MOLY MINES LIMITED

ABN 32 103 295 521

ANNUAL FINANCIAL REPORT

31 DECEMBER 2016

CORPORATE DIRECTORY

Board of Directors

Nelson Chen	Chairman
Gregory Jones	Non-Executive Director
Ivo Polovineo	Non-Executive Director
Gou Qing Lou	Non-Executive Director

Executive Officers

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

ASX Code

MOL

Principal & Registered Office

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West Perth, WA, 6005	Subiaco East, WA, 6008
Telephone:	+61 8 9429 3300

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

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Fax	+61 9365 7001
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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 2016, 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 Non-Executive Chairman	Appointed 31 May 2013. Appointed Chairman 20 December 2013. 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. Details of Mr Chen's other listed public company directorships over the past three years are: • Marenica Energy Limited, appointed 4 October 2011, continuing. • General Moly, Inc. (NYSE Amex and TSX) appointed 14 September 2011, resigned 28 June 2016.	Material Investment, Remuneration.
Gregory Jones Non-Executive, independent	Appointed 22 August 2014. 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. Details of Mr Jones's other listed public company directorships over the past three years are: • Variscan Mines Limited, appointed 20 April 2009, continuing. • Eastern Iron Limited, appointed 24 April 2009, continuing. • Silver City Minerals Limited, appointed 30 April 2009, continuing. • Thomson Resources Ltd, appointed 17 July 2009, continuing.	Audit and Risk Management (Chairman), Remuneration (Chairman, from 1 July 2016), Material Investment.

Gou Qing Lou Non-Executive	Appointed 22 August 2014. 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. Mr Lou is a Board nominee and director of Hanlong. Details of Mr Lou's other listed public company directorships over the past three years are: • Marenica Energy Limited, appointed 3 November 2014, continuing.	Audit and Risk Management, Material Investment.
Ivo Polovineo Non-Executive, Independent	Appointed 13 March 2017 Mr Polovineo has over 40 years' experience in corporate accounting, finance and company secretarial work for a diverse range of companies. He spent the past 30 years in senior management roles in the resources sector including seven years as Company Secretary (and five years as CFO) of Sino Gold Mining Limited (a former ASX 100 company) until December 2009 and played an instrumental role in that company's dual listing on the Hong Kong Stock Exchange in 2007. Mr Polovineo was with Sino Gold for 12 years forming part of the executive team that built the company from a market capitalisation of A$100m in 2002 to its acquisition by Eldorado Gold Corporation in December 2009 for approximately $2.4 billion. Mr Polovineo is currently Company Secretary of Variscan Mines Limited, Lynas Corporation Ltd, Thomson Resources Ltd and Silver City Minerals Ltd. Details of Mr Polovineo's other listed public company directorships over the past three years are: • Eastern Iron Limited, appointed 5 April 2011, resigned 13 February 2015.	Nil
Anthony Martin Non-Executive, independent	Appointed 22 August 2014, resigned 13 March 2017. 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. Mr Martin has not been a director of any other listed public companies in the last three years.	Material Investment (Chairman), Remuneration, Audit and Risk Management from 1 July 2016 until 13 March 2017.

Cathie (Wei) Wu Non-Executive, independent	Appointed 17 January 2014, resigned 27 May 2016. 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. Details of Ms Wu's other listed public company directorships over the past three years are: • 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) until 27 May 2016.
Huan Jun Kang Non-Executive	Appointed 25 June 2012, resigned 30 May 2016. 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. 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. 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.	-

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.

DIRECTORS' REPORT

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 and warrants of Moly Mines were as follows. No options were outstanding.

