

# MOLY MINES LIMITED

ABN 32 103 295 521

## ANNUAL REPORT

31 DECEMBER 2014

# DIRECTORY

## Board of Directors

Nelson Chen	Chairman
Gregory Jones	Non-Executive Director
Huan Jun Kang	Non-Executive Director
Anthony Martin	Non-Executive Director
Gou Qing Lou	Non-Executive Director
Cathie (Wei) Wu	Non-Executive Director

## Executive Officers

Graeme Kininmonth	Acting Chief Executive Officer
Riccardo Vittino	Chief Financial Officer
Susan Hunter	Company Secretary

## ASX Code

MOL

## Principal & Registered Office

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West Perth, WA, 6005	Subiaco East, WA, 6008
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Fax:	+61 8 9429 3399

Email: [info@molymines.com](mailto:info@molymines.com)

Website: [www.molymines.com](http://www.molymines.com)

## ASX Share Register

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Level 2 / 45 St Georges Terrace	
Perth, WA, 6000	
Telephone:	+61 8 9323 2000
	1300 850 505 (investors within Australia)
Fax	+61 8 9323 2033
Web	<a href="http://www.computershare.com">www.computershare.com</a>

## Auditor

Deloitte Touche Tohmatsu	
240 St Georges Terrace	
Level 14, Woodside Plaza	
Perth, 6000, Australia	
Telephone	+61 8 9365 7000
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# CHAIRMAN'S REPORT

Dear Shareholder

2014 proved to be a year of core strengthening for the Company. We continued our cost cutting initiatives with further reductions to our corporate staff, overhead costs and ongoing commitments; we added new members to the Board with additional technical and industry experience. We move into 2015 with a strong balance sheet, a healthy cash balance of over \$70 million AUD and a continued focus on growing the Company through merger or acquisition.

Against a significantly depressed resources market, we recognized successes in 2014. The Company became the largest shareholder of Unity Mining Limited ("Unity") with 17.34% ownership following the settlement of royalty payments on the Dargues Gold Project. The Company resumed operational control of the Spinifex Ridge Iron Ore Mine with the final payment component of the agreement with Mineral Resources Limited ("MRL") to be settled based on final tonnes and grade of ore at site. In the interim, the Company has commenced reclamation activities. The completion of the mine gate sale to MRL in 2013 significantly decoupled the Company from the risk associated with holding a small scale, short life project with relatively high costs, allowing the Company to realize value upfront and eliminate exposure to the struggling iron ore price in 2014. The Company also deployed effective cash management strategies and maintained a healthy mix of foreign currency and Australian dollars.

Although strengthening our balance sheet and significantly reducing our exposure to the depressed resources market, the completion of the mine gate sale caused the company to conduct the level of operations inconsistent with those required to satisfy maintaining our official quotation on the ASX and our listing on the TSX. In April and July of 2014 the Company's official quotation was suspended on the ASX and de-listed from the TSX, respectively.

It is the Company's strategy to identify a suitable investment opportunity for the Company and our shareholders which will lift the business operation back to a level which will satisfy the ASX so that trading of its securities may resume. Our primary focus has been and continues to be on the merger and acquisition of low risk, robust, advanced staged gold and copper projects internationally, with strong cash flow generation potential. The Company continues to be committed towards this goal.

We chose not to pursue an alternative listing in North America, having considered our future equity raising requirements and sources as well as the ongoing costs associated with an alternative trading platform, we made the conscious, cost effective decision, to begin our exit from the North American markets.

The Company is not currently undertaking any exploration activity and in light of the continuing low molybdenum price, the Spinifex Ridge Molybdenum/Copper Project remains on care and maintenance. We would like to thank those that are no longer with the Company for their contributions in 2014 and thank our current Board, management and staff, for their continued dedication and support.

We thank our shareholders for their support and patience. With our strong balance sheet and a knowledgeable, well experienced Board of Directors, your Board and the management team are highly focused and committed to the future growth profile of the Company and creating shareholder value in 2015.

Yours sincerely



**Nelson Chen**  
Chairman

# DIRECTORS' REPORT

The Directors present their report together with the financial report of Moly Mines Limited ("Moly Mines" or the "Company") and of the consolidated entity, being the Company and its controlled entities (the "Group") for the year ended 31 December 2014, and the auditor's report thereon.

In this report and the financial statements, references to:

- "Hanlong" are to Hanlong Mining Investment Pty Ltd.
- "Sichuan Hanlong Group" are to Sichuan Hanlong Group, a private company incorporated in China.
- "Hanlong Group" are to the Chinese companies controlled by Sichuan Hanlong Group, including Hanlong and Sichuan Hanlong Group itself.

## DIRECTORS

The names and details of the Company's Directors in office during the year and until the date of this report are set out below. Directors were in office for the entire year unless otherwise stated.

Director	Qualifications, Experience and Other Directorships	Committee Membership
<p><b>Nelson Chen</b> Non-Executive Chairman</p>	<p>Appointed 31 May 2013. Appointed Chairman 20 December 2013. Mr Chen was an alternate director for Mr Liu from 23 April 2010 until 31 May 2013.</p> <p>Mr Chen is a Director of Hanlong (Australia) Resources Pty Ltd and a Chartered Accountant in Australia. He holds postgraduate degrees in finance and accounting. Prior to joining Hanlong, Mr Chen spent over 11 years with PricewaterhouseCoopers, Sydney office in their audit and M&amp;A advisory practices. Mr Chen has served on the board of Australia China Business Council, NSW branch for over 6 years.</p> <p>Details of Mr Chen's other listed public company directorships over the past three years are:</p> <ul style="list-style-type: none"> <li>• Marenica Energy Limited, appointed 4 October 2011, continuing.</li> <li>• General Moly, Inc. (NYSE Amex and TSX) appointed 14 September 2011, continuing.</li> </ul>	<p>Material Investment from 10 February 2014, Remuneration from 27 March 2014, Audit and Risk Management from 27 March 2014 to 22 August 2014.</p>
<p><b>Gregory Jones</b> Non-Executive, independent</p>	<p>Appointed 22 August 2014.</p> <p>Mr Jones is a geologist with 34 years' exploration and operational experience gained in a broad range of metalliferous commodities both within Australia and overseas. Mr Jones has held senior positions in a number of resource companies including Western Mining Corporation and Sino Gold Limited. His experience spans a wide spectrum of activities from grass-roots exploration through to resource definition and new project generation, project assessment and acquisition, as well as mine geology, ore resource/reserve generation and new mine development. Mr Jones is currently Managing Director of Variscan Mines Limited.</p> <p>Details of Mr Jones's other listed public company directorships over the past three years are:</p> <ul style="list-style-type: none"> <li>• Variscan Mines Limited, appointed 20 April 2009, continuing.</li> <li>• Eastern Iron Limited, appointed 24 April 2009, continuing.</li> <li>• Silver City Minerals Limited, appointed 30 April 2009, continuing.</li> <li>• Thomson Resources Ltd, appointed 17 July 2009, continuing.</li> </ul>	<p>Audit and Risk Management – Chairman and Material Investment from 22 August 2014.</p>

## DIRECTORS' REPORT

<p><b>Anthony Martin</b> Non-Executive, independent</p>	<p>Appointed 22 August 2014.</p> <p>Mr Martin is a Perth-based geologist with over 30 years' technical and corporate experience in the junior mining sector. He is currently an executive director of the London-based advisory firm Northcott Capital and manages their Australian-based technical team. His experience covers a wide range of commodities including precious metals, base metals and bulk commodities throughout the Asia Pacific region and southern Africa. He is the former CEO of ASX-listed companies Queensland Mining Corporation Limited, Sihayo Gold Limited and Westgold Resources Limited. In the past five years he has also worked as a technical consultant for a number of Chinese companies seeking investments in mining projects owned by Australian-based companies. He has been a member of AusIMM since 1991.</p> <p>Details of Mr Martin's other listed public company directorships over the past three years are:</p> <ul style="list-style-type: none"> <li>Phillips River Mining Limited, appointed 22 April 2008, resigned 2 July 2012.</li> </ul>	<p>Material Investment – Chairman and Remuneration from 22 August 2014.</p>
<p><b>Gou Qing Lou</b> Non-Executive</p>	<p>Appointed 22 August 2014.</p> <p>Mr Lou is the Managing Director of Hanlong Group. He was formerly the president of China Construction Bank, Panzhihua Municipality branch in Sichuan province and has over 26 years of experience in credit management and financial investment. Mr Lou holds a Bachelor of Economics degree from Wuhan University and a Postgraduate Diploma in business administration from Sichuan University.</p> <p>Mr Lou is a Board nominee and director of Hanlong.</p> <p>Details of Mr Lou's other listed public company directorships over the past three years are:</p> <ul style="list-style-type: none"> <li>Marenica Energy Limited, appointed 3 November 2014, continuing.</li> </ul>	<p>Audit and Risk Management, Material Investment from 22 August 2014.</p>
<p><b>Huan Jun Kang</b> Non-Executive</p>	<p>Appointed 25 June 2012.</p> <p>Mr Kang is the executive director and the acting Chief Executive Officer of Hanlong Resources Limited and Vice President of Sichuan Hanlong Group Company Limited.</p> <p>Mr Kang has held lecturing positions at Hebei University and gained his PhD at the China University of Social Sciences. Since leaving academia and prior to joining the Sichuan Hanlong Group, Mr. Kang held positions with the China Securities Committee, China Zhongqi Investments and was the Chief Executive Officer of Hong Kong Fengshou Investment Company.</p> <p>Mr Kang is a Board nominee and director of Hanlong, and has not been a director of any other listed public companies in the last three years.</p>	<p>-</p>

## DIRECTORS' REPORT

<p><b>Cathie (Wei) Wu</b> Non-Executive, independent</p>	<p>Appointed 17 January 2014.</p> <p>Ms Wu is a professional executive who has extensive experience in both the Chinese and Australian business communities. She, acting as the Managing Director of THTF Australia Mining Pty Ltd, has advised numerous Chinese companies and Australian resource companies to either manage direct investments in Australia or attract investments from China in the base metals, alumina, iron ore, coal and mineral sands sectors. She is currently the Executive Director of WIM Resources Pty Ltd and manages the development of the mineral sands project in Murray basin in Australia. She previously served at UBS SDIC Fund Management Company as a project development manager. Ms Wu holds a Bachelor of Science from Fudan University in Shanghai, China and a MPhil (Research) in Infosys from the University of New South Wales.</p> <p>Details of Ms Wu's other listed public company directorships over the past three years are:</p> <ul style="list-style-type: none"> <li>Queensland Mining Corporation Limited, appointed Alternative Director 16 March 2012 and appointed Director 9 October 2012, resigned 8 August 2013.</li> </ul>	<p>Audit and Risk Management from 10 February 2014, Material Investment from 20 February 2014, Remuneration from 27 March 2014. Chairperson of Remuneration Committee from 22 August 2014 and of Material Investment Committee from 20 February 2014 to 22 August 2014.</p>
<p><b>Douglas Buerger</b> Non-Executive, independent</p>	<p>Appointed 17 January 2014, resigned 1 July 2014.</p> <p>Mr Buerger specialises in exploration, geochemistry and geology with over 40 years' experience in the resources industry in base metals, gold and uranium. He has extensive experience in project management, general management and executive management roles. Most recently he held the position of Managing Director and CEO of Bendigo Mining Limited. Prior to his role with Bendigo Mining Limited, Mr Buerger worked in a number of general manager and exploration manager positions in Australasia and Africa. He is experienced with equity markets, having raised substantial funds on international markets for exploration and mine development. Mr Buerger holds a Bachelor of Science and a MPhil and is a Fellow of the Australian Institute of Mining and Metallurgy and a Member of the Australian Institute of Company Directors.</p> <p>Details of Mr Buerger's other listed public company directorships over the past 3 years are:</p> <ul style="list-style-type: none"> <li>Marenica Energy Limited, appointed 16 September 2011, continuing.</li> </ul>	<p>Remuneration – Chairman from 10 February 2014 and Audit and Risk Management from 20 February 2014. Resigned 1 July 2014.</p>

## DIRECTORS' REPORT

<p><b>Alan Edwards</b> Non-Executive, independent</p>	<p>Appointed 28 October 2013, resigned 20 March 2014.</p> <p>Mr Edwards is a mining professional with three decades of diverse mining industry experience. He is a graduate of the University of Arizona, where he obtained a Bachelor of Science in Mining Engineering and an MBA (Finance). Mr Edwards is currently President of AE Consulting, a Colorado-based company. He previously served as President and CEO of Copper One, President and CEO of Frontera Copper Corporation, and Executive Vice President and Chief Operation Officer of Apex Silver Mines Corporation, where he directed the engineering, construction and development of the San Cristobal project in Bolivia. Mr Edwards has also held executive positions with Kinross Gold Corporation, P.T. Freeport Indonesia, Cyprus Amax Minerals Company and Phelps Dodge Mining Company, where he began his career.</p> <p>Details of Mr Edwards' other listed public company directorships over the past 3 years are:</p> <ul style="list-style-type: none"> <li>• Entree Gold Inc., appointed 10 March 2011, continuing.</li> <li>• AuRico Gold Inc., appointed 14 June 2011, continuing.</li> <li>• AQM Copper Inc., appointed 5 October 2011, continuing.</li> <li>• Oracle Mining Corp., appointed 12 October 2011, continuing.</li> <li>• U.S. Silver and Gold Inc., appointed 13 August 2012, continuing.</li> <li>• U.S Silver Corp., appointed 23 June 2011, resigned August 2012.</li> <li>• Gammon Gold Inc., appointed 13 May 2010, resigned June 2011.</li> <li>• Copper One Inc., appointed 17 December 2009, resigned 25 February 2013.</li> </ul>	<p>Audit and Risk Management – Chairman, Remuneration, Material Investment Committee from 10 February 2014. Resigned 20 March 2014.</p>
<p><b>Paul Eagland</b> Non-Executive, independent</p>	<p>Appointed 28 October 2013, resigned 20 February 2014.</p> <p>Mr Eagland was the founder of Global Stone Corporation, a company involved in the limestone sector, which went public on the Toronto Stock Exchange in 1993 and was sold for \$250 million in 1998. Mr Eagland's background is in mining finance. He was the Chairman of the Board of Oracle Mining Corp. (OMN-TSXV), a Canadian corporation which is developing the Oracle Ridge high-grade, underground copper mine in Arizona. His primary responsibility at Oracle was project finance. The company has raised \$56 million of capital to date through a combination of equity offerings, off-take and royalty sales, and has secured a letter of intent from a major Swiss bank to provide a further \$70 million in project financing once a bankable feasibility study has been completed.</p> <p>Mr Eagland is also the chairman of Orepass Mining Limited, a merchant bank which is actively involved in the acquisition of mining properties.</p> <p>Details of Mr Eagland's other listed public company directorships over the past 3 years are:</p> <ul style="list-style-type: none"> <li>• Oracle Mining Corp., appointed 30 March 2010, resigned 13 November 2013.</li> </ul>	<p>Audit and Risk Management, Remuneration – Chairman, Material Investment Committee – Chairman from 10 February 2014. Resigned 20 February 2014.</p>

# DIRECTORS' REPORT

<p><b>Peter Mansell</b> Non-Executive</p>	<p>Appointed 28 October 2013, resigned 17 January 2014.</p> <p>Until he retired as partner, Mr Mansell practiced as a corporate resources lawyer at Herbert Smith Freehills and was Managing Partner (Perth) and Chairman of the national firm at various times. He has also served as the President of the Council of the Australian Institute of Company Directors, Western Australian Division.</p> <p>Mr Mansell holds a Bachelor of Commerce, Bachelor of Laws and Higher Diploma in Tax Law, all from the University of Witwatersrand, Johannesburg.</p> <p>Details of Mr Mansell's other listed public company directorships over the past 3 years to when he resigned are:</p> <ul style="list-style-type: none"> <li>• Ampella Mining Limited (Chairman), appointed 8 November 2011, continuing.</li> <li>• Bullabulling Gold Limited (Chairman), appointed 10 April 2012, continuing.</li> <li>• Nyrstar NV (a company listed on Euronext in Belgium), appointed 31 August 2007, resigned 24 April 2013.</li> <li>• BWP Trust, appointed 16 September 1998, resigned 4 December 2013.</li> </ul>	-
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## COMPANY SECRETARY

### Ms Susan Hunter

Ms Hunter has over 20 years' experience in the corporate finance industry. She is founder and managing director of consulting firm Hunter Corporate Pty Ltd, which specialises in the provision of corporate governance and company secretarial advice to ASX listed companies, and has previously held senior management roles at Ernst & Young, Pricewaterhouse Coopers and Bankwest both in Perth and Sydney. Ms Hunter holds a Bachelor of Commerce, is a Member of the Australian Institute of Chartered Accountants, a Fellow of the Financial Services Institute of Australasia, a Graduate Member of the Australian Institute of Company Directors and an Associate of the Governance Institute of Australia Ltd. She is currently company secretary for several ASX listed companies.

