

MOLY MINES LIMITED

FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED
30 JUNE 2017

ABN 32 103 295 521

Board of Directors

Nelson Chen
Gregory Jones
Gou Qing Lou
Ivo Polovineo

Position

Executive Chairman
Acting Managing Director
Acting Executive Director
Non-Executive Director

Company Secretary

Susan Hunter

Principal & Registered Office

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ASX Share Register

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Auditor

Deloitte Touche Tohmatsu
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Your directors submit their report for the half-year ended 30 June 2017.

DIRECTORS

The names of Moly Mines Limited (the Company or Moly Mines) directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Nelson Chen	Executive Chairman (appointed Executive Chairman 1 July 2017)
Gregory Jones	Acting Managing Director (appointed Acting Managing Director on 15 August 2017)
Gou Qing Lou	Acting Executive Director (appointed Acting Executive Director on 15 August 2017)
Ivo Polovineo	Non-Executive Director – appointed 13 March 2017
Anthony Martin	Non-Executive Director – resigned 13 March 2017

REVIEW AND RESULTS OF OPERATIONS

Principal Activities

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

Results from Operations

The net loss after taxation attributable to the members of Moly Mines for the half-year to 30 June 2017 was A\$4,729,000 (half-year to 30 June 2016: A\$3,226,000). The basic and diluted loss per share for the Company was 1.23 cents per share (half-year to 30 June 2016: 0.84 cents per share). The Company's financial performance and results have been, and will continue to be, attributable to evaluation of acquisition targets and due diligence activities.

Financial Position

As at 30 June 2017, the Company had A\$58.2 million cash on hand (31 Dec 2016: A\$63.7 million).

Operations Summary

Spinifex Ridge Iron Ore Mine – Pilbara, Western Australia

For the period under review, no exploration activity was undertaken on Moly Mines tenements. Environmental monitoring on the rehabilitated waste dumps associated with the Iron Ore mine continued.

The Spinifex Ridge Molybdenum / Copper Project remains on care and maintenance. Associated facilities and infrastructure remain in good condition.

Finalisation of the Iron Ore Sales agreement with Mineral Resources Limited ("MRL") continued during the period and in August 2017 a Final Award was determined in Moly Mines favour. As previously advised, Moly has been in dispute with MRL since early 2015. The dispute centred around the quantification of the Final Payment which was due under the Iron Ore Sale and Purchase Agreement ("IOSPA") by which MRL acquired the remaining available iron ore at the Spinifex Ridge Iron Ore Mine. An amount of \$4.2 million held in a jointly controlled account with MRL has now been released back to Moly in addition to the final amount received in August 2017 (refer to Notes 2 & 4 of this Financial Report).

Corporate

The Company's current acquisition strategy remains unchanged and is focussed on near term production assets. Moly Mines undertook a number of due diligence activities during the half year, with a view to progressing toward a transaction on a suitable project.

Effective 22 April 2017 the Company was delisted from the Australian Securities Exchange (ASX) as announced on 20 April 2017.

There were two changes to the Board made during the half year. Mr Anthony Martin resigned as an Independent Non-Executive Director on 13 March 2017. Mr Ivo Polovineo was appointed as an Independent Non-Executive Director on 13 March 2017.

Securities on Issue

	Balance 30 June 2017
Ordinary shares	384,893,989
Options	
- EIG Warrants	4,832,157
Total options	4,832,157
Total potential ordinary shares	389,726,146

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars (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.

AUDITORS' INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of directors.



Nelson Chen
Executive Chairman
12 September 2017

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2017**

		Six months ended	
		30 June 2017	30 June 2016
	Note	A\$'000	A\$'000
Sales		-	-
Cost of sales		-	-
Gross loss		-	-
Interest revenue		267	171
Other income	2	1,009	2
Expenses:			
Administrative expenses	3	(2,908)	(2,189)
Exploration expenses		(109)	(61)
Project assessment expenses		(288)	(138)
Finance costs		(474)	(488)
Foreign currency losses		(2,226)	(523)
(Loss) before income tax		(4,729)	(3,226)
Income tax expense		-	-
(Loss) after income tax		(4,729)	(3,226)
Other comprehensive income		-	-
Total comprehensive (Loss) for the period		(4,729)	(3,226)
Earnings per share for (Loss) attributable to the ordinary equity holders of the Company:			
Basic (Loss) per share (cents per share)		(1.23)	(0.84)
Diluted (Loss) per share (cents per share)		(1.23)	(0.84)