Director	Ordinary Shares	Options over Unissued Ordinary Shares	Warrants over Unissued Ordinary Shares
N. Chen (i)	-	-	-
G. Jones	-	-	-
G. Lou (ii)	-	-	-
I. Polovineo	-	-	-

(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 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	14	14	-	-	1	1	13	13
G. Jones	14	14	2	2	-	-	13	13
G. Lou	14	14	2	2	-	-	12	13
A. Martin	14	14	1	1	1	1	13	13
C. Wu	5	5	1	1	1	1	-	-
H. Kang	0	6	-	-	-	-	-	-

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
Gou Qing Lou	Director (Non-Executive)	Continuing
Ivo Polovineo	Director (Non-Executive)	Appointed 13 March 2017
Anthony Martin	Director (Non-Executive)	Resigned 13 March 2017
Cathie Wu	Director (Non-Executive)	Resigned 27 May 2016
Huan Jun Kang	Director (Non-Executive)	Resigned 30 May 2016
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:

- Gregory Jones – Independent Non-Executive – Chairman
- Nelson Chen – Non-Executive
- Anthony Martin – Independent Non-Executive – resigned 13 March 2017

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 75th 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 2016 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 table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to 31 December 2016.

	2012	2013	2014	2015	2016
Revenue ($'000)	93,968	65,095	20,004	-	-
Net loss after tax ($'000)	49,618	4,874	11,028	1,687	5,645
Share price at the end of year ($) *	0.135	0.115	0.069	0.069	0.069

* 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 2016 and 31 December 2015 is shown on pages 8 and 9. 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 (i)	75,000	7,500	7,500	5,000	10%
Anthony Martin (ii)	75,000	5,000	5,000	7,500	10%
Gou Qing Lou	75,000	5,000	-	5,000	-
Cathie Wu	75,000	5,000	7,500	-	10%
Huan Jun Kang	75,000	-	-	-	-

(i) Mr Jones was appointed Chairman of the Remuneration Committee on 1 July 2016.
(ii) Mr Martin was appointed to the Audit and Risk Management Committee on 1 July 2016 and resigned as a director on 13 March 2017.

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 2016 are disclosed in Remuneration Table 1 on page 9.

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. In recognition of additional efforts in relation to the Gulf Alumina transaction, Mr Kininmonth was given a one-off, board-approved discretionary payment during 2016.

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 and the options expired on 14 February 2016. Details of the options are shown in Note 20 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 2016 and 31 December 2015 are set out on the following pages.

DIRECTORS' REPORT

Table 1: Remuneration of KMP for the year ended 31 December 2016

	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	91,250	-	-	-	9,125	-	-	100,375	-
G. Lou	85,000	-	-	-	-	-	-	85,000	-
A. Martin (i)	90,000	-	-	-	9,000	-	-	99,000	-
C. Wu (ii)	36,458	-	-	-	3,646	-	-	40,104	-
H.J. Kang (iii)	31,250	-	-	-	-	-	-	31,250	-
Executive Officers									
G. Kininmonth (iv)	333,500	27,221	7,900	8,080	36,129	-	-	412,830	-
Total	827,458	27,221	7,900	8,080	73,900	-	-	944,559	-

(i) Mr Martin resigned on 13 March 2017

(ii) Ms Wu resigned on 27 May 2016.

(iii) Mr Kang resigned on 30 May 2016.

(iv) Mr Kininmonth received a board-approved discretionary payment of $27,221 in recognition of extra time spent on the Gulf Alumina transaction.

Table 2: 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.

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 2016 are as follows:

Period ended 31 December 2016	Balance at 1 Jan 2016 No.	Granted as Remuneration No.	Options Lapsed No.	Options Exercised No.	Net Change Other No.	Balance at 31 Dec 2016 No.
Specified Executives						
G. Kininmonth	450,000	-	(450,000)	-	-	-
Total	450,000	-	(450,000)	-	-	-

Shareholdings of Key Management Personnel

Year ended 31 December 2016	Balance at 1 Jan 2016 No.	Purchases / (Sales) No.	Received on Exercise of Options No.	Net Change Other No.	Balance at 31 Dec 2016 No.
Specified Executives					
G. Kininmonth	40,000	-	-	-	40,000
Total	40,000	-	-	-	40,000

Other transactions with Key Management Personnel and their related parties

$440,000 was paid to Northcott Capital, of which Moly Mines former director Mr A. Martin is an employee, for project assessment consultancy fees during 2016 (2015: $138,000). None of these fees were directly distributed to Mr Martin.

