# MOLY MINES LIMITED

ABN 32 103 295 521

## ANNUAL FINANCIAL REPORT

31 DECEMBER 2015

# CORPORATE 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

| | |
|---|---|
| 50 Kings Park Road | PO Box 8215 |
| West Perth, WA, 6005 | Subiaco East, WA, 6008 |
| Telephone: | +61 8 9429 3300 |
| Fax: | +61 8 9429 3399 |

Email: info@molymines.com
Website: www.molymines.com

## ASX Share Register

Computershare Investor Services Pty Ltd
Level 11 / 172 St Georges Terrace
Perth, WA, 6000

| | |
|---|---|
| Telephone: | +61 8 9323 2000 |
| | 1300 850 505 (investors within Australia) |
| Fax | +61 8 9323 2033 |
| Web | www.computershare.com |

## Auditor

Deloitte Touche Tohmatsu
Tower 2, Brookfield Place
123 St Georges Terrace
Perth, 6000, Australia

| | |
|---|---|
| Telephone | +61 8 9365 7000 |
| Fax | +61 9365 7001 |
| Web: | www.deloitte.com.au |

# 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 2015, 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 |
|---|---|---|
| **Nelson Chen**<br>Non-Executive Chairman | Appointed 31 May 2013. Appointed Chairman 20 December 2013.<br><br>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&A advisory practices. Mr Chen has served on the board of Australia China Business Council, NSW branch for over 7 years.<br><br>Details of Mr Chen's other listed public company directorships over the past three years are:<br>• Marenica Energy Limited, appointed 4 October 2011, continuing.<br>• General Moly, Inc. (NYSE Amex and TSX) appointed 14 September 2011, continuing. | Material Investment, Remuneration. |
| **Gregory Jones**<br>Non-Executive, independent | Appointed 22 August 2014.<br><br>Mr Jones is a geologist with 35 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.<br><br>Details of Mr Jones's other listed public company directorships over the past three years are:<br>• Variscan Mines Limited, appointed 20 April 2009, continuing.<br>• Eastern Iron Limited, appointed 24 April 2009, continuing.<br>• Silver City Minerals Limited, appointed 30 April 2009, continuing.<br>• Thomson Resources Ltd, appointed 17 July 2009, continuing. | Audit and Risk Management (Chairman), Material Investment. |

| | | |
|---|---|---|
| **Huan Jun Kang**<br>Non-Executive | Appointed 25 June 2012.<br><br>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.<br><br>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.<br><br>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. | - |
| **Gou Qing Lou**<br>Non-Executive | Appointed 22 August 2014.<br><br>Mr Lou is the Managing Director of Hanlong Group. He was formerly the president of China Construction Bank, Panzhihua Municipality branch in Sichaun province and has over 27 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.<br><br>Mr Lou is a Board nominee and director of Hanlong.<br><br>Details of Mr Lou's other listed public company directorships over the past three years are:<br>• Marenica Energy Limited, appointed 3 November 2014, continuing. | Audit and Risk Management, Material Investment. |
| **Anthony Martin**<br>Non-Executive, independent | Appointed 22 August 2014.<br><br>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 (non corporate) of the London-based advisory firm Northcott Capital and manages their Australian-based technical team. Northcott performed advisory work for Moly Mines during the year. 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.<br><br>Mr Martin has not been a director of any other listed public companies in the last three years. | Material Investment (Chairman), Remuneration |

| | | |
|---|---|---|
| **Cathie (Wei) Wu**<br>Non-Executive, independent | Appointed 17 January 2014.<br><br>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.<br><br>Details of Ms Wu's other listed public company directorships over the past three years are:<br>• Queensland Mining Corporation Limited, appointed Alternative Director 16 March 2012 and appointed Director 9 October 2012, resigned 8 August 2013. | Audit and Risk Management, Remuneration (Chairperson) |

## 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’ 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 | 11 | 11 | - | - | 1 | 1 | 8 | 8 |
| G. Jones | 11 | 11 | 1 | 1 | - | - | 8 | 8 |
| H. Kang | 2 | 11 | - | - | - | - | - | - |
| G. Lou | 9 | 11 | 1 | 1 | - | - | 7 | 8 |
| A. Martin | 11 | 11 | - | - | 1 | 1 | 7 | 8 |
| C. Wu | 11 | 11 | 1 | 1 | 1 | 1 | - | - |

## 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 |
|---|---|---|
| **Directors** | | |
| Nelson Chen | Chairman (Non-Executive) | Continuing |
| Gregory Jones | Director (Non-Executive) | Continuing |
| Huan Jun Kang | Director (Non-Executive) | Continuing |
| Anthony Martin | Director (Non-Executive) | Continuing |
| Gou Qing Lou | Director (Non-Executive) | Continuing |
| Cathie Wu | Director (Non-Executive) | Continuing |
| **Executive Officers** | | |
| Graeme Kininmonth | Acting Chief Executive Officer | Continuing |

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.
- 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$^{th}$ 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.

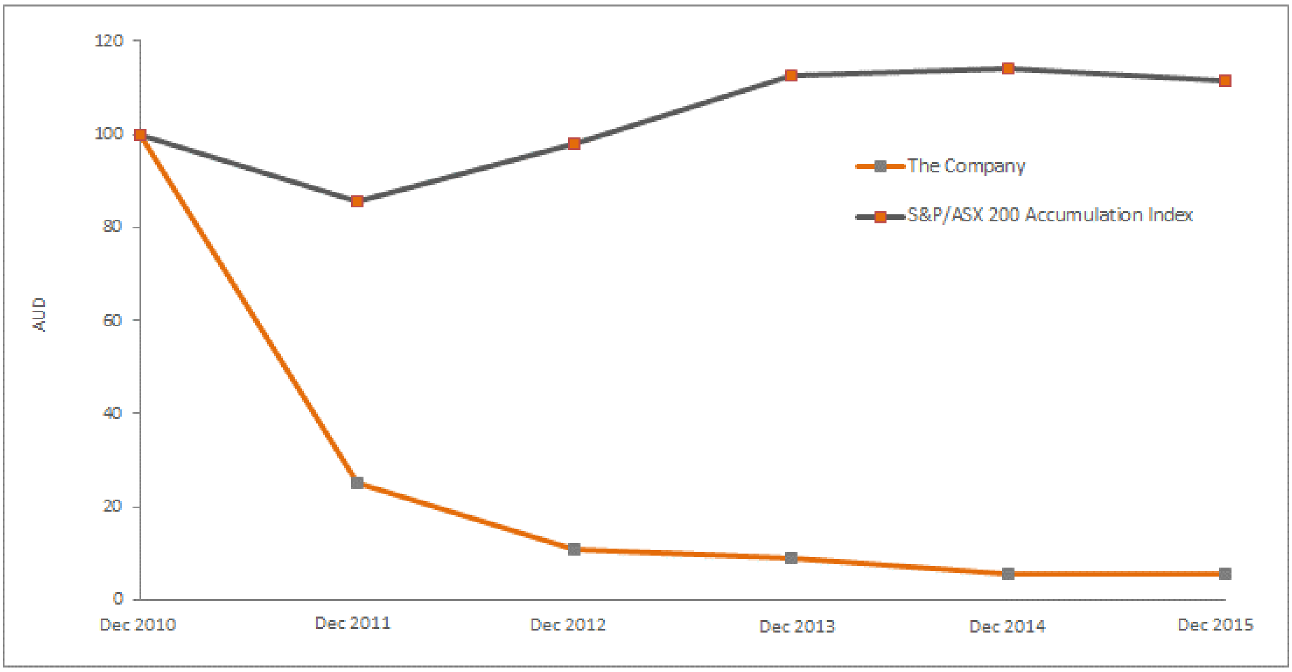
The Company has in place an Employee Incentive Option Scheme. The purpose of the grant of options is to provide an incentive to KMP to continue to be dedicated and committed to the Company and to maximise their efforts for the benefit of shareholders generally over the long term. Allocations of options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

