

General Moly, Inc  
Form 10-Q  
May 02, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

**For the quarterly period ended March 31, 2012**

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

**For the transition period from            to**

**Commission File Number: 001-32986**

**General Moly, Inc.**

(Exact name of registrant as specified in its charter)

**DELAWARE**  
(State or other jurisdiction  
of incorporation or organization)

**91-0232000**  
(I.R.S. Employer  
Identification No.)

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**1726 Cole Blvd., Suite 115  
Lakewood, CO 80401  
Telephone: (303) 928-8599**

(Address and telephone number of principal executive offices)

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

The number of shares outstanding of issuer's common stock as of April 30, 2012, was 91,220,944.

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**GENERAL MOLY, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**CONSOLIDATED BALANCE SHEETS**

(In thousands, except par value amounts)

|   | March 31,<br>2012<br>(Unaudited) | December 31,<br>2011 |
|---|----------------------------------|----------------------|
| <b>ASSETS:</b>  |                                  |                      |
| <b>CURRENT ASSETS</b>   |                                  |                      |
| Cash and cash equivalents   | \$ 35,103                        | \$ 40,709            |
| Deposits, prepaid expenses and other current assets   | 109                              | 105                  |
| Total Current Assets  | 35,212                           | 40,814               |
| Mining properties, land and water rights Note 4   | 147,188                          | 143,732              |
| Deposits on project property, plant and equipment   | 67,104                           | 66,474               |
| Restricted cash held for electricity transmission   | 12,005                           | 12,005               |
| Restricted cash held for reclamation bonds  | 1,133                            | 1,133                |
| Non-mining property and equipment, net  | 767                              | 819                  |
| Capitalized debt issuance costs   | 5,202                            | 3,136                |
| Other assets  | 2,994                            | 2,994                |
| <b>TOTAL ASSETS</b>   | <b>\$ 271,605</b>                | <b>\$ 271,107</b>    |
| <b>LIABILITIES, CONTINGENTLY REDEEMABLE NONCONTROLLING INTEREST AND EQUITY:</b>   |                                  |                      |
| <b>CURRENT LIABILITIES</b>  |                                  |                      |
| Accounts payable and accrued liabilities  | \$ 4,652                         | \$ 4,568             |
| Accrued advance royalties   | 8,950                            | 8,950                |
| Accrued payments to Agricultural Sustainability Trust   | 2,000                            | 2,000                |
| Current portion of long term debt   | 10,640                           | 10,596               |
| Total Current Liabilities   | 26,242                           | 26,114               |
| Provision for post closure reclamation and remediation costs  | 583                              | 587                  |
| Deferred gain   | 1,150                            | 1,150                |
| Accrued payments to Agricultural Sustainability Trust and Hanlong   | 4,000                            | 2,000                |
| Long term debt, net of current portion  | 113                              | 131                  |
| Total Liabilities   | 32,088                           | 29,982               |
| <b>COMMITMENTS AND CONTINGENCIES Note 10</b>  |                                  |                      |
| CONTINGENTLY REDEEMABLE NONCONTROLLING INTEREST   | 98,073                           | 98,073               |
| <b>EQUITY</b>   |                                  |                      |
| Common stock, \$0.001 par value; 200,000,000 shares authorized, 91,220,944 and 90,818,248 shares issued and outstanding, respectively | 92                               | 91                   |
| Additional paid-in capital  | 257,442                          | 255,894              |

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|  |                   |                   |
|--|-------------------|-------------------|
| Accumulated deficit before exploration stage   | (213)             | (213)             |
| Accumulated deficit during exploration and development stage                         | (115,877)         | (112,720)         |
| Total Equity   | 141,444           | 143,052           |
| <b>TOTAL LIABILITIES, CONTINGENTLY REDEEMABLE NONCONTROLLING INTEREST AND EQUITY</b> | <b>\$ 271,605</b> | <b>\$ 271,107</b> |

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

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**GENERAL MOLY, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(Unaudited In thousands, except per share amounts)

|  | Three Months Ended |            | January 1, 2002  |
|--|--------------------|------------|--|
|  | March 31,          | March 31,  | (Inception of<br>Exploration Stage)<br>to March 31, 2012 |
|  | 2012               | 2011       |  |
| REVENUES   | \$                 | \$         | \$   |
| OPERATING EXPENSES:  |                    |            |  |
| Exploration and evaluation   | 168                | 169        | 39,869   |
| Write downs of development and deposits  |                    |            | 8,819  |
| General and administrative expense   | 2,925              | 3,938      | 72,700   |
| TOTAL OPERATING EXPENSES   | 3,093              | 4,107      | 121,388  |
| LOSS FROM OPERATIONS   | (3,093)            | (4,107)    | (121,388)  |
| OTHER INCOME / (EXPENSE)   |                    |            |  |
| Interest and dividend income   |                    | 11         | 4,062  |
| Interest expense   | (64)               | (60)       | (478)  |
| TOTAL OTHER INCOME / (EXPENSE), NET  | (64)               | (49)       | 3,584  |
| LOSS BEFORE INCOME TAXES   | (3,157)            | (4,156)    | (117,804)  |
| Income Taxes   |                    |            |  |
| CONSOLIDATED NET LOSS  | \$ (3,157)         | \$ (4,156) | \$ (117,804)   |
| Less: Net loss attributable to contingently redeemable<br>noncontrolling interest    |                    |            | 1,927  |
| NET LOSS ATTRIBUTABLE TO GENERAL MOLY, INC.  | \$ (3,157)         | \$ (4,156) | \$ (115,877)   |
| Basic and diluted net loss attributable to General Moly per share of<br>common stock | \$ (0.03)          | \$ (0.05)  |  |
| Weighted average number of shares outstanding basic and diluted                      | 91,175             | 90,372     |  |
| COMPREHENSIVE LOSS   | \$ (3,157)         | \$ (4,156) | \$ (117,804)   |

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

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**GENERAL MOLY, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited In thousands)

|   | Three Months Ended |                   | January 1, 2002  |
|---|--------------------|-------------------|--|
|   | March 31,<br>2012  | March 31,<br>2011 | (Inception of<br>Exploration<br>Stage) to<br>March 31,<br>2012 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                |                    |                   |  |
| Net Loss  | \$ (3,157)         | \$ (4,156)        | \$ (117,804)   |
| Adjustments to reconcile net loss to net cash used by operating activities: |                    |                   |  |
| Depreciation and amortization   | 107                | 91                | 1,751  |
| Interest expense  | 64                 | 60                | 478  |
| Equity compensation for employees and directors                             | 810                | 1,039             | 17,622   |
| (Increase) decrease in deposits, prepaid expenses and other                 | (4)                | 62                | (17)   |
| Increase (decrease) in accounts payable and accrued liabilities             | 18                 | (3,292)           | (7,285)  |
| (Decrease) increase in post closure reclamation and remediation costs       | (4)                | (12)              | 374  |
| Services and expenses paid with common stock                                |                    |                   | 1,990  |
| Repricing of warrants   |                    |                   | 965  |
| Write downs of development and deposits                                     |                    |                   | 8,819  |
| (Increase) in restricted cash held for electricity transmission             |                    |                   | (12,005)   |
| Net cash used by operating activities                                       | (2,166)            | (6,208)           | (105,112)  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                |                    |                   |  |
| Purchase and development of mining properties, land and water rights        | (3,330)            | (2,272)           | (124,152)  |
| Deposits on property, plant and equipment                                   | (630)              | (6)               | (68,537)   |
| Proceeds from option to purchase agreement                                  |                    | 285               | 1,150  |
| Purchase of securities  |                    |                   | (137)  |
| (Increase) in restricted cash held for reclamation bonds                    |                    |                   | (642)  |
| Cash provided by sale of marketable securities                              |                    |                   | 246  |
| Net cash used by investing activities                                       | (3,960)            | (1,993)           | (192,072)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                |                    |                   |  |
| Proceeds from issuance of stock, net of issuance costs                      | 558                | 19,337            | 228,277  |
| Net (decrease) increase in leased assets                                    | (38)               | (50)              | 94   |
| (Increase) in capitalized debt issuance costs                               |                    | (431)             | (3,136)  |
| Proceeds from debt  |                    |                   | 10,000   |
| Cash proceeds from POS-Minerals Corporation                                 |                    |                   | 100,000  |
| Cash paid to POS-Minerals Corporation for purchase price adjustment         |                    |                   | (2,994)  |
| Net cash provided by financing activities                                   | 520                | 18,856            | 332,241  |
| Net (decrease) increase in cash and cash equivalents                        | (5,606)            | 10,655            | 35,057   |
| Cash and cash equivalents, beginning of period                              | 40,709             | 53,571            | 46   |
| Cash and cash equivalents, end of period                                    | \$ 35,103          | \$ 64,226         | \$ 35,103  |
| <b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>                         |                    |                   |  |
| Equity compensation capitalized as development                              | \$ 181             | \$ (34)           | \$ 6,639   |
| Restricted cash held for reclamation bond acquired in an acquisition        |                    |                   | 491  |

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|   |       |       |
|---|-------|-------|
| Post closure reclamation and remediation costs and accounts payable assumed in an acquisition |       | 263   |
| Common stock and warrants issued for property and equipment                                   |       | 1,586 |
| Accrued portion of capitalized debt issuance costs  | 2,066 | 2,066 |
| Accrued portion of advance royalties  |       | 8,950 |
| Accrued portion of payments to the Agricultural Sustainability Trust                          |       | 4,000 |

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



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**GENERAL MOLY, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 DESCRIPTION OF BUSINESS**

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

We were in the exploration stage from January 1, 2002 until October 4, 2007, when our Board of Directors ( Board ) approved the development of the Mt. Hope molybdenum property ( Mt. Hope Project ) in Eureka County, Nevada. The Company is now in the development stage and is currently proceeding with the development of the Mt. Hope Project. We are also conducting exploration and evaluation activities on our Liberty molybdenum property ( Liberty Project ) in Nye County, Nevada.

**The Mt. Hope Project.** From October 2005 to January 2008, we owned the rights to 100% of the Mt. Hope Project. Effective as of January 1, 2008, we contributed all of our interest in the assets related to the Mt. Hope Project, including our lease of the Mt. Hope Project with Mt. Hope Mines, Inc. ( MHMI ) into a newly formed entity, Eureka Moly, LLC, a Delaware limited liability company ( LLC ), and in February 2008 ( Closing Date ) entered into an agreement ( LLC Agreement ) for the development and operation of the Mt. Hope Project with POS-Minerals Corporation ( POS-Minerals ) an affiliate of POSCO, a large Korean steel company. Under the LLC Agreement, POS-Minerals owns a 20% interest in the LLC and General Moly, through a wholly-owned subsidiary, owns an 80% interest. The ownership interests and/or required contributions under the LLC Agreement can change as discussed below.

Pursuant to the terms of the LLC Agreement, POS-Minerals made its first and second cash contributions to the LLC totaling \$100.0 million during the year ended December 31, 2008 ( Initial Contributions ). Additional amounts will be due from POS-Minerals within 15 days after the date ( ROD Contribution Date ) that specified conditions ( ROD Contribution Conditions ) have been satisfied. The ROD Contribution Conditions are (i) the receipt of major operating permits for the Mt. Hope Project, (ii) confirmation that the Record of Decision ( ROD ) from the United States Bureau of Land Management ( BLM ) for the Mt. Hope Project has become effective and (iii) any administrative or judicial appeals with respect thereto are final. Based on a larger volume of comments than expected during the Draft Environmental Impact Statement ( DEIS ) public comment period, we are currently targeting the effective date of the ROD and the satisfaction of the other ROD Contribution Conditions to occur in the second half of this year. However, circumstances beyond our control, including reviewing agency delays or requests for additional information or studies, and requests for review or appeals of the BLM decision, could cause the effectiveness of the ROD and/or the satisfaction of the other ROD Contribution Conditions to be delayed. Once the ROD is effective and financing is in place, we expect that production will begin approximately 20 months following initiation of project construction.

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To maintain its 20% interest in the LLC, POS-Minerals will be required to make an additional \$56.0 million contribution plus its 20% share of all Mt. Hope Project costs incurred from the Closing Date to the ROD Contribution Date within 15 days after the ROD Contribution Date. If POS-Minerals does not make its additional \$56.0 million contribution when due after the ROD Contribution Date, its interest will be reduced to 10%.

In addition, as commercial production, as defined in the LLC Agreement at the Mt. Hope Project was not achieved by December 31, 2011, the LLC may be required to return to POS-Minerals \$36.0 million of its contributions to the LLC, with no corresponding reduction in POS-Minerals ownership percentage. Based on our current plan and assuming POS-Minerals has made its additional \$56.0 million contribution within 15 days after the

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ROD Contribution Date, a payment to POS-Minerals of \$36.0 million will be due 20 days after the commencement of commercial production. We currently anticipate such payment being made during 2014. If POS-Minerals does not make its additional \$56.0 million contribution when due, no return of contributions is required by us. Our wholly-owned subsidiary and 80% owner of the LLC, Nevada Moly, LLC ( Nevada Moly ), is obligated under the terms of the LLC Agreement to make capital contributions to fund the return of contributions to POS-Minerals, if required. If Nevada Moly does not make these capital contributions, POS-Minerals has an election to either make a secured loan to the LLC to fund the return of contributions, or receive an additional interest in the LLC of approximately 5%. In the latter case, our interest in the LLC is subject to dilution by a percentage equal to the ratio of 1.5 times the amount of the unpaid contributions over the aggregate amount of deemed capital contributions (as determined under the LLC Agreement) of both parties to the LLC ( Dilution Formula ). At March 31, 2012, the aggregate amount of deemed capital contributions of both parties was \$880.0 million.