## INTERESTS IN THE SHARES, OPTIONS AND WARRANTS OF THE COMPANY

As at the date of this report, the interests (directly or indirectly held) of the Directors in the shares, options and warrants of Moly Mines were:

Director	Ordinary Shares	Options over Unissued Ordinary Shares	Warrants over Unissued Ordinary Shares
N. Chen (i)	-	-	-
G. Jones	-	-	-
A. Martin	-	-	-
C. Wu	-	-	-
H. Kang (ii)	-	-	-
G. Lou (iii)	-	-	-

- (i) Mr Chen is a director of Hanlong (Australia) Resources Pty Ltd. Its ultimate parent entity, Hanlong, holds 207,244,146 shares in the Company.
- (ii) Mr Kang is a director of Hanlong Resources Limited. Its ultimate parent entity, Hanlong, holds 207,244,146 shares in the Company.
- (iii) Mr Lou is Managing Director of Hanlong Group. Its ultimate parent entity, Hanlong, holds 207,244,146 shares in the Company.



# DIRECTORS' REPORT

## DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION

Details of remuneration paid to Directors and other specified Executive Officers are set out in the Remuneration Report.

## DIRECTORS' MEETINGS

The number of meetings of the Board of Directors and Committees of the Board held during the year and the numbers of meetings attended by each Director were as follows:

	Directors' Meetings		Audit and Risk Management Committee Meetings		Remuneration Committee Meetings		Material Investment Committee	
	Attended	Eligible to Attend	Attended	Eligible To Attend	Attended	Eligible to Attend	Attended	Eligible to Attend
N. Chen	13	13	-	-	1	1	6	6
G. Jones	3	3	-	-	-	-	3	4
A. Martin	3	3	-	-	-	-	4	4
H. Kang	0	13	-	-	-	-	-	-
G. Lou	3	3	-	-	-	-	4	4
C. Wu	12	12	1	1	1	1	2	2
D. Buerger	6	6	1	1	1	1	2	2
A. Edwards	3	3	1	1	-	-	-	-
P. Eagland	2	2	-	-	-	-	-	-
P. Mansell	0	1	-	-	-	-	-	-

# DIRECTORS' REPORT

## REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and Senior Executives of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its regulations. For the purposes of this report, Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Company.

For the purposes of this report, the term 'Executive' encompasses the Chief Executive Officer ("CEO"), any Executive Director and the Executive Officers of the Company and the Group.

The KMP of the Group are:

Name	Title	Date Appointed/Resigned
<b>Directors</b>		
Nelson Chen	Chairman (Non-Executive)	Continuing
Gregory Jones	Director (Non-Executive)	Appointed 22 August 2014
Huan Jun Kang	Director (Non-Executive)	Continuing
Anthony Martin	Director (Non-Executive)	Appointed 22 August 2014
Gou Qing Lou	Director (Non-Executive)	Appointed 22 August 2014
Cathie Wu	Director (Non-Executive)	Appointed 17 January 2014
Alan Edwards	Director (Non-Executive)	Resigned 20 March 2014
Paul Eagland	Director (Non-Executive)	Resigned 20 February 2014
Peter Mansell	Director (Non-Executive)	Resigned 17 January 2014
Douglas Buerger	Director (Non-Executive)	Resigned 1 July 2014

### Executive Officers

Graeme Kininmonth	Acting Chief Executive Officer	Appointed 11 April 2014
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There were no changes to KMP after the reporting date and before the date this financial report was authorised for issue.

### Remuneration Committee

It is the Company's objective to provide maximum stakeholder benefit from the retention of high quality KMP by remunerating fairly and appropriately with reference to relevant employment market conditions. The Remuneration Committee assists the Board in meeting its responsibilities for ensuring the existence of effective policies, processes and practices for rewarding KMP and for succession management. The primary role of the Remuneration Committee is to provide non-executive and independent oversight of the Company's remuneration practices.

The members of the Remuneration Committee are:

- Cathie Wu – Independent Non-Executive – Chairperson
- Nelson Chen – Non-Executive
- Anthony Martin – Independent Non-Executive

The Remuneration Committee meets at least once per year. Where the Remuneration Committee discusses matters relating to remuneration of individual Directors, the conflicted Director abstains from that deliberation. The Company Secretary acts as secretary to the Committee.

Specifically the Remuneration Committee will:

- Review and recommend to the Board remuneration policies and strategy by reference to prevailing employment market conditions.

# DIRECTORS' REPORT

- Review the remuneration package of the CEO, by reference to independent external advice if considered required, and recommend changes to CEO remuneration to the Board.
- Review the recommendations of the CEO for other KMP remuneration packages and recommend changes to KMP remuneration to the Board.
- Recommend to the Board fees and remuneration packages for Non-Executive Directors.

## Remuneration Policy and Philosophy

The Remuneration Committee continuously reviews remuneration policies and philosophies to ensure remuneration packages remain effective and competitive given the Company's business activities and the evolving employment markets and practices.

The structure of remuneration packages will be assessed within the following general framework:

- provide competitive rewards to attract, retain and incentivise high calibre people;
- link rewards to shareholder value;
- transparency; and
- capital management.

Remuneration packages may include consulting fees, base salary, superannuation, non-cash benefits and short and / or long term variable awards.

The components of remuneration packages for KMP are determined on a case-by-case basis depending on their role and responsibility within the organisation.

The Company aims to benchmark its base salaries at or around the 75<sup>th</sup> percentile of resources industry salary packages based on independent market research.

The objective for variable remuneration is to reward KMP in a manner that aligns remuneration with the interests of the Company's shareholders. Accordingly, variable remuneration may be awarded to KMP who can reasonably influence or impact the Company's ability to maximise shareholder returns. Cash performance bonus awards may also apply.

The Company has in place an Employee Incentive Option Scheme. The purpose of the grant of options is to provide an incentive to KMP to continue to be dedicated and committed to the Company and to maximise their efforts for the benefit of shareholders generally over the long term. Allocations of options are at the discretion of the Board. Vesting conditions are considered when awarding options.

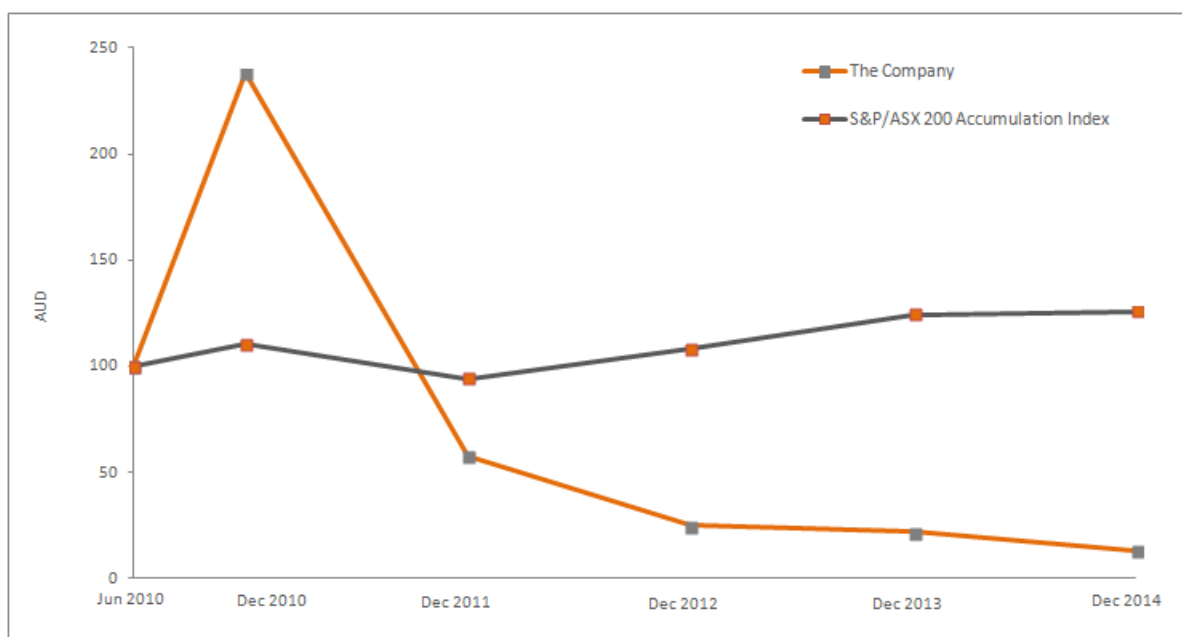
No elements of KMP 2014 remuneration were directly related to performance.

The Australian Securities Exchange Corporate Governance best practice recommendations specify that options should not be issued to Non-Executive Directors. However, the Board considers that in view of the financial, legal and other responsibilities assumed by Directors of public companies, the payment of monetary fees alone to Directors is not always an adequate reward and does not provide an adequate incentive to enable the Company to attract and retain Non-Executive and Executive Directors with the requisite level of experience and qualifications. Equity participation by way of the grant of options to members of the Board may be appropriate for these purposes and contributes to the preservation of Company cash reserves.

## Company Performance

The remuneration philosophy for KMP endeavours to link the overall level of compensation to the Company's earnings and growth in shareholder wealth of the Company, mainly through variable awards. Consideration of the Company's earnings will be more relevant as the Company matures and becomes profitable. The chart below compares, assuming an initial investment of A\$100, the yearly change in the cumulative total shareholder return versus the S&P/ASX 200 Index for the Company's six most recently completed reporting periods, covering five and a half years due to the change in financial year end for the reporting period ended 31 December 2010.

# DIRECTORS' REPORT



	30 June 10	31 Dec 10	31 Dec 11	31 Dec 12	31 Dec 13	31 Dec 14
Moly Mines Limited	A\$100	A\$238	A\$58	A\$25	A\$22	A\$13 *
S&P/ASX 200 Accumulation Index	A\$100	A\$110	A\$94	A\$108	A\$124	A\$126
Moly Mines Limited loss	(\$74,608,000)	(\$130,418,000)	(\$29,842,000)	(\$49,618,000)	(\$4,874,000)	(\$11,028,000)

\* Trading in Moly Mines shares on the ASX was suspended on 17 April 2014.

## Non-Executive Directors' Remuneration

Clause 59 (1) of the Company's Constitution provides that Non-Executive Directors are entitled to receive Non-Executive Directors' fees within the limits approved by shareholders in general meeting. Shareholders approved the aggregate remuneration to be paid to Non-Executive Directors to be \$800,000 per annum on 27 November 2007.

Each Non-Executive Director's actual remuneration for the years ended 31 December 2014 and 31 December 2013 is shown on page 12 and 13. Each Non-Executive Director has an unspecified term of appointment, which is subject to the Company's Constitution. Conditions are reviewed at least annually by the Remuneration Committee. There are no termination benefits for any Non-Executive Director.

# DIRECTORS' REPORT

Base fees for each director during their period in office were as follows:

Non-Executive Director	Base Fees	Audit and Risk Management Committee Fee	Remuneration Committee Fee	Material Investment Committee Fee	Superannuation
	\$	\$	\$	\$	%
Nelson Chen <sup>(i)</sup>	150,000	5,000	5,000	5,000	10%
Gregory Jones	75,000	7,500	-	5,000	10%
Huan Jun Kang	75,000	-	-	-	-
Anthony Martin	75,000	-	5,000	7,500	10%
Gou Qing Lou	75,000	5,000	-	5,000	-
Cathie Wu <sup>(ii)</sup>	75,000	5,000	7,500	7,500	10%
Douglas Buerger <sup>(iii)</sup>	75,000	5,000	7,500	-	10%
Alan Edwards <sup>(iv)</sup>	75,000	7,500	5,000	5,000	-
Paul Eagland <sup>(v)</sup>	75,000	5,000	5,000	7,500	-
Peter Mansell	75,000	-	-	-	10%

- (i) The material investment committee fee commenced from 10 February 2014 and the remuneration committee fee from 27 March 2014. The audit and risk management fee was paid from 27 March 2014 to 22 August 2014.
- (ii) The audit and risk management committee fee commenced from 10 February 2014. The remuneration committee fee commenced at \$5,000 from 27 March 2014 and was increased to \$7,500 on 22 August 2014. The material investment committee fee was paid from 20 February 2014 to 22 August 2014.
- (iii) The remuneration committee fee commenced from 10 February 2014, and the audit and risk management committee fee from 20 February 2014.
- (iv) The material investment committee fee commenced from 10 February 2014.
- (v) The material investment committee fee commenced from 10 February 2014.

No options were issued to Non-Executive Directors during the financial year.

## Executive Remuneration

The Company aims to reward KMP with a level of remuneration commensurate with their position and responsibilities within the Company in accordance with the overall remuneration philosophy.

### Base Salary and Fees

Base salaries and fees paid to the Executive Officers for the year ended 31 December 2014 are disclosed in Remuneration Table 1.

### Bonus Arrangements

From time to time the Company provides short-term cash bonuses to KMP and staff. Short-term bonuses are discretionary, vary between individuals and are based on performance measures that advance the interests of shareholders. Retention bonuses form part of the Company's remuneration philosophy and is a policy that may extend to all staff. There are currently no bonus arrangements in respect of KMP.

### Options

During the year ended 31 December 2012, options were issued to KMP, including the five highest remunerated officers of the Group, under the Employee Option Incentive Scheme. The second tranche of these options vested in February 2014. Details of the options are shown in Note 28 of the financial statements.

# DIRECTORS' REPORT

## Service Agreements

Remuneration and other terms of employment for Non-Executive Directors are described above. Executive Directors and specified KMP terms of employment are formalised in service agreements or employment contracts. The major provisions of the agreements relating to remuneration are as follows:

### *Executive Officers*

Graeme Kininmonth

- Base salary – \$333,500 plus 10.5% superannuation.
- Notice of five weeks or payment in lieu of notice in the event of termination by the Company (other than for gross misconduct).
- Payment of a benefit of four weeks' pay for each completed year of service pro-rated, in the event of redundancy.
- Conditions are reviewed at least annually by Remuneration Committee

### **Directors' and Executive Officers' Remuneration**

Details of the nature and amount of each major element of the remuneration of each Director of the Company and each of the specified Executive Officers of the Company for the years ended 31 December 2014 and 31 December 2013 are set out on the following pages.

# DIRECTORS' REPORT

Table 1: Remuneration of KMP for the year ended 31 December 2014

	Short Term Remuneration			Long Term Remuneration	Post Employment	Share Based	Termination Payment	Total	Performance Related
	Base Salary / Fees \$	Bonus \$	Non-monetary benefits \$	Long Service Leave	Superannuation \$	\$	\$	\$	%
<b>Directors</b>									
N. Chen	164,475	-	-	-	16,447	-	-	180,922	-
G. Jones <sup>(i)</sup>	31,252	-	-	-	3,125	-	-	34,377	-
H.J. Kang	75,000	-	-	-	-	-	-	75,000	-
G. Lou <sup>(i)</sup>	28,333	-	-	-	-	-	-	28,333	-
A. Martin <sup>(i)</sup>	34,377	-	-	-	-	-	-	34,377	-
C. Wu <sup>(ii)</sup>	84,646	-	-	-	8,465	-	-	93,111	-
P. Buerger <sup>(iii)</sup>	40,359	-	-	-	4,036	-	-	44,395	-
P. Eagland <sup>(iv)</sup>	14,583	-	-	-	-	-	-	14,583	-
A. Edwards <sup>(v)</sup>	22,546	-	-	-	-	-	-	22,546	-
P. Mansell <sup>(vi)</sup>	6,250	-	-	-	625	-	-	6,875	-
<b>Executive Officers</b>									
G. Kininmonth <sup>(vii)</sup>	241,500	-	5,914	21,092	25,175	12,633	-	306,314	-
D. Pass <sup>(viii)</sup>	126,781	94,110	2,410	1,790	12,518	7,163	277,062	521,834	-
A. Howells <sup>(ix)</sup>	88,107	58,700	3,072	2,125	12,211	1,848	180,037	346,100	-
<b>Total</b>	<b>958,209</b>	<b>152,810</b>	<b>11,396</b>	<b>25,007</b>	<b>82,602</b>	<b>21,644</b>	<b>457,099</b>	<b>1,708,767</b>	<b>-</b>

(i) Mr Jones, Mr Lou and Mr Martin were appointed on 22 August 2014.