No elements of KMP 2015 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 past five years. Trading in Moly Mines shares on the ASX was suspended on 17 April 2014.




| | 31 Dec 11 | 31 Dec 12 | 31 Dec 13 | 31 Dec 14 | 31 Dec 15 |
|---|---|---|---|---|---|
| Moly Mines Limited | A$58 | A$25 | A$22 | A$13 * | A$13 * |
| S&P/ASX 200 Accumulation Index | A$94 | A$108 | A$124 | A$126 | A$126 |
| Moly Mines Limited loss | ($29,842,000) | ($49,618,000) | ($4,874,000) | ($11,028,000) | ($1,687,000) |

* 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 2015 and 31 December 2014 is shown on page 10 and 11. 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.

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 | 150,000 | - | 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 | 75,000 | 5,000 | 7,500 | - | 10% |

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 2015 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. Mr Kininmonth was paid a retention bonus during 2015.

### 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 third and final tranche of these options vested in February 2015. Details of the options are shown in Note 26 of the financial statements.

**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% 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 2015 and 31 December 2014 are set out on the following pages.

# DIRECTORS' REPORT

Table 1: Remuneration of KMP for the year ended 31 December 2015

| | 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 $ | $ | $ | $ | % |
| Directors | | | | | | | | | |
| N. Chen | 160,000 | - | - | - | 16,000 | - | - | 176,000 | - |
| G. Jones | 87,500 | - | - | - | 8,750 | - | - | 96,250 | - |
| H.J. Kang | 75,000 | - | - | - | - | - | - | 75,000 | - |
| G. Lou | 85,000 | - | - | - | - | - | - | 85,000 | - |
| A. Martin | 87,500 | - | - | - | 8,750 | - | - | 96,250 | - |
| C. Wu | 87,500 | - | - | - | 8,750 | - | - | 96,250 | - |
| Executive Officers | | | | | | | | | |
| G. Kininmonth (i) | 333,500 | 72,355 | 7,900 | 8,210 | 35,116 | 2,186 | - | 459,267 | - |
| Total | 916,000 | 72,355 | 7,900 | 8,210 | 77,366 | 2,186 | - | 1,084,017 | - |

(i) Mr Kininmonth was paid a retention bonus during 2015.

# DIRECTORS' REPORT

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

(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.

### 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 2015 are as follows:

| Period ended 31 December 2015 | Balance at 1 Jan 2015 No. | Granted as Remuneration No. | Options Expired No. | Options Exercised No. | Net Change Other No. | Balance at 31 Dec 2015 No. | Vested and Exercisable No. | Vested and Exercisable % | Not Vested or Exercisable No. |
|---|---|---|---|---|---|---|---|---|---|
| Specified Executives | | | | | | | | | |
| G. Kininmonth | 450,000 | - | - | - | - | 450,000 | 450,000 | 100 | - |
| Total | 450,000 | - | - | - | - | 450,000 | 450,000 | | - |

Shareholdings of Key Management Personnel

| Year ended 31 December 2015 | Balance at 1 Jan 2015 No. | Purchases / (Sales) No. | Received on Exercise of Options No. | Net Change Other No. | Balance at 31 Dec 2015 No. |
|---|---|---|---|---|---|
| Specified Executives | | | | | |
| G. Kininmonth | 40,000 | - | - | - | 40,000 |
| Total | 40,000 | - | - | - | 40,000 |

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

$138,000 was paid to Northcott Capital, of which Moly Mines director A. Martin is an employee, for project assessment consultancy fees during 2015 (2014: nil).

**Options awarded, exercised and lapsed during the year ended 31 December 2015**

| | Number of options awarded during the year | Number of options vested during the year | Number of options lapsed during the year |
|---|---|---|---|
| **Executives** | | | |
| G. Kininmonth | - | 150,000 | - |

**Value of options awarded, exercised and lapsed during the year ended 31 December 2015**

| | 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 |
|---|---|---|---|---|
| **Executives** | | | | |
| G. Kininmonth | - | - | - | 0.5 |

## SHARE OPTIONS

**Unissued shares**

Details of options and warrants 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 |

| 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.

## 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).

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 2015 was $1,687,000 (net loss for year ended 31 December 2014: $11,028,000). The basic and diluted loss per share for the Group for the year was 0.44 cents per share (Dec 2014: loss of 2.87 cents per share).

The Group's current year financial performance included impairment of development costs of $354,000. The December 2014 loss included impairment losses of $12,899,000, made up of $5,216,000 impairment of development costs, $6,140,000 impairment of assets held for sale, $1,515,000 impairment of financial assets and $28,000 impairment of receivables.

As at 31 December 2015, the Company had net working capital (current assets less current liabilities, not including non-current assets held for resale) of $68,662,000 which included $69,070,000 of cash and cash equivalents.

The Hanlong Loan of $14,146,000 (Dec 2014: $12,601,000) 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

For the period under review, rehabilitation activities at the Spinifex Ridge Iron Ore Mine were mostly completed and the site was transitioned to care and maintenance. Environmental monitoring, particularly in relation to revegetation of waste dumps was closely monitored and will be ongoing.

A Care and Maintenance Plan was submitted to the Department of Mines and Petroleum. Ongoing care and maintenance activities are aimed at maintaining the value of the infrastructure assets for potential future use.

The Western Australian Minister for Mines determined that additional royalty payments were required for part of the Spinifex Ridge Iron Ore operation. A negotiated outcome was reached with the relevant Government Department which resulted in Moly having to pay an additional $1.17M.

