or receive an additional interest in the LLC estimated to be 5%. In the latter case, Nevada Moly's interest in the LLC is subject to dilution by a

Table of Contents

percentage equal to the ratio of 1.5 times the amount of the unpaid Return of Contributions over the aggregate amount of deemed capital contributions (as determined under the LLC Agreement) of both parties to the LLC ("Dilution Formula"). At September 30, 2015, the aggregate amount of deemed capital contributions of both parties was $1,078.3 million.

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

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

Effective January 1, 2015, Nevada Moly and POS-Minerals signed an amendment to the LLC Agreement under which a separate $36.0 million owed to Nevada Moly held by the LLC in a reserve account established in December 2012 is being released for the mutual benefit of both members related to the jointly approved Mt. Hope Project expenses through 2020. In January 2015, the reserve account funded a reimbursement of contributions made by the members during the fourth quarter of 2014, inclusive of $0.7 million to POS-Minerals and $2.7 million to Nevada Moly. The remaining funds are now being used to pay ongoing expenses of the LLC until the Company obtains full financing for its portion of the Mt. Hope Project construction cost, or until the reserve account is exhausted. Any remaining funds after financing is obtained will be returned to Nevada Moly/the Company. The balance of the reserve account at September 30, 2015 was $16.6 million.

Termination of Agreements with Hanlong (USA) Mining Investment Inc.

In March 2010, we signed a series of agreements with Hanlong (USA) Mining Investment, Inc. ("Hanlong"), an affiliate of Sichuan Hanlong Group, a privately held Chinese company. The agreements formed the basis of an anticipated $745 million transaction that was intended to provide the Company with adequate capital to contribute its 80% share of costs to develop the Mt. Hope Project. The agreements resulted in the sale to Hanlong of 11.8 million shares of our common stock for a purchase price of $40 million, with additional potential equity issuances conditioned on Hanlong procuring a project financing Term Loan from a Chinese bank. The agreements also provided for Hanlong representation on our Board, limitations on how Hanlong would vote its shares of the Company and on their ability to purchase or dispose of our securities, and included a $10.0 million Bridge Loan to the Company to preserve liquidity until availability of the Term Loan. Their shares were registered effective January 29, 2014, allowing Hanlong to sell their shares to a third party.

Most of the provisions of the agreements with Hanlong were terminated in 2013 because no project financing occurred. However, Hanlong remains the owner of approximately 12% of our outstanding common stock and their representative, after election by the Company's stockholders in 2013, continues as a member of our Board as of September 30, 2015.

Agreement with AMER International Group ("AMER")

Private Placement

In April 2015, the Company and AMER entered into a private placement for 40 million shares of the Company's common stock and warrants to purchase 80 million shares of the Company's common stock, priced using the trailing 90-day volume weighted average price ("VWAP") of $0.50 on April 17, 2015, the date the investment agreement was signed. General Moly received stockholder approval of the transaction on June 30, 2015.

On November 2, 2015, the Company and AMER entered into an amendment to the Investment and Securities Purchase Agreement, thereby creating a three tranche investment strategy that will create a strategic partnership to assist the Company in obtaining full financing for the Mt. Hope Project. The first tranche of the amended Investment Agreement is a $4 million private

Table of Contents

placement representing 13,333,333 shares, priced at $0.30 per share, and warrants to purchase 80,000,000 shares of common stock at $0.50 per share. The $4 million private placement will be divided evenly between general corporate purposes and an expense reimbursement account to cover anticipated Mt. Hope financing costs and other jointly sourced business development opportunities. In addition, AMER and General Moly will enter into a Stockholder Agreement allowing AMER to nominate a director to a then seven member General Moly Board of Directors, additional directors following the close of Tranche 3, discussed below, and drawdown of a senior secured loan ("Bank Loan"). The Stockholder Agreement also governs amer's acquisition and transfer of General Moly shares. The parties agreed to eliminate the condition to closing the Investment Agreement requireing a letter of intent from a Prime Chinese Bank endorsing the Bank Loan as a result of the current molybdenum market price and recent water rights decision from the Nevada Supreme Court. The parties also agreed to eliminate the requirement of the Company to obtain consent from APERAM,as Tranche 1 is being issued at $0.30 per share, which is above the October 30, 2015, closing price of $0.29 per share.