(ii) Ms Wu was appointed on 17 January 2014.

(iii) Mr Buerger was appointed on 17 January 2014 and resigned on 1 July 2014.

(iv) Mr Eagland resigned on 20 February 2014.

(v) Mr Edwards resigned on 20 March 2014.

(vi) Mr Mansell resigned on 17 January 2014.

(vii) Mr Kininmonth was appointed Acting Chief Executive Officer on 11 April 2014. He previously served as Manager Health & Safety and Environment. Remuneration included in the table above is only from the point Mr Kininmonth was appointed as Acting Chief Executive Officer.

(viii) Mr Pass resigned on 11 April 2014. He was paid out \$78,799 in long service leave on cessation of employment. During 2014 the Board approved a discretionary retention bonus of \$94,110 be paid.

(ix) Mr Howells resigned on 30 April 2014. He was paid out \$54,455 in long service leave on cessation of employment. During 2014 the Board approved a discretionary retention bonus of \$58,700 be paid.

## DIRECTORS' REPORT

Table 2: Remuneration of KMP for the year ended 31 December 2013

	Short Term Remuneration			Long Term Remuneration	Post Employment	Share Based	Termination Payment	Total	Performance Related
	Base Salary / Fees \$	Bonus \$	Non-monetary benefits <sup>(xv)</sup> \$	Long Service Leave	Superannuation \$	\$	\$	\$	%
<b>Directors</b>									
N. Chen <sup>(i)</sup>	81,558	-	-	-	816	-	-	82,374	-
H.J. Kang	75,000	-	-	-	-	-	-	75,000	-
P. Eagland <sup>(ii)</sup>	15,543	-	-	-	-	-	-	15,543	-
A. Edwards <sup>(iii)</sup>	15,543	-	-	-	-	-	-	15,543	-
P. Mansell <sup>(iv)</sup>	13,654	-	-	-	1,365	-	-	15,019	-
B. Camarri <sup>(v)</sup>	28,575	-	-	-	-	-	-	28,575	-
M Braham <sup>(vi)</sup>	127,378	-	-	-	12,738	-	-	140,116	-
D. Craig <sup>(vii)</sup>	83,823	-	-	-	8,382	-	-	92,205	-
D. Nixon <sup>(viii)</sup>	35,417	-	-	-	3,542	-	-	38,959	-
H. Liu <sup>(ix)</sup>	-	-	-	-	-	-	-	-	-
A. Zhmurovsky <sup>(x)</sup>	29,032	-	-	-	-	-	-	29,032	-
<b>Executive Officers</b>									
D. Pass <sup>(xi)</sup>	388,084	33,208	7,900	32,062	24,960	55,523	-	541,737	-
A. Howells <sup>(xii)</sup>	46,692	-	1,969	1,164	4,669	2,096	-	56,590	-
C. Thorp <sup>(xiii)</sup>	465,794	74,659	6,931	18,035	34,373	38,055	429,218	1,067,065	-
J. McEvoy <sup>(xiii)</sup>	313,248	71,924	6,931	4,295	21,003	26,292	218,751	662,444	-
M. Bosboom <sup>(xiv)</sup>	173,954	31,076	4,959	-	12,480	(12,722)	75,625	285,372	-
<b>Total</b>	<b>1,893,295</b>	<b>210,867</b>	<b>28,690</b>	<b>55,556</b>	<b>124,328</b>	<b>109,244</b>	<b>723,594</b>	<b>3,145,574</b>	<b>-</b>

- (i) Mr Chen was appointed director on 31 May 2013 and Chairman on 20 December 2013. He was formerly an alternate director for Mr Liu. Mr Liu directed that Non-Executive Director fees and committee membership fees earned by him be directed to Mr Chen.
- (ii) Mr Eagland was appointed on 28 October 2013.
- (iii) Mr Edwards was appointed on 28 October 2013.
- (iv) Mr Mansell was appointed director on 28 October 2013. He was formerly an alternate director for Mr Kang.
- (v) Mr Camarri was appointed on 28 October 2013 and resigned on 20 December 2013.
- (vi) Mr Braham resigned on 28 October 2013.
- (vii) Mr Craig resigned on 28 October 2013.
- (viii) Mr Nixon resigned on 31 May 2013.
- (ix) Mr Liu was removed as a director on 31 May 2013.



## DIRECTORS' REPORT

- (x) Mr Zhmurovsky resigned on 20 May 2013. Directors' fees earned by Mr Zhmurovsky were paid to companies associated with EIG Global Energy Partners (formerly TCW Energy).
- (xi) Mr Pass was appointed Acting Chief Executive Officer on 28 October 2013. During 2013 the Board approved a discretionary service bonus of \$16,604 and a discretionary retention bonus of \$16,604 be paid.
- (xii) Mr Howells was appointed Acting Chief Financial Officer on 28 October 2013. He previously served as Financial Controller.
- (xiii) Mr Thorp and Mr McEvoy ceased employment on 28 October 2013. Mr Thorp and Mr McEvoy were paid out their long service leave on cessation of employment which amounted to \$112,235 and \$70,995 respectively. During 2013 the Board approved a discretionary service bonus of \$24,659 and a gratuity bonus of \$50,000 be paid to Mr Thorp. During 2013 the Board approved a discretionary service bonus of \$16,924 and a gratuity bonus of \$55,000 be paid to Mr McEvoy.
- (xiv) Mr Bosboom ceased employment on 30 June 2013. During 2013 the Board approved a discretionary service bonus of \$15,538 and a discretionary retention bonus of \$15,538 be paid.
- (xv) Non-monetary benefits for KMP for the year ended December 2013 were omitted in the 2013 Annual Report. This table provides those comparatives.

## DIRECTORS' REPORT

### Option holdings of Key Management Personnel

Options issued to Key Management Personnel during the period are only exercisable after the vesting period is met. Option holdings of Key Management Personnel during the period ended 31 December 2014 are as follows:

Period ended 31 December 2014	Balance at 1 Jan 2014	Granted as Remuneration	Options Expired	Options Exercised	Net Change Other	Balance at 31 Dec 2014	Vested and Exercisable	Vested and Exercisable	Not Vested or Exercisable
	No.	No.	No.	No.	No.	No.	No.	%	No.
<b>Specified Executives</b>									
G. Kininmonth (i)	-	-	-	-	450,000	450,000	300,000	66.7	150,000
D. Pass (ii)	1,550,000	-	(516,667)	-	(1,033,333)	-	-	-	-
A. Howells (iii)	400,000	-	(133,333)	-	(266,667)	-	-	-	-
<b>Total</b>	<b>1,950,000</b>	<b>-</b>	<b>(650,000)</b>	<b>-</b>	<b>(850,000)</b>	<b>450,000</b>	<b>300,000</b>		<b>150,000</b>

- (i) Mr Kininmonth held 450,000 options upon his appointment as Acting Chief Executive Officer on 11 April 2014.  
(ii) Mr Pass resigned on 11 April 2014. The service conditions on these options were not met and therefore did not vest.  
(iii) Mr Howells resigned on 30 April 2014. The service conditions on these options were not met and therefore did not vest.

# DIRECTORS' REPORT

## Shareholdings of Key Management Personnel

Year ended 31 December 2014	Balance at 1 Jan 2014	Purchases / (Sales)	Received on Exercise of Options	Net Change Other	Balance at 31 Dec 2014
	No.	No.	No.	No.	No.
<b>Specified Executives</b>					
G. Kininmonth <sup>(i)</sup>	-	-	-	40,000	40,000
D. Pass <sup>(ii)</sup>	64,000	-	-	(64,000)	-
A. Howells <sup>(iii)</sup>	53,000	-	-	(53,000)	-
<b>Total</b>	<b>117,000</b>	<b>-</b>	<b>-</b>	<b>(77,000)</b>	<b>40,000</b>

(i) Mr Kininmonth held 40,000 shares on his appointment as Acting Chief Executive Officer on 11 April 2014.

(ii) Mr Pass resigned on 11 April 2014.

(iii) Mr Howells resigned on 30 April 2014.

## Other transactions with Key Management Personnel and their related parties

Nil.

## Options awarded, exercised and lapsed during the year ended 31 December 2014

	Number of options awarded during the year	Number of options vested during the year	Number of options lapsed during the year
<b>Executives</b>			
G. Kininmonth	-	150,000	-
D. Pass <sup>(i)</sup>	-	516,667	516,667
A. Howells <sup>(ii)</sup>	-	133,333	133,333

## Value of options awarded, exercised and lapsed during the year ended 31 December 2014

	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	% of Remuneration consisting of options for the year
<b>Executives</b>				
G. Kininmonth	-	-	-	4.4
D. Pass <sup>(i)</sup>	-	-	64,407	1.4
A. Howells <sup>(ii)</sup>	-	-	16,621	0.5

(i) Mr Pass resigned on 11 April 2014 and his options that were to vest in 2015 were cancelled.

(ii) Mr Howells resigned on 30 April 2014 and his options that were to vest in 2015 were cancelled.

# DIRECTORS' REPORT

## SHARE OPTIONS

### Unissued shares

Details of options over unissued shares as at the date of this report are:

Issuing Entity	Number of Shares under Option	Class of Shares	Exercise Price of Option	Expiry Date of Options
Moly Mines Limited	6,833,320	Ordinary	\$0.55	14 February 2016

Details of warrants over unissued shares as at the date of this report are:

Issuing Entity	Number of Shares under Warrant	Class of Shares	Exercise Price of Warrant	Expiry Date of Warrant
Moly Mines Limited	4,832,157	Ordinary	\$0.0001	15 February 2020

Option and warrant holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

### Shares issued as a result of the exercise of options and warrants

No options or warrants were exercised during the year.

# DIRECTORS' REPORT

## OPERATING AND FINANCIAL REVIEW

### Principal Activities

The principal activity of Moly Mines and its subsidiaries (the Group) during the year was the ongoing evaluation of potential acquisitions.

### Result from Operations and Financial Position

Moly Mines is a company limited by shares that is incorporated in Australia. Its shares are currently suspended from trading on the Australian Securities Exchange (ASX). Moly Mines was delisted from the Toronto Stock Exchange (TSX) on 4 July 2014.

Since the Company's incorporation in January 2003 and since listing on the ASX in March 2004, the Company's financial performance and result has been, and will continue to be, attributable to its ongoing exploration, evaluation, planned development activities and mining operations on its ground holdings.

The net loss after taxation attributable to the members of the Group for the year ended 31 December 2014 was \$11,028,000 (net loss for year ended 31 December 2013: \$4,874,000). The basic and diluted loss per share for the Group for the year was 2.87 cents per share (Dec 2013: loss of 1.27 cents per share).

The Group's current year financial performance has been affected by impairment losses of \$12,899,000 (Dec 2013: \$5,756,000). The impairment losses are made up of \$5,216,000 impairment of development costs (Dec 2013: \$5,000,000), \$6,140,000 impairment of assets held for sale (Dec 2013: nil), \$1,515,000 impairment of financial assets (Dec 2013: \$756,000) and \$28,000 impairment of receivables (Dec 2013: nil).

As at 31 December 2014, the Company had net working capital (current assets less current liabilities, not including non-current assets held for resale) of \$67,025,000 which included \$70,413,000 of cash and cash equivalents.

The Hanlong Loan of \$12,601,000 (Dec 2013: \$11,550,000) is not due for repayment until 23 April 2020. For full details of the Hanlong Loan refer to Note 2 of the financial statements.

## REVIEW OF OPERATIONS AND PROJECT DEVELOPMENT ACTIVITIES

The highlights of the Company's operations and project development activities during the year and to the date of this financial report are summarised as follows:

### Spinifex Ridge Iron Ore Mine

The Company entered into a mine gate sale agreement with Mineral Resources Limited (MRL, ASX: MIN) effective 1 July 2013 for iron ore produced at the Company's Spinifex Ridge Iron Ore Mine whereby the Company's wholly owned subsidiary Moly Metals Australia Pty Ltd (MMA) sold ore from the Spinifex Ridge Iron Ore Mine to MRL at the mine gate. MRL operated the mine from 1 July 2013 until late 2014 when the last iron ore was hauled from site. MRL has advised that 1,255,948 tonnes was transported from Spinifex Ridge during 2014.

In line with the mine gate sale agreement, the Company has taken control of the site and is undertaking rehabilitation activities, which will largely be complete in Quarter 1 2015. Infrastructure that may be useful in the future, either for processing stockpiled low grade iron ore or for the development of the Molybdenum / Copper Project, has been retained.

### Spinifex Ridge Molybdenum / Copper Project

Development of the Spinifex Ridge Molybdenum/Copper Project has been postponed as the Project's economics do not currently support the completion of full funding for the Project and a final investment decision.

# DIRECTORS' REPORT

## BUSINESS STRATEGIES AND PROSPECTS

In view of the Iron Ore Mine divestment and the unlikelihood that the Spinifex Ridge Molybdenum / Copper Project will become economically viable in the near future, the Company is continuing to search for suitable projects that meet the Company's goals and effectively utilise the Company's cash position. The Board has continued its focus on identifying and evaluating value opportunities against their costs and associated risks.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

All significant changes in the state of affairs of the Group during the year are discussed in detail above.

## DIVIDENDS

The Directors of Moly Mines have resolved not to recommend a dividend for the year ended 31 December 2014. No dividends were declared or paid during the year.

## SIGNIFICANT EVENTS AFTER THE REPORTING DATE

MRL advised Moly Mines that mining ceased in October 2014 and the last ore was hauled from the site in December 2014. As of 1 January 2015 Moly Mines has resumed responsibility for rehabilitation activities on site in line with the Iron Ore Sales and Purchase Agreement. These activities will be largely completed in Quarter 1 2015. Moly Mines will then look to place the site on care and maintenance to retain the value of assets located at site. Moly Mines and MRL are determining the final payment component of the Agreement based on final tonnes and grade of ore at site. This process is ongoing.

Other than as stated above, and as stated under the Operating and Financial Review and the Review of Operations and Project Development Activities sections, there has not arisen in the interval between the end of the reporting period and the date of this financial report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group, in future financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely future developments in the operations of the Group are referred to elsewhere in this financial report, other than as referred to elsewhere in this financial report and announcements to the ASX.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its exploration and development activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and complies with all environmental legislation. The Directors of the Group are not aware of any breach of environmental legislation for the period under review.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has made an agreement to indemnify all the Directors and Officers of the Company against all losses or liabilities incurred by each Director and Officer incurred in good faith in the ordinary course of business in their capacities as Directors and Officers of the Company. During or since the end of the reporting period, the Company has paid premiums in respect of a contract insuring all the Directors of Moly Mines legal costs incurred in defending proceedings for conduct involving:

- A wilful breach of duty.
- A contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

# DIRECTORS' REPORT

## ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest thousand (when rounding is applicable) under the option available to the Company under ASIC CO 98/0100. The Company is an entity to which the class order applies.

## NON-AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. Details of amounts paid or payable to the auditor for non-audit services provided during the year are outlined in Note 29 to the financial statements.

## AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the attached independence declaration from our auditors, Deloitte Touche Tohmatsu, which forms part of this report.

Signed in accordance with a resolution of the Directors.