Finalisation of the Iron Ore Sales agreement with Mineral Resources Limited ("MRL") was ongoing during the year. The Expert determination of the quantity of iron ore available on site at the time of transfer to MRL was completed. This determination had an outcome that would have resulted in Moly paying MRL approximately $4.2M to MRL when all outstanding amounts were included. However, Moly was of the view that this determination was not valid. Moly issued MRL with a Dispute Notice on this issue on 23 December 2015. Moly was served with a generally indorsed writ of summons from MRL on 24 December 2015 claiming $4.9M, calculated by reference to the Expert determination. Both parties have subsequently agreed that this issue, and all other outstanding issues between the parties, will be determined by arbitration. It is expected that this process will be finalised in the first half of 2016.

### 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.

## 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 2015. No dividends were declared or paid during the year.

## SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Moly Mines and MRL have subsequently agreed that the final payment under the Iron Ore Sale and Purchase Agreement, and all other outstanding issues between the parties, will be determined by arbitration. It is expected that this process will be finalised in the first half of 2016. Refer to Note 21(e) of the financial statements for further discussion.

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.

## 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 27 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
30 March 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

| | | Consolidated | |
|---|---|---|---|
| | Note | 31 Dec 2015 A$'000 | 31 Dec 2014 A$'000 |
| Sales revenue – iron ore | | - | 20,004 |
| Cost of sales | 3 | (1,169) | (21,047) |
| Gross loss | | (1,169) | (1,043) |
| Interest income | | 634 | 1,207 |
| Royalty income | 9 | - | 667 |
| Other income | | 5 | - |
| Foreign currency gains | 3 | 3,376 | 2,430 |
| Gain on sale of financial assets classified as available for sale | 9 | 1,170 | - |
| Reversal of impairment of non-current assets classified as held for sale | 8(b) | 20 | - |
| Profit on sale of plant and equipment | | 5 | - |
| Realised fair value movement on derivative financial instruments | 18 | - | 88 |
| Expenses: | | | |
| Administrative expenses | 3 | (4,186) | (649) |
| Loss on sale of plant and equipment | | - | (1) |
| Loss on sale of financial assets classified as available for sale | 9 | - | (12) |
| Impairment of development costs | 12 | (354) | (5,216) |
| Impairment of non-current assets classified as held for sale | 8 | - | (6,140) |
| Impairment of financial assets classified as available for sale | 9 | - | (1,515) |
| Impairment of receivables | | - | (28) |
| Exploration expenses | 11 | - | (11) |
| Project assessment expenses | | (217) | - |
| Finance costs | 3 | (971) | (805) |
| **Loss before income tax** | | **(1,687)** | **(11,028)** |
| Income tax expense / (benefit) | 4 | - | - |
| **Loss after income tax** | | **(1,687)** | **(11,028)** |
| **Other comprehensive income** | | **-** | **-** |
| **Total comprehensive loss for the period** | | **(1,687)** | **(11,028)** |
| Loss per share attributable to the ordinary equity holders of the Company: | | | |
| Basic and diluted loss per share (cents per share) | 20 | 0.44 | 2.87 |

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 2015

| | Note | Consolidated 31 Dec 2015 A$'000 | Consolidated 31 Dec 2014 A$'000 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 5 | 69,070 | 70,413 |
| Receivables | 6 | 1,076 | 1,291 |
| Inventories | 7 | 94 | 109 |
| | | 70,240 | 71,813 |
| Non-current assets classified as held for sale | 8 | - | 8,300 |
| **Total Current Assets** | | **70,240** | **80,113** |
| **Non-Current Assets** | | | |
| Financial assets classified as available for sale | 9 | - | 1,376 |
| Receivables | 6 | 315 | 383 |
| Plant and equipment | 10 | 8,380 | 405 |
| **Total Non-Current Assets** | | **8,695** | **2,164** |
| **Total Assets** | | **78,935** | **82,277** |
| **Current Liabilities** | | | |
| Trade and other payables | 13 | 405 | 2,049 |
| Provisions | 14 | 1,173 | 2,739 |
| **Total Current Liabilities** | | **1,578** | **4,788** |
| **Non-Current Liabilities** | | | |
| Borrowings | 15 | 14,146 | 12,601 |
| Provisions | 14 | 74 | 66 |
| **Total Non-Current Liabilities** | | **14,220** | **12,667** |
| **Total Liabilities** | | **15,798** | **17,455** |
| **Net Assets** | | **63,137** | **64,822** |
| **Equity** | | | |
| Contributed equity | 16 | 402,673 | 402,673 |
| Reserves | 17 | 10,213 | 10,211 |
| Accumulated losses | | (349,749) | (348,062) |
| **Total Equity** | | **63,137** | **64,822** |

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 2015

| | Contributed Equity<br>$'000 | Accumulated Losses<br>$'000 | Share Based Payments Reserve<br>$'000 | Warrants Reserve<br>$'000 | Total Equity<br>$'000 |
|---|---|---|---|---|---|
| | (Note 16) | | (Note 17) | (Note 17) | |
| **Consolidated** | | | | | |
| **At 1 January 2014** | 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 26) | - | - | (4,050) | - | (4,050) |
| **At 31 December 2014** | **402,673** | **(348,062)** | **821** | **9,390** | **64,822** |
| **At 1 January 2015** | 402,673 | (348,062) | 821 | 9,390 | 64,822 |
| Loss for the period | - | (1,687) | - | - | (1,687) |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income for the period | - | (1,687) | - | - | (1,687) |
| Equity Transactions | | | | | |
| Recognition of share-based payments (refer to Note 26) | - | - | 2 | - | 2 |
| **At 31 December 2015** | **402,673** | **(349,749)** | **823** | **9,390** | **63,137** |

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 2015

| | | Consolidated | |
|---|---|---|---|
| | | 31 Dec | 31 Dec |
| | | 2015 | 2014 |
| | Note | A$'000 | A$'000 |
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 5 | - |
| Payments to suppliers and employees | | (8,397) | (10,201) |
| Interest received | | 699 | 1,364 |
| Interest paid | | (965) | (889) |
| **Net cash flows used in operating activities** | 22 | **(8,658)** | **(9,726)** |
| **Cash flows from investing activities** | | | |
| Proceeds from security deposits | | 379 | 4,464 |
| Payments for security deposits | | (315) | (4,433) |
| Payments for mine property development activities | | - | (793) |
| Payments for exploration and evaluation | | (208) | - |
| Deferred proceeds from disposal of subsidiary | 9 | - | 1,000 |
| Payments for plant and equipment | | (36) | (19) |
| Proceeds from disposal of plant and equipment | | 25 | 69 |
| Proceeds from sale of financial assets classified as available for sale | | 2,546 | 160 |
| **Net cash flows from investing activities** | | **2,391** | **448** |
| **Cash flows from financing activities** | | | |
| Proceeds from derivative financial instrument | | - | 88 |
| **Net cash flows from financing activities** | | **-** | **88** |
| Net decrease in cash and cash equivalents | | (6,267) | (9,190) |
| Net foreign exchange difference | | 4,924 | 3,546 |
| Cash and cash equivalents at beginning of the period | | 70,413 | 76,057 |
| **Cash and cash equivalents at end of the period** | 5 | **69,070** | **70,413** |

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

## 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 2015 was authorised for issue in accordance with a resolution of the Directors on 30 March 2016.