Furthermore, the LLC Agreement permits POS-Minerals to put its interest in the LLC to Nevada Moly after a change of control of Nevada Moly or the Company, as defined in the LLC Agreement, followed by a failure to use standard mining industry practice in connection with development and operation of the Mt. Hope Project as contemplated by the parties for a period of twelve consecutive months. If POS-Minerals puts its interest, Nevada Moly or its transferee or surviving entity would be required to purchase the interest for 120% of POS-Minerals contributions to the LLC plus 10% interest per annum.

The Initial Contributions of \$100.0 million that were made by POS-Minerals during 2008 were expended by the second quarter of 2009 in accordance with the program and budget requirements of the Mt. Hope Project. Nevada Moly is required, pursuant to the terms of the LLC Agreement, to advance funds required to pay costs for the development of the Mt. Hope Project that exceed the Initial Contributions until the ROD Contribution Date, at which point the contributions described above to be made by POS-Minerals will be applied to reimburse us for POS-Minerals' share of such development costs. All costs incurred after the ROD Contribution Date will be allocated and funded pro rata based on each party's ownership interest. POS-Minerals' share of such development costs amounted to approximately \$38.6 million as of March 31, 2012. The interest of a party in the LLC that does not make its pro rata capital contributions to fund costs incurred after the ROD Contribution Date is subject to dilution based on the Dilution Formula.

**NOTE 2 LIQUIDITY AND CAPITAL REQUIREMENTS AND RESTRUCTURING**

Our consolidated cash balance at March 31, 2012, was \$35.1 million compared to \$40.7 million at December 31, 2011. The cash needs for the development of the Mt. Hope Project require that we and/or the LLC finalize the financing described below in addition to the capital contributions to be received from POS-Minerals.

The anticipated sources of financing described below, combined with funds anticipated to be received from POS-Minerals in order to retain its 20% share, provide substantially all of our currently planned funding required for constructing and placing the Mt. Hope Project into commercial production. Funding requirements for working capital and potential capital overrun needs will require additional resources. There can be no assurance that the Company will be successful in raising additional financing in the future on terms acceptable to the Company or at all.

**Agreements with Hanlong (USA) Mining Investment Inc.**

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We have signed a series of agreements (the Hanlong Transaction ) with Hanlong (USA) Mining Investment, Inc. ( Hanlong ), an affiliate of Sichuan Hanlong Group Limited, a large privately held Chinese company. The agreements described below form the basis of a \$745 million transaction that is intended to provide the Company with adequate capital to develop the Mt. Hope Project. The agreements include: (a) a Securities Purchase Agreement that provides for the sale to Hanlong of shares of our common stock in two tranches that will aggregate 25% of our outstanding stock on a fully diluted basis for \$80 million (\$40 million per tranche), conditioned upon us receiving permits for Mt. Hope and Hanlong s use of commercially reasonable efforts to procure a \$665 million loan from a Prime Chinese Bank for our use in constructing Mt. Hope; (b) a Bridge Loan whereby Hanlong will provide up to \$20 million to the Company to preserve liquidity until permits are received; (c) a Stockholder Agreement that provides Hanlong representation on our Board of Directors and the LLC management committee, governs how Hanlong will vote its shares of the Company and limits Hanlong s ability to purchase or dispose of our securities; and (d) a long-term molybdenum supply off-take agreement, which requires

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Hanlong to purchase the Company's entire share of the Mt. Hope molybdenum production above that necessary for the Company to meet its existing supply commitments until the expiration of those commitments.

*The Securities Purchase Agreement ( Purchase Agreement )*

Stock Purchase. The Purchase Agreement provides, subject to its terms and conditions, for the purchase by Hanlong of \$80.0 million of our common stock, or approximately 27.6 million shares, which will equal 25% of our outstanding common stock on a fully-diluted basis.

The Purchase Agreement has been amended four times including: (1) a July 30, 2010 amendment extending the deadline for obtaining Chinese government approvals by two months to October 13, 2010, as well as extending the Company's deadline for publishing its DEIS and receiving its ROD to February 28, 2011, and November 30, 2011, respectively. Hanlong has received Chinese government approvals for its equity investment in us and our DEIS has been published; (2) an October 26, 2010 amendment setting the closing of Hanlong's purchase of the first \$40.0 million tranche of equity for December 20, 2010 and eliminating the condition that required us to have our DEIS published prior to closing this funding; (3) a December 20, 2010 amendment that made certain non-substantive changes in connection with the closing of the first tranche of Hanlong's equity investment ( Tranche 1 ); and (4) a July 7, 2011 amendment that eliminated the deadline for publication of the DEIS, extended the ROD deadline from November 30, 2011 to the earlier of nine months following DEIS publication or September 30, 2012, extended Hanlong's commitment to make available the Term Loan from two months following the ROD to nine months following the ROD, and extended the maturity date of the Bridge Loan to the earlier of (i) 270 days after the issuance of the ROD, (ii) the date on which the Purchase Agreement terminates, and (iii) the earlier of December 31, 2012 and the availability of the Term Loan.

The ROD deadline is extendable by up to three months from the ROD deadline date of September 2, 2012 to December 2, 2012, as discussed below. The Purchase Agreement may be terminated by either party (provided the terminating party is not in default) if the closing of the second tranche ( Tranche 2 ) has not occurred on or before the earlier of September 30, 2012 (unless the parties have agreed to the ROD Condition Extension, in which case the date shall be December 31, 2012) or twelve months after the issuance of the ROD.

As discussed above, the second equity tranche will be for a purchase price of an additional \$40.0 million. Significant conditions to the closing of Tranche 2 include issuance of the ROD for the Mt. Hope Project by the BLM, approval of the plan of operations for the Mt. Hope Project (the POO ) by the BLM, and the completion of documentation for and satisfaction of conditions precedent for the availability of funding under the Term Loan, described below.

Hanlong will have the right to purchase a portion of any additional shares of common stock that we issue so that it can maintain its percentage ownership, unless its ownership is at the time below 5% at the earlier of the closing of Tranche 2 or closing of the Term Loan. It may also acquire additional shares so that it maintains a 20% indirect interest in the Mt. Hope Project if our interest in the LLC is reduced below 80%. If we issue shares to fund the Mt. Hope Project under certain circumstances, and on or before the date of commercial production, and Hanlong exercises its rights to maintain its percentage interest, we will be obligated to refund to Hanlong the cost of such shares over a three-year period up to an aggregate of \$9.0 million.

Break Fees. A break fee is payable by both the Company and Hanlong if the Purchase Agreement terminates because of the failure of certain conditions. A break fee of \$10.0 million is payable to the Company if the Purchase Agreement is terminated because Hanlong fails to obtain

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necessary Chinese government approvals, which may be offset against any balances owed by the Company under the Bridge Loan. A break fee of \$5.0 million is payable to Hanlong if the ROD is not timely received or the condition waived and the Purchase Agreement is terminated. The Company's break fee may be increased by \$5.0 million if the Purchase Agreement is terminated and the Company has violated the no-shop provisions of the Purchase Agreement. The break fees may also be increased by up to \$2.0 million, in addition to the payment of \$2.0 million by the Company, if the Company requests and Hanlong grants an extension concerning the ROD deadline (the ROD Extension Fee). Any such fee would be credited against the arrangement fee described below. As the achievement of ROD by the September 2, 2012 deadline is now less than probable, a \$2.0 million Rod Extension Fee has been accrued as of March 31, 2012, and is included in capitalized debt issuance costs. The break fee payable by the Company to Hanlong may be paid in cash, or, in certain circumstances, in shares of our common stock at our option. If paid in shares, the price would

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be the volume weighted average of our common stock on the NYSE Amex for the five days ending six days after the announcement of the termination. On January 9, 2012, the Company and Hanlong executed an Option Agreement concerning the payment date for the ROD Extension Fee under the Purchase Agreement, for no consideration. The option must be exercised on or before December 31, 2012. If the option is exercised, the parties will amend the Purchase Agreement to extend payment of the ROD Extension Fee from December 2012 until April 30, 2013.

***Chinese Bank Term Loan.*** Hanlong is obligated to use commercially reasonable efforts to procure a Term Loan in an amount of at least \$665.0 million. The Term Loan will bear interest at a rate tied to the London Interbank Offered Rate ( LIBOR ) plus a spread of between 2% and 4% per annum. The Purchase Agreement provides that the Term Loan will have customary covenants and conditions; however, the terms of the Term Loan have not yet been negotiated with the lender and we have no assurance as to the final terms of the Term Loan. On February 16, 2012, the Company announced China Development Bank ( CDB ) had confirmed the basic terms underlying a proposed \$665 million term loan to finance the Mt. Hope project, including a CDB intention to lend \$399 million and arrange a consortium of Chinese and international banks to fund the balance. The Term Loan is anticipated to carry a maturity of 12 years including a 30 month grace period to allow for the construction of the Mt. Hope Project. The interest rate will remain subject to market conditions and Chinese government policy. The Company and Hanlong are continuing to work with CDB with a target of having the Term Loan completed, approved and available to the Company upon receipt of Mt. Hope s operating permits. Hanlong or an affiliate is obligated to guarantee the Term Loan. When funds can be drawn by the Company under the Term Loan, the Company will pay a \$15.0 million arrangement fee to Hanlong who will pay fees and expenses associated with the Term Loan before the Term Loan Closing, including those charged by the Chinese bank.

***Bridge Loan***

Hanlong agreed to provide a \$20.0 million Bridge Loan to the Company, available in two equal \$10.0 million tranches. On April 28, 2010, we drew down the first \$10.0 million tranche. The second tranche became available after receiving stockholder approval of the Hanlong Transaction. The first tranche of the Bridge Loan bears interest at LIBOR plus 2% per annum. The second tranche of the Bridge Loan will bear interest at 10% per annum and is undrawn. The Bridge Loan will be repaid from the proceeds of the Term Loan. The second tranche may also be repaid at the Company s election, in shares of the Company s common stock. If paid in shares, the price would be the volume weighted average of the Company s shares on the NYSE Amex for a five-day period after public announcement of the event that required repayment. The Company may offset its right to receive the break fee against its obligations to repay borrowings under the Bridge Loan. On January 9, 2012, the Company and Hanlong executed a second Option Agreement concerning the Bridge Loan Agreement. If exercised, the parties will amend the Bridge Loan Agreement for no consideration to extend the maturity date of Bridge Loan from December 31, 2012 until April 30, 2013. The option also has the effect of potentially extending the availability of the undrawn \$10.0 million second tranche to April 30, 2013 since the availability of the second tranche ends the earliest of the Tranche 2 closing date, the maturity of the Bridge Loan and the first borrowing under the Term Loan.

The outstanding balance of the Bridge Loan and related accrued interest are recorded as a current liability as of March 31, 2012 as the Company anticipates the Term Loan will become available within the next twelve months. The Bridge Loan and our obligation to pay a break fee to Hanlong under the Purchase Agreement are secured by a pledge by us of a 10% interest in the LLC.

***Stockholder Agreement***

In connection with Hanlong s purchase of our shares, Hanlong signed a Stockholder Agreement with the Company that limits Hanlong s future acquisitions of our common stock, provides for designation of up to two directors to our Board and representation on the LLC management

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committee, and places some restrictions on Hanlong's voting and disposition of our shares.

After the Tranche 1 closing, Hanlong became entitled to nominate one director to serve on our Board and one representative to the LLC management committee. Nelson Chen currently serves in both of these capacities. After the Tranche 2 closing, Hanlong will be entitled to nominate a second director. The Company will include and recommend the election of Hanlong's nominees in the Board's slate of nominees submitted to our stockholders, subject to the Board's fiduciary obligations and compliance by the nominee with applicable law and Company



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requirements concerning disclosure of information. The Hanlong nominees may also serve on committees for which they are eligible.

Hanlong has agreed not to purchase additional shares, except as permitted by the Purchase Agreement, without the Company's prior consent, and has agreed that it will not solicit proxies, join a group with respect to our equity securities, solicit or encourage an offer from another person for the Company, call a meeting of the Company's stockholders or make a proposal to the Company's stockholders, except to the Board. If our Board receives an offer for the Company, for its assets or a merger that the Board determines is in the best interests of the Company's stockholders, Hanlong is required to vote in favor of such a transaction or tender its shares unless it proposes an alternative transaction that our Board determines is more favorable to our stockholders than the offer received.

Hanlong may not, without the prior written consent of the Board, transfer ownership of their securities if the recipient would acquire beneficial ownership of more than 5% of our common stock as of the date of such transfer. The restrictions on Hanlong's share ownership, voting, disposition and drag-along rights will terminate on the earlier of the time that Hanlong owns less than 10% of our common stock, the date that is 6 months after the date that commercial production begins at the Mt. Hope Project, and June 30, 2014.

**Cash Conservation Plan**

The Company continues to operate under a cash conservation plan implemented in March 2009 designed to reduce expenditures and conserve cash in order to maximize financial flexibility.

When we commenced cash conservation, the Company had purchase orders for mining and milling process equipment. Some orders for mining equipment were cancelled in 2009, while orders for electric shovels and haul trucks were modified to become cancellable or non-binding. Most equipment orders for the custom-built grinding and other milling process equipment are being completed by the manufacturers and the equipment is being stored. The grinding and milling process equipment required the longest lead times and maintaining these orders were critical to the Company's ability to rapidly restart the Mt. Hope Project development. The Company completed negotiations with other equipment manufacturers to suspend or terminate fabrication of other milling equipment. As funding becomes available and equipment procurement is restarted, agreements that were suspended or terminated will be renegotiated under new market terms and conditions, as necessary.

Based on our current plan, expected timetable, and the results of such negotiations, we expect to make additional payments on milling process equipment orders of approximately \$3.1 million in 2012 and \$13.0 million in 2013. Based on payments made in 2009, 2010, and 2011 and upon making the final payments in 2012 and early 2013 for the gyratory crusher, SAG and ball mills and related electric mill drives, and some other long-lead equipment, we will own this equipment. Early next year, the Company has commitments for milling process equipment orders of approximately \$13.0 million. If the key milestone of ROD is not achieved by the 1st quarter of 2013, and if no additional financing has been arranged, the payment terms for these orders would have to be renegotiated. Payment terms on these orders have been extended in previous years, and the Company is confident that renegotiation with extended terms would again be likely.