Nelson Chen  
Chairman  
Perth  
27 March 2015

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2014**

		<b>Consolidated</b>	
		<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
		<b>A\$'000</b>	<b>A\$'000</b>
Note			
	Sales revenue – iron ore	20,004	65,095
3	Cost of sales	(21,047)	(57,812)
	Gross profit / (loss)	(1,043)	7,283
	Interest income	1,207	1,539
10	Royalty income	667	4,000
3	Foreign currency gains	2,430	2,012
20	Realised fair value movement on derivative financial instruments	88	2,244
	Expenses:		
3	Administrative expenses	(649)	(9,868)
	Hanlong Metals off-take termination fee and royalty	-	(4,000)
	Loss on sale of plant and equipment	(1)	(800)
10	Loss on sale of financial assets classified as available for sale	(12)	-
13	Impairment of development costs	(5,216)	(5,000)
9(b)	Impairment of non-current assets classified as held for sale	(6,140)	-
10	Impairment of financial assets classified as available for sale	(1,515)	(756)
	Impairment of receivables	(28)	-
12	Exploration (expenses) / refund received	(11)	21
3	Finance costs	(805)	(1,549)
	<b>Loss before income tax</b>	<b>(11,028)</b>	<b>(4,874)</b>
4	Income tax expense / (benefit)	-	-
	<b>Loss after income tax</b>	<b>(11,028)</b>	<b>(4,874)</b>
	<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
	<b>Total comprehensive loss for the period</b>	<b>(11,028)</b>	<b>(4,874)</b>
	Loss per share attributable to the ordinary equity holders of the Company:		
22	Basic and diluted loss per share (cents per share)	2.87	1.27

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying Notes.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Consolidated	
		31 Dec 2014 A\$'000	31 Dec 2013 A\$'000
<b>Current Assets</b>			
Cash and cash equivalents	5	70,413	76,057
Receivables	6	1,178	8,153
Prepayments	7	113	162
Inventories	8	109	-
		71,813	84,372
Non-current assets classified as held for sale	9	8,300	14,500
<b>Total Current Assets</b>		<b>80,113</b>	<b>98,872</b>
<b>Non-Current Assets</b>			
Financial assets classified as available for sale	10	1,376	396
Receivables	6	383	410
Plant and equipment	11	405	4,680
Mine property development	13	-	19,016
<b>Total Non-Current Assets</b>		<b>2,164</b>	<b>24,502</b>
<b>Total Assets</b>		<b>82,277</b>	<b>123,374</b>
<b>Current Liabilities</b>			
Trade and other payables	14	2,049	3,681
Deferred revenue	15	-	23,471
Provisions	16	2,739	4,578
<b>Total Current Liabilities</b>		<b>4,788</b>	<b>31,730</b>
<b>Non-Current Liabilities</b>			
Borrowings	17	12,601	11,550
Provisions	16	66	194
<b>Total Non-Current Liabilities</b>		<b>12,667</b>	<b>11,744</b>
<b>Total Liabilities</b>		<b>17,455</b>	<b>43,474</b>
<b>Net Assets</b>		<b>64,822</b>	<b>79,900</b>
<b>Equity</b>			
Contributed equity	18	402,673	402,673
Reserves	19	10,211	14,261
Accumulated losses		(348,062)	(337,034)
<b>Total Equity</b>		<b>64,822</b>	<b>79,900</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying Notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2014

	Contributed Equity	Accumulated Losses	Share Based Payments Reserve	Warrants Reserve	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
	(Note 18)		(Note 19)	(Note 19)	
<b>CONSOLIDATED</b>					
<b>At 1 January 2013</b>	402,673	(332,160)	4,571	9,390	84,474
Loss for the period	-	(4,874)	-	-	(4,874)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	(4,874)	-	-	(4,874)
Equity Transactions					
Options expensed over vesting period	-	-	300	-	300
<b>At 31 December 2013</b>	<b>402,673</b>	<b>(337,034)</b>	<b>4,871</b>	<b>9,390</b>	<b>79,900</b>
<b>At 1 January 2014</b>	402,673	(337,034)	4,871	9,390	79,900
Loss for the period	-	(11,028)	-	-	(11,028)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	(11,028)	-	-	(11,028)
Equity Transactions					
Recognition of share-based payments (refer to Note 28)	-	-	(4,050)	-	(4,050)
<b>At 31 December 2014</b>	<b>402,673</b>	<b>(348,062)</b>	<b>821</b>	<b>9,390</b>	<b>64,822</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying Notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2014

		<b>Consolidated</b>	
		<b>31 Dec</b>	<b>31 Dec</b>
		<b>2014</b>	<b>2013</b>
Note		<b>A\$'000</b>	<b>A\$'000</b>
<b>Cash flows from operating activities</b>			
	Receipts from customers	-	99,396
	Payments to suppliers and employees	(10,201)	(68,591)
	Interest received	1,364	1,270
	Interest paid	(889)	(1,579)
	<b>Net cash flows (used in) / from operating activities</b>	<b>(9,726)</b>	<b>30,496</b>
	<b>Cash flows from investing activities</b>		
	Proceeds from security deposits	4,464	2,646
	Payments for security deposits	(4,433)	-
	Payments for mine property development activities	(793)	-
	Deferred proceeds from disposal of subsidiary	1,000	1,000
	Payments for plant and equipment	(19)	(98)
	Proceeds from disposal of plant and equipment	69	64
	Proceeds from sale of financial assets classified as available for sale	160	-
	<b>Net cash flows from investing activities</b>	<b>448</b>	<b>3,612</b>
	<b>Cash flows from financing activities</b>		
	Repayment of borrowings	-	(5,492)
	Refund for / (payment of) borrowing costs	-	415
	Proceeds from derivative financial instrument	88	2,796
	Payment for derivative financial instrument	-	(552)
	Finance lease principal repaid	-	(115)
	<b>Net cash flows from / (used in) financing activities</b>	<b>88</b>	<b>(2,948)</b>
	Net increase / (decrease) in cash and cash equivalents	(9,190)	31,160
	Net foreign exchange difference	3,546	3,782
	Cash and cash equivalents at beginning of the period	76,057	41,115
	<b>Cash and cash equivalents at end of the period</b>	<b>70,413</b>	<b>76,057</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying Notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

## 1. CORPORATE INFORMATION

The financial report of Moly Mines Limited (“Moly Mines” or the “Company”) and its subsidiaries (the “Group”) for the year ended 31 December 2014 was authorised for issue in accordance with a resolution of the Directors on 26 March 2015.

Moly Mines is a Company limited by shares incorporated and domiciled in Australia. The ultimate Australian parent of Moly Mines is Hanlong, which owns 53.8% of the issued share capital. The ultimate parent of Hanlong is Sichuan Hanlong Group, a private company incorporated in China.

The nature of the operations and principal activities of Moly Mines is mining, exploration and development of mineral resources.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis except for available-for-sale investments, held-for-trading investments and derivative financial instruments, which have been measured at fair value. Non-current assets classified as held for sale have been measured at the lower of historical cost and fair value less costs to sell.

The financial report is presented in Australian dollars. All values are rounded to the nearest thousand dollars (\$'000) unless stated under the option available to the Company under ASIC CO 98/0100. The Company is an entity to which that class order applies.

### Compliance Statement

These financial statements are general purposes financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards (“IFRS”).

### New Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

*(i) Changes in accounting policy and disclosures*

The Group has adopted the following new and amended Australian Accounting Standards and Interpretations as of 1 January 2014:

- AASB 1031 Materiality
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]

As a result of this amendment, the current year individual key management personnel disclosure previously required by AASB 124 is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]
- AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Parts A and B)
- Interpretation 21 Levies

Except as noted, the adoption of these Standards and Interpretations did not have a significant impact on the amounts reported in these financial statements or disclosures.

*(ii) Accounting Standards and Interpretations issued but not yet effective*

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the year ended 31 December 2014. These are outlined the following table.

Reference	Title	Summary of change	Application date of standard	Application date for Group
AASB 9 and relevant amending standards	Financial Instruments	<p>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139.</p> <p>The main changes are described below.</p> <p>(a) Financial assets that are debt instruments will be classified based on:</p> <p>(2) The objective of the entity's business model for managing the financial assets;</p> <p>(3) The characteristics of the contractual cash flows.</p> <p>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <p>➤ The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</p> <p>➤ The remaining change is presented in profit or loss.</p>	1 January 2018	1 January 2018

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

Reference	Title	Summary of change	Application date of standard	Application date for Group
AASB 9 and relevant amending standards (continued)	Financial Instruments (continued)	<p>AASB9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer required in profit or loss.</p> <p>The impact of this standard will depend on the Group's financial assets and liabilities at the time of application.</p>	1 January 2018	1 January 2018
AASB 2014-1	<p>Amendments to Australian Accounting Standards</p> <p>Part A: Annual Improvements to IFRS 2010-2012 and 2011-2013 Cycles</p> <p>Part B: Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)</p> <p>Part C: Materiality</p>	<p>Amendments to various AASBs include:</p> <ul style="list-style-type: none"> <li>➤ AASB 2: clarifies the definition of 'vesting conditions' and 'market conditions' and introduces the definition of 'performance condition' and 'service condition'.</li> <li>➤ AASB 3: clarifies the classification requirements for contingent consideration in a business combination.</li> <li>➤ AASB 3: requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated.</li> <li>➤ AASB 116 and 138: clarifies that accumulated depreciation for a revalued asset is calculated as the difference between the gross and net carrying amounts after taking into account accumulated impairment losses.</li> <li>➤ AASB 124: defines a management entity providing KMP services as a related party of the reporting entity.</li> <li>➤ AASB 119: clarify how an entity should account for contributions made by employees or third parties to defined benefit plans.</li> </ul>	1 July 2014	1 January 2015
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Interests in Joint Operations [AASB 1 and 11]	<p>Amends AASB 11 to provide guidance on accounting for the acquisition of an interest in a joint operation that constitute a business. The amendments state that the relevant principles of accounting for business combinations under AASB 3 should be applied and the acquirer is required to disclose the information required by AASB 3.</p> <p>The amendment may affect the Group if it acquires relevant interests in joint operations.</p>	1 January 2016	1 January 2016
AASB 2014-4	Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation [AASB 116 and 138]	The amendments prohibit entities from using revenue-based depreciation methods and introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can be rebutted in limited circumstances.	1 January 2016	1 January 2016

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

Reference	Title	Summary of change	Application date of standard	Application date for Group
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	The amendments allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1 January 2016	1 January 2016
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between and Investor and its Associates or Joint Venture	<p>The amendments require full gain or loss to be recognised when a transaction involves a business, whether it is housed in a subsidiary or not, and partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if those assets are housed in a subsidiary.</p> <p>The amendment may affect the Group if it acquires relevant interests.</p>	1 January 2016	1 January 2016
AASB 15 and AASB 2014-5	Revenue from Contracts with Customers	<p>AASB 15 will supersede the current revenue recognition guidance in IAS 18 <i>Revenue</i>, IAS 11 <i>Construction Contracts</i> and related Interpretations.</p> <p>The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces a 5-step approach to revenue recognition:</p> <p>Step 1: Identify the contract(s) with the customer.  Step 2: Identify the performance obligations in the contract.  Step 3: Determine the transaction price.  Step 4: Allocate the transaction price to the performance obligations in the contract.  Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.</p> <p>The application of AASB 15 may have a material impact on the amounts reported and disclosures made in the Group's financial statements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.</p>	1 January 2017	1 January 2017

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

Reference	Title	Summary of change	Application date of standard	Application date for Group
AASB 14	Regulatory Deferral Accounts	Permits an entity to continue to account for regulatory deferral account balances in its financial statements in accordance with its previous GAAP when it adopts Australian Accounting Standards.  This standard is not applicable to the Group as it is not a first-time adopter of Australian Accounting Standards.	1 January 2016	1 January 2016
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	Amendments to various AASBs include clarification of: <ul style="list-style-type: none"> <li>➤ Changes in methods of disposal</li> <li>➤ Servicing contracts</li> <li>➤ Disclosure of information elsewhere in the interim financial report.</li> </ul>	1 July 2016	1 January 2017
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	Amendments to various AASBs in respect of disclosure	1 January 2016	1 January 2016



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

### Basis of Consolidation

The consolidated financial statements comprise the financial statements of Moly Mines Limited (the parent entity) and its subsidiaries at the reporting date (the "Group").

Subsidiaries are fully consolidated from the date the Group obtains control until such time as control ceases. An investor controls an investee when:

- i) it has power over an investee;
- ii) it is exposed, or has rights, to variable returns from its involvement with the investee; and
- iii) has the ability to use its power to affect its returns.

All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses arising from intra-group transactions are eliminated in full.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

Investments in subsidiaries are detailed in Note 26.

### Significant accounting judgments, estimates and assumptions

#### (i) Significant accounting judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have a significant effect on the amounts recognised in the financial statements:

##### Determination of mineral resources and ore reserves

The determination of reserves affects the accounting for asset carrying values, depreciation and amortisation rates, deferred stripping costs and provisions for decommissioning and restoration. Moly Mines estimates its mineral resources and ore reserves in accordance with the Group Policy for the Reporting of Mineral Resources and Ore Reserves. This policy requires that the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 (the 'JORC code') be used as a minimum standard. The information on mineral resources and ore reserves were prepared by or under the supervision of Competent Persons as defined in the JORC code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

#### (ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

### (a) Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations), changes to commodity prices, and changes to US Dollar / Australian dollar exchange rates.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

### (b) Impairment of capitalised mine property development expenditure

The future recoverability of capitalised mine property development expenditure is dependent on a number of factors, including the level of proved, probable and inferred mineral resources, future technological changes that could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised mine property development expenditure is determined not to be recoverable in the future profits and net assets will be reduced in the period in which this determination is made. Key assumptions used to determine impairment are disclosed in Note 13.

### (c) Impairment of plant and equipment and assets held for sale

Plant and equipment, including assets held for sale, is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

In determining value in use, future cash flows are based on:

- estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices; and
- future cash costs of production.

Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which could in turn impact future financial results. Key assumptions used to determine impairment are disclosed in Notes 9 and 13.

### (d) Provisions for decommissioning and restoration costs

Decommissioning and restoration costs are a normal consequence of mining, and the majority of this expenditure is incurred at the end of a mine's life. In determining an appropriate level of provision consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), and the estimated future level of inflation.

The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

### (e) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model using the assumptions disclosed in Note 28. The accounting estimates and assumptions relating to equity settled share-based payments used would have no impact on the changing amount of assets and liabilities within the next reporting period but may impact expenses and equity.

### Foreign Currency Translation

#### (i) Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). Both the functional and presentation currency of Moly Mines and its Australian subsidiaries is Australian dollars (\$).

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Nonmonetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

### **Borrowing costs**

Borrowing costs are recognised as an expense when incurred, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised as part of the cost of those assets.

### **Cash and cash equivalents**

Cash and short term deposits in the statement of financial position comprise of cash at bank and in hand and short term deposits with an original maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash includes cash at bank and in hand as defined above, net of outstanding bank overdrafts.

### **Trade and other receivables**

Trade and other receivables, which generally have 30 to 90 day terms, are recognised initially at fair value, which is generally the original invoice amount, and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade and other receivables are reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

### **Inventories**

Finished goods and stockpiles of unprocessed ore are valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate portion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to stockpiles on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Consumables have been valued at cost less an appropriate provision for obsolescence. Cost is determined on a first-in, first-out basis.

### **Non-current assets and disposal groups held for sale and discontinued operations**

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

### **Investments and other financial assets**

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

### Initial recognition and measurement

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

### Subsequent measurement

- (i) Financial assets at fair value through profit and loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit and loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

- (ii) Loan and receivables

Loans and receivable including loan notes and loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after reporting date, which are classified as non-current.

- (iii) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets, principally equity securities, which are designated as available-for-sale or are not classified as either of the preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis; and option pricing models, making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

### Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. The cost of each item of plant and equipment is written off over its expected economic life, adjusted for any salvage value if applicable. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

Depreciation is provided on a straight-line basis on all plant and equipment. Major depreciation periods are:

	Dec 2014	Dec 2013
Plant and equipment	2-4 years	2-4 years
Motor vehicles	5 years	5 years

### Disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss in the period the asset is derecognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

### Impairment

Plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

### Leases

Leases are classified at their inception as either operating leases or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Leases that effectively transfer all risks and benefits incidental to ownership of the leased property are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and recognised directly in profit and loss.

Operating lease payments are recognised as an expense in profit and loss on a straight line basis over the lease term. Lease incentives are recognised as liability when received and subsequently reduced by allocating lease payments between rental expenses and reduction of the liability.

### Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest. Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration expenditure for each area of interest is written off as incurred, except that it may be carried forward provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration activities in the area of interest have not, at reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Exploration expenditure which no longer satisfies the above policy is written off. In addition, an impairment allowance is raised against exploration expenditure where the Directors are of the opinion that the carried forward net cost may not be recoverable under the above policy. The increase in the allowance account is recognised in profit and loss for the period.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off in the period in which the decision to abandon is made, firstly against any existing allowance account for that expenditure, with any remaining balance recognised in profit and loss for the period.

Expenditure is not carried forward in respect of any area of interest unless the Group's right of tenure to that area of interest is current. Amortisation is not charged on areas under development, pending commencement of production.

Exploration and evaluation expenditure will commence to amortise by using unit-of-production method after the individual geological area commences production.

### Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in profit and loss.

### **Mine property development expenditure**

Mine property development expenditure represents the costs incurred in preparing mines for production and includes stripping and waste removal costs incurred before production commences.

Depreciation of mine property development expenditure will commence using the unit-of-production method after the individual geological area commences production.