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. The Company reviewed a number of potential merger and acquisition opportunities during 2015. Moly Mines continues to review projects as they are identified.

## 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 2015:

- AASB 2014-1 Amendments to Australian Accounting Standards – Part A: Annual Improvements to IFRS 2010-2012 and 2011-2013 Cycles, Part B: Defined Benefit Plans: Employee Contributions (Amendments to AASB 119), Part C: Materiality
- AASB 2014-2 Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements

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

*(ii) Australian 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 2015. These are outlined the following table.

| Reference | Title | Summary of change | Application date of standard | Application date for Group |
|---|---|---|---|---|
| AASB 9 | Financial Instruments (2014) | AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139.<br><br>The main changes are described below.<br><br>(a) Financial assets that are debt instruments will be classified based on:<br>(1) The objective of the entity's business model for managing the financial assets;<br>(2) The characteristics of the contractual cash flows.<br>(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.<br>(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.<br>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:<br>➢ The change attributable to changes in credit risk are presented in other comprehensive income (OCI)<br>➢ The remaining change is presented in profit or loss.<br><br>AASB 9 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.<br><br>The impact of this standard will depend on the Group's financial assets and liabilities at the time of application. | 1 January 2018 | 1 January 2018 |

| Reference | Title | Summary of change | Application date of standard | Application date for Group |
|---|---|---|---|---|
| AASB 15 and AASB 2014-5 | Revenue from Contracts with Customers | AASB 15 will supersede the current revenue recognition guidance in IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related Interpretations.<br><br>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:<br><br>Step 1: Identify the contract(s) with the customer.<br>Step 2: Identify the performance obligations in the contract.<br>Step 3: Determine the transaction price.<br>Step 4: Allocate the transaction price to the performance obligations in the contract.<br>Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.<br><br>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. | 1 January 2018 | 1 January 2018 |
| AASB 2014-3 | Amendments to Australian Accounting Standards – Accounting for Interests in Joint Operations [AASB 1 and 11] | 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.<br><br>The amendment may affect the Group if it acquires relevant interests in joint operations. | 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 |

| 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 | 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.<br><br>The amendment may affect the Group if it acquires relevant interests. | 1 January 2018 | 1 January 2018 |
| AASB 2015-1 | Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle | Amendments to various AASBs include clarification of:<br>➢ Changes in methods of disposal<br>➢ Servicing contracts<br>➢ Disclosure of information elsewhere in the interim financial report. | 1 January 2016 | 1 January 2016 |
| 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 |
| AASB 2015-3 | Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality | Completes the withdrawal of AASB 1031 Materiality from all Australian Accounting Standards and Interpretations. | 1 July 2015 | 1 January 2016 |

| Reference | Title | Summary of change | Application date of standard | Application date for Group |
|---|---|---|---|---|
| AASB 2015-4 | Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent | Requires that the ultimate Australian parent entity will need to apply the equity method in order to obtain the exemption for intermediate parent entity equity accounting at a lower level in the group.<br><br>It will not affect the Group as it does not currently apply equity accounting. | 1 July 2015 | 1 January 2016 |
| AASB 2015-9 | Amendments to Australian Accounting Standards – Scope and Application Paragraphs | Specifies scope of various accounting standards. It will not affect the Group as it already applies these standards. | 1 January 2016 | 1 January 2016 |

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

As of the date of authorisation of the financial statements, the following IFRS standard and IFRIC interpretation were also issued but not yet effective, although Australian equivalent standards and interpretations have not yet been issued:

- IFRS 16: Leases (effective for annual periods beginning on or after January 2019)
- Amendments to IAS12 – Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 – Disclosure Initiative

**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 24.

**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.

Dispute with Mineral Resources Limited

Following cessation of mining in October 2014, Moly Mines and MRL were unable to agree on components of the final payment under the Iron Ore Sale and Purchase Agreement (IOSPA). In accordance with the agreement, an Independent Expert (Expert) was appointed to determine the Available Tonnage component of the payment. The Expert's report concluded that approximately A$4.2 million, net of all offsets, was payable by Moly Mines to MRL. Included within the offset amount is a receivable of $0.7 million owed by MRL to Moly Mines, which has been recognised in the financial statements at year end.

Moly Mines is of the opinion that the Expert has incorrectly interpreted the determination of Available Tonnage under the IOSPA, specifically in relation to the ore which had been extracted and stockpiled at the commencement of the contract. Consequently, the Company has not paid any amount to MRL and on 23 December 2015 issued a Dispute Notice to MRL under the IOSPA.

On 24 December 2015, Moly Mines received a writ of summons from MRL claiming A$4.9 million, calculated by reference to the Expert's determination of Available Tonnage.

Moly Mines sought legal advice in relation to whether Moly Mines has a viable basis to challenge the expert determination. After independently obtaining a Senior Counsel opinion, the legal counsel advised Moly Mines that in their view they had a greater than 50/50 chance of successfully arguing that the Expert had made an error in determining the Available Tonnage.

Subsequent to year end, both parties have agreed that this issue, and all other outstanding issues between the parties, will be determined by arbitration. It is expected that this process will be finalised in the first half of 2016.

For the year ended 31 December 2015 Moly Mines has not recognised any amount as a liability in relation to the final payment, nor have any costs associated with the arbitration been provided for.

(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:

(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 12.

(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 8 and 10.

(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.

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 26. 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.

**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

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.

#### 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. Major depreciation periods are:

| | Dec 2015 | Dec 2014 |
|---|---|---|
| Plant and equipment | 2-4 years | 2-4 years |
| Motor vehicles | 5 years | 5 years |

The ball mills are not being depreciated as they are not being used. They are reviewed for impairment every reporting period.

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.

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.

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.

**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 effect 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 26.

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. 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 20).

**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.

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.

**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 forward contracts to hedge its risk associated with currency 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.