Options awarded, exercised and lapsed during the year ended 31 December 2016

	Number of options awarded during the year	Number of options vested during the year	Number of options lapsed during the year
Executives			
G. Kininmonth	-	-	450,000

Value of options awarded, exercised and lapsed during the year ended 31 December 2016

	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	-	-	-	-

SHARE OPTIONS

Unissued shares

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

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

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 2016 was $5,645,000 (2015: $1,687,000). The basic and diluted loss per share for the Group for the year was 1.47 cents per share (2015: loss of 0.44 cents per share).

The Group's current year financial performance included finance costs of $976,000 (2015: $971,000). During 2016 the Company incurred exploration and project evaluation expense of $1,842,260, with the majority of those costs being associated with the failed Gulf Alumina acquisition. The result for the year ended 31 December 2015 included impairment of development costs of $354,000.

As at 31 December 2016, the Company had net working capital (current assets less current liabilities) of $63,099,000 which included $63,677,000 of cash and cash equivalents.

The Hanlong Loan of $14,283,000 (2015: $14,146,000) is not due for repayment until 23 April 2020. As the Hanlong Loan is in USD, any variation in the loan balance, from year to year, is due to exchange rate fluctuations unless otherwise stated.

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

Finalisation of the Iron Ore Sales agreement with Mineral Resources Limited ("MRL") was ongoing during the year. As previously advised, 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 Moly and MRL had subsequently agreed that this issue, and all other outstanding issues between the parties, would be determined by arbitration. It was expected that this process would be finalised during 2016 however, due to unforeseen circumstances, this process is now expected to be finalised during 2017

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.

As was extensively reported during the year, your Company made significant progress toward completing an acquisition during 2016. Moly considered the proposed Gulf Alumina transaction to be an outstanding opportunity for all shareholders of the company to acquire a low-cost, high margin, near term production asset which would have provided a pathway for relisting on the ASX and generation of returns for shareholders.

The decision by the Australian Stock Exchange ('ASX') in late November 2016, advising that it had determined that it would exercise its discretion under listing rule 1.19 to refuse Moly's application for re-admission to the ASX official list, should it proceed further with the proposed Gulf Alumina acquisition, was extremely frustrating and disappointing, in particular, giving regard to the impact it would have on all of Moly's shareholders.

The advice followed lengthy and detailed engagement with the ASX in relation to the re-listing and Gulf Alumina transaction and came despite Moly providing a number of concessions which attempted to address corporate governance concerns which were only raised for the first time by the ASX after the Gulf Alumina transaction was announced on 22 September 2016.

The key area of ASX concern had not been raised by the ASX at any stage during HMI's seven-year shareholding in Moly and were not raised by ASX when Moly consulted ASX in relation to the structure of the Gulf Alumina transaction and Moly's potential re-listing prior to announcement of the transaction. At that time ASX expressed the view that it could see no reason why Moly should not proceed with an application for reinstatement to the ASX. Although this was not a binding decision of ASX, Moly was led to believe that there were no fundamental obstacles to reinstatement. As a result, Moly pursued the opportunity rigorously and incurred significant costs in progressing the transaction.

Moly has recommenced looking at other potential corporate and project opportunities.

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 2016. No dividends were declared or paid during the year.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Other than 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. Additionally, as previously disclosed and as the Company's securities will have remained continuously suspended for a period of three years, Moly Mines will automatically be removed from the official list of ASX on 22 April 2017. The removal will be effective from the start of trading on the next business day.