### **The definition of an area of interest**

Mine property development expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

### **Impairment**

The carrying value of capitalised mine property development expenditure is assessed for impairment whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

The recoverable amount of capitalised mine property development expenditure is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in profit or loss.

### **Provision for restoration, rehabilitation and environmental expenditure**

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Furthermore, gains from the expected disposal of assets are not taken into account in measuring a provision.

Any adjustments to the provision as a result of the unwinding of the discount are recognised as an interest expense and not as a movement in the restoration provision expense.

Changes to the estimated liability, including changes as a result of changes to discount rates are added to or subtracted from the cost of the asset in the current period. The carrying value of the asset may not, however, be reduced below zero. Any excess is therefore taken to profit and loss.

### **Trade and other payables**

Trade payables and other payables are carried at amortised cost and due to their short-term nature are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

### Interest-bearing liabilities

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses are recognised in profit and loss when the liabilities are derecognised.

### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit and loss net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. The increase in the provisions resulting from the passage of time is recognised as a finance cost.

### Employee entitlements

Provision is made for employee entitlements accumulated as a result of employees rendering services up to the reporting date. These entitlements include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits due to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liabilities, are used.

### Share-based payment transactions

The Company from time to time provides benefits to employees (including Directors) of the Company in the form of share-based payment transactions whereby employees render services in exchange for shares or rights over shares ("share-based payments" or "equity settled transactions").

There is currently an Employee Incentive Option Scheme in place to provide these benefits to employees.

The cost of these equity settled transaction with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model, details of which are given in Note 28.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at reporting date.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

No adjustment is made for the likelihood of market conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The profit or loss charge or credit for the period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the total fair value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of the outstanding options is reflected as additional share dilution in the computation of earnings/loss per share (see Note 22).

### **Contributed equity**

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction net of tax of the share proceeds received.

### **Revenue recognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### **Sale of goods**

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer. Revenue recognised is subject to minor adjustments based on final assay results.

#### **Interest revenue**

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### **Taxes**

#### **(i) Income Tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

### Tax consolidation legislation

Moly Mines and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 25 March 2004.

### (ii) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

### Earnings per share

#### (i) Basic Earnings per Share

Basic earnings per share is determined by dividing the profit / (loss) from ordinary activities after related income tax expense by the weighted average number of ordinary shares outstanding during the period, adjusted for any bonus element.

#### (ii) Diluted Earnings per Share

Diluted earnings per share is calculated as net profit / (loss) attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

### Derivative financial instruments

The Group uses iron ore contracts to hedge its risk associated with iron ore price fluctuations. Such derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to fair value.

Any gains or losses arising from changes in the fair value of derivatives, except those that qualify as cash flow hedges, are taken directly to net profit or loss for the period.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

### Hanlong investment in Moly Mines

Pursuant to the Subscription Agreement dated 19 October 2009 (as amended) between Moly Mines and Hanlong which settled on 23 April 2010, Hanlong:

- Subscribed to 207,135,646 shares in Moly Mines for US\$140 million – being A\$0.747 per share (“Share Subscription Price”).
- Provided Moly Mines with an interest bearing US\$60 million 10 year project loan (“Hanlong Loan”), secured by fixed and floating charges over the assets of Moly Mines.
- Agreed to arrange debt financing for up to US\$500 million for the development and construction of the Spinifex Ridge Molybdenum / Copper Project by 30 September 2010 (“Project Finance Loan Facility”).
- Were issued 35.5 million unlisted Project Finance Options exercisable at C\$1.00 per share maturing 3 years from the date of issue.
- Is required to provide parent company or related body corporate guarantees as required by the proposed financiers to the Project Finance Loan Facility.

If Hanlong was not able to fully procure the Project Finance Loan Facility such that the facility documents were not fully executed by 30 September 2010, then:

- The effective Share Subscription Price was to be increased to A\$1.00 per share by forgiving that much of the Hanlong Loan required to achieve this subscription price based on the US\$:A\$ exchange rate at 30 June 2010 (being US\$44.7 million, equivalent to A\$52.4 million) (Loan Forgiveness); and requiring repayment of the balance of the Hanlong Loan immediately (being US\$15.3 million).
- The Project Finance Options would lapse immediately.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Hanlong was unable to meet its obligations by 30 September 2010 and accordingly the Project Finance Options lapsed. On 22 September 2010 Moly Mines and Hanlong agreed to extend this deadline to 31 January 2011 and to grant a new set of 35.5 million Project Finance Options. These options were approved by shareholders and issued on 24 November 2010.

Hanlong advised Moly Mines in December 2010 that it would be unlikely to meet its Subscription Agreement obligations by 31 January 2011. Accordingly on 31 January 2011 the later set of Project Finance Options expired. During January 2011 the Company's non-Hanlong Directors met with senior executives of the Hanlong Group to seek a resolution to the financing delays.

Moly Mines and Hanlong subsequently agreed to a further extension through to 31 December 2011. Interest owing on the amount of the Hanlong Loan that would otherwise have been forgiven at 31 January 2011 (approximately US\$44.7 million) has been suspended until the earlier of satisfaction of conditions precedent to drawdown for the Project Finance Loan Facility and 31 December 2011. A further set of 35.5 million Project Finance Options were issued in May 2011, which would only vest upon satisfaction or waiver of conditions precedent to drawdown under the Project Finance Loan Facility occurring by 31 December 2011. As these conditions were not met, the options expired on 31 December 2011.

In December 2011, the Company announced its decision not to proceed with the development of the Spinifex Ridge Molybdenum / Copper Project. The non-Hanlong Directors of Moly Mines agreed to restructure the terms and extend the period in which Hanlong has to provide Moly Mines with the benefits originally contemplated under the Subscription Agreement. Hanlong's ability to reduce the Loan Forgiveness has been extended until the expiry of the Shareholder Loan, namely April 2020.

On each occasion in the future that Moly Mines makes a final investment decision for a new project that is financed with debt facilities supported by Hanlong guarantees and security, the amount of the Loan Forgiveness will be reduced (and 10% interest will accrue from that point forward) on a pro rata basis by comparing the debt made available to the US\$500 million of financing required under the Subscription Agreement. Interest will not be payable by Moly Mines on the Loan Forgiveness.

In the 31 December 2010 financial statements, included in other assets was a prepayment of \$52.4 million (US\$44.7 million) reflecting the portion of the Hanlong Loan that might be forgiven on 31 December 2011 if the conditions described above are not met. The prepayment represented the future value of the service which Hanlong is providing for procuring the Project Finance Loan Facility. At 31 December 2011 this asset was written off and the Hanlong Loan was reduced from US\$60 million to US\$15.3 million.

On 6 December 2012 a variation to the Hanlong Loan was signed and a prepayment of US\$5 million was prepaid against the loan reducing the loan balance down to US\$10.3 million. In addition the loan interest rate was reduced down to 7% from 10%.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

	<b>Consolidated</b>	
	31 Dec <b>2014</b> A\$'000	31 Dec <b>2013</b> A\$'000
<b>3. OTHER INCOME AND EXPENSES</b>		
<b>Cost of Sales</b>		
Cost of production	811	33,489
Shipping and marketing	-	6,087
Royalty expense	1,420	4,136
Depreciation and amortisation	18,816	14,100
	21,047	57,812
<b>Net Foreign Currency Gains/(Losses)</b>		
Realised foreign currency gains/(losses)	3,474	4,158
Unrealised foreign currency gains /(losses)	(1,044)	(2,146)
	2,430	2,012
<b>Administrative Expenses</b>		
Salaries and wages	1,337	2,904
Directors' fees	502	503
Defined contribution superannuation expense	104	239
Share-based payment expense	(4,050)	300
Other employee benefits expense	190	623
	(1,917)	4,569
Operating lease expense	456	478
Depreciation and amortisation	43	73
Other administrative expenses	2,067	4,748
	649	9,868
<b>Finance costs</b>		
Interest expense	805	1,549
	805	1,549

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

	<b>Consolidated</b>	
	31 Dec <b>2014</b> A\$'000	31 Dec <b>2013</b> A\$'000
<b>4. INCOME TAX</b>		
The major components of income tax expense are:		
<b>Statement of comprehensive income</b>		
<b>Current Income Tax</b>		
Current income tax charge / (benefit)	-	-
<b>Deferred Income Tax</b>		
Relating to origination and reversal of timing differences	-	-
	-	-
	-	-
Amounts Charged Or Credited Directly To Equity	-	-
A reconciliation between income tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting loss before income tax	(11,028)	(4,874)
At the Group's statutory income tax rate of 30% (Dec 2013: 30%)	(3,308)	(1,462)
Meal entertainment	1	8
Share-based payments	(1,215)	90
Foreign office expenses	49	75
Other non-deductible expenses	98	311
Unrecognised tax losses	3,775	978
Income tax (benefit) / expense	-	-
<b>Deferred Tax Balances</b>		
<b>Deferred Tax Liabilities</b>		
Foreign exchange	(1,010)	(85)
Loans	(13,986)	(14,301)
Other	(82)	(90)
Deferred tax asset offset against deferred tax liability	15,078	14,476
	-	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

	<b>Consolidated</b>	
	31 Dec <b>2014</b> A\$'000	31 Dec <b>2013</b> A\$'000
<b><i>Deferred Tax Assets</i></b>		
Mine development	32,891	30,088
Impairment of assets held for sale	15,011	13,440
Impairment of financial assets	1,042	1,033
Provisions	841	1,432
Other	197	480
Tax losses	48,701	49,929
	<b>98,683</b>	<b>96,402</b>
Deferred tax asset offset against deferred tax liability	(15,078)	(14,476)
Deferred tax asset not recognised	(83,605)	(81,926)
	<b>-</b>	<b>-</b>

The deferred tax assets will only be obtained if:

- (i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

### **5. CASH AND CASH EQUIVALENTS**

Cash at bank and in hand	48,311	9,293
Short term deposits	22,102	66,764
	<b>70,413</b>	<b>76,057</b>

Bank bills and other money market investments are typically held for 30 to 90 days and earn interest at the prevailing rates.

The Group obtains assistance from an independent financial risk management firm to assist with the investment of its bank bills and other money market investments. The Group has an investment policy that is strictly adhered to by the firm when providing guidance on money market investments to purchase. The Group does not have any exposure to asset-backed commercial paper.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

### Consolidated

31 Dec 2014 A\$'000	31 Dec 2013 A\$'000
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### 6. RECEIVABLES

#### Current

Trade receivables	738	4,205
Royalty receivable (refer to Note 10)	-	3,000
Fuel tax credit receivable	-	400
Security deposits (a)(i)	189	189
GST receivables (a)(ii)	93	52
Other receivables (a)(ii)	-	17
Interest receivable (a)(ii)	158	290
	<b>1,178</b>	<b>8,153</b>

#### Non-current

Security deposits (a)(i)	383	410
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#### (a) Terms and conditions

Terms and conditions relating to the above financial instruments

- (i) Security deposits are interest bearing with interest maturing between 30 and 90 days. They are applied as a security for government bonds on Company tenements and other miscellaneous minor bank guarantees. Their carrying value approximates their fair value.
- (ii) These receivables are non-interest bearing and generally on 30 day terms. Due to the short-term return, their carrying value approximates their fair value.

#### (b) Credit risk

The carrying value of the receivables approximates their fair value. The maximum exposure of credit risk at the reporting date is the higher of the carrying value and fair value of each class of receivables. No collateral is held as security.

### 7. PREPAYMENTS

#### Current

Prepayments – general	113	162
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### 8. INVENTORIES

Consumables	109	-
	<b>109</b>	<b>-</b>

Inventories are valued at the lower of cost or net realisable value.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

Consolidated	
31 Dec 2014 A\$'000	31 Dec 2013 A\$'000

### 9. NON-CURRENT ASSETS HELD FOR SALE

#### (a) Details of assets held for sale

The Group has certain long-lead plant and equipment held for sale due to it being in excess to expected future development requirements. The non-current assets held for sale are as follows:

Plant and equipment	8,300	14,500
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#### (b) Movements in the carrying amount of assets held for sale

Carrying amount at beginning of the period	14,500	14,500
Disposals	(60)	-
Impairment (a)	(6,140)	-
Carrying amount at end of the period (b)	8,300	14,500

(a) Impairment of \$140,000 was recognised on assets sold during 2014. A further impairment of \$6m was recognised to reflect a reduction in the market value of the 2, 14 MW Polysius 7.3 x 12.5M ball mills

(b) Minasco Australia Pty Ltd has been appointed to sell this plant and equipment. Promotion of the sale commenced on 1 September 2009. The remaining plant and equipment is expected to sell during the 2015 calendar year.

The plant and equipment held for sale at 31 December 2014 includes:

- 14 MW Polysius 7.3 x 12.5M ball mills (2); and
- other ancillary equipment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

Consolidated	
31 Dec 2014 A\$'000	31 Dec 2013 A\$'000

### 10. NON-CURRENT ASSETS – FINANCIAL ASSETS CLASSIFIED AS AVAILABLE FOR SALE

Listed shares – Unity Mining Limited	1,376	396
<b>Movements in the carrying amount</b>		
Carrying amount at beginning of the period	396	1,152
Value of shares received	2,667	-
Carrying value of shares sold	(172)	-
Impairment of financial assets classified as available for sale	(1,515)	(756)
Carrying amount at end of the period	1,376	396

The fair value of financial assets classified as available for sale has been determined directly by reference to published price quotations in an active market.

Unity Mining Limited (UML) was created from the 2013 merger of two ASX-listed companies, Unity Mining Limited (UML) and Cortona Resources Ltd (CRL). The Company formerly held shares in CRL and received 0.734 UML shares for every CRL share held.

An A\$4 million royalty from UML in relation to the sale by the Company to CRL in 2007 of its NSW gold assets became unconditional when a decision to mine was made on the Dargues Reef Gold Project. A\$1 million was received in July 2013. Payment was due to be made by 30 November 2013 by UML electing to pay a further A\$3 million in cash or A\$4 million in Unity Mining shares. UML defaulted on this agreement, and under a revised agreement paid A\$1 million cash on 17 February 2014 and A\$2,666,667 in Unity Mining shares in staged issues during the half-year. A\$3m of the cash and share proceeds received during the half-year were recognised as royalty income in the year ended 31 December 2013, resulting in the balance of A\$666,667 being recognised as royalty income in the year ended 31 December 2014.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

Consolidated	
31 Dec 2014 A\$'000	31 Dec 2013 A\$'000

### 11. PLANT AND EQUIPMENT

#### Plant and equipment

- at cost

- accumulated depreciation

**Total plant and equipment**

12,702	12,720
(12,297)	(8,040)
405	4,680

**Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current and previous reporting periods**

#### Plant and Equipment

Carrying amount at beginning of the period

Additions

Disposals

Depreciation expense

Carrying amount at end of the period

4,680	7,579
20	87
(16)	(325)
(4,279)	(2,661)
405	4,680

### 12. EXPLORATION AND EVALUATION

Carrying amount at beginning of the period

Expenditure incurred / (refunded)

(Expenditure written off) / refunds credited to profit or loss

Carrying amount at end of the period

-	-
11	(13)
(11)	13
-	-

The exploration expenditure written off noted above was written off in accordance with the Group policy described in Note 2.

During the year ended 31 December 2013, refunds of \$7,600 related to tenement generation were received. The total exploration expenditure refunded for the year ended 31 December 2013 was \$21,003.

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

	<b>Consolidated</b>	
	31 Dec <b>2014</b> A\$'000	31 Dec <b>2013</b> A\$'000
<b>13. MINE PROPERTY DEVELOPMENT</b>		
Carrying amount at beginning of the period	19,016	31,309
Expenditure incurred	779	111
Additions to rehabilitation asset	-	2
Movement in deferred waste	-	4,101
Amortisation	(14,579)	(11,507)
Impairment	(5,216)	(5,000)
Carrying amount at end of the period	-	19,016
Spinifex Ridge Molybdenum / Copper Project	-	-
Spinifex Ridge Iron Ore Mine	-	19,016

### Impairment Test

#### Carrying amount

The carrying amount of mine property development related to the Group's Spinifex Ridge Iron Ore Project, has been assessed as follows:

	Mine Development A\$'000	Plant & Equipment A\$'000	Total A\$'000
Opening balance	19,016	-	-
Expenditure incurred	779	-	-
Amortisation	(14,579)	-	-
Impairment	(5,216)	-	-
Closing balance	-	-	-

In assessing the carrying value of the Project the Company has taken into account a number of considerations including:

- The completion of mining by MRL under the Iron Ore Sales and Purchase Agreement, in October 2014.
- The current market conditions for Iron Ore.
- There remains approximately 335,000t of low-grade (53%) Iron Ore stockpiles and 250,000t at 59.33%, unmined underground, Iron Ore material at the Spinifex Ridge Iron Ore Project, however, no economic study has been undertaken to assess the value of that material.