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 to 7% from 10%.

| | Consolidated 31 Dec 2015 A$'000 | Consolidated 31 Dec 2014 A$'000 |
|---|---|---|
| **3. OTHER INCOME AND EXPENSES** | | |
| **Cost of Sales** | | |
| Cost of production | - | 811 |
| Royalty expense (i) | 1,169 | 1,420 |
| Depreciation and amortisation | - | 18,816 |
| | 1,169 | 21,047 |
| **Net Foreign Currency Gains/(Losses)** | | |
| Realised foreign currency gains | 4,921 | 3,474 |
| Unrealised foreign currency gains /(losses) | (1,545) | (1,044) |
| | 3,376 | 2,430 |
| **Administrative Expenses** | | |
| Salaries and wages | 464 | 1,337 |
| Directors' fees | 590 | 502 |
| Defined contribution superannuation expense | 98 | 104 |
| Share-based payment expense | 2 | (4,050) |
| Other employee benefits expense | 83 | 190 |
| | 1,237 | (1,917) |
| Operating lease expense | 454 | 456 |
| Depreciation and amortisation | 395 | 43 |
| Other administrative expenses | 2,100 | 2,067 |
| | 4,186 | 649 |
| **Finance costs** | | |
| Interest expense | 971 | 805 |

(i) The Western Australian Minister for Mines determined that additional royalty payments, relating to prior periods, were required for part of the Spinifex Ridge Iron Ore operation. A negotiated outcome was reached with the relevant government department which resulted in Moly Mines having to pay an additional $1.169 million during 2015.

| | Consolidated | |
|---|---|---|
| | 31 Dec 2015 A$'000 | 31 Dec 2014 A$'000 |
| **4. INCOME TAX** | | |
| The major components of income tax expense are: | | |
| **Statement of comprehensive income** | | |
| Current Income Tax | | |
| Current income tax charge / (benefit) | - | - |
| Deferred Income Tax | | |
| 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:

| | 31 Dec 2015 A$'000 | 31 Dec 2014 A$'000 |
|---|---|---|
| Accounting loss before income tax | (1,687) | (11,028) |
| At the Group's statutory income tax rate of 30% (Dec 2014: 30%) | (506) | (3,308) |
| Meal entertainment | 1 | 1 |
| Share-based payments | 1 | (1,215) |
| Foreign office expenses | 28 | 49 |
| Gain on sale of financial assets classified as available for sale | (351) | - |
| Other non-deductible expenses | 51 | 98 |
| Unrecognised tax losses | 776 | 3,775 |
| Income tax (benefit) / expense | - | - |

| | 31 Dec 2015 A$'000 | 31 Dec 2014 A$'000 |
|---|---|---|
| **Deferred Tax Balances** | | |
| ***Deferred Tax Liabilities*** | | |
| Foreign exchange | (785) | (1,010) |
| Loans | (13,522) | (13,986) |
| Other | (48) | (82) |
| Deferred tax asset offset against deferred tax liability | 14,355 | 15,078 |
| | - | - |

| | Consolidated | |
|---|---|---|
| | 31 Dec **2015** A$'000 | 31 Dec **2014** A$'000 |
| *Deferred Tax Assets* | | |
| Mine development | 32,997 | 32,891 |
| Impairment of assets held for sale | 9,918 | 15,011 |
| Impairment of plant and equipment | 5,093 | - |
| Impairment of financial assets | - | 1,042 |
| Provisions | 374 | 841 |
| Other | 101 | 197 |
| Tax losses | 50,243 | 48,701 |
| | 98,726 | 98,683 |
| Deferred tax asset offset against deferred tax liability | (14,355) | (15,078) |
| Deferred tax asset not recognised | (84,371) | (83,605) |
| | - | - |

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 | 69,070 | 48,311 |
| Short term deposits | - | 22,102 |
| | 69,070 | 70,413 |

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.

| | Consolidated | |
|---|---|---|
| | 31 Dec 2015 A$'000 | 31 Dec 2014 A$'000 |
| **6. RECEIVABLES** | | |
| **Current** | | |
| Trade receivables | 738 | 738 |
| Security deposits (a)(i) | 192 | 189 |
| GST receivables (a)(ii) | 23 | 93 |
| Interest receivable (a)(ii) | 53 | 158 |
| Prepayments | 70 | 113 |
| | 1,076 | 1,291 |
| **Non-current** | | |
| Security deposits (a)(i) | 315 | 383 |

**(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. INVENTORIES

**Current**

| | 31 Dec 2015 A$'000 | 31 Dec 2014 A$'000 |
|---|---|---|
| Consumables | 94 | 109 |

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

| | Consolidated | |
|---|---|---|
| | 31 Dec 2015 A$'000 | 31 Dec 2014 A$'000 |

## 8. 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 |

### (b) Movements in the carrying amount of assets held for sale

| | | |
|---|---|---|
| Carrying amount at beginning of the period | 8,300 | 14,500 |
| Disposals | (20) | (60) |
| Reversal of impairment / (impairment) (i) | 20 | (6,140) |
| Transfer to plant and equipment (ii) | (8,300) | - |
| Carrying amount at end of the period | - | 8,300 |

(i) 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 two 14 MW Polysius 7.3 x 12.5M ball mills.

(ii) As a result of the Company not being able to find a suitable buyer for the two ball mills and other ancillary equipment during the past 12 months, these assets no longer meet the requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* at year end, and therefore they have been reclassified as plant and equipment.

The assets will continue to be held by the Company for the sole purpose of finding a suitable buyer for them. The ball mills will not be depreciated as they are not being used. They will however be subject to six monthly reviews and if necessary will be impaired.

Due to the continuing depressed state of the resources industry worldwide, the market for this type of equipment is very constrained, however the Company will endeavour to seek out opportunities.

| | Consolidated | |
|---|---|---|
| | 31 Dec 2015 A$'000 | 31 Dec 2014 A$'000 |

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

| | 31 Dec 2015 A$'000 | 31 Dec 2014 A$'000 |
|---|---|---|
| Listed shares – Unity Mining Limited | - | 1,376 |
| **Movements in the carrying amount** | | |
| Carrying amount at beginning of the period | 1,376 | 396 |
| Value of shares received | - | 2,667 |
| Carrying value of shares sold | (1,376) | (172) |
| Impairment of financial assets classified as available for sale | - | (1,515) |
| Carrying amount at end of the period | - | 1,376 |

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 year ended 31 December 2014. A$3m of the cash and share proceeds received during 2014 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.

The UML shares were sold during the year ended 31 December 2015 for net proceeds of A$2.546m, representing a gain on sale of A$1.170m.

| | Consolidated 31 Dec 2015 A$'000 | Consolidated 31 Dec 2014 A$'000 |
|---|---|---|

## 10. PLANT AND EQUIPMENT

| | 31 Dec 2015 A$'000 | 31 Dec 2014 A$'000 |
|---|---|---|
| **Plant and equipment** | | |
| - at cost | 12,697 | 12,702 |
| - accumulated depreciation | (12,617) | (12,297) |
| **Total plant and equipment** | 8,380 | 405 |

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

| | 31 Dec 2015 A$'000 | 31 Dec 2014 A$'000 |
|---|---|---|
| **Plant and Equipment** | | |
| Carrying amount at beginning of the period | 405 | 4,680 |
| Additions | 70 | 20 |
| Disposals | - | (16) |
| Transfer from assets held for sale (i) | 8,300 | - |
| Depreciation expense | (395) | (4,279) |
| Carrying amount at end of the period | 8,380 | 405 |

(i) As a result of the Company not being able to find a suitable buyer for the two ball mills and other ancillary equipment during the past 12 months, these assets no longer met the requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, and for the year ended 31 December 2015 they have been reclassified as plant and equipment.