Also, at March 31, 2012, we have a contract to purchase two electric shovels that is cancellable, has no firm schedule of payments, and includes a \$3.4 million deposit that is forfeitable if an additional \$13.0 million deposit is not made by June 30, 2012. The LLC continues to need this equipment for construction phase mine development and post-construction mining, and is committed to either renegotiate the timing and amount

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of the contractual deposit terms to provide more payment flexibility or obtain additional funding sources in order to make this payment without impacting our liquidity position, and is currently renegotiating the timing of these payments.

On February 28, 2012, the LLC issued a firm purchase order for 18 Caterpillar haul trucks. The order provides for delivery of those haul trucks required to perform initial mine development, currently scheduled for the second half of 2013. A non-refundable down-payment of \$0.6 million was made at the time of order with an additional \$0.6 million due 12 months prior to truck shipment, but the contract is cancellable with no further liability to the LLC up until the time the trucks are shipped.

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The cash conservation plan reduced our total cash utilization for general administrative and overhead expenses to approximately \$1 million per month, inclusive of maintenance costs at the Liberty Project. Such ongoing costs, combined with the \$3.1 million in process equipment commitments noted above and the \$9.0 million in construction royalty advances described in Note 10 comprise the spending requirements the Company has in place through the end of 2012 without restarting the project. Based on our current cash on hand and this ongoing cash conservation plan, the Company expects it will have adequate liquidity through the restart of the project and execution of the financing plan.

**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The interim consolidated financial statements of the Company are unaudited. In the opinion of management, all adjustments and disclosures necessary for a fair presentation of these interim statements have been included. All such adjustments are, in the opinion of management, of a normal recurring nature. The results reported in these interim consolidated financial statements are not necessarily indicative of the results that may be reported for the entire year. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the Securities and Exchange Commission ( SEC ) on March 1, 2012.

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

*Accounting Method*

Our financial statements are prepared using the accrual basis of accounting in accordance with GAAP. With the exception of the LLC, all of our subsidiaries are wholly owned. In February 2008, we entered into the agreement, which established our ownership interest in the LLC at 80%. The consolidated financial statements include all of our wholly owned subsidiaries and the LLC. The POS-Minerals contributions attributable to their 20% interest are shown as Contingently Redeemable Noncontrolling Interest on the Consolidated Balance Sheet. For the periods presented, the LLC had net operating expenses and, accordingly, the net loss attributable to contingently redeemable noncontrolling interest is reflected separately on the Consolidated Statement of Operations.

*Contingently Redeemable Noncontrolling Interest ( CRNCI )*

On January 1, 2009, we adopted Financial Accounting Standards Board ( FASB ) authoritative guidance related to Noncontrolling Interests in Consolidated Financial Statements, the provisions of which, among others, require the recognition of a noncontrolling interest (previously referred to as minority interest), as a component of equity in the consolidated financial statements and separate from the parent's equity for all periods presented. In addition, the amount of net income or loss attributable to the noncontrolling interest is included in net income or loss on the face of the consolidated statement of operations. Under GAAP, certain noncontrolling interests in consolidated entities meet the definition of mandatorily redeemable financial instruments if the ability to redeem the interest is outside of the control of the consolidating entity. As described in Note 1, the LLC Agreement permits POS-Minerals the option to put its interest in the LLC to Nevada Moly upon a change of control, as defined in the LLC Agreement, followed by a failure to use standard mining industry practice in connection with development and

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operation of the Mt. Hope Project as contemplated by the parties for a period of twelve consecutive months. As such, the CRNCI has continued to be shown as a separate caption between liabilities and equity (mezzanine section). The carrying value of the CRNCI reflects the investment of the noncontrolling interest, less losses attributable to the interest.

### *Estimates*

The process of preparing consolidated financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled

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transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

*Cash and Cash Equivalents*

We consider all highly liquid investments with original maturities of three months or less to be cash equivalents. The Company's cash equivalent instruments are classified within Level 1 of the fair value hierarchy established by FASB guidance for Fair Value Measurements because they are valued based on quoted market prices in active markets. These cash instruments included \$28.0 million in U.S. Treasury securities at March 31, 2012.

*Exploration and Development Stage Activities*

We were in the exploration stage from January 2002 until October 4, 2007. On October 4, 2007, our Board approved the development of the Mt. Hope Project as contemplated in the Bankable Feasibility Study ( BFS ) and we then entered into the development stage. We have not realized any revenue from operations. We will be primarily engaged in development of the Mt. Hope Project and exploration and evaluation of the Liberty Project until we enter the production stage of the Mt. Hope Project.

*Basic and Diluted Net Loss Per Share*

Net loss per share was computed by dividing the net loss attributable to General Moly, Inc. by the weighted average number of shares outstanding during the period. The weighted average number of shares was calculated by taking the number of shares outstanding and weighting them by the amount of time that they were outstanding. Outstanding warrants to purchase 1,000,000 and 1,000,000 shares of common stock, options to purchase 1,578,324 and 2,518,323 shares of common stock, and unvested stock awards totaling 711,005 and 388,182 at March 31, 2012, and 2011, respectively, and 1,277,002 and 806,936 shares under Stock Appreciation Rights at March 31, 2012, and 2011, respectively, were not included in the computation of diluted loss per share for the three months ended March 31, 2012, and 2011, respectively, because to do so would have been anti-dilutive. Therefore, basic loss per share is the same as diluted loss per share.

*Mineral Exploration and Development Costs*

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

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

### *Mining Properties, Land and Water Rights*

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

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The Company has capitalized royalty payments made to Mt. Hope Mines, Inc. during the development stage. The amounts will be applied to production royalties owed upon the commencement of production.

*Depreciation and Amortization*

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

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

At March 31, 2012 and 2011, accumulated depreciation and amortization was \$1.5 and \$1.1 million, respectively, of which \$1.2 and \$0.8 million, respectively, was capitalized.

*Provision for Taxes*

Income taxes are provided based upon the asset and liability method of accounting. Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. In accordance with authoritative guidance for *Income Taxes*, a valuation allowance is recorded against the deferred tax asset if management does not believe the Company has met the more likely than not standard to allow recognition of such an asset.

*Reclamation and Remediation*

Expenditures for ongoing compliance with environmental regulations that relate to current operations are expensed or capitalized as appropriate. Expenditures resulting from the remediation of existing conditions caused by past operations that do not contribute to future revenue generation are expensed. Liabilities are recognized when environmental assessments indicate that remediation efforts are probable and the costs can be reasonably estimated.

Estimates of such liabilities are based upon currently available facts, existing technology and presently enacted laws and regulations taking into consideration the likely effects of inflation and other societal and economic factors, and include estimates of associated legal costs. These amounts also reflect prior experience in remediating contaminated sites, other companies' clean-up experience and data released by the United States Environmental Protection Agency ( EPA ) or other organizations. Such estimates are by their nature imprecise and can be expected to be

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revised over time because of changes in government regulations, operations, technology and inflation. Recoveries are evaluated separately from the liability. When recovery is assured, the Company records and reports an asset separately from the associated liability.

### *Stock-based Compensation*

Stock-based compensation represents the fair value related to stock-based awards granted to members of the board of directors, officers and employees. The Company uses the Black-Scholes model to determine the fair value of stock-based awards under authoritative guidance for *Stock-Based Compensation*. For stock based compensation that is earned upon the satisfaction of a service condition, the cost is recognized on a straight-line basis (net of estimated forfeitures) over the requisite vesting period (up to three years). Awards expire five years from the date of vesting.

Further information regarding stock-based compensation can be found in Note 7 Equity Incentives.



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*Debt*

The Company has determined that the Bridge Loan is a Level 3 financial instrument because it includes unobservable inputs to its fair value analysis. We have utilized the discounted cash flow income approach to calculate the fair value of the Bridge Loan liability as of March 31, 2012. Inputs to this valuation are as follows:

|                  |                  |
|------------------|------------------|
| Interest rate    | LIBOR plus 4.25% |
| Discount rate    | 8%               |
| Term to maturity | 9 months         |
| Principal amount | \$10.0 million   |

The Interest Rate was determined based on recent equipment financing terms quoted to the Company. The Discount Rate is consistent with that used in the Company's long term operational plans. The Term to Maturity is the expected remaining duration of the Bridge Loan as of March 31, 2012. Based on the inputs above, the fair value of the Bridge Loan at March 31, 2012 was \$10.3 million compared to a recorded value of \$10.5 million, including accrued interest.

The fair value calculation would change based on changes to unobservable inputs such as the implicit interest rate. An increase of 1% in the implicit interest rate would increase the fair value of the Bridge Loan by \$0.2 million.

There have been no changes in the method used to calculate the fair value of the Bridge loan during the period.

*Debt Issuance Costs*

The Company has capitalized certain costs such as translation, formatting and technical due diligence, related legal fees, and advances against the arrangement fee in the amount of \$5.2 million incurred in direct pursuit of the Term Loan based on our belief that it is more probable than not that the Company will receive the Term Loan. A portion of these costs were incurred on behalf of Hanlong and will be offset against the \$15.0 million arrangement fee to be paid by the Company to Hanlong upon the closing of the Term Loan. These costs will be amortized over the life of the Term Loan using the effective interest method once the Term Loan has been made available.

*Comprehensive Loss*

For the three months ended March 31, 2012, and 2011, respectively, the Company's comprehensive loss was equal to the respective net loss for each of the periods presented.

*Recently Issued Accounting Pronouncements****Comprehensive Income (Topic 220): Presentation of Comprehensive Income***

In June 2011, the FASB issued Accounting Standards Update (ASU) 2011-02, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. Under the amendments, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This guidance is effective for the Company for the fiscal year beginning after December 15, 2011. The adoption of this guidance did not have a material effect on its financial condition, results of operation, or cash flows.

***Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS***

In May 2011, the FASB issued Accounting Standards Update (ASU) 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS. The Update amends fair value measurements and disclosures to (1) clarify the board's intent in respect of existing measurement guidance, (2) revise certain measurement guidance that changes or modifies a principle, and (3) add disclosure requirements concerning the measurement uncertainty of Level 3 measurements. This guidance is effective for the Company for the first interim and annual period beginning on or after December 15, 2011. The adoption of this guidance did not have a material effect on its financial condition, results of operation, or cash flows.

**NOTE 4 MINING PROPERTIES, LAND AND WATER RIGHTS**

We currently have interests in two mining properties that are the primary focus of our operations. The Mt. Hope Project is currently in the development stage and the Liberty Project is in the exploration and evaluation stage. We also have certain other, non-core, mining properties that are being evaluated for future evaluation or sale. The following is a summary of mining properties, land and water rights at March 31, 2012 and 2011 (in thousands):

|                                | At<br>March 31, 2012 | At<br>December 31,<br>2011 |
|--------------------------------|----------------------|----------------------------|
| Mt. Hope Project:              |                      |                            |
| Development costs              | \$ 103,441           | \$ 99,984                  |
| Mineral, land and water rights | 10,526               | 10,526                     |
| Advance Royalties              | 22,600               | 22,600                     |
| Total Mt. Hope Project         | 136,567              | 133,110                    |
| Total Liberty Project          | 9,732                | 9,733                      |
| Other Properties               | 889                  | 889                        |
| Total                          | \$ 147,188           | \$ 143,732                 |

On June 26, 2009, the Company and Josephine Mining Corp. ( JMC ), a privately-owned Canadian company whose president is a related party to a member of the Company's Board, entered into an Option to Purchase Agreement for the Company's non-core Turner Gold property, a multi-metallic property located in Josephine County, Oregon, which the Company had acquired in 2004. JMC paid \$0.1 million upon entering into the agreement, an additional \$0.3 million in January 2011, and an additional \$0.3 million in December 2011, which are non-refundable and will be applied to the purchase price at the completion of the agreement. The \$0.7 million has been recorded as a deferred gain pending

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completion of the purchase. A final payment of \$1.35 million shall be due at the earlier of September 30, 2012 or three months after receipt by JMC of all permits and approvals necessary to commence mining operations plus three months. The periodic payments allow JMC certain exploratory rights. Ownership of the Turner Gold property will transfer to JMC upon the final payment. The Company will also retain a production royalty of 1.5% of all net smelter returns on future production from the property, should JMC acquire the property. The book value of the Company's investment in the Turner Gold property is approximately \$0.8 million.

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On March 8, 2010, the Company and Ascot USA, Inc. ( Ascot ), a Washington corporation, entered into an Option to Purchase Agreement for the Company's non-core Margaret property, an undivided 50% interest in the reserved mineral rights and all of the Company's interest in the 105 unpatented mining claims comprising the Red Bonanza Property, situated in the St. Helens Mining District, Skamania County, Washington, which the Company had acquired in 2004. Ascot paid \$0.1 million upon entering into the agreement and an additional \$0.3 million in May 2011, which are non-refundable and will be applied to the purchase price at the completion of the agreement. The \$0.4 million has been recorded as a deferred gain pending completion of the purchase. If Ascot proceeds, the final installment payment of \$1.6 million is due on or before June 8, 2012. The periodic payments allow Ascot certain exploratory rights. If Ascot makes all three of the installment payments, ownership of the Margaret property will transfer to Ascot upon the final payment. The Company will also retain a production royalty of 1.5% of all net smelter returns on future production from the property, should Ascot acquire the property. The Company carries no book value in the property.