The second tranche of the amended Investment Agreement will include a $6 million private placement representing 12,000,000 shares, priced at $0.50 per share. $5 million of the $6 million will be used for general corporate purposes and $1 million will be set aside for the expense reimbursement account discussed above. Closing of the second tranche is contingent on the Nevada State Engineer restoring permits for the Mt. Hope Project's water rights and for the price of molybdenum to average in excess of $8/lb for a 30 consecutive calendar day period.

The third tranche of the amended Investment Agreement will include a $10 million private placement representing 14,666,667 shares, priced at $0.68 per share. Execution of the third tranche is contingent on a final adjudication of the Mt. Hope Project's water rights through courts or settlement, if further protests and appeals result from the issuance of the water permits, and for the price of molybdenum to average in excess of $12/lb for a 30 consecutive calendar day period. After the third tranche of the agreement is executed, AMER will nominate a second director to General Moly's then eight member Board of Directors.

The Company announced receipt of funds to successfully close the first tranche of the amended Investment Agreement on November 2, 2015. The second and third tranches of the investment agreement may be subject to General Moly stockholder approval.

Term Loan

AMER has agreed to work cooperatively with the Company upon the return of improved molybdenum prices to procure and support a Bank Loan of approximately $700 million from a major Chinese bank or banks for development of the Mt. Hope Project. AMER will guarantee the Bank Loan, which is anticipated to have normal and customary covenants and security arrangements.

When documentation is complete and drawdown of the approximately $700 million Bank Loan becomes available, 80 million warrants to purchase common shares of General Moly will become exercisable by AMER at $0.50. After drawdown of the Bank Loan, AMER will nominate a third Director to General Moly's Board of Directors. All conditions to complete the warrants transaction must be completed no later than April 17, 2017.

Molybdenum Supply Agreement

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

NOTE 2 — LIQUIDITY

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

Although hampered by the continuing low molybdenum prices, the Company continues its efforts to obtain full financing of the Mt. Hope Project. On April 17, 2015, the Company announced a significant Investment and Securities Purchase Agreement ("Amer Investment Agreement") with AMER. AMER has agreed to work with the Company to procure and support a senior secured term loan ("Bank Loan") of approximately $700 million from a major Chinese bank or banks for development of the Mt. Hope Project, and to provide a guarantee for the Bank Loan. On June 30, 2015, the Company received stockholder approval of the agreement with AMER. As discussed in Note 1, on November 2, 2015, the Company announced receipt of funds to successfully clost the first tranche of the amended Investment Agreement, resulting in a $4 million cash inflow to the Company.

Table of Contents

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

In order to preserve our cash liquidity, we implemented in the third quarter of 2013, a cost reduction and personnel retention program, which included reductions in base cash compensation for our executive officers, senior management employees and members of the Board of Directors. We approved cash and equity incentives for the executive officers who remained with the Company through the earliest to occur of a financing plan for the Mt. Hope Project approved by the Board, a Change of Control (as defined in the employment or change of control agreements between the Company and each of our executive officers); involuntary termination (absent cause); or January 15, 2015 (the “Vesting Date”), and a personnel retention program providing cash and equity incentives for other employees who remained with the Company. On the January 15, 2015 Vesting Date, we paid $1.1 million in cash stay incentives to our eligible employees and executive officers, excluding our CEO, Bruce D. Hansen. Mr. Hansen agreed to defer his $0.4 million cash stay incentive in consideration for an equity grant. The Company also issued 726,493 shares of common stock on the January 15th Vesting Date under this plan.

In October 2015, the Company announced a management restructuring and cost reduction program, which includes a 25% reduction in workforce, compensation reductions for senior executives, and a reduction of engineering, administrative and consulting expenses. This restructuring program resulted in a $0.2 million expense recorded in the Company’s September 30, 2015 financial statements. An additional $0.2 million expense will be recorded in the fourth quarter related to the restructuring program. The program is focused on maintaining liquidity and sustainability during a period of challenging market conditions in the mining industry.