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 21 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
20 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Consolidated 31 Dec 2016 A$'000	Consolidated 31 Dec 2015 A$'000
Sales		-	-
Cost of sales	3	-	(1,169)
Gross loss		-	(1,169)
Interest income		423	634
Other income		4	5
Foreign currency gains	3	346	3,376
Gain on sale of financial assets classified as available for sale		-	1,170
Reversal of impairment of non-current assets classified as held for sale		-	20
Profit on sale of plant and equipment		-	5
Expenses:			
Administrative expenses	3	(3,717)	(4,186)
Impairment of development costs		-	(354)
Exploration expenses		(76)	-
Project assessment expenses		(1,649)	(217)
Finance costs	3	(976)	(971)
Loss before income tax		**(5,645)**	**(1,687)**
Income tax expense / (benefit)	4	-	-
Loss after income tax		**(5,645)**	**(1,687)**
Other comprehensive income		**-**	**-**
Total comprehensive loss for the period		**(5,645)**	**(1,687)**
Loss per share attributable to the ordinary equity holders of the Company:			
Basic and diluted loss per share (cents per share)	14	1.47	0.44

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 2016

	Note	Consolidated 31 Dec 2016 A$'000	Consolidated 31 Dec 2015 A$'000
Current Assets			
Cash and cash equivalents	5	63,677	69,070
Receivables	6	1,039	1,076
Inventories		49	94
Total Current Assets		**64,765**	**70,240**
Non-Current Assets			
Receivables	6	315	315
Plant and equipment	7	8,443	8,380
Total Non-Current Assets		**8,758**	**8,695**
Total Assets		**73,523**	**78,935**
Current Liabilities			
Trade and other payables	8	489	405
Provisions	9	1,177	1,173
Total Current Liabilities		**1,666**	**1,578**
Non-Current Liabilities			
Borrowings	10	14,283	14,146
Provisions	9	82	74
Total Non-Current Liabilities		**14,365**	**14,220**
Total Liabilities		**16,031**	**15,798**
Net Assets		**57,492**	**63,137**
Equity			
Contributed equity	11	402,673	402,673
Reserves	12	9,390	10,213
Accumulated losses		(354,571)	(349,749)
Total Equity		**57,492**	**63,137**

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 2016

	Contributed Equity $'000	Accumulated Losses $'000	Share Based Payments Reserve $'000	Warrants Reserve $'000	Total Equity $'000
	(Note 11)		(Note 12)	(Note 12)	
Consolidated					
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 20)	-	-	2	-	2
At 31 December 2015	**402,673**	**(349,749)**	**823**	**9,390**	**63,137**
At 1 January 2016	402,673	(349,749)	823	9,390	63,137
Loss for the period	-	(5,645)	-	-	(5,645)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	(5,645)	-	-	(5,645)
Equity Transactions					
Transfer of share-based payments reserve to accumulated losses	-	823	(823)	-	-
At 31 December 2016	**402,673**	**(354,571)**	**-**	**9,390**	**57,492**

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 2016

	Note	Consolidated	
		31 Dec 2016 A$'000	31 Dec 2015 A$'000
Cash flows from operating activities			
Receipts from customers		4	5
Payments to suppliers and employees		(3,556)	(8,397)
Payments for exploration and project assessment expenses		(1,842)	(208)
Interest received		383	699
Interest paid		(982)	(965)
Net cash flows used in operating activities	16	**(5,993)**	**(8,866)**
Cash flows from investing activities			
Loans to other entities		2,435	-
Repayment of loans by other entities		(2,435)	-
Interest on loans to other entities		35	-
Proceeds from security deposits		191	379
Payments for security deposits		-	(315)
Payments for plant and equipment		(133)	(36)
Proceeds from disposal of plant and equipment		1	25
Proceeds from sale of financial assets classified as available for sale		-	2,546
Net cash flows from investing activities		**94**	**2,599**
Cash flows from financing activities		-	-
Net decrease in cash and cash equivalents		(5,899)	(6,267)
Net foreign exchange difference		506	4,924
Cash and cash equivalents at beginning of the period		69,070	70,413
Cash and cash equivalents at end of the period	5	**63,677**	**69,070**

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 2016 was authorised for issue in accordance with a resolution of the Directors on 16 March 2017.