As a result the Company has decided to further impair the Project value down by \$5.216 million to Nil.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

	Consolidated	
	31 Dec 2014 A\$'000	31 Dec 2013 A\$'000
<b>14. TRADE AND OTHER PAYABLES</b>		
Trade and other payables	161	28
Accruals	1,454	1,206
Off-take termination royalty payable to Hanlong Metals	434	2,447
	2,049	3,681

Trade and other payables are non-interest bearing and generally settled on 30 day terms. Due to their short-term nature, their carrying amount is assumed to approximate their fair value.

### 15. DEFERRED REVENUE

#### Current

Deferred revenue – forward sale of iron ore	-	23,471
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Deferred revenue related to the iron ore mine gate sale to MRL and reflected forecast annual production at the contracted rate per tonne which has been prepaid by MRL to the Company. All mining is complete as at 31 December 2014.

### 16. PROVISIONS

#### Current

Annual leave	85	94
Rehabilitation – exploration drilling	504	504
Rehabilitation – Spinifex Ridge Iron Ore Project	2,150	3,980
	2,739	4,578

#### Non-current

Long service leave	66	194
	66	194

#### Movement in the Spinifex Ridge provision for rehabilitation

Carrying amount at beginning	3,980	3,978
Additions	-	2
Utilisation	(1,830)	-
	2,150	3,980

Rehabilitation provisions are estimated based on survey data, external contracted rates and the timing of the current mining schedule. Provisions are discounted based on rates that reflect current market assessments and the risks specific to that liability. Rehabilitation provisions are subject to inherent uncertainty in both timing and amount and as a result are continuously monitored and revised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

Consolidated	
31 Dec 2014 A\$'000	31 Dec 2013 A\$'000

### 17. BORROWINGS

#### Non-Current

Loan - Hanlong (i)

12,601	11,550
12,601	11,550

(i) Refer Note 2 – Hanlong investment in Moly Mines for further details.

#### Interest Rate, Foreign Exchange and Liquidity Risk

The Company does not have any exposure to variable interest rate risk on its borrowings as all interest rates have been fixed on borrowings.

#### Carrying Value

Borrowings are held at amortised cost.

### 18. CONTRIBUTED EQUITY

Issued and paid up capital

402,673	402,673
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Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

#### Movements in shares on issue:

Balance at 1 January 2013

Balance at 31 December 2013

Balance at 31 December 2014

	Number of shares	A\$'000
	384,893,989	402,673
	384,893,989	402,673
	384,893,989	402,673

#### Share options

6,833,320 options were outstanding over unissued shares in the Company as at 31 December 2014 (Dec 2013: 7,533,322). No options were exercised during the period (Dec 2013: nil). 700,002 options expired or were cancelled during the period (Dec 2013: 2,983,341). Details of options are provided in Note 28.

#### Warrants

At 31 December 2014, there were 4,832,157 (Dec 2013: 4,832,157) warrants on issue. No warrants were exercised during the period (Dec 2013: nil). No warrants expired during the period (Dec 2013: nil). Details of the warrants on issue are:

Grant Date	15 February 2010
Expiry Date	15 February 2020
Exercise Price	A\$0.0001
Number	4,832,157

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

### 19. RESERVES

#### Nature and purpose of reserves

##### Share based payments reserve

This reserve is used to record the value of share based payment benefits provided to employees and Directors as part of their remuneration.

##### Warrants reserve

This reserve is used to record the fair value of warrants issued.

### 20. DERIVATIVE FINANCIAL INSTRUMENTS

During the year ended 31 December 2014, the Company entered into funds investment arrangements with a major global financial institution. These arrangements were entered into and closed out during the year to take advantage of favourable currency movements and resulted in a gain of \$88,000.

### 21. KEY MANAGEMENT PERSONNEL COMPENSATION

Short-term employee benefits

Long-term employee benefits

Post-employment benefits

Share-based payments

Termination benefits

	Consolidated	
	31 Dec 2014 A\$	31 Dec 2013 A\$
	1,122,415	2,132,852
	25,007	55,556
	82,602	124,328
	21,644	109,244
	457,099	723,594
	<u>1,708,767</u>	<u>3,145,574</u>

### 22. EARNINGS / (LOSS) PER SHARE

The following reflects the income and share data used in the calculation of basic and diluted earnings / (loss) per share

*Profit / (loss) used in calculating basic and diluted earnings / (loss) per share*

Loss attributable to ordinary equity holders of the parent

	(11,028)	(4,874)
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Weighted average number of ordinary shares used in calculating basic loss per share

Share options considered dilutive

Weighted average number of ordinary shares used in calculating the diluted loss per share

	Number of Shares	Number of Shares
	384,893,989	384,893,989
	-	-
	<u>384,893,989</u>	<u>384,893,989</u>

At 31 December 2014, 6,833,320 share options (Dec 2013: 7,533,322) and 4,832,157 warrants (Dec 2013: 4,832,157) were not considered dilutive as the conversion of the options and warrants to ordinary shares will result in a decrease in the net loss per share.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

Consolidated	
31 Dec 2014 A\$'000	31 Dec 2013 A\$'000

### 23. COMMITMENTS & CONTINGENCIES

#### (a) Mineral tenement leases

Within 1 year	282	342
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Under the terms and conditions of the Group's title to its various mining tenements, it has an obligation to meet rentals and minimum levels of exploration expenditure per annum as gazetted by the Department of Industry and Resources of Western Australia, as well as local government rates and taxes.

#### (b) Lease commitments

##### Operating leases

Not later than 1 year	458	306
Later than 1 year and not later than 5 years	721	816
	1,179	1,122

#### (c) Shareholder loan reinstatement

To the extent that Moly Mines makes a final investment decision for a new project that is financed with debt facilities supported by Hanlong guarantees and security, the Shareholder Loan (Loan) of US\$15.3 million (refer Note 2) will be increased by a maximum amount of US\$44.7 million on a pro rata basis by comparing the debt made available to the US\$500 million of financing required under the Subscription Agreement. Interest will not be payable by Moly Mines on the portion of the Loan not reinstated.

#### (d) Hanlong Finance Fee

At the Company's Annual General Meeting held in May 2012, shareholders approved a variation to the Subscription Agreement between Moly Mines and Hanlong Mining Investment Pty Ltd (Hanlong) signed in October 2009 as subsequently amended (Subscription Agreement). The variation restructures the terms and extends the period in which Hanlong has to provide Moly Mines with the benefits originally contemplated under the Subscription Agreement.

On each occasion in the future before 22 April 2020 that Moly Mines makes a final investment decision for a new project that is financed with debt facilities supported by Hanlong guarantees and security, a finance fee of up to US\$44.7 million will become payable to Hanlong on 22 April 2020 with interest accruing at 10.0 per cent per annum from the date the facilities were arranged, matching the original commitments under the Subscription Agreement. The US\$45 million finance fee will be incurred on a pro-rata basis by comparing the debt made available to the US\$500 million of financing required under the Subscription Agreement.

#### (e) Spinifex Ridge Iron Ore Mine

Following cessation of mining in October 2014 Moly Mines and MRL are in the process of determining the final payment component of the Agreement based on final tonnes and grade of ore at site. Both Moly and MRL have exchanged correspondence on the determination of this final payment component and this process is ongoing with resolution expected in calendar year 2015. Moly considers the matter of determining the final payment component is dealt with under the terms of the Agreement. Moly considers the probability of any material financial outflow from the Group is unlikely.

The Directors are not aware of any other circumstance or information which leads them to believe there are any material contingent liabilities outstanding or likely to be outstanding as at 31 December 2014 or 31 December 2013.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

	Consolidated	
	31 Dec	31 Dec
	2014	2013
	A\$'000	A\$'000
<b>24. CASH FLOW INFORMATION</b>		
<b>(a) Reconciliation of operating loss after tax to net cash flows from operations</b>		
Loss from ordinary activities	(11,028)	(4,874)
Adjusted for:		
Depreciation and amortisation	18,858	14,174
Loss on disposal of plant and equipment	1	257
Loss on disposal of financial assets classified as available for sale	12	-
Share-based payments	(4,050)	300
Fair value movement of derivative financial instrument	-	(2,244)
Exploration expenses written off	-	(21)
Impairment of financial assets classified as available for sale	1,515	756
Impairment of non-current assets held for sale	6,140	-
Impairment of development costs	5,216	5,000
Borrowing costs	-	(5)
Net loss / (gain) on foreign exchange	(2,430)	(1,508)
Expenses charged to development costs	-	(34)
Changes in assets and liabilities:		
Decrease in receivables	4,551	2,373
Decrease in prepayments	49	21
(Increase) / decrease in inventories	(109)	1,581
Decrease in payables	(3,013)	(6,931)
Decrease in employee provisions	(137)	(1,041)
Decrease in rehabilitation provision	(1,830)	(779)
(Decrease) / increase in deferred revenue	(23,471)	23,471
Net cash flows from / (used in) operations	(9,726)	30,496

### (b) Non-cash investing activities

During the year ended 31 December 2014, A\$2,666,667 in Unity Mining Limited shares were received under a revised agreement relating to the sale by the Company to Cortona Resources Ltd of its NSW gold assets in 2007. Refer to Note 10.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

### 25. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables, finance leases, available for sale investments, derivatives and cash and short-term deposits.

The Group manages its exposure to a variety of financial risks, market risk (including currency risk, commodity price risk and interest rate risk), credit risk, liquidity risk and cash flow interest rate risk in accordance with the Audit and Risk Management Committee Charter and specific approved Company policies. These policies are developed in accordance with the Company's operational requirements. Currently the Group has one investment policy with the purpose of maximising the return on surplus cash with the aim of outperforming the benchmark, within acceptable levels of risk return exposure and mitigate the credit and liquidity risks that the Group is exposed to through investment activities.

Primary responsibility for the identification and control of financial risks rests with the Audit and Risk Management Committee under the authority of the Board. The Committee reviews and agrees policies for managing each of the risks identified. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessment of market forecast for interest rate and foreign exchange. The Group manages credit risk by only dealing with recognised, creditworthy, third parties and liquidity risk is monitored through the development of future rolling cash flow forecasts.

#### Commodity price risk

The Group does not have any exposure to commodity price risk as it does not currently operate a mine.

#### Interest rate risk

The Group's current exposure to the risk of changes in market interest rates relate primarily to cash assets rates and is managed by the Board (and Audit and Risk Management Committee) approved investment policy. This policy defines maximum exposures and credit ratings limits.

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The Group does not account for fixed rate financial assets and liabilities at fair value through profit or loss.

	<b>Consolidated</b>	
	<b>31 Dec 2014 A\$'000</b>	<b>31 Dec 2013 A\$'000</b>
At reporting date the Group had the following exposure to variable interest rate risk		
<b>Financial assets</b>		
Cash at bank and money market investment	70,413	76,057
	70,413	76,057

The following table summarises the impact of reasonably possible changes in interest rates for the Group and the parent entity at 31 December 2013. The sensitivity is based on the assumption that interest rate changes by 25 basis points (Dec 2013: 25 basis points) with all other variables held constant. The 25 basis points sensitivity is based on reasonably possible changes over the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

	Consolidated	
	31 Dec 2014 A\$'000	31 Dec 2013 A\$'000
<b>Impact on post tax profit and equity</b>		
Higher / (lower)		
25 bp increase (Dec 2013: 25 bp)	176	190
25 bp decrease (Dec 2013: 25 bp)	(176)	(190)

### Foreign currency risk

The Group has significant foreign currency risk exposure on cash reserves and borrowings and has transactional exposures arising from the payment of foreign currency interest. The Group is exposed to movements in US dollar currency on cash reserves and borrowings.

At reporting date the Group had the following exposure to foreign currencies.

### Financial Assets and Liabilities

Cash and cash equivalents		
- USD	40,465	23,894
Receivables		
- USD	-	7,578
Borrowings		
- USD	(12,601)	(11,550)
Trade and other payables		
- USD	(220)	(224)

The following table summarises the impact of reasonably possible changes in foreign currency exchange rates for the Group at 31 December 2014 on recognised financial assets and liabilities at the reporting date. The sensitivity is based on the assumption that the exchange rates change by increasing 10% and decreasing 5% with all other variables held constant. These 10% and 5% sensitivities are based on reasonably possible changes over the reporting period, using the observed range of actual historical rates for the preceding three year period. The analysis is performed on the same basis for the comparative period.

### Impact on post tax profit and equity

Higher / (lower)		
AUD/USD +10%	(2,520)	(1,102)
AUD/USD -10% (2013: -5%)	3,080	638

There was an impact on post tax profit due to the following factors:

- US Dollar cash held at the December 2014 and December 2013 reporting dates.
- US Dollar receivables held at the December 2013 reporting date.
- US Dollar loans held at the December 2014 and December 2013 reporting dates.
- US Dollar interest accruals at the December 2014 and December 2013 reporting dates.

The Group does not have a formal policy to mitigate foreign currency risks.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

### Credit risk

Credit risk arises in the event that a counterparty will not meet its obligations under a financial instrument leading to financial losses. The Group is exposed to credit risk from its operating activities and financing activities including deposits with banks.

The credit risk control procedure adopted by the Group is to assess the credit quality of the institution with which funds are deposited or invested, taking into account its financial position and past experiences. Investment limits are set in accordance with limits set by the Audit and Risk Management Committee based on the counterparty credit rating. The limits are assigned to minimise concentration of risks and mitigate financial loss through potential counterparty failure. The compliance with credit limits is regularly monitored as part of day-to-day operations. Any credit concerns are highlighted to senior management.

### Credit Quality of Financial Assets

	S&P Credit Rating				
	AAA \$'000	A1+ \$'000	A1 \$'000	A2 \$'000	Unrated \$'000
<b>31 December 2014</b>					
Cash & cash equivalents	1	70,412	-	-	-
Receivables	93	695	-	-	773
Number of counterparties	1	5	-	1	4
Largest counterparty (%)	100%	24%	-	100%	95%
<b>31 December 2013</b>					
Cash & cash equivalents	19	68,038	8,000	-	-
Receivables	3,457	813	41	-	4,252
Number of counterparties	2	10	1	1	5
Largest counterparty (%)	98%	25%	100%	100%	99%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

### Liquidity risk

The responsibility for liquidity risk management rests with the Board of Directors.

The Group manages liquidity risk by maintaining sufficient cash or credit facilities to meet the operating requirements of the business and investing excess funds in highly liquid short term investments. The Group's liquidity needs can be met through a variety of sources, including: cash generated from operations, short and long term borrowings and issue of equity instruments.

Alternatives for sourcing the Company's future capital needs include current cash position, future operating cash flow, project debt financings and equity raisings. These alternatives are evaluated to determine the optimal mix of capital resources.

The following table details the Company and Group's non-derivative financial instruments according to their contractual maturities. The amounts disclosed are based on contractual undiscounted cash flows. As a result, these balances may not agree with the amounts disclosed in the statement of financial position.

Refer Note 2 – Hanlong investment in Moly Mines for details of the Hanlong Loan.

	Less than 6 months \$'000	6 months – 12 months \$'000	1-2 years \$'000	> 2 years \$'000
<b>Consolidated entity at 31 December 2014</b>				
Trade and other payables	2,049	-	-	-
Borrowings	441	441	884	15,670
	2,490	441	884	15,670
<b>Consolidated entity at 31 December 2013</b>				
Trade and other payables	3,681	-	-	-
Borrowings	401	408	808	15,174
	4,082	408	808	15,174

### Capital risk management

When managing capital (being equity and long term debt) management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits to other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity reflecting the current business status of the entity.

Management constantly adjusts the capital structure to take advantage of favourable costs of capital or high return on assets. As the market is constantly changing, management may return capital to shareholders, issue new shares or sell assets to reduce debt. Management have no plans to issue further shares on the market. The Group does not currently have a dividend policy.

The Company monitors its capital through monthly Board reporting including management accounts and forecasts combined with appropriate external financial, corporate and legal advice when required. Due to the nature of the operations of the Group and its financial position, Management does not have a target debt/equity ratio. Management prefers to maintain a flexible financing structure. The Company has a major shareholder that owns 53.8% of the Company and as a result its structure is currently inflexible.