On September 30, 2011, the Company and Russell Mining & Minerals, Inc. ( RMMI ), a privately-owned company whose president is a related party to one of the Company's Board members, entered into an Option to Purchase Agreement for the Company's non-core Detroit Copper property, a multi-metallic property located in Marion County, Oregon. RMMI paid \$0.1 million upon entering into the agreement. Once made, each option payment is non-refundable. The \$0.1 million has been recorded as a deferred gain pending completion of the purchase. If RMMI proceeds, an additional \$0.3 million installment payment is due March 31, 2013, and the final installment payment of \$1.6 million is due on or before September 30, 2014. The final option payment may be extended by RMMI by up to two years by making non-refundable installment payments of \$160,000 in each year to be extended, which are not applied to the purchase price of the property. The periodic payments allow RMMI certain exploratory rights. If RMMI makes all three of the installment payments, ownership of the Detroit Copper property will transfer to RMMI upon the final payment. The Company has also retained a Production Royalty of 1.5% of all net smelter returns on future production from the property. The Company currently carries no book value in the project.

**Development costs and Deposits on project property, plant and equipment**

As of March 31, 2012, development costs for the Mt. Hope Project amounted to \$103.4 million including hydrology and drilling costs, expenditures to further the permitting process, capitalized salaries, project engineering costs, and other expenditures required to fully develop the Mt. Hope Project. Deposits on project property, plant and equipment of \$67.1 million represent ongoing progress payments on equipment orders for the custom-built grinding and milling equipment, related electric mill drives, and other processing equipment that require the longest lead times.

**Restricted Cash held for Electricity Transmission**

The Company has paid \$12.0 million into an escrow arrangement for electricity transmission services. The amount represents security on a transmission contract that will provide power to the Mt. Hope Project, and is accounted for as restricted cash. All amounts escrowed are to be returned to the Company as electricity is delivered or on December 1, 2015, in the event that electricity transmission at the Mt. Hope Project has not commenced or at the time the agreement is cancelled by the Company.

**NOTE 5 COMMON STOCK UNITS, COMMON STOCK AND COMMON STOCK WARRANTS**

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During the three months ended March 31, 2012, we issued 656,192 shares of common stock pursuant to stock awards under the 2006 Equity Incentive Plan.

All warrants outstanding at March 31, 2012 are exercisable at \$5.00 per share once the Company has received financing necessary for the commencement of construction at the Mt. Hope Project and will expire one year thereafter.

Pursuant to our Certificate of Incorporation, we are authorized to issue 200,000,000 shares of \$0.001 par value common stock. All shares have equal voting rights, are non-assessable and have one vote per share. Voting

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rights are not cumulative and therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company.

**NOTE 6 PREFERRED STOCK**

Pursuant to our Certificate of Incorporation we are authorized to issue 10,000,000 shares of \$0.001 per share par value preferred stock. The authorized but unissued shares of preferred stock may be issued in designated series from time to time by one or more resolutions adopted by the Board. The Board has the authority to determine the preferences, limitations and relative rights of each series of preferred stock. At March 31, 2012, no shares of preferred stock were issued or outstanding.

**NOTE 7 EQUITY INCENTIVES**

In 2006, the Board and shareholders of the Company approved the 2006 Equity Incentive Plan ( 2006 Plan ) that replaced the 2003 Equity Incentive Plan ( 2003 Plan ). In May 2010, our shareholders approved an amendment to the 2006 Plan increasing the number of shares that may be issued under the plan by 4,500,000 shares to 9,600,000 shares. The 2006 Plan authorizes the Board, or a committee of the Board, to issue or transfer up to an aggregate of 9,600,000 shares of common stock, of which 3,559,422 remain available for issuance as of March 31, 2012. Awards under the 2006 Plan may include incentive stock options, non-statutory stock options, restricted stock units, restricted stock awards, and stock appreciation rights ( SARs ). At the option of the Board, SARs may be settled with cash, shares, or a combination of cash and shares. The Company settles the exercise of other stock-based compensation with newly issued common shares.

Stock-based compensation cost is estimated at the grant date based on the award s fair value as calculated by the Black-Scholes option pricing model and is recognized as compensation ratably on a straight-line basis over the requisite vesting/service period. As of March 31, 2012, there was \$3.1 million of total unrecognized compensation cost related to share-based compensation arrangements, which is expected to be recognized over a weighted-average period of 1.5 years.

*Stock Options and Stock Appreciation Rights*

All stock options and stock appreciation rights ( SARs ) are approved by the Compensation Committee of the Board prior to or on the date of grant. Stock options and SARs are granted at an exercise price equal to or greater than the Company s closing stock price on the date of grant. Both award types vest over a period of zero to three years with a contractual term of five years after vesting. The Company estimates the fair value of stock options and SARs using the Black-Scholes option pricing model. Key inputs and assumptions used to estimate the fair value of stock options and SARs include the grant price of the award, expected option term, volatility of the Company s stock, the risk-free rate and the Company s dividend yield. The following table presents the weighted-average assumptions used in the valuation and the resulting weighted-average fair value per option or SAR granted:

|   |                  |
|---|------------------|
| <b>For the Three Months Ended March 31:</b> | <b>2012</b>      |
| Expected Life *                             | 3.5 to 5.5 years |

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|   |                  |
|---|------------------|
| Interest Rate+  | 0.39% to 2.84%   |
| Volatility **+  | 86.39% to 95.57% |
| Dividend Yields   |                  |
| Weighted Average Fair Value of Stock Options Granted During the Year                | \$               |
| Weighted Average Fair Value of Stock Appreciation Rights Granted<br>During the Year | \$               |

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\* The expected life is the number of years that the Company estimates, based upon history, that options or SARs will be outstanding prior to exercise or forfeiture.

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\*\* The Company's estimates of expected volatility are principally based on the historic volatility of the Company's common stock over the most recent period commensurate with the estimated expected life of the Company's stock options and other relevant factors.

+The interest rate and volatility used by the Company in calculating stock compensation expense represent the values in effect at the date of grant for all awards. These values are periodically updated for stock appreciation rights, which may be settled in cash to reflect the current market conditions.

At March 31, 2012, the aggregate intrinsic value of outstanding and exercisable (fully vested) options and SARs was \$1.2 million and had a weighted-average remaining contractual term of 2.1 years. The total intrinsic value of options exercised during the three months ended March 31, 2012 was \$0.3 million. The total intrinsic value of SARs exercised during the three months ended March 31, 2012 was nil.

### *Restricted Stock Units and Stock Awards*

All restricted stock units and stock awards ( Stock Awards ) are approved by the Compensation Committee of the Board prior to or on the date of grant. Grants of Stock Awards have been made to Board members, officers and employees. Stock Awards have been granted as performance based, earned over a required service period, or to Board members and the Company Secretary without any service requirement. Time based grants for officers and employees generally vest and stock is received without restriction to the extent of one-third of the granted stock for each year following the date of grant. Stock Awards issued to members of the Board of Directors and the Company Secretary that are fully vested at the time of issue are recognized as compensation upon grant of the award.

The compensation expense recognized by the Company for Stock Awards is based on the closing market price of the Company's common stock on the date of grant. For the three months ended March 31, 2012, the weighted-average grant-date fair value for Stock Awards was \$3.26.

### *Summary of Equity Incentive Awards*

The following table summarizes activity under the Plans during the three months ended March 31, 2012:

|                            | Stock Options                   |                               | SARs                          |                               | Stock Awards                 |                  |
|----------------------------|---------------------------------|-------------------------------|-------------------------------|-------------------------------|------------------------------|------------------|
|                            | Weighted Average Exercise Price | Number of Shares Under Option | Weighted Average Strike Price | Number of Shares Under Option | Weighted Average Grant Price | Number of Shares |
| Balance at January 1, 2012 | \$ 5.46                         | 2,484,990                     | \$ 3.21                       | 1,290,499                     | \$ 5.39                      | 615,763          |
| Awards Granted             |                                 |                               |                               |                               | 3.26                         | 256,092          |
| Awards Exercised or Earned | 2.78                            | (610,000)                     |                               |                               | 3.30                         | (160,850)        |
| Awards Forfeited           |                                 |                               | 4.73                          | (5,220)                       |                              |                  |
| Awards Expired             | 4.54                            | (296,666)                     | 4.47                          | (8,277)                       |                              |                  |
| Balance at March 31, 2012  | \$ 5.46                         | 1,578,324                     | \$ 3.19                       | 1,277,002                     | \$ 5.47                      | 711,005          |



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Exercisable at March 31, 2012                    \$        6.25            1,423,324    \$        1.62            462,008

A summary of the status of the non-vested awards as of March 31, 2012 and changes during the year ended March 31, 2012 is presented below.

|                            | Stock Options                        |                                     | SARs                                 |  | Stock Awards                         |                     |
|----------------------------|--------------------------------------|-------------------------------------|--------------------------------------|--|--------------------------------------|---------------------|
|                            | Weighted<br>Average<br>Fair<br>Value | Number of<br>Shares<br>Under Option | Weighted<br>Average<br>Fair<br>Value | Number<br>of Shares<br>Under<br>Option | Weighted<br>Average<br>Fair<br>Value | Number of<br>Shares |
| Balance at January 1, 2012 | \$ 6.25                              | 155,000                             | \$ 3.67                              | 940,215                                | \$ 5.39                              | 615,763             |
| Awards Granted             |                                      |                                     |                                      |  | 3.26                                 | 256,092             |
| Awards Vested or Earned    |                                      |                                     | 0.80                                 | (120,001)                              | 3.30                                 | (160,850)           |
| Awards Forfeited           |                                      |                                     | 4.73                                 | (5,220)                                |                                      |                     |
| Balance at March 31, 2012  | \$ 6.25                              | 155,000                             | \$ 4.08                              | 814,994                                | \$ 5.47                              | 711,005             |

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The following table summarizes compensation cost recognized and capitalized under the Plans during the three months ended March 31, 2012 and 2011, respectively:

**Summary of Capitalized Development Costs and Compensation Expense for the Three Months Ended March 31 (in thousands):**

|                                  | 2012   |    | 2011  |
|----------------------------------|--------|----|-------|
| Stock Options*                   | 1      | \$ | (93)  |
| SARs                             |        |    |       |
| Performance based                | 104    |    | 65    |
| Vesting over time                | 138    |    | 186   |
| Stock Awards:                    |        |    |       |
| Performance based*               | 99     |    | 31    |
| Vesting over time                | 121    |    | 40    |
| Board of Directors and Secretary | 528    |    | 810   |
| Total                            | \$ 991 | \$ | 1,039 |
| Included in:                     |        |    |       |
| Capitalized as Development       | 181    |    | (34)  |
| Expensed                         | 810    |    | 1,073 |
|                                  | \$ 991 | \$ | 1,039 |

\* The Company recorded significant forfeitures during 2011 related to unvested options of terminated employees and performance-based restricted shares forfeited as a result of the failure to achieve certain associated milestones required for vesting.

*Taxes*

A portion of the Company's granted options are intended to qualify as incentive stock options ( ISO ) for income tax purposes. As such, a tax benefit is not recorded at the time the compensation cost related to the options is recorded for book purposes due to the fact that an ISO does not ordinarily result in a tax benefit unless there is a disqualifying disposition. Stock option grants of non-qualified options result in the creation of a deferred tax asset, which is a temporary difference, until the time that the option is exercised. Any excess tax benefits from non-qualified stock option exercises are not recorded until the tax deduction reduces income tax payable.

**NOTE 8 CHANGES IN CONTINGENTLY REDEEMABLE NONCONTROLLING INTEREST AND EQUITY**

| Changes in Contingently Redeemable Noncontrolling Interest (Dollars in thousands)             | Activity for<br>Three Months Ended |                   |
|---|------------------------------------|-------------------|
|   | March 31,<br>2012                  | March 31,<br>2011 |
| Total Contingently Redeemable Noncontrolling Interest December 31, 2011, & 2010, respectively | \$ 98,073                          | \$ 98,753         |
| Less: Net Loss Attributable to Contingently Redeemable Noncontrolling Interest                |                                    |                   |
| Total Contingently Redeemable Noncontrolling Interest March 31, 2012, and 2011, respectively  | \$ 98,073                          | \$ 98,753         |



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| Changes in Equity                                   | Activity for<br>Three Months Ended |                   |
|---|------------------------------------|-------------------|
|   | March 31,<br>2012                  | March 31,<br>2011 |
| Common stock:                                       |                                    |                   |
| At beginning of period                              | 91                                 | 85                |
| Stock Awards  | 1                                  | 6                 |
| At end of period                                    | 92                                 | 91                |
| Additional paid-in capital:                         |                                    |                   |
| At beginning of period                              | 255,894                            | 234,517           |
| Exercised options                                   | 557                                | 280               |
| Exercised warrants                                  |                                    | 19,051            |
| Stock based compensation                            | 991                                | 1,039             |
| At end of period                                    | 257,442                            | 254,887           |
| Accumulated deficit:                                |                                    |                   |
| At beginning of period                              | (112,933)                          | (98,165)          |
| Consolidated net loss                               | (3,157)                            | (4,156)           |
| At end of period                                    | (116,090)                          | (102,321)         |
| Total Equity March 31, 2012, and 2011, respectively | \$ 141,444                         | \$ 152,657        |

**NOTE 9 INCOME TAXES**

At March 31, 2012, and December 31, 2011, we had deferred tax assets principally arising from the net operating loss carry-forwards for income tax purposes multiplied by an expected rate of 35%. As management of the Company cannot determine that it is more likely than not that we will realize the benefit of the deferred tax assets, a valuation allowance equal to the net deferred tax asset has been established at March 31, 2012, and December 31, 2011. The significant components of the deferred tax asset at March 31, 2012, and December 31, 2011 were as follows (in thousands):

|  | March 31, 2012 | December 31,<br>2011 |
|--|----------------|----------------------|
| Operating loss carry forward                     | \$ 149,665     | \$ 143,412           |
| Unamortized exploration expense                  | 11,323         | 11,546               |
| Fixed asset depreciation                         | 64             | 109                  |
| Deductible stock based compensation              | 4,104          | 3,835                |
| Other  | 246            | 251                  |
| Deductible temporary difference                  | \$ 165,402     | \$ 159,153           |
| Taxable temporary difference Investment in EMLLC | \$ (68,385)    | \$ (64,979)          |
| Net deductible temporary difference              | \$ 97,017      | \$ 94,174            |
| Deferred tax asset                               | \$ 33,956      | \$ 32,961            |
| Deferred tax asset valuation allowance           | \$ (33,956)    | \$ (32,961)          |
| Net deferred tax asset                           | \$             | \$                   |

At March 31, 2012, and December 31, 2011 we had net operating loss carry-forwards of approximately \$149.7 million and \$143.4 million, respectively, which expire in the years 2017 through 2032. The change in the allowance account from December 31, 2011 to March 31, 2012 was \$1.0 million.