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 2016. 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 2016:

- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation [AASB 116 and 138]
- AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality
- AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent
- AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs

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 2016. 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. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on: (1) The objective of the entity's business model for managing the financial assets; (2) The characteristics of the contractual cash flows. (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. (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. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ➢ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ➢ The remaining change is presented in profit or loss. 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. 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. 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: Step 1: Identify the contract(s) with the customer. Step 2: Identify the performance obligations in the contract. Step 3: Determine the transaction price. Step 4: Allocate the transaction price to the performance obligations in the contract. Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. As the Group is in the project assessment stage and currently has no customers, this standard would have no effect on its current financial statements.	1 January 2018	1 January 2018
AASB 16	Leases	The key features of the standard are: • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments and payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. A lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently. Enhanced disclosure requirements will improve information disclosed about a lessor’s risk exposure. The Group will recognise a right-of-use asset and liability for its office premises leases and any other leases it has at the date of application of the standard. Depreciation of the lease assets and interest on the lease liability will be recognised in profit or loss.	1 January 2019	1 January 2019

Reference	Title	Summary of change	Application date of standard	Application date for Grou[p]
AASB 2016-1	Amendment to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	Clarifies the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. The Group does not have debt instruments measured at fair value at this time.	1 January 2017	1 January 2017
AASB 2016-2	Amendment to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	Amends AASB 107 Statement of Cash Flows (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2018	1 January 2018
AASB 2016-5	Amendment to Australian Accounting Standards – Clarification and Measurement of Share-based Payment Transactions [AASB 2]	This standard clarifies how to account for certain types of share-based payments, including: • The effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments • A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Group will apply the standard to any applicable share-based payments it makes after the date of application.	1 January 2018	1 January 2018

(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:

- Annual improvements to IFRS Standards 2014–2016 Cycle
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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 18.

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:

Dispute with Mineral Resources Limited (MRL)

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.

Moly and MRL have subsequently agreed that this issue, and all other outstanding issues between the parties, would be determined by arbitration. It was expected that this process would be finalised during 2016, however this process is now expected to be finalised during 2017.

For the year ended 31 December 2016 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 plant and equipment

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'.

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.

(b) 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.

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.

Financial assets

Loans and receivables 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.

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 2016	Dec 2015
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.

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'.

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.

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.

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:

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.

3. OTHER INCOME AND EXPENSES

	Consolidated 31 Dec 2016 A$'000	Consolidated 31 Dec 2015 A$'000
Cost of Sales		
Royalty expense (i)	-	1,169
	-	1,169
Net Foreign Currency Gains/(Losses)		
Realised foreign currency gains	483	4,921
Unrealised foreign currency losses	(137)	(1,545)
	346	3,376
Administrative Expenses		
Salaries and wages	242	464
Directors' fees	503	590
Defined contribution superannuation expense	59	98
Share-based payment expense	-	2
Other employee benefits expense	54	83
	858	1,237
Site administration expenses	1,488	750
Consultants and legal fees	443	861
Operating lease expense	454	454
Depreciation and amortisation	42	395
Other administrative expenses	432	489
	3,717	4,186
Finance costs		
Interest expense	976	971

(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 2016 A$'000	31 Dec 2015 A$'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	-	-
	-	-

A reconciliation between income tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

Accounting loss before income tax	(5,645)	(1,687)
At the Group's statutory income tax rate of 30% (2015: 30%)	(1,694)	(506)
Non-deductible expenses	29	81
Gain on sale of financial assets classified as available for sale	-	(351)
Unrecognised tax losses	1,665	776
Income tax expense	-	-

Deferred Tax Balances		
Deferred Tax Liabilities		
Foreign exchange	(773)	(785)
Loans	(13,481)	(13,522)
Other	(31)	(48)
Deferred tax asset offset against deferred tax liability	14,285	14,355
	-	-

	Consolidated	
	31 Dec 2016 A$'000	31 Dec 2015 A$'000
Deferred Tax Assets		
Mine development	32,997	32,997
Plant and equipment	15,011	15,011
Provisions	378	374
Other	491	101
Tax losses	51,327	50,243
	100,204	98,726
Deferred tax asset offset against deferred tax liability	(14,285)	(14,355)
Deferred tax asset not recognised	(85,919)	(84,371)
	-	-

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	59,419	69,070
Short term deposits (i)	4,258	-
	63,677	69,070

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

(i) $4.258 million is held in a restricted account pending the outcome of the MRL dispute discussed in Note 15(e) of this financial report.