The assets will continue to be held by the Company for the sole purpose of finding a suitable buyer for them. The ball mills will not be depreciated as they are not being used. They will however be subject to six monthly reviews and if necessary will be impaired.

Due to the continuing depressed state of the resources industry worldwide, the market for this type of equipment is very constrained, however the Company will endeavour to seek out opportunities.

## 11. EXPLORATION AND EVALUATION

| | 31 Dec 2015 A$'000 | 31 Dec 2014 A$'000 |
|---|---|---|
| Carrying amount at beginning of the period | - | - |
| Expenditure incurred | - | 11 |
| Expenditure written off | - | (11) |
| Carrying amount at end of the period | - | - |

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

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.

| | Consolidated | |
|---|---|---|
| | 31 Dec **2015** A$'000 | 31 Dec **2014** A$'000 |

## 12. MINE PROPERTY DEVELOPMENT

| | | |
|---|---|---|
| Carrying amount at beginning of the period | - | 19,016 |
| Expenditure incurred | 354 | 779 |
| Amortisation | - | (14,579) |
| Impairment | (354) | (5,216) |
| Carrying amount at end of the period | - | - |
| Spinifex Ridge Molybdenum / Copper Project | - | - |
| Spinifex Ridge Iron Ore Mine | - | - |

**Impairment Test**

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 decided during the year ended 31 December 2014 to further impair the Project value down by $5.216 million to Nil.

| | Consolidated | |
|---|---|---|
| | 31 Dec 2015 A$'000 | 31 Dec 2014 A$'000 |

## 13. TRADE AND OTHER PAYABLES

| | 2015 | 2014 |
|---|---|---|
| Trade and other payables | 172 | 161 |
| Accruals | 233 | 1,454 |
| Off-take termination royalty payable to Hanlong Metals | - | 434 |
| | 405 | 2,049 |

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.

## 14. PROVISIONS

| | 2015 | 2014 |
|---|---|---|
| **Current** | | |
| Annual leave | 100 | 85 |
| Rehabilitation – exploration drilling | 504 | 504 |
| Rehabilitation – Spinifex Ridge Iron Ore Project | 569 | 2,150 |
| | 1,173 | 2,739 |

| | 2015 | 2014 |
|---|---|---|
| **Non-current** | | |
| Long service leave | 74 | 66 |

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

| | 2015 | 2014 |
|---|---|---|
| Carrying amount at beginning | 2,150 | 3,980 |
| Additions | - | - |
| Utilisation | (1,581) | (1,830) |
| Closing Balance | 569 | 2,150 |

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.

| | Consolidated 31 Dec 2015 A$'000 | Consolidated 31 Dec 2014 A$'000 |
|---|---|---|
| **15. BORROWINGS** | | |
| Non-Current | | |
| Loan - Hanlong (i) | 14,146 | 12,601 |

(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.

## 16. CONTRIBUTED EQUITY

| | 2015 | 2014 |
|---|---|---|
| Issued and paid up capital | 402,673 | 402,673 |

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: | Number of shares | A$'000 |
|---|---|---|
| Balance at 1 January 2014 | 384,893,989 | 402,673 |
| Balance at 31 December 2014 | 384,893,989 | 402,673 |
| Balance at 31 December 2015 | 384,893,989 | 402,673 |

Share options

6,833,320 options were outstanding over unissued shares in the Company as at 31 December 2015 (Dec 2014: 6,833,320). No options were exercised during the period (Dec 2014: nil). No options expired or were cancelled during the period (Dec 2014: 700,002). Details of options are provided in Note 26.

Warrants

At 31 December 2015, there were 4,832,157 (Dec 2014: 4,832,157) warrants on issue. No warrants were exercised during the period (Dec 2014: nil). No warrants expired during the period (Dec 2014: 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 |

## 17. 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.

## 18. 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 2014 to take advantage of favourable currency movements and resulted in a gain of $88,000.

## 19. KEY MANAGEMENT PERSONNEL COMPENSATION

| | Consolidated | |
|---|---|---|
| | 31 Dec 2015 A$ | 31 Dec 2014 A$ |
| Short-term employee benefits | 996,255 | 1,122,415 |
| Long-term employee benefits | 8,210 | 25,007 |
| Post-employment benefits | 77,366 | 82,602 |
| Share-based payments | 2,186 | 21,644 |
| Termination benefits | - | 457,099 |
| | 1,084,017 | 1,708,767 |

## 20. 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 | (1,687) | (11,028) |

| | Number of Shares | Number of Shares |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic loss per share | 384,893,989 | 384,893,989 |
| Share options considered dilutive | - | - |
| Weighted average number of ordinary shares used in calculating the diluted loss per share | 384,893,989 | 384,893,989 |

At 31 December 2015, 6,833,320 share options (Dec 2014: 6,833,320) and 4,832,157 warrants (Dec 2014: 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.

Consolidated

| | 31 Dec 2015 A$'000 | 31 Dec 2014 A$'000 |
|---|---|---|

## 21. COMMITMENTS & CONTINGENCIES

### (a) Mineral tenement leases

| | | |
|---|---|---|
| Within 1 year | 282 | 282 |

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 | 457 | 458 |
| Later than 1 year and not later than 5 years | 234 | 721 |
| | 691 | 1,179 |

### (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 were unable to agree on components of the final payment under the Iron Ore Sale and Purchase Agreement (IOSPA). In accordance with the agreement, an Independent Expert (Expert) was appointed to determine the Available Tonnage component of the payment. The Expert's report concluded that approximately A$4.2 million, net of all offsets, was payable by Moly Mines to MRL. Included within the offset amount is a receivable of $0.7 million owed by MRL to Moly, which has been recognised in the financial statements at year end.

Moly Mines is of the opinion that the Expert has incorrectly interpreted the determination of Available Tonnage under the IOSPA, specifically in relation to the ore which had been extracted and stockpiled at the commencement of the contract. Consequently, the Company has not paid any amount to MRL and on 23 December 2015 issued a Dispute Notice to MRL under the IOSPA.

On 24 December 2015, Moly Mines received a writ of summons from MRL claiming A$4.9 million, calculated by reference to the Expert's determination of Available Tonnage.

Moly Mines sought legal advice in relation to whether Moly Mines has a viable basis to challenge the expert determination. After independently obtaining a Senior Counsel opinion, the legal counsel advised Moly Mines that in their view they had a greater than 50/50 chance of successfully arguing that the Expert had made an error in determining the Available Tonnage.

Subsequent to year end, both parties have agreed that this issue, and all other outstanding issues between the parties, will be determined by arbitration. It is expected that this process will be finalised in the first half of 2016.

For the year ended 31 December 2015 Moly Mines has not recognised any amount as a liability in relation to the final payment, nor have any costs associated with the arbitration been provided for.