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
AS AT 30 JUNE 2017**

	Note	30 June 2017 A\$'000	31 Dec 2016 A\$'000
Current Assets			
Cash and cash equivalents		58,236	63,677
Receivables	4	2,334	1,039
Inventories		46	49
Total Current Assets		60,616	64,765
Non-Current Assets			
Receivables	4	30	315
Plant and equipment	5	8,121	8,443
Total Non-Current Assets		8,151	8,758
Total Assets		68,767	73,523
Current Liabilities			
Trade and other payables		983	489
Provisions	6	1,585	1,177
Total Current Liabilities		2,568	1,666
Non-Current Liabilities			
Borrowings	7	13,436	14,283
Provisions	6	-	82
Total Non-Current Liabilities		13,436	14,365
Total Liabilities		16,004	16,031
Net Assets		52,763	57,492
Equity			
Contributed equity		402,673	402,673
Reserves		9,390	9,390
Accumulated losses		(359,300)	(354,571)
Total Equity		52,763	57,492

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2017**

	30 June 2017	30 June 2016
Note	A\$'000	A\$'000
Cash flows from operating activities		
Rent received	10	2
Payments to suppliers and employees	(2,626)	(1,948)
Payments for exploration and project evaluation expenses	(396)	(392)
Interest received	275	189
Interest paid	(477)	(502)
Net cash flows used in operating activities	(3,214)	(2,651)
Cash flows from investing activities		
Proceeds from security deposits	-	192
Payments for plant and equipment	(1)	(35)
Proceeds from disposal of plant and equipment	-	1
Net cash flows provided by investing activities	(1)	158
Net cash flows provided by financing activities	-	-
Net decrease in cash and cash equivalents	(3,215)	(2,493)
Net foreign exchange difference	(2,226)	(741)
Cash and cash equivalents at beginning of the period	63,677	69,070
Cash and cash equivalents at end of the period	58,236	65,836

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2017**

	Contributed Equity	Accumulated Losses	Share- Based Payments Reserve	Warrants Reserve	Total Equity
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
At 1 January 2016	402,673	(349,749)	823	9,390	63,137
Loss for the period	-	(3,226)	-	-	(3,226)
Total comprehensive income for the period	-	(3,226)	-	-	(3,226)
Equity transactions					
Transfer share-based payments reserve to accumulated losses	-	823	(823)	-	-
At 30 June 2016	402,673	(352,152)	-	9,390	59,911
At 1 January 2017	402,673	(354,571)	-	9,390	57,492
Loss for the period	-	(4,729)	-	-	(4,729)
Total comprehensive income for the period	-	(4,729)	-	-	(4,729)
At 30 June 2017	402,673	(359,300)	-	9,390	52,763

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

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Basis of Preparation

This general purpose condensed financial report for the half-year ended 30 June 2017 has been prepared in accordance with AASB 134 *Interim Financial Reporting*, International Financial Reporting Standard, IAS 34 *Interim Financial Reporting* and the Corporations Act 2001.

The half-year financial report does not contain all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 31 December 2016 and considered together with any public announcements made by Moly Mines Limited during the half-year ended 30 June 2017, in accordance with the continuous disclosure obligations of the Australian Securities Exchange Listing Rules and Corporations Act requirements for unlisted disclosing entities.

The half-year financial report has been prepared on a historical cost basis, with the exception of plant and equipment, which is measured at fair value less costs to sell.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Changes in Accounting Policy

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australia Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

2. INCOME

	Six months ended	
	30 June 2017 A\$'000	30 June 2016 A\$'000
Other income		
Rental and other income	10	2
Sales revenue – iron ore (i)	999	-
	1,009	2

- (i) An additional amount of \$999,000 was booked as part of the final amount which has been received from MRL as part of the settlement arrangement, refer subsequent events note on the Iron Ore Sale and Purchase Agreement.

3. EXPENSES

	Six months ended	
	30 June	30 June
	2017	2016
	A\$'000	A\$'000
Administrative expenses		
External consultants	420	408
Directors' fees	356	282
Rent and outgoings	302	234
Salaries and wages	232	213
Legal fees	573	222
Other administrative expenses	1,025	830
	2,908	2,189

4. RECEIVABLES

	30 June	31 Dec
	2017	2016
	A\$'000	A\$'000
Current		
Trade receivables (i)	1,739	738
GST receivables	66	37
Interest receivable	36	44
Other debtors	-	98
Prepayments	208	122
Security deposits	285	-
	2,334	1,039
Non-current		
Security deposits	30	315
	30	315

- (i) An additional amount of \$999,000 was booked as part of the final amount which has been received from MRL as part of the settlement arrangement, refer subsequent events note on the Iron Ore Sale and Purchase Agreement.