6. RECEIVABLES

	Consolidated 31 Dec 2016 A$'000	Consolidated 31 Dec 2015 A$'000
Current		
Trade receivables (i)	738	738
Security deposits (a)(ii)	-	192
GST receivables (a)(iii)	37	23
Interest receivable (a)(iii)	44	53
Other debtors (a)(iii)	98	-
Prepayments	122	70
	1,039	1,076
Non-current		
Security deposits (a)(ii)	315	315

(a) Terms and conditions

Terms and conditions relating to the above financial instruments

(i) This amount is related to MRL. Refer to Note 15(e) for further information.

(ii) 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.

(iii) 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.

	Consolidated	
	31 Dec 2016 A$'000	31 Dec 2015 A$'000

7. PLANT AND EQUIPMENT

	31 Dec 2016 A$'000	31 Dec 2015 A$'000
Plant and equipment		
- at cost	21,096	20,997
- accumulated depreciation	(12,653)	(12,617)
Total plant and equipment	8,443	8,380

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

	31 Dec 2016 A$'000	31 Dec 2015 A$'000
Plant and Equipment		
Carrying amount at beginning of the period	8,380	405
Additions	106	70
Disposals	(1)	-
Transfer from assets held for sale (i)	-	8,300
Depreciation expense	(42)	(395)
Carrying amount at end of the period	8,443	8,380

(i) As a result of the Company not being able to find a suitable buyer for the two ball mills and other ancillary equipment, these assets no longer met the requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, and in the year ended 31 December 2015 they were 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 2016 A$'000	31 Dec 2015 A$'000

8. TRADE AND OTHER PAYABLES

	2016	2015
Trade and other payables	286	172
Accruals	194	233
Other	9	-
	489	405

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.

9. PROVISIONS

	2016	2015
Current		
Annual leave	104	100
Rehabilitation – exploration drilling	504	504
Rehabilitation – Spinifex Ridge Iron Ore Project	569	569
	1,177	1,173
Non-current		
Long service leave	82	74

Movement in the Spinifex Ridge provision for rehabilitation

	2016	2015
Opening balance	569	2,150
Utilisation	-	(1,581)
Closing balance	569	569

Rehabilitation provisions are estimated based on survey data, external contracted rates and the timing of the current mining schedule. Rehabilitation provisions are subject to inherent uncertainty in both timing and amount and as a result are continuously monitored and revised.

	Consolidated 31 Dec 2016 A$'000	Consolidated 31 Dec 2015 A$'000
10. BORROWINGS		
Non-Current		
Loan - Hanlong	14,283	14,146

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.

11. CONTRIBUTED EQUITY

	31 Dec 2016 A$'000	31 Dec 2015 A$'000
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 2015	384,893,989	402,673
Balance at 31 December 2015	384,893,989	402,673
Balance at 31 December 2016	384,893,989	402,673

Share options

No options were outstanding over unissued shares in the Company as at 31 December 2016 (Dec 2015: 6,833,320). No options were exercised during the period (Dec 2015: nil). 6,833,320 options expired during the period (2015: nil). Details of options are provided in Note 20.

Warrants

At 31 December 2016, there were 4,832,157 (2015: 4,832,157) warrants on issue. No warrants were exercised during the period (2015: nil) or expired during the period (2015: 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

12. 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.

13. KEY MANAGEMENT PERSONNEL COMPENSATION

	Consolidated 31 Dec 2016 A$	Consolidated 31 Dec 2015 A$
Short-term employee benefits	862,579	996,255
Long-term employee benefits	8,080	8,210
Post-employment benefits	73,900	77,366
Share-based payments	-	2,186
	944,559	1,084,017

14. 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	(5,645)	(1,687)

	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 2016, no share options (2015: 6,833,320) and 4,832,157 warrants (2015: 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 2016 A$'000	31 Dec 2015 A$'000

15. 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	232	457
Later than 1 year and not later than 5 years	-	234
	232	691

(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 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. No fees have been paid to Hanlong under this agreement to date.