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As of March 31, 2012 and December 31, 2011, the Company had no unrecognized tax benefits. There was no change in the amount of unrecognized tax benefits as a result of tax positions taken during the year or in prior periods or due to settlements with taxing authorities or lapses of applicable statutes of limitations. The Company is open to federal and state tax audits until the applicable statutes of limitations expire.

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**NOTE 10 COMMITMENTS AND CONTINGENCIES**

**Mt. Hope Project**

The Mt. Hope Lease with MHMI may be terminated upon the expiration of its 30-year term, earlier at the election of the LLC, or upon a material breach of the agreement and failure to cure such breach. If the LLC terminates the lease, termination is effective 30 days after receipt by MHMI of written notice to terminate the Mt. Hope Lease and no further payments would be due to MHMI. In order to maintain the lease, the LLC must pay certain deferral fees and advance royalties as discussed below.

The Mt. Hope Lease Agreement requires a royalty advance ( Construction Royalty Advance ) of 3% of certain construction capital costs, as defined in the Mt. Hope Lease. The LLC is obligated to pay a portion of the Construction Royalty Advance each time capital is raised for the Mt. Hope Project based on 3% of the expected capital to be used for those certain construction capital costs defined in the lease. Through March 31, 2012, we have paid \$13.7 million of the total Construction Royalty Advance. We paid \$0.6 million in early 2011 as a result of the exercise of outstanding warrants and another \$9.0 million in October 2011. Based on our Project Capital Estimate we estimate that an additional \$9.0 million must be paid on or before October 19, 2012, which amount has been accrued.

Once the Construction Royalty Advance has been paid in full, the LLC is obligated to pay an advance royalty ( Annual Advance Royalty ) each October 19 thereafter in the amount of \$0.5 million per year. The Construction Royalty Advance and the Annual Advance Royalty are collectively referred to as the Advance Royalties. All Advance Royalties are credited against the MHMI Production Royalties (as hereinafter defined) once the mine has achieved commercial production. After the mine begins production, the LLC estimates that the Production Royalties will be in excess of the Annual Advance Royalties for the life of the project and, further, the Construction Royalty Advance will be fully recovered (credited against MHMI Production Royalties) by the end of the third year of commercial production.

**Deposits on project property, plant and equipment**

At March 31, 2012, we have active orders with varying stages of fabrication on milling process equipment comprised of two 230kV primary transformers and substation, a primary crusher, a semi-autogenous mill, two ball mills, and various motors for the mills. We have suspended fabrication on 16 flotation cells, lime slaking equipment, hydrocyclones, and other smaller milling process equipment with the ability to re-initiate fabrication at any time. We have completed negotiations with the manufacturer of two multi-hearth molybdenum roasters to terminate its fabrication of this equipment and receive finished goods of the partially completed order. We plan to re-establish a new purchase order with this manufacturer as financing becomes available and equipment procurement is restarted under then current market terms and conditions.

The following table sets forth the LLC's cash commitments under mining and milling equipment contracts (collectively, Purchase Contracts ) at March 31, 2012, excluding the \$13.0 million deposit referenced below that would be required before June 30, 2012 on the electric shovels contract (in millions):

**Year**

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|                     | As of          |      |
|---------------------|----------------|------|
|                     | March 31, 2012 |      |
| 2012                |                | 3.1  |
| 2013 and thereafter |                | 13.0 |
| Total (1)           | \$             | 16.1 |

---

(1) Also at March 31, 2012, we have a contract to purchase two electric shovels that is cancellable, has no firm schedule of payments, and includes a \$3.4 million deposit that is forfeitable if an additional \$13.0 million deposit is not made by June 30, 2012. The LLC continues to need this equipment for construction phase mine development and post-construction mining, and is committed to either renegotiate the timing and amount of the contractual deposit terms to provide more payment flexibility or obtain additional funding sources in order to make this payment without impacting our liquidity position. If the LLC is unable to modify the terms to its satisfaction or obtain additional funding, and retain the equipment delivery commitment, the \$3.4 million deposit will be considered impaired and written off on or prior to June 30, 2012.

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On February 28, 2012, the LLC issued a firm purchase order for 18 Caterpillar haul trucks. The order provides for delivery of those haul trucks, required to perform initial mine development, currently scheduled for the second half of 2013. A non-refundable down-payment of \$0.6 million was made at the time of order with an additional \$0.6 million due 12 months prior to truck shipment, but the contract is cancellable with no further liability to the LLC up until the time the trucks are shipped.

Early next year, the Company has commitments for milling process equipment orders of approximately \$13.0 million. If the key milestone of ROD is not achieved by the 1st quarter of 2013, and if no additional financing has been arranged, the payment terms for these orders would have to be renegotiated. Payment terms on these orders have been extended in previous years, and the Company is confident that renegotiation with extended terms would again be likely.

**Obligations under capital and operating leases**

We have contractual obligations under capital and operating leases that will require a total of \$0.4 million in payments over the next three years. Assets under capital lease relate to light vehicles leased by the Company for use in operations. Operating leases consist primarily of rents on office facilities and office equipment. Our expected payments are \$0.3 million, \$0.1 million and nil for the years ended December 31, 2012, 2013 and 2014, respectively. We incurred charges of approximately nil for the three months ended March 31, 2012 in amortization on assets under capital lease.

**Creation of Agricultural Sustainability Trust**

On August 19, 2010, the LLC entered into an agreement with the Eureka Producers Cooperative (the EPC) whereby the LLC will fund a \$4.0 million Sustainability Trust (the Trust) in exchange for the cooperation of the EPC with respect to the LLC's water rights and permitting of the Mt. Hope Project. The Trust will be tasked with developing and implementing programs that will serve to enhance the sustainability and well-being of the agricultural economy in the Diamond Valley Hydrographic Basin through reduced water consumption.

The Trust may be funded by the LLC over several years based on the achievement of certain milestones, which are considered probable, and as such \$4.0 million has been accrued in the Company's March 31, 2012, financial statements and is included in mining properties, land, and water rights.

**Permitting Considerations**

In the ordinary course of business, mining companies are required to seek governmental permits for expansion of existing operations or for the commencement of new operations. The LLC will be required to obtain a ROD from the BLM authorizing implementation of the Mt. Hope Project POO. This approval can be obtained only after successful completion of the National Environmental Policy Act process of environmental evaluation, which incorporates substantial public comment. The LLC will also need to obtain various state and federal permits including water protection, air quality, water rights and reclamation permits. In addition to requiring permits for the development of the Mt. Hope Project, we will need to obtain and modify various mining and environmental permits during the life of the Mt. Hope Project. Obtaining,



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modifying, and renewing the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions and often involving public hearings and substantial expenditures. The duration and success of the LLC's efforts to obtain, modify or renew permits will be contingent upon many variables, some of which are not within the LLC's control. Increased costs or delays could occur, depending on the nature of the activity to be permitted and the interpretation of applicable requirements implemented by the permitting authority. All necessary permits may not be obtained and, if obtained, may not be renewed, or the costs involved in each case may exceed those that we previously estimated. It is possible that the costs and delays associated with compliance with such standards and regulations could become such that the LLC would not proceed with the development or operation of the Mt. Hope Project.

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**Water Rights Considerations**

In addition to working to complete the EIS, we are working to finalize the conversion of water rights to mining use. In March 2009 we were granted our water applications in a Ruling by the State Engineer. However, that Ruling was successfully appealed in April 2010 in Nevada District Court ( NDC ), remanding the matter for another hearing by the State Engineer.

On July 15, 2011, the State Engineer issued a second Ruling granting the Company's water applications. In August 2011, Eureka County and two other parties comprised of three individual water rights holders in Diamond Valley and one in Kobeh Valley, filed Petitions and Amended and Supplemental Petitions ( Petitions ) to the NDC appealing the second Ruling of the State Engineer. The appeal hearing was held April 3, 2012 before the NDC. A decision by the NDC is expected in mid-2012, although the NDC is not required to act under any specified timeline. We continue to anticipate a favorable NDC decision, upholding the State Engineer's second Ruling. The filing of the appeal did not prevent the State Engineer from issuing the permits and as such, the State Engineer completed issuance of all permits on December 14, 2011 and certain amended permits on January 4, 2012 subject to the second Ruling. Assuming a successful outcome of the appeal from the NDC, the water will become available for consumptive use following the State Engineer's approval of the Company's Monitoring, Management and Mitigation Plan ( 3M Plan ). The 3M Plan was developed with input from Eureka County. The Company is preparing to finalize the 3M Plan and we anticipate the State Engineer will approve the 3M Plan prior to commencement of construction, in the second half of 2012.

**Environmental Considerations**

Our mineral property holdings in Shoshone County, Idaho include lands contained in mining districts that have been designated as Superfund sites pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act. This Superfund Site was established to investigate and remediate primarily the Bunker Hill properties of Smeltonville, Idaho, a small portion of Shoshone County where a large smelter was located. However, because of the extent of environmental impact caused by the historical mining in the mining district, the Superfund Site covers the majority of Shoshone County including our Chicago-London and Little Pine Creek properties as well as many small towns located in Northern Idaho. We have conducted a property environmental investigation of these properties, which revealed no evidence of material adverse environmental effects at either property. We are unaware of any pending action or proceeding relating to any regulatory matters that would affect our financial position due to these inactive mining claims in Shoshone County.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

References made in this Quarterly Report on Form 10-Q to we, our, us, or the Company, refer to General Moly, Inc.

The following discussion and analysis of our financial condition and results of operations constitutes management's review of the factors that affected our financial and operating performance for three months ended March 31, 2012, and 2011. This discussion should be read in conjunction with the consolidated financial statements and notes thereto contained elsewhere in this report and in our Annual Report on Form 10-K for the year ended December 31, 2011, which was filed on March 1, 2012.

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We routinely post important information about us on our Company website. Our website address is [www.generalmoly.com](http://www.generalmoly.com).

### Overview

We are a development stage company and began the development of the Mt. Hope Project on October 4, 2007. During the year ended December 31, 2008 we also completed work on a pre-feasibility study of our Liberty Project, which we updated during 2011.

The development of the Mt. Hope Project has a Project Capital Estimate of \$1,154 million, which includes development costs of approximately \$1,039 million and \$115 million in cash financial assurance requirements, advance royalty payments, and power pre-payment estimates. The Project Capital Estimate is based on 2008 pricing

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and is subject to escalation associated primarily with equipment, construction labor, and commodities. We anticipate updating the Project Capital Estimate later this year. These amounts do not include financing costs or amounts necessary to fund operating working capital and potential capital overruns. From October 2007 through the three months ended March 31, 2012, we have spent approximately \$193.1 million on the Mt. Hope Project.

In 2009, because of declining molybdenum prices and unanticipated delays in the Mt. Hope Project permitting process, we implemented a cash conservation plan whereby total cash utilization, other than equipment purchases and permitting efforts, was reduced to approximately \$1 million per month. The Company has maintained its orders for grinding, milling, and other specialty long-lead equipment. However, other engineering, administrative and third party work was slowed or suspended. The Company had cash on hand as of March 31, 2012 of \$35.1 million to meet its funding requirements for 2012. Based on our current cash on hand and our ongoing cash conservation plan, the Company expects it will have adequate liquidity through the restart of the project and execution of the financing plan.

The worldwide molybdenum price fluctuated between \$5.33 per pound in 2003 to over \$40.00 per pound in 2005 and traded in the mid-\$30s per pound prior to October 2008, when prices fell from approximately \$33.50 per pound to \$7.70 per pound in April 2009 as a result of the global economic collapse. Subsequent to April 2009, prices slowly rose, finishing 2009 at \$12.00 per pound and further increasing to finish 2010 at \$16.40 per pound. During 2011, prices traded in a relatively narrow range between \$12.85 and \$17.70 per pound, finishing the year at \$13.40 per pound, according to *Ryan's Notes*. Since the beginning of 2012, prices have traded slightly higher and are currently trading at \$14.20 per pound.

The permitting process for the Mt. Hope Project has also had an impact on our activities because of delays experienced from extensive regulatory reviews and additional requests for information on environmental impacts. Nevertheless, the process continues to move toward completion, and our efforts in this regard have continued full-time. Once the major operating permits and the ROD from the BLM are effective, and financing is available, it is expected that Mt. Hope can be constructed and in production within approximately 20 months.

### **Restructuring and Suspension of Project Development**

As discussed above, in March 2009, we implemented a cash conservation plan to reduce expenditures and conserve cash in order to maximize financial flexibility. Engineering efforts related to the Mt. Hope Project, which currently are approximately 60% complete, were restarted in January 2012 following the publication of the DEIS.

As of March 2009, the LLC had purchase orders for mining and milling process equipment. Some orders for mining equipment were cancelled, while orders for electric shovels and haul trucks were modified to become cancellable or non-binding. Most equipment orders for the custom-built grinding and other milling process equipment are being completed by the manufacturers, and this equipment is being or will be stored pending commencement of construction. The grinding and milling process equipment require the longest lead times and maintaining these orders is critical to the Company's ability to rapidly restart the Mt. Hope Project development. The LLC completed negotiations with other equipment manufacturers to suspend or terminate fabrication of other milling equipment. As funding becomes available and equipment procurement is restarted, agreements that were suspended or terminated will be renegotiated under new market terms and conditions, as necessary.