5. PLANT AND EQUIPMENT

	30 June 2017 A\$'000	31 Dec 2016 A\$'000
Plant and equipment		
- at cost	8,209	21,096
- accumulated depreciation	(88)	(12,653)
Total plant and equipment	8,121	8,443

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

Carrying amount at beginning of the period	8,443	8,380
Additions	1	106
Disposals	-	(1)
Obsolete plant and equipment written off (written down value)	(291)	-
Depreciation expense	(32)	(42)
Carrying amount at end of the period	8,121	8,443

6. PROVISIONS

	30 Jun 2017 A\$'000	31 Dec 2016 A\$'000
Current		
Annual leave	82	104
Long service leave	90	-
Rehabilitation – Spinifex Ridge	1,413	1,073
	1,585	1,177
Non-current		
Long service leave	-	82
	-	82

Rehabilitation provisions are subject to inherent uncertainty in both timing and amount, and as a result are continuously monitored and revised. Timing is uncertain as the next stage in rehabilitation is dependent on success of previous work after a number of wet seasons. Iron ore rehabilitation will wait until economics determine the timing of removal of the low grade stockpile resource, after which the remaining rehabilitation can be undertaken. For the current period to 30 June 2017 the Company reviewed the existing cost estimates associated with the rehabilitation work which has resulted in an increase in the provision. The provision recognised is aligned with the calculation provided by the Department of Mines and Petroleum for Moly tenements.

7. BORROWINGS

	30 Jun 2017 A\$'000	31 Dec 2016 A\$'000
Non-Current		
Loan – Hanlong (i)	13,436	14,283
	13,436	14,283

- (i) Refer to the December 2016 Annual Report for full disclosure of the terms of the Hanlong loan. There has been no change to these terms during the half-year.

8. SEGMENT INFORMATION

The Group operates predominately in the mineral exploration and development industry in Australia. For management purposes, the Group is organised into one main operating segment which currently involves the evaluation of mining and resource investment opportunities in Australia and the rest of the world. All of the Group's activities are inter-related and financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial results of the Group as a whole.

9. RELATED PARTY TRANSACTIONS

- (a) Ultimate parent entity

Transactions and outstanding balances with Hanlong were as follows:

	Six months ended	
	30 June 2017 A\$'000	30 June 2016 A\$'000
Finance costs	477	488
Director fees	-	162
Other	22	25
	30 June 2017 A\$'000	31 Dec 2016 A\$'000
Payables – loan interest	160	165
Loan from Hanlong	13,436	14,283

- (b) 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. Mr A. Martin has resigned from Moly Mines as of 13 March 2017.

	Six months ended	
	30 June 2017 A\$'000	30 June 2016 A\$'000
Project assessment consultancy fees	92	135

10. CONTINGENT LIABILITIES

(a) 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 of US\$10.3 million 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.

(b) 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.

11. SUBSEQUENT EVENTS

No 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, other than:

- Finalisation of the Iron Ore Sales agreement with Mineral Resources Limited ("MRL") continued during the period and in August 2017 a Final Award was determined in Moly Mines favour. As previously advised, Moly has been in dispute with MRL since early 2015. The dispute centred around the quantification of the Final Payment which was due under the Iron Ore Sale and Purchase Agreement ("IOSPA") by which MRL acquired the remaining available iron ore at the Spinifex Ridge Iron Ore Mine. An amount of \$4.2 million held in a jointly controlled account with MRL has now been released back to Moly in addition to the final amount which was received in August 2017 (refer to Notes 2 & 4 of this Financial Report).

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Moly Mines Limited in accordance with section 305(5) of the Corporations Act 2001, 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 30 June 2017 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Reporting*, International Accounting Standard IAS 34 *Interim Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become payable.

On behalf of the Board



Nelson Chen
Executive Chairman
12 September 2017

The Board of Directors
Moly Mines Limited
Level 1, 80 Chandos Street
St Leonards, NSW 2065

12 September 2017

Dear Board Members

Moly Mines Limited

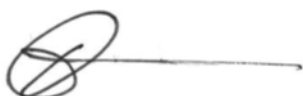
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Moly Mines Limited.

As lead audit partner for the review of the financial statements of Moly Mines Limited for the half-year ended 30 June 2017, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Leanne Karamfiles
Partner
Chartered Accountant

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

We have reviewed the accompanying half-year financial report of Moly Mines Limited, which comprises the condensed statement of financial position as at 30 June 2017 and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-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 end of the half-year or from time to time during the half-year as set out on pages 3 to 12.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of consolidated entity's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Moly Mines Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, 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 review report.

Basis for Qualified Conclusion

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 evidence to enable us to determine the recoverable amount of these assets at either 30 June 2017 or 31 December 2016. Consequently we were unable to determine whether an adjustment to the carrying value of these assets was necessary at either 30 June 2017 or 31 December 2016. Should the recoverable amount be less than the carrying value, the difference would need to be expensed through profit or loss as an impairment expense

Qualified Conclusion

Based on our review, which is not an audit, and except for the effects of the matter referred to in the Basis for Qualified Conclusion paragraph, we have not become aware of any matter that makes us believe that the half-year financial report of Moly Mines Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Leanne Karamfiles
Partner
Chartered Accountants
Perth, 12 September 2017