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 2015 or 31 December 2014.

## 22. CASH FLOW INFORMATION

### (a) Reconciliation of operating loss after tax to net cash flows from operations

| | Consolidated | |
|---|---|---|
| | 31 Dec 2015 A$'000 | 31 Dec 2014 A$'000 |
| Loss from ordinary activities | (1,687) | (11,028) |
| Adjusted for: | | |
| Depreciation and amortisation | 395 | 18,858 |
| (Profit) / loss on disposal of plant and equipment | (5) | 1 |
| Loss on disposal of financial assets classified as available for sale | - | 12 |
| Share-based payments | 2 | (4,050) |
| Impairment of financial assets classified as available for sale | - | 1,515 |
| (Reversal of impairment) / impairment of non-current assets held for sale | (20) | 6,140 |
| Impairment of development costs | 354 | 5,216 |
| Impairment of exploration and evaluation costs | 217 | - |
| Net gain on foreign exchange | (3,376) | (2,430) |
| Changes in assets and liabilities: | | |
| Decrease in receivables | 177 | 4,551 |
| Decrease in prepayments | 43 | 49 |
| (Increase) / decrease in inventories | 15 | (109) |
| Decrease in payables | (3,215) | (3,013) |
| Increase / (decrease) in employee provisions | 23 | (137) |
| Decrease in rehabilitation provision | (1,581) | (1,830) |
| Decrease in deferred revenue | - | (23,471) |
| Net cash flows from / (used in) operations | (8,658) | (9,726) |

(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 9.

## 23. 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.

| | Consolidated | |
|---|---|---|
| | 31 Dec 2015 A$'000 | 31 Dec 2014 A$'000 |
| At reporting date the Group had the following exposure to variable interest rate risk | | |
| **Financial assets** | | |
| Cash at bank and money market investment | 69,070 | 70,413 |
| | 69,070 | 70,413 |

The following table summarises the impact of reasonably possible changes in interest rates for the Group and the parent entity at 31 December 2015. The sensitivity is based on the assumption that interest rate changes by 25 basis points (Dec 2014: 25 basis points) with all other variables held constant. The 25 basis points sensitivity is based on reasonably possible changes over the reporting period.

| | Consolidated | |
|---|---|---|
| | 31 Dec 2015 A$'000 | 31 Dec 2014 A$'000 |
| **Impact on post tax profit and equity** | | |
| Higher / (lower) | | |
| 25 bp increase (Dec 2014: 25 bp) | 172 | 176 |
| 25 bp decrease (Dec 2014: 25 bp) | (172) | (176) |

**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 | 57,993 | 40,465 |
| Receivables | | |
| - USD | 28 | - |
| Borrowings | | |
| - USD | (14,146) | (12,601) |
| Trade and other payables | | |
| - USD | (175) | (220) |

The following table summarises the impact of reasonably possible changes in foreign currency exchange rates for the Group at 31 December 2015 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% (2014: +5%) | (3,973) | (2,520) |
| AUD/USD -10% (2014: -5%) | 4,855 | 3,080 |

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

- US Dollar cash held at the December 2015 and December 2014 reporting dates.
- US Dollar interest accruals at the December 2015 reporting date.
- US Dollar loans held at the December 2015 and December 2014 reporting dates.
- US Dollar payables and interest accruals at the December 2015 and December 2014 reporting dates.

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

### 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 | A1+ | A1 | A2 | Unrated |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **31 December 2015** | | | | | |
| Cash & cash equivalents | - | 69,070 | - | - | - |
| Receivables | 23 | 525 | - | - | 773 |
| Number of counterparties | 1 | 2 | - | 1 | 2 |
| Largest counterparty (%) | 100% | 85% | - | 100% | 95% |
| **31 December 2014** | | | | | |
| Cash & cash equivalents | 1 | 70,412 | - | - | - |
| Receivables | 93 | 695 | - | - | 773 |
| Number of counterparties | 1 | 5 | - | 1 | 4 |
| Largest counterparty (%) | 100% | 24% | - | 100% | 95% |

### 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 |
|---|---|---|---|---|
| **Consolidated entity at 31 December 2015** | | | | |
| Trade and other payables | 405 | - | - | - |
| Borrowings | 496 | 496 | 990 | 16,436 |
| | 901 | 496 | 990 | 16,436 |
| **Consolidated entity at 31 December 2014** | | | | |
| Trade and other payables | 2,049 | - | - | - |
| Borrowings | 441 | 441 | 884 | 15,670 |
| | 2,490 | 441 | 884 | 15,670 |

**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.

**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 following table.

| | Year ended 31 December 2015 | | Year ended 31 December 2014 | |
|---|---|---|---|---|
| | Quoted Market Price (Level 1) | Total | Quoted Market Price (Level 1) | Total |
| | $'000 | $'000 | $'000 | $'000 |
| **Financial assets** | | | | |
| Financial asset classified as available for sale | - | - | 1,376 | 1,376 |
| | - | - | 1,376 | 1,376 |

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 is 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.

## 24. RELATED PARTY DISCLOSURE

**Subsidiaries**

| Name | Country of Incorporation | % Equity Interest | | Principal Activities |
|---|---|---|---|---|
| | | Dec 2015 | Dec 2014 | |
| 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 | 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 2015 A$'000 | 31 Dec 2014 A$'000 |
|---|---|---|
| Finance costs | 971 | 805 |
| Director fees | 336 | 268 |
| Other transactions with Hanlong entities | 80 | 44 |
| | | |
| Payables – loan interest | 167 | 220 |
| Payables – off-take termination royalty | - | 434 |
| Payables – other | 28 | - |
| Loan from Hanlong | 14,165 | 12,601 |

(c) Northcott Capital

The consolidated entity entered into a transaction with Northcott Capital, a company of which Moly Mines director Mr A. Martin is an employee, for project assessment consultancy.

| | 31 Dec 2015 A$'000 | 31 Dec 2014 A$'000 |
|---|---|---|
| Project assessment consultancy fees | 138 | - |

The consolidated entity has not entered into any transactions nor has other outstanding commitments at 31 December 2015 with other related parties (2014: nil).