The Group is not subject to any externally imposed capital requirements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

### Fair value

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Year ended 31 December 2014		Year ended 31 December 2013	
	Quoted Market Price (Level 1) \$'000	Total \$'000	Quoted Market Price (Level 1) \$'000	Total \$'000
<b>Financial assets</b>				
Financial asset classified as available for sale	1,376	1,376	396	396
	1,376	1,376	396	396

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use observable market inputs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

### 26. RELATED PARTY DISCLOSURE

#### Subsidiaries

Name	Country of Incorporation	% Equity Interest		Principal Activities
		Dec 2014	Dec 2013	
Moly Metals Australia Pty Ltd	Australia	100	100	Owns the Spinifex Ridge iron ore mine
Copper Metals Australia Pty Ltd	Australia	100	100	Dormant
Spinifex Ridge Holdings Pty Ltd	Australia	100	100	Holding company
Moly Ex Pty Ltd	Australia	100	100	Evaluation and relinquishment of tenement holdings
Moly Mines USA Limited	USA	100	100	Evaluation of acquisition opportunities
Mettle Mining Holdings Limited	Cayman Islands	100	-	Evaluation of acquisition opportunities

#### Ultimate Parent Entity

Moly Mines Limited is the ultimate parent entity of the Group. The ultimate Australian parent of Moly Mines Limited is Hanlong Mining Investment Pty Ltd, which was incorporated in Australia and owns 53.8% of Moly Mines Limited. The ultimate parent of Hanlong Mining Investment Pty Ltd is Sichuan Hanlong Group, a private company incorporated in China.

#### Details of Related Party Transactions

##### (a) Subsidiaries

Moly Mines Limited has related party transactions with its subsidiaries whereby it funds and pays for the exploration and evaluation expenses incurred by its subsidiaries. These expenses are charged to the subsidiaries through intercompany loans, which are non-interest bearing and have no fixed repayment terms. Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

##### (b) Ultimate parent entity

Refer Note 2 – Hanlong investment in Moly Mines for full details of the Subscription Agreement between Moly Mines and Hanlong and assets encumbered.

Transactions and outstanding balances with Hanlong were as follows:

	31 Dec 2014 A\$'000	31 Dec 2013 A\$'000
Sales revenue – iron ore	-	38,110
Offtake termination fee and royalty expense	-	4,000
Finance costs	805	1,543
Payables – loan interest	220	221
Payables – off-take termination royalty	434	2,447
Loan from Hanlong	12,601	11,550

##### (c) Other

The consolidated entity has not entered into any transactions, nor has other outstanding commitments at 31 December 2014, with other related parties (2013: nil).

### 27. Segment Information

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

The Group has identified its operating segments based on the internal reports that are used by the chief operating decision makers ("CODM") in order to allocate resources to the segment and to assess its performance. Segments are identified on the basis of mineral type. The CODM of the Group are the Board of Directors and the Chief Executive Officer. Financial information about each segment is provided to the CODM on at least a monthly basis.

The entity has two reportable operating segments as follows:

- Spinifex Ridge Molybdenum / Copper Project. This Project is located in the Pilbara region of Western Australia; it is fully permitted and ready for immediate development subject to achieving a successful project financing based on improvements in commodity prices and/or exchange rates.
- Spinifex Ridge Iron Ore Project. This Project is located in the Pilbara region of Western Australia.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Cash on hand and interest revenue.
- Foreign currency gains and losses incurred on foreign currency cash on hand.
- Fair value gains/losses on derivatives held.
- Fair value gains/losses on available for sale financial assets.
- Foreign currency gains/losses and finance costs on borrowings.
- Corporate administrative expenses.
- Property, plant and equipment considered not part of an operating segment.
- Exploration expenditure considered not part of an operating segment.
- Income tax considered not part of an operating segment.
- Borrowings considered not part of an operating segment.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of these financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

	Spinifex Ridge Molybdenum Project 31 Dec 2014 A\$'000	Spinifex Ridge Iron Ore Project 31 Dec 2014 \$'000	Total 31 Dec 2014 \$'000
<b>Revenue and other income</b>			
Segment revenue	-	20,004	20,004
Unallocated			
Interest revenue			1,207
Royalty income			667
Hedging gains			88
Foreign currency gains			2,430
Total revenue and other income			24,396
<b>Results</b>			
Pre-tax segment result	(11,356)	(1,047)	(12,403)
Unallocated			
Interest revenue			1,207
Royalty income			667
Hedging gains			88
Foreign currency gains			2,430
Loss on sale of assets			(1)
Loss on sale of financial assets classified as available for sale			(12)
Impairment of available-for-sale financial assets			(1,515)
Impairment of receivables			(28)
Exploration expenses			(11)
Administrative expenses			(645)
Finance costs			(805)
Loss after income tax			(11,028)
<b>Segment Assets</b>			
Segment operating assets	8,300	1,365	9,665
Unallocated assets			
Cash			70,413
Other			793
Financial assets classified as available for sale			1,376
Property, plant and equipment			30
Total assets			82,277
Segment acquisitions of non-current assets	-	-	-
<b>Segment Liabilities</b>			
Segment operating liabilities	504	3,798	4,302
Unallocated liabilities			
Borrowings			12,601
Trade and other payables			401
Provisions			151
Total liabilities			17,455

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

	Spinifex Ridge Molybdenum Project 31 Dec 2013 A\$'000	Spinifex Ridge Iron Ore Project 31 Dec 2013 \$'000	Total 31 Dec 2013 \$'000
<b>Revenue and other income</b>			
Segment revenue	-	65,095	65,095
Segment other income – hedging gains	-	2,244	2,244
Unallocated			
Interest revenue			1,539
Royalty income			4,000
Foreign currency gains			2,012
Total revenue and other income			74,890
<b>Results</b>			
Pre-tax segment result	(5,822)	4,666	(1,156)
Unallocated			
Interest revenue			1,539
Royalty income			4,000
Foreign currency gains			2,012
Profit on sale of assets			6
Impairment of available-for-sale financial assets			(756)
Administrative expenses			(8,998)
Exploration refunds			22
Finance costs			(1,543)
Loss after income tax			(4,874)
<b>Segment Assets</b>			
Segment operating assets	14,500	28,506	43,006
Unallocated assets			
Cash			76,057
Other			3,847
Financial assets classified as available for sale			396
Property, plant and equipment			68
Total assets			123,374
Segment acquisitions of non-current assets	-	4,277	4,277
<b>Segment Liabilities</b>			
Segment operating liabilities	504	30,761	31,265
Unallocated liabilities			
Borrowings			11,550
Trade and other payables			371
Provisions			288
Total liabilities			43,474

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

### 28. SHARE-BASED PAYMENT PLANS

#### (a) Recognised share-based payment expenses

The expense recognised in profit and loss in relation to share-based payments is disclosed in Note 3.

Following the resignation of employees and directors during the period, the Company undertook a full review of the carrying values in the Share-Based Payments Reserve. The amounts represent rights to options issued to current and former directors and employees of the Company pursuant to the Employee Incentive Option Scheme ("EIOS"). It was determined that as a result of the resignations, the service period conditions attached to previously issued options were not achieved. The Company has adjusted the carrying values accordingly.

The amount credited to administrative expenses in the consolidated statement of profit or loss and other comprehensive income as a result of this adjustment was \$4,078,000.

#### (b) General terms of share-based payment plans

The Group has an Employee Incentive Option Scheme ("EIOS"). The Directors may, in their absolute discretion, grant options to Directors and full or part time employees of the Group for nil consideration in accordance with performance guidelines established by the Directors. The options are not quoted on the Australian Securities Exchange or the Toronto Stock Exchange.

Under the EIOS, the exercise price of the option is set by the Board of Directors. The performance guidelines established by the Directors do not consider the performance of the employee when setting the exercise price.

When a participant ceases employment prior to the vesting of their share options, the share options are generally forfeited unless cessation of employment is due to termination initiated by the Group or death. In the case of the retrenchments which took effect in 2013, at the Board of Directors' discretion, the share options were cancelled with the exception in some cases of those options that were to vest on 14 February 2014.

There are a number of different contractual lives for the current issued options. There are no cash settlement alternatives.

#### (c) Summary of options granted under the EIOS

In February 2012, the Company issued a series of options to employees under the EIOS. The total number of options issued was 15,350,000.

	Dec 2014 No.	Dec 2014 WAEP	Dec 2013 No.	Dec 2013 WAEP
Outstanding at the beginning of the period	7,533,322	0.55	10,516,663	0.55
Granted during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	(700,002)	0.55	(2,983,341)	0.55
Outstanding at the end of the period	6,833,320	0.55	7,533,322	0.55
Exercisable at reporting date	6,683,320	0.55	4,299,986	0.55

#### (d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding under the EIOS as at 31 December 2014 is 1.1 years (Dec 2013: 2.1 years).

#### (e) Range of exercise price and weighted average share price at the date of exercise

No options were exercised during the years ended 31 December 2014 or 31 December 2013.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

### (f) Weighted average fair value

No options were granted under the EOIS during the period ended 31 December 2014 or 31 December 2013.

### (g) Option pricing model

The fair value of the equity-settled share options granted under the option plan is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the options granted in February 2012:

Dividend yield (%)	Nil
Expected volatility (%)	70%
Risk-free interest rate (%)	3.563%
Expected life (years)	4
Weighted average share price at grant date (\$)	0.32

### (h) Details of Options

#### Year ended 31 December 2014

	Opening Balance 1 Jan 2014	Options Issued	Options Exercised	Options Expired (i)	Closing Balance 31 Dec 2014
Employee options	7,533,322	-	-	(700,002)	6,833,320
Total	7,533,322	-	-	(700,002)	6,833,320

(i) Options were forfeited upon resignation.

#### Year ended 31 December 2013

	Opening Balance 1 Jan 2013	Options Issued	Options Exercised	Options Expired (i)	Closing Balance 31 Dec 2013
Employee options	10,516,663	-	-	(2,983,341)	7,533,322
Total	10,516,663	-	-	(2,983,341)	7,533,322

(i) Options were forfeited upon resignation. Options issued to employees subsequently made redundant were cancelled, except for those options due to be earned on 14 February 2013 and in some cases those options due to be earned on 14 February 2014.

Details of the options are as follows:

Grant date	15 February 2012		
Vesting price	\$0.65		
Exercise price	\$0.55		
Expiry date	14 February 2016		
Original number	5,116,650	5,116,672	5,116,678
Vesting date	14 February 2013	14 February 2014	14 February 2015

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

### 29. AUDITOR'S REMUNERATION

The auditor of the Group is Deloitte Touche Tohmatsu.

	Consolidated	
	31 Dec	31 Dec
	2014	2013
	A\$	A\$
Amounts received or due and receivable by Deloitte Touche Tohmatsu:		
Audit fees for audit and review of the financial report	65,500	65,500
Tax compliance (non-audit services)	24,648	18,190
	90,148	83,690

Amounts received or due and receivable by Deloitte Touche Tohmatsu:  
 Audit fees for audit and review of the financial report  
 Tax compliance (non-audit services)

### 30. PARENT ENTITY INFORMATION

	Consolidated	
	31 Dec	31 Dec
	2014	2013
	A\$'000	A\$'000
Current assets	29,601	34,584
Total assets	77,974	96,238
Current liabilities	485	4,594
Total liabilities	13,152	16,338
Contributed equity	402,673	402,673
Accumulated losses	(348,062)	(337,034)
Share-based payments reserve	821	4,871
Warrants reserve	9,390	9,390
Total shareholders' equity	64,822	79,900
Loss of the parent entity	(11,028)	(4,874)
Total comprehensive loss of the parent entity	(11,028)	(4,874)

Moly Mines and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 25 March 2004. Moly Mines is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statement in respect of this agreement on the basis that the possibility of default is remote.

### 31. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

MRL advised Moly Mines that mining ceased in October 2014 and the last ore was hauled from the site in December 2014. As of 1 January 2015 Moly Mines has resumed responsibility for rehabilitation activities on site in line with the Iron Ore Sales and Purchase Agreement. These activities will be largely completed in Quarter 1 2015. Moly Mines will then look to place the site on care and maintenance to retain the value of assets located at site. Moly Mines and MRL are determining the final payment component of the Agreement based on final tonnes and grade of ore at site. This process is ongoing.

No other circumstances or events have arisen subsequent to the end of the period that have had, or are likely to have, a material impact on the operations of the Group or the financial statements.

# DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Moly Mines Limited, we state that:

In the opinion of the Directors:

- (a) The financial statements and notes of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2;
- (c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 31 December 2014; and
- (d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due and payable.

On behalf of the Board



Nelson Chen  
Chairman  
Perth  
27 March 2015

## ASX ADDITIONAL INFORMATION

The following additional information is required by the Australian Securities Exchange. The information is current as at 14 April 2015.

### (a) Distribution schedule and number of holders of equity securities as at 14 April 2015

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 – and over	Total
Fully Paid Ordinary Shares (MOL)	1,180	1,241	574	885	84	3,964
Unlisted Options – \$0.55 14/2/16	-	-	-	21	10	31
Unlisted Warrants – \$0.0001 15/2/2020	-	-	-	-	1	1

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 14 April 2015 is 2,655.

### (b) 20 Largest holders of quoted equity securities as at 14 April 2015

The names of the twenty largest holders of fully paid ordinary shares (ASX code: MOL) as at 14 April 2015 are:

Rank	Name	Shares	% of Total Shares
1	HANLONG MINING INVESTMENT PTY LIMITED	207,135,646	53.82
2	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	45,657,459	11.86
3	CITICORP NOMINEES PTY LIMITED	37,903,425	9.85
4	NATIONAL NOMINEES LIMITED	15,117,175	3.93
5	HSBC CUSTODY NOMINEES <AUSTRALIA>	14,581,453	3.79
6	SCOTIA CAPITAL INC	3,431,061	0.89
7	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	2,414,423	0.63
8	VALADON PTY LTD	1,500,000	0.39
9	NEFCO NOMINEES PTY LTD	1,172,064	0.30
10	MERRIL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,127,260	0.29
11	BNP PARIBAS NOMS PTY LTD <DRP>	1,111,726	0.29
12	NATIONAL NOMINEES LIMITED <DB A/C>	1,087,613	0.28
13	PERSHING AUSTRALIA NOMINEES PTY LTD <PHILLIP SECURITIES (HK) A/C>	1,010,750	0.26
14	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD- NOMINEE A/C>	787,776	0.20
15	JAMBER INVESTMENTS PTY LTD <THE AMBER SCHWARZ FAM A/C>	759,939	0.20
16	SECURITY & EQUITY RESOURCES LIMITED	617,216	0.16
17	MR PETER ROSE <PETDON SUPER FUND A/C>	541,020	0.14
18	MAPT PTY LIMITED <MAP THOM SUPER FUND A/C>	500,000	0.13
19	LAM BROS ALLIANCE PTY LTD	489,590	0.13
20	MR KWOK KEUNG AU	484,064	0.13
	<b>TOTAL</b>	<b>337,429,660</b>	<b>87.67</b>

Stock Exchange Listing – Listing has been granted for 384,983,392 ordinary fully paid shares of the Company on issue on the Australian Securities Exchange.

The unquoted securities on issue as at 14 April 2015 are detailed below in part (d).

## ASX ADDITIONAL INFORMATION

### (c) Substantial shareholders

Substantial shareholder in Moly Mines Limited and the number of equity securities and percentage holding over which the substantial shareholder has a relevant interest as disclosed in substantial holding notices provided to the Company are listed below:

Substantial Shareholder	No. Shares Held	% of Issued Capital
Sichuan Hanlong Group	207,244,146	53.84

### (d) Unquoted securities and the names of persons holding more than 20% of a given class of unquoted securities (other than employee options) as at 14 April 2015

The number of unquoted securities on issue as at 14 April 2015:

Security	Number on issue
Unlisted employee options exercisable at \$0.55, on or before 14/2/16.	7,533,322
Unlisted warrants held by EIG Global Energy exercisable at \$0.0001, on or before 15/2/2020.	4,832,157

### (e) Restricted Securities as at 14 April 2015

There are no restricted securities on issue as at 14 April 2015.

### (f) Voting Rights

All fully paid ordinary shares carry one vote per ordinary share without restriction.

Unquoted options and warrants have no voting rights.

### (g) Company Secretary

The Company Secretary is Ms Susan Hunter.

### (h) Registered Office

The Company's Registered Office 50 Kings Park Road, West Perth, Western Australia 6005.

### (i) Share Registry

The Company's Share Registry is Computershare Investor Services Pty Ltd of Level 2, 45 St Georges Terrace, Perth WA 6000. Telephone 1300 557 010.