In December 2014, the Company sold and issued $8.5 million in units consisting of Senior Convertible Promissory Notes (the “Notes”) and warrants to accredited investors, including several directors and each of our named executive officers, pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, and Rule 506 thereunder. The Notes are unsecured obligations and are senior to any of the Company’s future secured obligations to the extent of the value of the collateral securing such obligations. The warrants are exercisable between June 26, 2015 and December 26, 2019, for an aggregate of 8,535,000 shares of the Company’s common stock at $1.00 per share. The Company received net proceeds from the sale of the units of approximately $8.0 million, after deducting offering expenses of approximately $0.5 million. Net proceeds from the sale are being used to fund ongoing operations. In February and April 2015, a number of the participants exercised their right to convert the Notes. Upon completion of the conversions, $1.3 million in non-convertible Senior Promissory Notes and 2.2 million shares were issued, with $5.9 million in Notes remaining available for conversion. See additional discussion of the Notes in Note 6.

We continue to work with our long-lead vendors to manage the timing of contractual payments for milling equipment. In March 2015, the LLC remitted $8.9 million to the manufacturer of our crusher, SAG and ball mills, and in early April 2015, made a $2.4 million payment due to the manufacturer of the two 230kV primary transformers. Both payments were funded with cash from the reserve account, described above. The following table sets forth the LLC’s remaining cash commitments under these equipment contracts (collectively, “Purchase Contracts”) at September 30, 2015 (in millions):

Year	As of September 30, 2015 *
2016	1.2
2017	2.2
Total	$ 3.4

*All amounts are commitments of the LLC, and as a result of the agreement between Nevada Moly and POS-Minerals are to be funded by the reserve account until such time that the Company obtains financing for its portion of construction costs at the Mt. Hope Project or until the reserve account balance is exhausted, and thereafter are to be funded 80% by Nevada Moly and 20% by POS-Minerals. POS-Minerals remains obligated to make capital contributions for its 20% portion of equipment payments required by approved budgets of the LLC, and such amounts contributed by the reserve account on behalf of POS-Minerals will reduce, dollar for dollar, the amount of capital contributions that the LLC is required to return to POS-Minerals, as described in Note 1.

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

Through September 30, 2015, the LLC has made deposits and/or final payments of $85.6 million on equipment orders for which the LLC has additional contractual commitments of $3.4 million noted in the table above. Of these deposits and/or final payments, $75.3 million relate to fully fabricated items, primarily milling equipment, while the remaining $10.3 million reflects both partially fabricated milling equipment, and non-refundable deposits on mining equipment. The underlying value and recoverability of these deposits and our mining properties in our consolidated balance sheets are dependent on the LLC's ability to fund development activities that would lead to profitable production and positive cash flow from operations, or proceeds from the disposition of these assets. There can be no assurance that the LLC will be successful in generating future profitable operations, disposing of these assets or the Company will secure additional funding in the future on terms acceptable to us or at all. Our consolidated financial statements do not include any adjustments relating to recoverability and classification of recorded assets or liabilities.

In June 2015, the LLC reached an agreement to terminate the existing third-party transmission contracts to provide power to the Mt. Hope Project in favor of a future arrangement for transmission under the provider's network services agreement. With the agreement, the LLC received a return of approximately $7.9 million in cash net of termination costs, expenses and consideration to the transmission providers, resulting in a loss of $4.3 million to the LLC. In August 2015, the LLC distributed $6.3 million to Nevada Moly and $1.6 million to POS-Minerals under the terms of the LLC Agreement.

With our cash conservation plan, our Corporate and Liberty related cash requirements have declined to approximately $1.6 million per quarter, while all Mt. Hope Project related funding is payable out of the $36.0 million reserve account, the balance of which was $16.6 million at September 30, 2015. Accordingly, based on our current cash on hand and our ongoing cash conservation plan, the Company expects it will have adequate liquidity to fund our working capital needs through the end of 2016. Additional potential funding sources include public or private equity offerings, including the $20.0 million equity investment from AMER described above, arranging for use of other restricted cash, or sale of other assets owned by the Company. There is no assurance that the Company will be successful in securing additional funding. This could result in further cost reductions, contract cancellations, and potential delays which ultimately may jeopardize the development of the Mt. Hope Project.

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements ("interim statements") of the Company are unaudited. In the opinion of management, all adjustments and disclosures necessary for a fair presentation of these interim statements have been included. All such adjustments are, in the opinion of management, of a normal recurring nature. The results reported in these interim statements are not necessarily indicative of the results that may be presented for the entire year. These interim statements should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the Securities and Exchange Commission

(“SEC”) on March 11, 2015.