## 25. SEGMENT INFORMATION

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 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.

| | Spinifex Ridge Molybdenum Project 31 Dec 2015 A$'000 | Spinifex Ridge Iron Ore Project 31 Dec 2015 $'000 | Total 31 Dec 2015 $'000 |
|---|---|---|---|
| **Revenue and other income** | | | |
| Segment revenue | - | - | - |
| Segment other income | 20 | - | 20 |
| Unallocated | | | |
| Interest revenue | | | 634 |
| Gain on sale of financial assets classified as available for sale | | | 1,170 |
| Profit on sale of plant and equipment | | | 5 |
| Other income | | | 5 |
| Foreign currency gains | | | 3,376 |
| Total revenue and other income | | | 5,210 |
| **Results** | | | |
| Pre-tax segment result | (334) | (1,552) | (1,886) |
| Unallocated | | | |
| Interest revenue | | | 634 |
| Gain on sale of financial assets classified as available for sale | | | 1,170 |
| Profit on sale of plant and equipment | | | 5 |
| Other income | | | 5 |
| Foreign currency gains | | | 3,376 |
| Administrative expenses | | | (3,803) |
| Exploration expenses | | | (217) |
| Finance costs | | | (971) |
| Loss after income tax | | | (1,687) |
| **Segment Assets** | | | |
| Segment operating assets | 8,300 | 870 | 9,170 |
| Unallocated assets | | | |
| Cash | | | 69,070 |
| Other | | | 617 |
| Property, plant and equipment | | | 78 |
| Total assets | | | 78,935 |
| Segment acquisitions of non-current assets | - | - | - |
| **Segment Liabilities** | | | |
| Segment operating liabilities | 504 | 569 | 1,073 |
| Unallocated liabilities | | | |
| Borrowings | | | 14,146 |
| Trade and other payables | | | 405 |
| Provisions | | | 174 |
| Total liabilities | | | 15,798 |

| | Spinifex Ridge Molybdenum Project 31 Dec 2014 A$'000 | Spinifex Ridge Iron Ore Project 31 Dec 2014 $'000 | Total 31 Dec 2014 $'000 |
|---|---|---|---|
| **Revenue and other income** | | | |
| 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 |
| **Results** | | | |
| 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) |
| **Segment Assets** | | | |
| 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 | - | - | - |
| **Segment Liabilities** | | | |
| Segment operating liabilities | 504 | 3,798 | 4,302 |
| Unallocated liabilities | | | |
| Borrowings | | | 12,601 |
| Trade and other payables | | | 401 |
| Provisions | | | 151 |
| Total liabilities | | | 17,455 |

## 26. 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. No significant changes occurred during the year ended 31 December 2015.

Following the resignation of employees and directors during the year ended 31 December 2014, 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 in the year ended 31 December 2014 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. The movements in options on issue and weighted average exercise price (WAEP) are shown in the following table.

| | Dec 2015 No. | Dec 2015 WAEP | Dec 2014 No. | Dec 2014 WAEP |
|---|---|---|---|---|
| Outstanding at the beginning of the period | 6,833,320 | 0.55 | 7,533,322 | 0.55 |
| Granted during the period | - | - | - | - |
| Exercised during the period | - | - | - | - |
| Expired during the period | - | - | (700,002) | 0.55 |
| Outstanding at the end of the period | 6,833,320 | 0.55 | 6,833,320 | 0.55 |
| Exercisable at reporting date | 6,833,320 | 0.55 | 6,683,320 | 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 2015 is 0.1 years (Dec 2014: 1.1 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 2015 or 31 December 2014.

**(f) Weighted average fair value**

No options were granted under the EOIS during the period ended 31 December 2015 or 31 December 2014.

**(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 2015**

| | Opening Balance 1 Jan 2015 | Options Issued | Options Exercised | Options Expired | Closing Balance 31 Dec 2015 |
|---|---|---|---|---|---|
| Employee options | 6,833,320 | - | - | - | 6,833,320 |
| Total | 6,833,320 | - | - | - | 6,833,320 |

**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. 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 |

## 27. AUDITOR'S REMUNERATION

The auditor of the Group is Deloitte Touche Tohmatsu.

| | Consolidated | |
|---|---|---|
| | 31 Dec 2015 A$ | 31 Dec 2014 A$ |
| Amounts received or due and receivable by Deloitte Touche Tohmatsu: | | |
| Audit fees for audit and review of the financial report | 28,350 | 65,500 |
| Tax compliance (non-audit services) | 108,150 | 24,648 |
| | 136,500 | 90,148 |

## 28. PARENT ENTITY INFORMATION

| | 31 Dec 2015 A$'000 | 31 Dec 2014 A$'000 |
|---|---|---|
| Current assets | 68,896 | 29,601 |
| Total assets | 77,862 | 77,974 |
| Current liabilities | 506 | 485 |
| Total liabilities | 14,725 | 13,152 |
| Contributed equity | 402,673 | 402,673 |
| Accumulated losses | (349,749) | (348,062) |
| Share-based payments reserve | 823 | 821 |
| Warrants reserve | 9,390 | 9,390 |
| Total shareholders' equity | 63,137 | 64,822 |
| Loss of the parent entity | (1,687) | (11,028) |
| Total comprehensive loss of the parent entity | (1,687) | (11,028) |

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.

## 29. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

As discussed in Note 21(e), Moly Mines and MRL have subsequently agreed that the final payment under the Iron Ore Sale and Purchase Agreement, and all other outstanding issues between the parties, will be determined by arbitration. It is expected that this process will be finalised in the first half of 2016.

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 2015 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 2015; 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
30 March 2016

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Brookfield Place, Tower 2
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

# Independent Auditor's Report to the Members of Moly Mines Limited

## Report on the Financial Report

We have audited the accompanying financial report of Moly Mines Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 17 to 64.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the consolidated financial statements comply with International Financial Reporting Standards.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Deloitte.

*Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Moly Mines Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

*Basis for Qualified Opinion*

Moly Mines Limited has two '14 MW Polysius 7.3 x 12.5M' ball mills recognised within Property Plant and Equipment at a total carrying value of $8 million. Given the current economic environment and the specific nature and market for such assets, we have not been able to obtain sufficient appropriate audit evidence to enable us to determine the recoverable value of these assets. Consequently we were unable to determine whether an adjustment to the carrying amount of these assets was necessary. Should the recoverable amount be less that the carrying value, the difference would need to be expensed through profit or loss as an impairment expense.

*Qualified Opinion*

In our opinion, except for the effects of the matter referred to in the Basis for Qualified Opinion paragraph;

(a) the financial report of Moly Mines Limited is 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 2015 and of its performance for the year ended on that date; and
   ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

**Report on the Remuneration Report**

We have audited the Remuneration Report included on pages 5 to 13 of the directors' report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Opinion*

In our opinion the Remuneration Report of Moly Mines Limited for the year ended 31 December 2015, complies with section 300A of the Corporations Act 2001.

Deloitte Touche Tohmatsu

**DELOITTE TOUCHE TOHMATSU**

**Leanne Karamfiles**
Partner
Chartered Accountants
Perth, 30 March 2016

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2, Brookfield Place
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 (0) 8 9365 7000
Fax: +61 (8) 9365 7001
www.deloitte.com.au

The Board of Directors
Moly Mines Limited
50 Kings Park Road
West Perth, WA 6005

30 March 2016

Dear Board Members

**Moly Mines Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Moly Mines Limited.

As lead audit partner for the audit of the financial statements of Moly Mines Limited for the year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu
**DELOITTE TOUCHE TOHMATSU**

**Leanne Karamfiles**
Partner
Chartered Accountants