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Based on our current plan, expected timetable, and the results of such negotiations, we expect to make additional payments on milling process equipment orders of approximately \$3.1 million in 2012 and \$13.0 million in 2013. For the gyratory crusher, SAG and ball mills and related electric mill drives, and some other long-lead equipment, we will own the equipment upon final payments forecasted to occur in 2012 and early 2013. Also, at March 31, 2012, we have a contract to purchase two electric shovels that is cancellable, has no firm schedule of payments, and includes a \$3.4 million deposit that is forfeitable if an additional \$13.0 million deposit is not made by June 30, 2012. The LLC continues to need this equipment for construction phase mine development and post-construction mining, and is committed to either renegotiate the timing and amount of the contractual deposit terms to provide more payment flexibility or obtain additional funding sources in order to make this payment without impacting our liquidity position, and is currently renegotiating the timing of these payments.

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On February 28, the LLC issued a firm purchase order for 18 Caterpillar haul trucks. The order provides for delivery of those haul trucks required to perform initial mine development, currently scheduled for the second half of 2013. A non-refundable down-payment of \$0.6 million was made at the time of order with an additional \$0.6 million due 12 months prior to truck shipment, but the contract is cancellable with no further liability to the LLC up until the time the trucks are shipped.

Early next year, the Company has commitments for milling process equipment orders of approximately \$13.0 million. If the key milestone of ROD is not achieved by the 1st quarter of 2013, and if no additional financing has been arranged, the payment terms for these orders would have to be renegotiated. Payment terms on these orders have been extended in previous years, and the Company is confident that renegotiation with extended terms would again be likely.

The cash conservation plan reduced our total cash utilization for general administrative and overhead expenses to approximately \$1 million per month, inclusive of maintenance costs at the Liberty Project. Based on our current cash on hand and our cash conservation plan, the Company expects it will have adequate liquidity through the restart of the project and execution of the financing plan.

**Permitting Update**

The Mt. Hope Project will require both federal and state permits before it can commence construction and operations. Major permits required for the Mt. Hope Project include the ROD, a BLM issued permit, water appropriation permits from the Nevada Division of Water Resources, the water pollution control permit and reclamation permit from the Nevada Department of Environmental Protection Bureau of Mining Regulation and Reclamation, and an air quality permit from the Nevada Department of Environmental Protection, Bureau of Air Pollution Control ( NDEP BAPC ). NDEP BAPC held a public meeting on the Company s draft AQP on February 28, 2012 in Eureka, Nevada. Applications for other time-critical state permits have been submitted for agency review and approval. The LLC continues to develop and evolve the information supporting these permits based on agency review and feedback. We believe these other major operating permits will be received on or prior to the effective date of the ROD.

Although we currently are targeting the effectiveness of the ROD and the receipt of all major operating permits to occur in the second half of this year, circumstances beyond our control, including reviewing agency delays or requests for additional information or studies, and appeals of the BLM decision, could cause the effective date of the ROD to be delayed. The occurrence of any or a combination of these adverse circumstances may increase the estimated costs of development, require us to obtain additional interim financing, and/or delay our ability to obtain project financing or other significant financing. A delay in the ROD or the receipt of major operating permits also affects the satisfaction of the ROD Contribution Conditions as well as the conditions to Tranche 2 of Hanlong s investment in our common stock.

**Water Rights Update**

In addition to working to complete the EIS, we are working to finalize the conversion of water rights to mining use. In March 2009 we were granted our water applications in a Ruling by the State Engineer. However, that Ruling was successfully appealed in April 2010 in Nevada District Court ( NDC ), remanding the matter for another hearing by the State Engineer.

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On July 15, 2011, the State Engineer issued a second Ruling granting the Company's water applications. In August 2011, Eureka County and two other parties comprised of three individual water rights holders in Diamond Valley and one in Kobeh Valley, filed Petitions and Amended and Supplemental Petitions ( Petitions ) to the NDC appealing the second Ruling of the State Engineer. The appeal hearing was held on April 3, 2012 before the NDC. A decision by the NDC is expected in mid-2012, although the NDC is not required to act under any specified timeline. We continue to anticipate a favorable NDC decision, upholding the State Engineer's second Ruling. The filing of the appeal did not prevent the State Engineer from issuing the permits and as such, the State Engineer completed issuance of all permits on December 14, 2011 and certain amended permits on January 4, 2012 subject to the second Ruling. Assuming a successful outcome of the appeal from the NDC, the water will become available for consumptive use following the State Engineer's approval of the Company's Monitoring, Management and

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Mitigation Plan ( 3M Plan ). The 3M Plan was developed with input from Eureka County. The Company is preparing to finalize the 3M Plan and we anticipate the State Engineer will approve the 3M Plan prior to commencement of construction, in the second half of 2012.

On August 19, 2010, the LLC entered into an agreement with the Eureka Producers Cooperative (the EPC ) whereby the LLC will fund a Sustainability Trust (the Trust ) in exchange for the cooperation of the EPC with respect to the LLC s water rights and permitting of the Mt. Hope Project. The Trust will be tasked with developing and implementing programs that will serve to enhance the sustainability and well-being of the agricultural economy in the Diamond Valley Hydrographic Basin through reduced water consumption.

The Trust may be funded by the LLC over several years based on the achievement of certain milestones. The achievement of these milestones is considered to be probable, and as such \$4.0 million is accrued in the Company s March 31, 2012, financial statements and is included in mining properties, land, and water rights.

**The Mt. Hope Project**

Effective as of January 1, 2008, we contributed all of our interest in the assets related to the Mt. Hope Project, including our lease of the Mt. Hope Project into a newly formed entity, Eureka Moly, LLC ( LLC ), a Delaware limited liability company, and in February 2008 ( Closing Date ) entered into an agreement ( LLC Agreement ) for the development and operation of the Mt. Hope Project with POS-Minerals Corporation ( POS-Minerals ) an affiliate of POSCO, a large Korean steel company. Under the LLC Agreement, POS-Minerals owns a 20% interest in the LLC and General Moly, through a wholly-owned subsidiary, owns an 80% interest. The ownership interests and/or required contributions under the LLC Agreement can change as discussed below.

Pursuant to the terms of the LLC Agreement, POS-Minerals made its first and second cash contributions to the LLC totaling \$100.0 million during the year ended December 31, 2008 ( Initial Contributions ). Additional amounts will be due from POS-Minerals within 15 days after the date ( ROD Contribution Date ) that specified conditions ( ROD Contribution Conditions ) have been satisfied. The ROD Contribution Conditions are (i) the receipt of major operating permits for the Mt. Hope Project, (ii) confirmation that the Record of Decision ( ROD ) from the United States Bureau of Land Management ( BLM ) for the Mt. Hope Project has become effective, and (iii) any administrative or judicial appeals with respect thereto are final. We are currently targeting the effectiveness of the ROD and the satisfaction of the other ROD Contribution Conditions to occur in the second half of this year. However, circumstances beyond our control, including reviewing agency delays or requests for additional information or studies, and requests for review or appeals of the BLM decision, could cause the effectiveness of the ROD and/or the satisfaction of the other ROD Contribution Conditions to be delayed beyond that estimated time. Once the ROD is effective and financing is in place, we expect that production will begin approximately 20 months following initiation of project construction.

To maintain its 20% interest in the LLC, POS-Minerals will be required to make an additional \$56.0 million contribution plus its 20% share of all Mt. Hope Project costs incurred from the Closing Date to the ROD Contribution Date within 15 days after the ROD Contribution Date. If POS-Minerals does not make its additional \$56.0 million contribution when due after the ROD Contribution Date, its interest will be reduced to 10%.

In addition, as commercial production at the Mt. Hope Project was not achieved by December 31, 2011, the LLC may be required to return to POS-Minerals \$36.0 million of its contributions to the LLC, with no corresponding reduction in POS-Minerals ownership percentage. Based on



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our current plan and assuming POS-Minerals has made its additional \$56.0 million contribution, a payment to POS-Minerals of \$36.0 million will be due 20 days after the commencement of commercial production, as defined in the LLC Agreement. We currently anticipate such payment being made during 2014. If POS-Minerals does not make its additional \$56.0 million contribution when due, no return of contributions is required by us. Our wholly-owned subsidiary and 80% owner of the LLC, Nevada Moly, LLC ( Nevada Moly ), is obligated under the terms of the LLC Agreement to make capital contributions to fund the return of contributions to POS-Minerals, if required. If Nevada Moly does not make these capital contributions, POS-Minerals has an election to either make a secured loan to the LLC to fund the return of contributions, or receive an additional interest in the LLC of approximately 5%. In the latter case, our interest in the LLC is subject to dilution by a percentage equal to the ratio of 1.5 times the amount of the unpaid contributions over the aggregate amount of deemed capital contributions (as determined under the LLC Agreement)

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of both parties to the LLC ( Dilution Formula ). At March 31, 2012, the aggregate amount of deemed capital contributions of both parties was \$880.0 million.

Furthermore, the LLC Agreement permits POS-Minerals to put its interest in the LLC to Nevada Moly after a change of control of Nevada Moly or the Company, as defined in the LLC Agreement, followed by a failure to use standard mining industry practice in connection with development and operation of the Mt. Hope Project as contemplated by the parties for a period of twelve consecutive months. If POS-Minerals puts its interest, Nevada Moly or its transferee or surviving entity would be required to purchase the interest for 120% of POS-Minerals contributions to the LLC plus 10% interest per annum.

The Initial Contributions of \$100.0 million that were made by POS-Minerals during 2008 were expended by the second quarter of 2009 in accordance with the program and budget requirements of the Mt. Hope Project. Nevada Moly is required, pursuant to the terms of the LLC Agreement, to advance funds required to pay costs for the development of the Mt. Hope Project that exceed the Initial Contributions until the ROD Contribution Date, at which point the contributions described above to be made by POS-Minerals will be applied to reimburse us for POS-Minerals share of such development costs. All costs incurred after the ROD Contribution Date will be allocated and funded pro rata based on each party s ownership interest. POS-Minerals share of such development costs amounted to approximately \$38.6 million as of March 31, 2012. The interest of a party in the LLC that does not make its pro rata capital contributions to fund costs incurred after the ROD Contribution Date is subject to dilution based on the Dilution Formula.

**Liquidity, Capital Resources and Capital Requirements**

*For the period from December 31, 2011, to March 31, 2012*

Our total consolidated cash balance at March 31, 2012, was \$35.1 million compared to \$40.7 million at December 31, 2011. The decrease in our consolidated cash balances for the three months ended March 31, 2012, was due primarily to development costs incurred of \$4.0 million in Mt. Hope development, engineering and procurement costs and \$2.1 million in general and administrative costs, partially offset by \$0.5 million in proceeds from stock option exercises.

Under our cash conservation plan, our non-equipment related cash requirements have declined to approximately \$1 million per month. Based on our current plan and expected timetable, we expect to make additional payments of approximately \$3.1 million under milling process equipment orders through the end of 2012, and \$13.0 million in 2013. As additional financing becomes available and equipment procurement is restarted, agreements that were suspended or terminated will be renegotiated under current market terms and conditions, as necessary. Based on our Project Capital Estimate we estimate that an additional \$9.0 million related to the Construction Royalty Advance must be paid on or before October 19, 2012, which amount has been accrued. Accordingly, based on our current cash on hand and our ongoing cash conservation plan, the Company expects it will have adequate liquidity through the restart of the project and execution of the financing plan without needing to drawdown available funds from the second tranche of the Bridge Loan.

The anticipated sources of financing described below, combined with funds anticipated to be received from POS-Minerals in order to retain its 20% share, provide substantially all of our currently planned funding required for constructing and placing the Mt. Hope Project into commercial production. We currently anticipate the effectiveness of the ROD and the satisfaction of the other ROD Contribution Conditions to in the second

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half of this year, but circumstances beyond our control could cause the effectiveness of the ROD and/or satisfaction of the other ROD Contribution Conditions to be delayed. Funding requirements for working capital needs beyond the capital costs of the Mt. Hope Project will require additional resources. There can be no assurance that the Company will be successful in raising additional financing in the future on terms acceptable to the Company or at all.

### **Agreements with Hanlong (USA) Mining Investment Inc.**

We have signed a series of agreements (the Hanlong Transaction ) with Hanlong (USA) Mining Investment, Inc. ( Hanlong ), an affiliate of Sichuan Hanlong Group, a large privately held Chinese company. The agreements described below form the basis of a \$745 million transaction that is intended to provide the Company

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with adequate capital to develop the Mt. Hope Project. The agreements include: (a) a Securities Purchase Agreement that provides for the sale to Hanlong of shares of our common stock in two tranches that will aggregate 25% of our outstanding stock on a fully diluted basis for \$80 million (\$40 million per tranche), conditioned upon us receiving permits for Mt. Hope and Hanlong's use of commercially reasonable efforts to procure a \$665 million loan from a Prime Chinese Bank for our use in constructing Mt. Hope; (b) a Bridge Loan whereby Hanlong will provide up to \$20 million to the Company to preserve liquidity until permits are received; (c) a Stockholder Agreement that provides Hanlong representation on our Board of Directors and the LLC management committee, governs how Hanlong will vote its shares of the Company and limits Hanlong's ability to purchase or dispose of our securities; and (d) a long-term molybdenum supply off-take agreement.

*The Securities Purchase Agreement ( Purchase Agreement )*

Stock Purchase. The Purchase Agreement provides, subject to its terms and conditions, for the purchase by Hanlong of \$80.0 million of our common stock, or approximately 27.6 million shares, which will equal 25% of our outstanding common stock on a fully-diluted basis.