(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. $4.3 million has been put into a trust account pending final resolution of this matter.

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.

Both Moly and MRL had subsequently agreed that this issue, and all other outstanding issues between the parties, would be determined by arbitration. It was expected that this process would be finalised during 2016 however, due to unforeseen circumstances, this process is now expected to be finalised during 2017

For the year ended 31 December 2016 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 circumstance or information which leads them to believe there are any other material contingent liabilities outstanding or likely to be outstanding as at 31 December 2016.

16. CASH FLOW INFORMATION

	Consolidated	
	31 Dec 2016 A$'000	31 Dec 2015 A$'000
Reconciliation of operating loss after tax to net cash flows from operations		
Loss from ordinary activities	(5,645)	(1,687)
Adjusted for:		
Depreciation and amortisation	42	395
Impairment of exploration and evaluation costs	76	217
Net gain on foreign exchange	(346)	(3,376)
Impairment of development costs	-	354
(Profit) / loss on disposal of plant and equipment	-	(5)
Share-based payments	-	2
Reversal of impairment of non-current assets held for sale	-	(20)
Changes in assets and liabilities:		
(Increase) / decrease in receivables	(145)	177
(Increase) / decrease in prepayments	(51)	43
Decrease in inventories	45	15
Increase / (decrease) in payables	19	(3,215)
Increase in employee provisions	12	23
Decrease in rehabilitation provision	-	(1,581)
Net cash flows used in operations	(5,993)	(8,658)

17. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables, 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 2016 A$'000	31 Dec 2015 A$'000
At reporting date the Group had the following exposure to variable interest rate risk		
Financial assets		
Cash at bank and money market investment	63,677	69,070
	63,677	69,070

The following table summarises the impact of reasonably possible changes in interest rates for the Group and the parent entity at 31 December 2016. The sensitivity is based on the assumption that interest rate changes by 25 basis points (2015: 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 2016 A$'000	31 Dec 2015 A$'000
Impact on post tax profit and equity		
Higher / (lower)		
25 bp increase (2015: 25 bp)	159	172
25 bp decrease (2015: 25 bp)	(159)	(172)

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	54,764	57,993
Receivables		
- USD	20	28
Borrowings		
- USD	(14,283)	(14,146)
Trade and other payables		
- USD	(164)	(175)

The following table summarises the impact of reasonably possible changes in foreign currency exchange rates for the Group at 31 December 2016 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% (2015: +5%)	(3,697)	(3,973)
AUD/USD -10% (2015: -5%)	4,519	4,855

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+	Unrated
	$'000	$'000	$'000
31 December 2016			
Cash & cash equivalents	-	63,677	-
Receivables	37	457	738
Number of counterparties	1	4	1
Largest counterparty (%)	100%	35%	100%
31 December 2015			
Cash & cash equivalents	-	69,070	-
Receivables	23	525	773
Number of counterparties	1	2	2
Largest counterparty (%)	100%	85%	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.

	Less than 6 months $'000	6 months – 12 months $'000	1-2 years $'000	> 2 years $'000
Consolidated entity at 31 December 2016				
Trade and other payables	489	-	-	-
Borrowings	500	500	1,000	15,583
	989	500	1,000	15,583
Consolidated entity at 31 December 2015				
Trade and other payables	405	-	-	-
Borrowings	496	496	990	16,436
	901	496	990	16,436

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.

18. RELATED PARTY DISCLOSURE

Subsidiaries

Name	Country of Incorporation	% Equity Interest		Principal Activities
		Dec 2016	Dec 2015	
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

Transactions and outstanding balances with Hanlong were as follows:

	31 Dec 2016 A$'000	31 Dec 2015 A$'000
Finance costs	976	971
Director fees	292	336
Other transactions with Hanlong entities	14	80
Payables – loan interest	165	167
Payables – other	-	28
Loan from Hanlong	14,283	14,165

(c) Northcott Capital

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

Project assessment consultancy fees	440	138

The consolidated entity has not entered into any transactions nor has other outstanding commitments at 31 December 2016 with other related parties (2015: nil).

