

## **MOLY MINES LIMITED BOARD CHARTER**

Effective Date: 23 March 2010

### **1. INTRODUCTION**

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The primary function of the Board of Directors (the “**Board**”) of Moly Mines Limited (the “**Company**”) is to manage, or supervise the management of, the business and affairs of the Company. In doing so, the Board shall act:

- (a) in the best interests of the Company;
- (b) honestly, fairly and diligently;
- (c) in accordance with the Company’s Code of Business Conduct and Ethics and other corporate governance policies; and
- (d) in accordance with the duties and obligations imposed on it by the Company’s constitution and the law.

### **2. ROLE OF THE BOARD**

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The Board has responsibility for, and has the authority to determine, all matters relating to policies, practices, management and operations of the Company. It is required to do all things necessary to determine the objectives and the strategy, and to ensure that the strategy is carried out in order to achieve the objectives of the Company.

The principle objective of the Company is to acquire, explore, develop and operate (or otherwise exploit) profitable mineral resource projects to create and deliver sustainable value for shareholders. The Board has the final responsibility for the successful implementation of the strategies, and the ongoing operations and performance of the Company.

Without limiting the generality of that stated role, the matters reserved specifically for the Board include:

- (a) increasing shareholder value within an appropriate framework which safeguards the rights and interests of the Company’s shareholders (the “**Shareholders**”);
- (b) determining the vision and objectives of the Company and reviewing annually the progress and performance of the Company towards meeting its vision and objectives;
- (c) formulating short term and long term strategies to enable the Company to achieve its objectives, ensuring adequate resources are available to meet strategic objectives and reviewing periodically the process, outcomes and effectiveness of the Company’s decisions and strategies;

- (d) identifying other material business risks pertaining to the Company's operations, and to develop and implement strategies to manage these risks, and internal control systems to monitor compliance with and the effectiveness of these strategies;
- (e) appointing and approving the terms and conditions of the appointment of the Chief Executive Officer and Managing Director (the "**CEO**");
- (f) establishing and determining the powers and functions of the committees of the Board (the "**Committees**"), including the Audit and Risk Management Committee and the Remuneration Committee and reviewing annually the membership and performance of those Committees;
- (g) identifying occupational health, safety and environmental issues and formulating and implementing policies to address and manage them, and to monitor the compliance and effectiveness of these policies including the establishment of formal committee at the appropriate time in the Company's mine development;
- (h) reviewing and providing feedback on the performance of the CEO and other officers and senior management of the Company;
- (i) reviewing the make up of the Board and the collective skills of directors including identifying potential candidates, reviewing the performance of the Board, individual directors (each, a "**Director**") and the Committees;
- (j) endorsing the terms and conditions of employment of senior executives through the Remuneration Committee;
- (k) approving and fostering an appropriate culture for the Company that is directly aligned to its values, strategies and objectives;
- (l) identifying all areas where written Board policies are required, determining the policies, and overseeing the implementation and monitoring of compliance, including policies in relation to codes of conduct, related party transactions, and trading in the Company's securities;
- (m) approving the annual budget of the Company and variations thereto;
- (n) approving major operating and capital budgets of the Company, and material variations to these budgets;
- (o) authorising expenditure approval limits for the CEO and authorising expenditure in excess of these discretionary limits;
- (p) approving all mergers, acquisitions and disposals of projects and businesses;
- (q) considering the reports from the Committees and any recommendations made;

- (r) authorising the issue of securities and instruments of the Company;
- (s) with the assistance of the Audit and Risk Management Committee, approving processes, procedures and internal control systems to ensure that the Company's financial results are reported on a timely and accurate basis;
- (t) with the assistance of the Audit and Risk Management Committee, approving annual financial statements, interim financial statements, , annual reports, notices of general meetings, annual information forms, information circulars and profit and dividend announcements;
- (u) determining, implementing and monitoring procedures to ensure that the Australian Stock Exchange (the "ASX") and the Toronto Stock Exchange (the "TSX") are promptly and adequately informed of all matters considered to be material, in accordance with the Company's continuous disclosure obligations;
- (v) overseeing the Company's approach to corporate governance issues;
- (w) monitoring developments in the Company's industry and general operating environment; and
- (x) encouraging effective communication between the Company and its shareholders, employees and the general public.