The Purchase Agreement has been amended four times including: (1) a July 30, 2010 amendment extending the deadline for obtaining Chinese government approvals by two months to October 13, 2010, as well as extending the Company's deadline for publishing its DEIS and receiving its ROD to February 28, 2011, and November 30, 2011, respectively. Hanlong has received Chinese government approvals for its equity investment in us and our DEIS has been published; (2) an October 26, 2010 amendment setting the closing of Hanlong's purchase of the first \$40.0 million tranche of equity for December 20, 2010 and eliminating the condition that required us to have our DEIS published prior to closing this funding; (3) a December 20, 2010 amendment that made certain non-substantive changes in connection with the Tranche 1 closing; and (4) July 7, 2011 amendment that eliminated the deadline for publication of the DEIS, extended the ROD deadline from November 30, 2011 to the earlier of nine months following DEIS publication or September 30, 2012, extended Hanlong's commitment to make available the Term Loan from two months following the ROD to nine months following the ROD, and extended the maturity date of the Bridge Loan to the earlier of (i) 270 days after the issuance of the ROD, (ii) the date on which the Purchase Agreement terminates, and (iii) the earlier of December 31, 2012 and the availability of the Term Loan.

The ROD deadline is extendable by up to three months from the ROD deadline of September 2, 2012 to December 2, 2012, as discussed below. The Purchase Agreement may be terminated by either party (provided the terminating party is not in default) if the closing of the second tranche ( Tranche 2 ) has not occurred on or before the earlier of September 30, 2012 (unless the parties have agreed to the ROD Condition Extension, in which case the date shall be December 31, 2012) or twelve months after the issuance of the ROD.

As discussed above, the second tranche will be for a purchase price of an additional \$40.0 million. Significant conditions to the closing of Tranche 2 include issuance of the ROD for the Mt. Hope Project by the BLM, approval of the plan of operations for the Mt. Hope Project (the POO ) by the BLM, and the completion of documentation for and satisfaction of conditions precedent for the availability of funding under the Term Loan, described below.

Hanlong will have the right to purchase a portion of any additional shares of common stock that we issue so that it can maintain its percentage ownership, unless its ownership is at the time below 5% at the earlier of the closing of Tranche 2 or closing of the Term Loan. It may also acquire additional shares so that it maintains a 20% indirect interest in the Mt. Hope Project if our interest in the LLC is reduced below 80%. If we issue shares to fund the Mt. Hope Project under certain circumstances, and on or before the date of commercial production, and Hanlong exercises its rights to maintain its percentage interest, we will be obligated to refund to Hanlong the cost of such shares over a three-year period up to an aggregate of \$9.0 million.

Break Fees. A break fee is payable by both the Company and Hanlong if the Purchase Agreement terminates because of the failure of certain conditions. A break fee of \$10.0 million is payable to the Company if the Purchase Agreement is terminated because Hanlong fails to obtain necessary Chinese government approvals, which may be offset against any balances owed by the Company under the Bridge Loan. A break fee of \$5.0 million is payable to Hanlong if the ROD is not timely received or the condition waived and the Purchase Agreement is terminated. The Company's break fee may be increased by \$5.0 million if the Purchase Agreement is terminated

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and the Company has violated the no-shop provisions of the Purchase Agreement. The break fees may also be increased by up to \$2.0 million, in addition to the payment of \$2.0 million by the Company, if the Company requests and Hanlong grants an extension concerning the ROD (the ROD Extension Fee). Any such fee would be credited against the arrangement fee described below. As the achievement of ROD by September 2, 2012 deadline is now less than probable, a \$2.0 million ROD Extension Fee has been accrued as of March 31, 2012, and is included in capitalized debt issuance costs. The break fee payable by the Company to Hanlong may be paid in cash, or, in certain circumstances, in shares of our common stock at our option. If paid in shares, the price would be the volume weighted average of our common stock on the NYSE Amex for the five days ending six days after the announcement of the termination. On January 9, 2012, the Company and Hanlong executed an Option Agreement concerning the payment date for the ROD Extension Fee under the Purchase Agreement, for no consideration. The option must be exercised on or before December 31, 2012. If the option is exercised, the parties will amend the Purchase Agreement to extend payment of the ROD Extension Fee from December 2012 until April 30, 2013.

Chinese Bank Term Loan. Hanlong is obligated to use commercially reasonable efforts to procure a Term Loan in an amount of at least \$665.0 million. The Term Loan will bear interest at a rate tied to the London Interbank Offered Rate (LIBOR) plus a spread of between 2% and 4% per annum. The Purchase Agreement provides that the Term Loan will have customary covenants and conditions; however, the terms of the Term Loan have not yet been negotiated with the lender and we have no assurance as to the final terms of the Term Loan. On February 16, 2012, the Company announced China Development Bank (CDB) had confirmed the basic terms underlying a proposed \$665 million term loan to finance the Mt. Hope project, including a CDB intention to lend \$399 million and arrange a consortium of Chinese and international banks to fund the balance. The Term Loan is anticipated to carry a maturity of 12 years including a 30 month grace period to allow for the construction of the Mt. Hope Project. The interest rate will remain subject to market conditions and Chinese government policy. The Company and Hanlong are continuing to work with CDB with a target of having the Term Loan completed, approved and available to the Company upon receipt of Mt. Hope's operating permits. Hanlong or an affiliate is obligated to guarantee the Term Loan. When funds can be drawn by the Company under the Term Loan, the Company will pay a \$15.0 million arrangement fee to Hanlong who will pay fees and expenses associated with the Term Loan before the Term Loan Closing, including those charged by the Chinese bank.

**Bridge Loan**

Hanlong agreed to provide a \$20.0 million Bridge Loan to the Company, available in two equal \$10.0 million tranches. On April 28, 2010, we drew down the first \$10.0 million tranche. The second tranche became available after receiving stockholder approval of the Hanlong Transaction. The first tranche of the Bridge Loan bears interest at LIBOR plus 2% per annum. The second tranche of the Bridge Loan will bear interest at 10% per annum and is undrawn. The Bridge Loan will be repaid from the proceeds of the Term Loan. The second tranche may also be repaid at the Company's election, in shares of the Company's common stock. If paid in shares, the price would be the volume weighted average of the Company's shares on the NYSE Amex for a five-day period after public announcement of the event that required repayment. The Company may offset its right to receive the break fee against its obligations to repay borrowings under the Bridge Loan. On January 9, 2012, the Company and Hanlong executed a second Option Agreement concerning the Bridge Loan Agreement. If exercised, the parties will amend the Bridge Loan Agreement to extend the maturity date of the Bridge Loan from December 31, 2012 until April 30, 2013. This option also has the effect of potentially extending the availability of the undrawn \$10.0 million second tranche to April 30, 2013 since the availability of the second tranche ends the earliest of the Tranche 2 closing date, the maturity date of the Bridge Loan, and the first borrowing under the Term Loan.

The outstanding balance of the Bridge Loan and related accrued interest are recorded as a current liability as of December 31, 2011 as the Company anticipates the Term Loan will become available within the next twelve months. The Bridge Loan and our obligation to pay a break fee to Hanlong under the Purchase Agreement are secured by a pledge by us of a 10% interest in the LLC.



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***Stockholder Agreement***

In connection with Hanlong's purchase of our shares, Hanlong signed a Stockholder Agreement with the Company that limits Hanlong's future acquisitions of our common stock, provides for designation of up to two directors to our Board and representation on the LLC management committee, and places some restrictions on Hanlong's voting and disposition of our shares.

After the Tranche 1 closing, Hanlong became entitled to nominate one director to serve on our Board and one representative to the LLC management committee. Nelson Chen currently serves in both of these capacities. After the Tranche 2 closing, Hanlong will be entitled to nominate a second director. The Company will include and recommend the election of Hanlong's nominees in the Board's slate of nominees submitted to our stockholders, subject to the Board's fiduciary obligations and compliance by the nominee with applicable law and Company requirements concerning disclosure of information. The Hanlong nominees may also serve on committees for which they are eligible.

Hanlong has agreed not to purchase additional shares, except as permitted by the Purchase Agreement, without the Company's prior consent, and has agreed that it will not solicit proxies, join a group with respect to our equity securities, solicit or encourage an offer from another person for the Company, call a meeting of the Company's stockholders or make a proposal to the Company's stockholders, except to the Board. If our Board receives an offer for the Company, for its assets or a merger that the Board determines is in the best interests of the Company's stockholders, Hanlong is required to vote in favor of such a transaction or tender its shares unless it proposes an alternative transaction that our Board determines is more favorable to our stockholders than the offer received.

Hanlong may not, without the prior written consent of the Board, transfer ownership of their securities if the recipient would acquire beneficial ownership of more than 5% of our common stock as of the date of such transfer. The restrictions on Hanlong's share ownership, voting, disposition and drag-along rights will terminate on the earlier of the time that Hanlong owns less than 10% of our common stock, the date that is 6 months after the date that commercial production begins at the Mt. Hope Project, and June 30, 2014.

**Other Capital Requirements**

We also require additional capital to maintain our mining claims and other rights related to the Liberty Project, as well as continue payment of ongoing general and administrative costs associated with supporting our planned operations.

**Results of Operations**

*Three months ended March 31, 2012, compared to three months ended March 31, 2011*



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For the three months ended March 31, 2012, we had a consolidated net loss of \$3.2 million compared with a consolidated net loss of \$4.2 million in the same period for 2011.

For the three months ended March 31, 2012, and 2011, exploration and evaluation expenses at the Liberty Project were \$0.2 million and \$0.2 million, respectively.

For the three months ended March 31, 2012, and 2011, general and administrative expenses were \$2.9 million and \$3.9 million, respectively. For the three months ended March 31, 2012, the decrease in costs compared to the previous year relates primarily to overall decreases in non-cash equity compensation costs due in large part to lower share prices.

Interest income was nil for the three months ended March 31, 2012, as a result of substantially lower interest rates and lower consolidated cash balances in 2012 and 2011. Interest expense was \$0.1 million and \$0.1 for the three months ended March 31, 2012, and 2011 as a result of interest accrued on the bridge loan outstanding during 2012 and 2011.

Table of Contents**Contractual Obligations**

Our contractual obligations as of March 31, 2012 were as follows, based on permitting expectations:

| Contractual obligations                                | Total          | Payments due by period |                |                |                  |
|--|----------------|------------------------|----------------|----------------|------------------|
|  |                | 2012                   | (in millions)  |                |                  |
|  |                |                        | 2013 -<br>2015 | 2016 -<br>2017 | 2018 &<br>Beyond |
| Long-Term Debt (Capital Lease) Obligations             | \$ 0.1         | \$ 0.1                 | \$             | \$             | \$               |
| Operating Lease Obligations                            | 0.3            | 0.2                    | 0.1            |                |                  |
| Agricultural Sustainability Trust Contributions        | 4.0            | 2.0                    | 2.0            |                |                  |
| Equipment Purchase Contracts                           | 16.1           | 3.1                    | 13.0           |                |                  |
| Advance Royalties and Deferral Fees                    | 9.0            | 9.0                    |                |                |                  |
| Provision for post closure reclamation and remediation | 0.6            |                        |                |                | 0.6              |
| <b>Total</b>   | <b>\$ 30.1</b> | <b>\$ 14.4</b>         | <b>\$ 15.1</b> | <b>\$</b>      | <b>\$ 0.6</b>    |

At March 31, 2012, the LLC has a contract to purchase two electric shovels that is cancellable and has no firm schedule of payments. We also had a non-binding letter of agreement on 24 haul trucks that establishes our priority for delivery. Both agreements provide for the then current pricing using market indices upon initiation of an order. We have active orders with varying stages of fabrication on milling process equipment comprised of two 230kV primary transformers and substation, a primary crusher, a semi-autogenous mill, two ball mills, and various motors for the mills. We have suspended fabrication on 16 flotation cells, lime slaking equipment, hydrocyclones, and other smaller milling process equipment with the ability to re-initiate fabrication at any time. The LLC terminated the fabrication of two multi-hearth molybdenum roasters and have received finished goods of the partially completed order. The LLC plans to re-establish a new purchase order with this manufacturer as financing becomes available and equipment procurement is restarted under then current market terms and conditions.

On February 28, the LLC issued a firm purchase order for 18 Caterpillar haul trucks. The order provides for delivery of those haul trucks required to perform initial mine development, currently scheduled for the second half of 2013. A non-refundable down-payment of \$0.6 million was made at the time of order with an additional \$0.6 million due 12 months prior to truck shipment, but the contract is cancellable with no further liability to the LLC up until the time the trucks are shipped.

The following table sets forth the LLC's cash commitments under mining and milling equipment contracts (collectively, Purchase Contracts) at March 31, 2012 (in millions):

| Period           | Cash Commitments<br>Under Equipment<br>Purchase Contracts as<br>of March 31, 2012 |
|------------------|---|
| 1st Quarter 2012 | \$  |
| 2nd Quarter 2012 | 1.7   |
| 3rd Quarter 2012 |   |

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|                  |    |      |
|------------------|----|------|
| 4th Quarter 2012 |    | 1.4  |
| Total 2012       |    | 3.1  |
| 2013             |    | 13.0 |
| 2014             |    |      |
| 2015             |    |      |
| Total            | \$ | 16.1 |

If the Company does not make payments required under the purchase contracts, it could be subject to claims for breach of contract or to cancellation of the purchase contract. In addition, we may proceed to selectively suspend, cancel or attempt to renegotiate additional purchase contracts if we are forced to further conserve cash. See *Liquidity, Capital Resources and Capital Requirements* above. If we cancel or breach any contracts, we will take all appropriate action to minimize any losses, but could be subject under the contracts or applicable law. The cancellation of certain key contracts would cause a delay in the commencement of operations, have ramifications

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under the LLC Agreement with POS-Minerals and would add to the cost to develop our interest in the Mt. Hope Project.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

**Commodity Price Risk**

We are a development stage company in the business of the exploration, development and mining of properties primarily containing molybdenum. As a result, upon commencement of production, our financial performance could be materially affected by fluctuations in the market price of molybdenum and other metals we may mine. The market prices of metals can fluctuate widely due to a number of factors. These factors include fluctuations with respect to the rate of inflation, the exchange rates of the U.S. dollar and other currencies, interest rates, global or regional political and economic conditions, banking environment, global and regional demand, production costs, and investor sentiment.