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

Accounting Method

Our financial statements are prepared using the accrual basis of accounting in accordance with GAAP. With the exception of the LLC, all of our subsidiaries are wholly owned. In February 2008, we entered into the LLC Agreement, which established our ownership interest in the LLC at 80%. The consolidated financial statements include all of our wholly owned subsidiaries and the LLC. The POS-Minerals contributions attributable to their 20% interest are shown as Contingently Redeemable Noncontrolling Interest on the Consolidated Balance Sheet. The net loss attributable to contingently redeemable noncontrolling interest is reflected separately on the Consolidated Statement of Operations and reduces the Contingently Redeemable Noncontrolling Interest on the Consolidated Balance Sheet. Net losses of the LLC are attributable to the members of the LLC based on their respective ownership percentages in the LLC. During 2015, the LLC had a $4.4 million loss primarily associated with a loss incurred upon termination of the electricity transmission contract discussed in Note 2, of which $0.9 million was attributed to the Contingently Redeemable Noncontrolling Interest.

Table of Contents

Contingently Redeemable Noncontrolling Interest (“CRNCI”)

Under GAAP, certain noncontrolling interests in consolidated entities meet the definition of mandatorily redeemable financial instruments if the ability to redeem the interest is outside of the control of the consolidating entity. As described in Note 1 — “Description of Business”, the LLC Agreement permits POS-Minerals the option to put its interest in the LLC to Nevada Moly upon a change of control, as defined in the LLC Agreement, followed by a failure by us or our successor company to use standard mining industry practice in connection with the development and operation of the Mt. Hope Project as contemplated by the parties for a period of 12 consecutive months. As such, the CRNCI has continued to be shown as a separate caption between liabilities and equity. The carrying value of the CRNCI has historically included the $36.0 million Return of Contributions, now $33.9 million, that will be returned to POS-Minerals in 2020, unless further extended by the members of the LLC as discussed above. The expected Return of Contributions to POS-Minerals was carried at redemption value as we believed redemption of this amount was probable. Effective January 1, 2015, Nevada Moly and POS-Minerals agreed that the Return of Contributions will be due to POS-Minerals on December 31, 2020, unless further extended by the members of the LLC as discussed above. As a result, we have reclassified the Return of Contribution payable to POS-Minerals from CRNCI to a non-current liability at redemption value, and subsequently reduced it by $2.1 million, consisting of 20% of an $8.4 million principal payment made on milling equipment in March 2015 and a $2.2 million principal payment made on electrical transformers in April 2015, such that the remaining amount due to POS-Minerals is $33.9 million.

The remaining carrying value of the CRNCI has not been adjusted to its redemption value as the contingencies that may allow POS-Minerals to require redemption of its noncontrolling interest are not probable of occurring. Under GAAP, until such time as that contingency has been eliminated and redemption is no longer contingent upon anything other than the passage of time, no adjustment to the CRNCI balance should be made.

Estimates

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

Cash and Cash Equivalents and Restricted Cash

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

We consider all restricted cash to be long-term. As discussed above, in December 2012, the Company established a reserve account at the direction of the LLC management committee in the amount of $36.0 million. Effective January 1, 2015, Nevada Moly and POS-Minerals agreed upon procedures for maintaining the Mt. Hope Project as described above. Under the agreement, the funds, which were to remain restricted until availability of the Company's portion of financing for the Mt. Hope Project was confirmed or until the LLC management committee agreed to release the funds, can be released for the mutual benefit of the members for expenses related to the Mt. Hope Project. The balance of the reserve account at September 30, 2015 was $16.6 million.

Basic and Diluted Net Loss Per Share

Net loss per share was computed by dividing the net loss attributable to the Company by the weighted average number of shares outstanding during the period. The weighted average number of shares was calculated by taking the number of shares outstanding and weighting them by the amount of time that they were outstanding. Outstanding awards as of September 30, 2015 and December 31, 2014, respectively, were as follows:

	September 30, 2015	December 31, 2014
Warrants	9,535,000	9,535,000
Stock Options	210,558	271,112
Unvested Stock Awards	2,116,554	1,723,328
Stock Appreciation Rights	1,691,628	1,923,144

Table of Contents

These awards were not included in the computation of diluted loss per share for the three months ended September 30, 2015 and 2014, respectively, because to do so would have been anti-dilutive. Therefore, basic loss per share is the same as diluted loss per share.

Mineral Exploration and Development Costs

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

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

Mining Properties, Land and Water Rights

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

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

Depreciation and Amortization

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

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