19. 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.

20. 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.

(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.

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 2016 No.	Dec 2016 WAEP	Dec 2015 No.	Dec 2015 WAEP
Outstanding at the beginning of the period	6,833,320	0.55	6,833,320	0.55
Granted during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	(6,833,320)	(0.55)	-	-
Outstanding at the end of the period	-	-	6,833,320	0.55
Exercisable at reporting date	-	-	6,833,320	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 2016 is nil (2015: 0.1 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 2016 or 31 December 2015.

(f) Weighted average fair value

No options were granted under the EOIS during the period ended 31 December 2016 or 31 December 2015.

(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 2016

	Opening Balance 1 Jan 2015	Options Issued	Options Exercised	Options Expired	Closing Balance 31 Dec 2016
Employee options	6,833,320	-	-	(6,833,320)	-
Total	6,833,320	-	-	(6,833,320)	-

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

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

21. AUDITOR'S REMUNERATION

The auditor of the Group is Deloitte Touche Tohmatsu.

	Consolidated	
	31 Dec 2016 A$	31 Dec 2015 A$
Amounts received or due and receivable by Deloitte Touche Tohmatsu:		
Audit fees for audit and review of the financial report	44,500	28,350
Tax compliance (non-audit services)	15,750	108,150
IAR fees (non-audit services)	20,475	-
Amounts received or due and receivable by other audit firms:		
Tax consulting (non-audit services)	100,069	-
	180,794	136,500

22. PARENT ENTITY INFORMATION

	31 Dec 2016 A$'000	31 Dec 2015 A$'000
Current assets	56,768	68,896
Total assets	72,440	77,862
Current liabilities	584	506
Total liabilities	14,948	14,725
Contributed equity	402,673	402,673
Accumulated losses	(354,571)	(349,749)
Share-based payments reserve	-	823
Warrants reserve	9,390	9,390
Total shareholders' equity	57,492	63,137
Loss of the parent entity	(5,645)	(1,687)
Total comprehensive loss of the parent entity	(5,645)	(1,687)

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.

23. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

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.

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 2016 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 2016; 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
20 March 2017

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Members of Moly Mines Limited

Report on the Audit of the Financial Report

Qualified Opinion

We have audited the financial report of Moly Mines Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 15 to 50.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 at either 31 December 2015 or 31 December 2016. Consequently we were unable to determine whether an adjustment to the carrying amount of these assets was necessary at 31 December 2015 or 31 December 2016. Should the recoverable amount be different to the carrying value, the difference would result in further impairment of the assets or a reversal of impairment recognised in prior periods.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matter described below to be the Key Audit Matter to be communicated in our report.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Contingencies - Legal Dispute As at 31 December 2016 the Company is a party to a legal dispute regarding the final payment under the Iron Ore Sale and Purchase Agreement (the Agreement) related to the Spinifex Ridge Iron Ore Mine as disclosed in note 15(e) whereby management has exercised significant judgement in respect to the classification of the dispute as a contingent liability. In respect of the matter subject to the dispute, the expert appointed to review the determination of the final payment concluded that approximately $4.9 million was payable by the Company to the claimant. Following review by the Company's legal advisors, management has invoked the dispute mechanism as they believe that, based on the legal advice received by the Company, the expert incorrectly interpreted the terms of the Agreement in determining the amount of the final payment.	Our procedures included but were not limited to: • Holding discussions with the Board, Management and the Company's external legal advisors regarding their confidence of a favourable outcome; • Reviewing the latest correspondence with the claimant; • Assessing whether the status of the claim meets the definition of a liability or a contingent liability in accordance with Australian Accounting Standards. We also assessed the appropriateness of the related disclosures in note 15(e) to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2016, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group's to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Deloitte.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 11 of the director's report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of Moly Mines Limited, for the year ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Leanne Karamfiles
Partner
Chartered Accountants
Perth, 20 March 2017

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

20 March 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 audit of the financial statements of Moly Mines Limited for the year ended 31 December 2016, 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