In order to better manage commodity price risk and to seek to reduce the negative impact of fluctuations in prices, we have entered into long term supply contracts for our portion of the Mt. Hope production. On December 28, 2007, we entered into a molybdenum supply agreement with ArcelorMittal S.A. ( ArcelorMittal ), the world's largest steel company, that provides for ArcelorMittal to purchase 6.5 million pounds of molybdenum per year, plus or minus 10%, once the Mt. Hope Project commences commercial operations at minimum specified levels. The supply agreement provides for a floor price along with a discount for spot prices above the floor price and expires five years after the commencement of commercial production at the Mt. Hope Project. Both the floor and threshold levels at which the percentage discounts change are indexed to a producer price index. On April 16, 2010, ArcelorMittal and the Company entered into an extension molybdenum supply agreement, providing ArcelorMittal with a five-year option to make effective an agreement to purchase from the Company 3.0 million pounds of molybdenum per year for 10 years following the expiration of the initial supply agreement. The additional optional off-take will be priced in alignment with the Company's existing supply agreements. In order for ArcelorMittal to exercise this option and make the extension agreement effective, ArcelorMittal must have beneficial ownership of more than 11.1 million shares of Company common stock on or prior to April 15, 2015. According to public filings, on January 25, 2011, the boards of directors of ArcelorMittal S.A. and APERAM each approved the transfer of the assets comprising ArcelorMittal's stainless and specialty steels businesses from its carbon steel and mining businesses to APERAM, a separate entity incorporated in the Grand Duchy of Luxembourg. This transfer included the off-take agreement the Company had in place with ArcelorMittal and the shares of the Company's common stock previously owned by ArcelorMittal.

Additionally, on May 14, 2008, we entered into a molybdenum supply agreement with SeAH Besteel Corporation ( SeAH Besteel ), Korea's largest manufacturer of specialty steels, which provides for SeAH Besteel to purchase 4.0 million pounds of molybdenum per year, plus or minus 10%, once the Mt. Hope Project commences commercial operations at minimum specified levels. Like the ArcelorMittal supply agreement, the supply agreement with SeAH Besteel provides for a floor price along with staged discounts for spot prices above the floor price and expires five years from the date of first supply under the agreement. Both the floor and threshold levels at which the percentage discounts change are indexed to a producer price index.

On August 8, 2008, the Company entered into a molybdenum supply agreement ( Sojitz Agreement ) with Sojitz Corporation ( Sojitz ). The Sojitz Agreement provides for the supply of 5.0 million pounds per year of molybdenum for five years, beginning once the Mt. Hope Project reaches certain minimum commercial production levels. One million annual pounds sold under the Sojitz Agreement will be subject to a per-pound molybdenum floor price and is offset by a flat discount to spot molybdenum prices above the floor. The remaining 4.0 million annual pounds sold under the Sojitz Agreement will be sold with reference to spot molybdenum prices without regard to a floor price. The Sojitz Agreement includes a provision that allows Sojitz the option to cancel in the event that supply from the Mt. Hope Project has not begun by January 1, 2013.

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Based on our current development timeline, Sojitz will have the option to cancel its contract or participate in the molybdenum supply agreement as described above. If Sojitz elects to cancel its contract with us, the supply of 5.0 million pounds per year of molybdenum for five years will be assumed by Hanlong, pursuant to the terms of the Hanlong molybdenum supply agreement described below.

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On March 4, 2010, the Company entered into a molybdenum supply agreement ( "Hanlong Agreement" ) with Hanlong. The Hanlong Agreement requires Hanlong to purchase the Company's entire share of the Mt. Hope molybdenum production above that necessary for the Company to meet its existing supply commitments until the expiration of those commitments. After the expiration of the existing supply agreements, until the original scheduled maturity date of the Term Loan, or if the Company elects not to enter into the Term Loan, 14 years after commencement of commercial production, Hanlong must annually purchase the greater of 16 million pounds or 70% of the Company's share of Mt. Hope production. Following the original scheduled maturity date of the Term Loan, or if the Company elects not to enter into the Term Loan, 14 years after commencement of commercial production from the Mt. Hope Mine, Hanlong must purchase a percentage of the Company's share of Mt. Hope production equal to 2.5 times Hanlong's fully diluted percentage ownership of our common stock. Subject to certain exceptions, the Hanlong Agreement will terminate once Hanlong's fully-diluted ownership percentage falls below 5%. As long as Hanlong continues to guarantee the Term Loan, the Hanlong Agreement will not terminate even if Hanlong's ownership falls below 5%. If the cause of Hanlong's ownership falling below 5% is a change of control of the Company or a dilutive transaction in which Hanlong does not have the right to participate, the Hanlong Agreement will not terminate and Hanlong will be obligated to continue to purchase a percentage of the Company's share of Mt. Hope production equal to 2.5 times Hanlong's fully-diluted percentage ownership of the Company as it existed immediately prior to such change of control or dilutive transaction. If the Company elects not to enter into the Term Loan, and the second loan tranche does not close, Hanlong's obligation to purchase the Company's share of Mt. Hope production in each of the periods described above will be half of the obligations described above. The supply off-take agreement provides for a floor price, along with a discount for spot prices above the floor price, for twenty-five percent of the production Hanlong receives. The remaining 75% of the production Hanlong receives will be sold with reference to spot molybdenum prices less a small discount.

All four long term supply agreements provide for supply only after commercial production levels are achieved, and no provisions require the Company to deliver product or make any payments if commercial production is never achieved or declines, in later periods and have floor prices ranging from \$14.00 to \$15.00 per pound and incremental discounts above the floor price. The agreements require that monthly shortfalls be made up only if the Company's portion of Mt. Hope production is available for delivery, after POS-Minerals has taken its share. In no event do these requirements to make up monthly shortfalls become obligations of the Company if production does not meet targeted levels.

Furthermore, each of the agreements have take-or-pay provisions that require the buyers to either take delivery of product made available by the Company, or to pay as though they had taken delivery pursuant to the term of the agreements.

While we have not used derivative financial instruments in the past, we may elect to enter into derivative financial instruments to manage commodity price risk. We have not entered into any market risk sensitive instruments for trading or speculative purposes and do not expect to enter into derivative or other financial instruments for trading or speculative purposes.

**Interest Rate Risk**

As of March 31, 2012, we had a balance of cash and cash equivalents of \$35.1 million. Interest rates on short term, highly liquid investments have not changed materially since December 31, 2011, and continue to be 1% or less on an annualized basis. Our debt agreements have interest rates of LIBOR plus a percentage. Any significant rise in the LIBOR rate during the course of our debt agreements may affect our ability to service the debt.

**ITEM 4.**

**CONTROLS AND PROCEDURES**

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An evaluation was performed under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ( Exchange Act )) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on the foregoing, our management concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission

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rules and forms and such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

There was no change in our internal control over financial reporting that occurred during the quarter ended March 31, 2012, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II - OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

On March 26, 2009, the Nevada State Engineer approved the Company's water applications that requested mining and milling use of 11,300 acre feet annually of water to be drawn from a well field near the Mt. Hope Project. Two appeals of the ruling were filed with the Seventh Judicial District Court of the State of Nevada ( NDC ) challenging the State Engineer's decision. On April 21, 2010, the District Court entered an order remanding the matter for another hearing by the State Engineer. In June 2010, the Company filed a second set of applications with the State Engineer's office requesting permits for mining and milling use of 11,300 acre feet annually of water to be drawn from a well field near the Mt. Hope Project.

On July 15, 2011, the State Engineer issued a second Ruling granting the Company's water applications. In August 2011, Eureka County and two other parties comprised of three individual water rights holders in Diamond Valley and one in Kobeh Valley, filed Petitions and Amended and Supplemental Petitions ( Petitions ) to the NDC appealing the second Ruling of the State Engineer. The appeal hearing was held April 3, 2012 before the NDC. A decision by the NDC is expected in mid-2012, although the NDC is not required to act under any specified timeline. We continue to anticipate a favorable NDC decision, upholding the State Engineer's second Ruling. The appeal did not prevent the State Engineer from issuing the permits and as such, the State Engineer completed issuance of all permits on December 14, 2011 and certain amended permits on January 4, 2012 subject to the second Ruling. Assuming a successful outcome of the appeal from the NDC, the water will become available for consumptive use following the State Engineer's approval of the Company's Monitoring, Management and Mitigation Plan ( 3M Plan ). The 3M Plan was developed with input from Eureka County. The Company is preparing to finalize the 3M Plan and we anticipate the State Engineer will approve the 3M Plan prior to commencement of construction, in the second half of 2012.

**ITEM 1A. RISK FACTORS.**

Our Annual Report on Form 10-K for the year ended December 31, 2011, including the discussion under the heading Risk Factors therein, and this report describe risks that may materially and adversely affect our business, results of operations or financial condition. The risks described in our Annual Report on Form 10-K and this report are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operations. Other than as supplemented below, there have been no material changes in the risk factors reported in our last Annual Report on Form 10-K.



**Special Note Regarding Forward-Looking Statements**

Certain statements in this report may constitute forward-looking statements, which involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements of our Company, the Mt. Hope Project, Liberty Project and our other projects, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. We use the words may, will, believe, expect, anticipate, intend, future, plan, estimate, potential and other similar expressions to identify forward-looking statements. These forward-looking statements are subject to a number of risks, uncertainties and assumptions that could cause actual results to differ materially from those in the forward looking statements. Such risks, uncertainties and assumptions are described in the Risk Factors section included in our Annual Report on Form 10-K for the year ended December 31, 2011, and this report, and include, among other things:

- our investors may lose their entire investment in our securities;

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- our dependence on the success of the Mt. Hope Project;
- investments by Hanlong and a loan from a Chinese bank are subject to significant consents, approvals and conditions precedent which may not be obtained or met;
- issues related to the management of the Mt. Hope Project pursuant to the LLC Agreement;
- fluctuations in the market price of, and demand for, molybdenum and other metals;
- counter party risks;
- the ability to obtain all required permits and approvals for the Mt. Hope Project and the Liberty Project;
- the timing of exploration, development and production activities and estimated future production, if any;
- estimates related to costs of production, capital, operating and exploration expenditures;
- the estimation and realization of mineral reserves and production estimates, if any;
- inherent operating hazards of mining;
- title disputes or claims; and
- climate change and climate change legislation for planned future operations;
- government regulation of mining operations, environmental conditions and risks, reclamation and rehabilitation expenses;
- compliance/non-compliance with the Mt. Hope lease;
- losing key personnel or the inability to attract and retain additional personnel;
- reliance on independent contractors, experts, technical and operational service providers over whom we have limited control;
- increased costs can affect our profitability;
- shortages of critical parts, equipment, and skilled labor may adversely affect our development costs;
- legislation may make it difficult to retain or attract officers and directors and can increase costs of doing business;
- provisions of Delaware law and our charter and bylaws may delay or prevent transactions that would benefit shareholders.

You should not place undue reliance on these forward-looking statements, which speak only as of the date of this report. These forward-looking statements are based on our current expectations and are subject to a number of risks and uncertainties, including those set forth above. Although we believe that the expectations reflected in these forward-looking statements are reasonable, our actual results could differ materially from those expressed in these forward-looking statements, and any events anticipated in the forward-looking statements may not actually occur.

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Except as required by law, we undertake no duty to update any forward-looking statements after the date of this report to conform those statements to actual results or to reflect the occurrence of unanticipated events. We qualify all forward-looking statements contained in this report by the foregoing cautionary statements.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4. MINE SAFETY DISCLOSURES**

None.

### **ITEM 5. OTHER INFORMATION**

None.

### **ITEM 6. EXHIBITS**

| <b>Exhibit Number</b> | <b>Description of Exhibit</b>   |
|-----------------------|---|
| 10.1 +                | Change of Control Severance Agreement, dated effective as of January 1, 2012, between the Company and |

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| <b>Exhibit Number</b> | <b>Description of Exhibit</b>   |
|-----------------------|---|
| 10.2 +                | Robert I. Pennington (Filed as Exhibit 10.36 to our Annual Report on Form 10-K filed on March 1, 2012)<br>Change of Control Severance Agreement, dated effective as of January 1, 2012, between the Company and Lee M. Shumway (Filed as Exhibit 10.40 to our Annual Report on Form 10-K filed on March 1, 2012)  |
| 10.3                  | Option Agreement with respect to Securities Purchase Agreement dated January 9, 2012, between General Moly, Inc. and Hanlong (USA) Mining Investment, Inc. (Filed as Exhibit 10.46 to our Annual Report on Form 10-K filed on March 1, 2012)  |
| 10.4                  | Option Agreement with respect to Bridge Loan Agreement dated January 9, 2012, between General Moly, Inc. and Hanlong (USA) Mining Investment, Inc. (Filed as Exhibit 10.51 to our Annual Report on Form 10-K filed on March 1, 2012)  |
| 10.5 +                | Change of Control Severance Agreement, dated effective as of January 1, 2012, between the Company and Robert Scott Roswell (Filed as Exhibit 10.60 to our Annual Report on Form 10-K filed on March 1, 2012)  |
| 31.1                  | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  |
| 31.2                  | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  |
| 32.1                  | Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  |
| 32.2                  | Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  |
| 101                   | The following XBRL (Extensible Business Reporting Language) materials are filed herewith: (i) XBRL Instance; (ii) XBRL Taxonomy Extension Schema; (iii) XBRL Taxonomy Extension Calculation; (iv) Taxonomy Extension Labels, (v) XBRL Taxonomy Extension Presentation, and (vi) XBRL Taxonomy Extension Definition. In accordance with Rule 406T of Regulation S-T, the information in these exhibits is furnished and deemed not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Exchange Act of 1934, and otherwise not subject to liability under these sections and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as expressly set forth by the specific reference in such filing. |

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Previously filed as indicated and incorporated herein by reference.

+ Management contract.

### **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 2, 2012

GENERAL MOLY, INC.

By: /s/ David A. Chaput  
David A. Chaput  
Chief Financial Officer and Duly Authorized Officer