### (j) On-Market Buy-back

The Company is not currently performing an on-market buy-back.



# SCHEDULE OF TENEMENTS

## Western Australia

<b>Tenement ID</b>	<b>District</b>	<b>Description</b>	<b>Ownership (100%)</b>	<b>Status</b>
M45/1095	Marble Bar	Spinifex Ridge Project	Moly Metals	Granted
M45/1096	Marble Bar	Spinifex Ridge Project	Moly Metals	Granted
M45/1164	Marble Bar	Spinifex Ridge Project	Moly Metals	Granted
G45/276	Marble Bar	Spinifex Ridge Project	Moly Metals	Granted
L45/159	Marble Bar	Spinifex Ridge Infrastructure	Moly Metals	Granted
L45/160	Marble Bar	Spinifex Ridge Infrastructure	Moly Metals	Granted
L45/185	Marble Bar	Spinifex Ridge Infrastructure	Moly Metals	Granted
L45/186	Marble Bar	Spinifex Ridge Infrastructure	Moly Metals	Granted

# CORPORATE GOVERNANCE

The Company's Board of Directors strongly supports good corporate governance. The Board has arranged the Company's reporting on corporate governance practices to align with the 8 principles of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("the ASX Recommendations"). The Company's Corporate Governance Plan is reviewed annually and is available on the Company's website. The Corporate Governance Plan includes the Board Charter, Code of Conduct, Conflicts of Interest Policy, Disclosure Policy, Securities Trading Policy, Audit and Risk Management Committee Charter, Investment Committee Charter, Diversity Policy and the Remuneration and Nomination Committee Charter.

The Board continuously reviews its corporate governance practices and regularly monitors developments in best practice governance.

Where the Company's practices depart from the ASX Recommendations, the exceptions are identified below and the reason for an alternate approach explained.

## **Principle 1. Lay Solid Foundations for Management and Oversight**

The Board has adopted a formal Board Charter that details, amongst other things, the role, responsibilities, duties, composition and code under which the Board operates. The Charter is available on the Company's website. The Board's primary role is the protection and enhancement of shareholder value and is responsible for establishing a framework, which safeguards the rights and interests of the Company's shareholders.

The Board Charter outlines the responsibilities of the Board and the authority it has to determine all matters relating to the policies, practices, management and operations of the Company that assist to deliver greatest value to shareholders.

The Board has delegated responsibility for the business operation and administration of the Company to the Chief Executive Officer or equivalent ("CEO") and the other senior executives. The management team, led by the CEO, is accountable to the Board. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place informal procedures to assess the performance of the CEO and other senior executives. Performance of the Acting CEO and other senior executives has been evaluated in an informal manner during the financial year. In future, the Board plans to conduct formal annual performance evaluations of its senior executives.

## **Principle 2. Structure the Board to add Value**

### ***Composition of the Board***

The Board Charter details membership criteria for Board members. Appointments to the Board are based upon merit and against criteria that serves to maintain an appropriate balance of skills, expertise and experience on the Board. The criteria considered necessary for this purpose is a blend of mining, technical, finance, business, accounting and administration skills and the capability of the candidate to devote the necessary time and commitment to the role.

Details of the names, qualifications, skills, experience of and period of office held by Directors are set out in the Directors' Report.

The Moly Mines Board currently consists of six members, three Hanlong nominees (Mr. Chen, Mr. Lou and Mr. Kang) and three independent directors (Mr. Martin, Mr. Jones and Ms. Wu). Accordingly, 50% of the Board are independent. The Chairman is not an independent director, the Company does not currently have a managing director and the Acting CEO is not a director.

# CORPORATE GOVERNANCE

Whilst the composition of the Board does not comply with ASX Recommendations 2.1 and 2.2, the Board believes the current membership reflects an appropriate mix of experience and ability to representative all shareholders at present. It is noted the composition of the Board will be reassessed in future in line with changes in the Company's operations and level of activity and will be adjusted as deemed appropriate. The Board will consider the ASX Recommendations in assessing any future changes in Board composition.

All Directors are required to advise the Company of interests that could potentially conflict with the interests of the Company. Standing agenda items at each Board meeting include the consideration of changes to interests and the presence or otherwise of any interest that might conflict with a matter to be discussed by the Board.

## *Independence of Directors*

The ASX Recommendations maintain that directors are considered independent if they are not, and not associated with, major shareholders, are independent of management and free from any business or other relationship that could materially interfere with the exercise of free and independent judgment. In determining whether a Director is independent, the Board will apply the definition of "independent director" in the ASX Recommendations as amended from time to time. The Board shall regularly review the independence of each Non-executive Director in light of information relevant to this assessment as disclosed by each Non-executive Director to the Board.

## *Independent professional advice*

If a Director considers it necessary to obtain independent professional advice (including but not limited to legal, accounting and financial advice) to properly discharge the responsibility of his/her office as a Director then, provided the Director first obtains approval for incurring such expense from the Chairman, the Company shall pay the reasonable expenses associated with obtaining such advice.

## *Board Committees*

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship, it makes use of committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To this end, the Board currently has the following sub-committees:

- Audit and Risk Management Committee.
- Remuneration and Nomination Committee.

Additional Board committees and sub-committees may be established for specific purposes or to exercise specified authority of the Board.

The Audit and Risk Management Committee currently consists of three members, Mr Jones (Chairman of the Committee and independent Non-executive Director), Ms Wu (independent Non-executive Director) and Mr Luo (Non-executive Director). The Chairman of the Committee and two of the three members are independent Non-executive Directors.

The Remuneration and Nomination Committee currently consists of three members, Ms Wu (Chairman of the Committee and independent Non-executive Director), Mr Martin (independent Non-executive Director) and Mr Chen (Non-executive Chairman of the Board). The Chairman of the Committee and two of the three members are independent Non-executive Directors. The Board considers the membership of the Committee appropriate given the current size of the Board and level of activity of the Company however the Board will reassess the composition of the Committee in future in line with changes in the Company's operations and level of activity.

# CORPORATE GOVERNANCE

The Board will consider the ASX Recommendations in assessing any future changes in the Remuneration and Nomination Committee's composition.

For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and senior executives in the current year, please refer to the Remuneration Report, which is contained within the Directors' Report.

Board members receive additional fees for their Committee memberships. The Remuneration Report details the remuneration of Committee members.

The Board Charter refers to a Board evaluation process. At the end of 2012, a formal Board evaluation process was adopted involving peer review and a questionnaire to evaluate the Board generally, standing Committees as well as individual Director performance. An evaluation following this process was carried out in early 2015.

## **Principle 3. Promote Ethical and Responsible Decision Making**

### ***Ethical Behaviour***

The Board has endorsed a Code of Conduct, which applies to all members of the Company. The Code is designed to provide guidance to employees, contractors and members of the Board on the standards of behaviour expected in the discharge of their duties on behalf of the Company.

### ***Code of Conduct***

The Company has adopted a Code of Conduct that outlines how the Company expects its Directors, employees and contractors to behave and conduct business in the workplace on a range of issues. The Company is committed to the highest level of integrity and ethical standards in all business practices.

The purpose of the Code of Conduct is to provide a framework for decisions and actions in relation to ethical conduct in employment. It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, contractors and stakeholders. It sets out the Company's expectations of its Directors, employees and contractors with respect to a range of issues including personal and professional behaviour, conflicts of interest, public and media comment, accuracy of records and reporting, compliance with laws, rules and regulations, government relations, discrimination and harassment, confidentiality, protection and proper use of Company assets, insider trading, fair dealing, use of communication devices, gifts and entertainment and privacy.

A breach of the Code is subject to disciplinary action which may include punishment under legislation and/or termination of employment. The Code of Conduct is available on the Company's website.

### ***Conflicts of Interest Policy***

The Board has established a Conflicts of Interest Policy. The Board is committed to a high standard of corporate conduct and governance. A key aspect of this commitment is to ensure that Directors disclose all conflicts and potential conflicts of interest to the Board.

The Conflicts of Interest Policy outlines the processes to be applied in circumstances where a Director has, or there is a real and sensible possibility that the Director may have:

- a) a material personal interest in a matter that is being considered or will be considered by the Board;

# CORPORATE GOVERNANCE

- b) a conflict or perceived conflict between the duties he/she may owe to another company of which he/she is a director or salaried executive, and his/her duties as a Director of the Company in considering a matter that is before or will be placed before the Board; or
- c) any other interests or duties which the Director believes is appropriate to disclose in order to avoid an actual conflict of interest or the perception of a conflict of interest.

The purpose of the Policy is to:

- a) set out the Directors' legal duties and obligations under the *Corporations Act 2001 (Cth)* concerning conflicts of interest;
- b) establish a conflict of interest protocol requiring each Director to disclose conflicts of interest; and
- c) establish procedures for excluding conflicted Directors from the Board's decision making processes.

The Board may regard any non-compliance with the Policy as serious misconduct.

### ***Trading in the Company's Securities by Directors, Officers and Employees***

The Company has established a Securities Trading Policy which provides a clear determination of when it is appropriate for Directors, officers and employees to trade in the securities of the Company. The Company includes appropriate clauses in employment contracts and service contracts, aimed at highlighting the obligations imposed on individuals. Employees are also briefed on their obligations with regard to trading in the securities of the Company at the time of their induction into the Company.

Under the Policy, an employee, contractor or Director must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities. The Policy also prohibits trading in shares by a Director, officer or employee during certain blackout periods (in particular, prior to release of quarterly, half yearly or annual results) except in exceptional circumstances and subject to procedures set out in the Policy.

Before commencing to trade, an employee must first obtain the approval of the Acting CEO or Company Secretary to do so, a Director must first obtain approval of the Chairman and the Chairman must first obtain approval of the Chairman of the Remuneration and Nomination Committee.

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by Directors in the securities of the Company in their absence

### ***Diversity***

The Board has adopted a Diversity Policy. The Company is committed to workplace diversity and recognises the benefits arising from employee and board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

To the extent practicable, the Company will address the recommendations and guidance provided in the ASX Recommendations. Given the small size of the workforce and the stage of the Company, measurable objectives for achieving gender diversity have not been established to date. The Company, however, may consider establishing such objectives as its activities expand.

On 31 December 2014, the number of women in the Company's workforce is nil out of 1 and the Company has one female Board member and one female in a senior executive role (the contract Company Secretary).

# CORPORATE GOVERNANCE

## Principle 4. Safeguard Integrity in Financial Reporting

### *Audit and Risk Management Committee*

The Board has established an Audit and Risk Management Committee, as described in the section 'Board Committees' above, which operates under a formal charter approved by the Board which is available on the Company's website. The Board has the responsibility of ensuring that an effective internal control framework exists within the governance structure of the Company. The Audit & Risk Management Committee will assist the Board to meet its oversight responsibilities in relation to the Company's accounting, financial reporting and external audit functions, internal control structure and risk management processes.

The number of Audit and Risk Management Committee meetings held, the Directors in attendance and details of the Committee members during the financial year and the members' qualifications are set out in the Directors' Report.

The Audit and Risk Management Committee currently consists of three members, Mr Jones (Chairman of the Committee and independent Non-executive Director), Ms Wu (independent Non-executive Director) and Mr Lou (Non-executive Director). All members of the Committee are Non-Executive Directors. The Chairman of the Committee and two of the three members are independent Non-executive Directors. The majority of the Committee are therefore independent Directors. The Chairman of the Committee is independent and is not the Chair of the Board.

The Acting CEO, Mr Graeme Kininmonth, and the CFO, Mr Riccardo Vittino, have provided a declaration in accordance with section 295A of the Corporations Act 2001 in writing to the Board that:

- the consolidated financial statements of the Company and its controlled entities for the year ended 31 December 2013 present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

## Principle 5. Make Timely and Balanced Disclosure

### *Continuous Disclosure*

The Company's Disclosure Policy which is available on the Company's website, establishes mechanisms to ensure timely and full compliance by the Company with its disclosure obligations under the ASX Listing Rules, deal with media, investors etc and ensure confidentiality of certain information.

The Company's Disclosure Committee, consisting of the Acting CEO, the Company Secretary and the CFO, is responsible for overseeing the Company's disclosure controls, procedures and practices. Material announcements are tabled for Board consideration with the Chairman of the Board given discretion to seek full Board approval for a release or approve the release directly. Simple compliance type announcements are approved for release by either the Acting CEO or the Company Secretary. To ensure timely release of information, announcements are not delayed where a senior executive or Board member is unable to be contacted to approve a release. The Company reviews disclosures at each Board meeting to ensure compliance with continuous disclosure requirements.

# CORPORATE GOVERNANCE

The Acting CEO, CFO or Company Secretary is responsible for all media contact and comments as well as all external communications including analyst briefings and shareholder responses and may delegate this responsibility to an appropriate officer from time to time.

## **Principle 6. Respect the Rights of Shareholders**

### ***Communications with Shareholders***

The Company has not established a written policy for communications with shareholders. However, the following mechanisms to communicate with shareholders are in place.

In addition to complying with ASX and statutory requirements for reporting and disclosure, the Company provides copies of all announcements, reports and topical information on its website.

The Chairman of the Board always provides the opportunity for shareholders to ask questions at general meetings and manages the question period to allow the maximum number of shareholders to do so. The Company's auditor is invited to attend Annual General Meetings and is available to answer questions on audit matters.

## **Principle 7. Recognise and Manage Risk**

### ***Risk Management***

The Board has the responsibility of ensuring that an effective internal control framework exists within the governance structure of the Company. The Audit and Risk Management Committee will assist the Board to meet its oversight responsibilities in relation to the Company's internal control structure and risk management processes. The CEO (or equivalent) is accountable to the Board, through the Audit and Risk Management Committee, for ensuring that the risk management system is implemented and maintained in accordance with the Company's Risk Management Policy. Assignment of responsibilities in relation to risk management is the prerogative of the Acting CEO.

The Acting CEO will regularly report to the Board on whether risks across the organisation are being effectively managed and whether the risk management system is implemented and maintained in accordance with the Company's Risk Management Policy. The Risk Management Policy is available on the Company's website. The acting CEO is required to report on the management of risk as a standing agenda item at each Board meeting. This involves the tabling of a risk register which is monitored and updated by management periodically.

The Board reviews the Risk Management Policy at least annually.

The Board has received assurance from the Acting CEO and the CFO that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

## **Principle 8. Remunerate Fairly and Responsibly**

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors' and senior executives fairly and appropriately with reference to relevant employment market conditions. The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves and the Acting CEO and other senior executives. They are assisted by the Remuneration and Nomination Committee, which operates under a Charter. For a full

## CORPORATE GOVERNANCE

discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and senior executives in the reporting period please refer to the Remuneration Report, which is contained in the Directors' Report.

The actual remuneration paid to all Directors and key management personnel is specified in the Remuneration Report, which is contained in the Directors' Report. There is no scheme to provide retirement benefits to Directors.

Following the end of the financial year, the Board established a Remuneration and Nomination Committee (during the financial year the Board had a Remuneration Committee and no Nomination Committee). To assist the Committee to fulfil its function as the Remuneration and Nomination Committee, the Board has adopted a Remuneration and Nomination Committee Charter. The Remuneration and Nomination Committee Charter is available on the Company's website.

The Remuneration and Nomination Committee currently consists of 3 members, Ms Wu (Chairman of the Committee and independent Non-executive Director), Mr Martin (independent Non-executive Director ) and Mr Chen (Chairman of the Board). The Chairman of the Committee and two of the three members are independent Non-executive Directors and therefore the Committee consists of a majority of independent Directors. The Committee is Chaired by an independent Chair and currently has three members. The Board considers the membership of the Committee appropriate given the current size of the Board and level of activity of the Company however the Board will reassess the composition of the Committee in future in line with changes in the Company's operations and level of activity.

Remuneration of Directors and senior management is determined with regard to the performance of the Company, the performance and skills and experience of the particular person and prevailing remuneration expectations in the market. Details of remuneration of Directors and Key Management Personnel are disclosed in the Remuneration Report, which is contained within the Directors' Report.

There are no termination or retirement benefits for non-executive Directors (other than for superannuation).

Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in invested entitlements.

The Company has granted options to Non-Executive Directors in the past. The Board and Remuneration and Nomination Committee consider that the payment of monetary fees alone have not been an adequate reward nor provide an adequate incentive to enable the Company to attract and retain Non-executive Directors of the requisite level of experience and qualifications. The Remuneration and Nomination Committee considers that equity participation is an appropriate way of attracting high quality Board members that are required to assist with the development of the Company.