### **3. MEMBERSHIP**

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#### **Criteria for Appointment to the Board**

The composition and organisation of the Board (including the number, qualifications and remuneration of Directors, the number of Board meetings, Australian residency requirements, quorum requirements, meeting procedures, and notices of meetings) are governed by the *Corporations Act 2001* (Cth) (the "**Corporations Act**"), applicable securities laws, stock exchange rules and the constitution of the Company, subject to any exemptions or relief that may be granted from such requirements.

Appointments to the Board are to be based upon merit and against criteria that serves to maintain an appropriate balance of skills, expertise and experience on the Board. The criteria considered necessary for this purpose is a blend of accounting and finance, business, technical and administration skills and the capability of the candidate to devote the necessary time and commitment to the role. Prospective candidates for election as Directors shall be acquainted with the role of the Board and its Committees and the contribution that Directors are expected to make, including, in particular, the time commitment that the Company expects of Directors.

## **Formality of Appointment**

The Chairman may appoint a Director only after having consulted the Board and pursuant to a formal agreement. The expectations for time to be committed and involvement in the Committees and other activities of the Company shall be set out in writing.

An induction pack is provided to new Directors, including information in relation to the Company's businesses, structure, constituent documents, financial position and strategic and business plans. The Board shall regularly review the effectiveness of the induction process.

## **Independence of Directors**

It is the policy of the Company that at least a majority of the Directors shall be independent. In determining whether a Director is independent, the Board applies the definition of "independent director" in the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (the "**ASX Recommendations**") as well as the definition of "independence" as set out in Canadian National Instrument 58-201 – *Corporate Governance Guidelines* ("**NI 58-201**"), each as amended from time to time.

The Board shall regularly review the independence of each non-executive Director in light of information relevant to this assessment as disclosed by each non-executive Director on the Board.

## **Chairman**

The Chairman of the Board shall be an independent director, unless the Board determines that it is inappropriate to require the Chairman to be independent. If the Board determines that it would be inappropriate to require the Chairman of the Board to be independent, then the independent directors shall select from among their number a director who will act as "Lead Director" and who will assume responsibility for providing leadership to enhance the effectiveness and independence of the Board. The roles of Chairman and Chief Executive Officer shall not be exercised by the same individual.

## **4. DUTIES AND RESPONSIBILITIES**

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### **Duties to the Company**

Each Director shall endeavour to ensure that the functions of the Board have been specified clearly, are properly understood and are competently discharged in the interests of the Company.

A Director shall endeavour to ensure that the management of the Company is competent and is devoting its best endeavours in the interests of the Company.

In evaluating the interests of the Company, a Director shall take into account the interests of the Shareholders as a whole, but where appropriate and/or required by law shall take into account the interests of creditors and others.

### **Duties to Shareholders of the Company**

Each Director shall endeavour to ensure that the Company is financially viable, properly managed and constantly improved so as to protect and enhance the interests of the Shareholders.

A Director shall seek to ensure that all Shareholders or classes of Shareholders are treated fairly according to their rights as between each other.

A Director shall consider whether any benefit to be received by the Director or associated persons is of sufficient magnitude that the approval of Shareholders shall be sought, even though not required by law.

A Director who is appointed to a Board at the instigation of a party with a substantial interest in the Company such as a major Shareholder or a creditor, shall recognise the particular sensitivity of the position. Fiduciary duty requires the Director to make a contribution in the interests of the Company and the Shareholders as a whole and not only in the interest of the nominators.

Where obligations to other people or bodies preclude an independent position on an issue the Director shall disclose the position and seriously consider whether to be absent or refrain from participating in the Board's consideration of the issue. Before taking the decision to be absent, a Director shall consider whether that absence would deprive the Board of essential background or experience. The matter shall be disclosed and resolved by the rest of the Board.

### **Chairman's Responsibilities**

The responsibilities of the Chairman of the Board include:

- (a) chairing the meetings of the Board in an impartial manner, ensuring that meetings are properly constituted, a quorum is present, minutes of previous meetings are considered as required, all Directors have a fair opportunity to participate, and the meeting is declared closed;
- (b) developing a regular schedule of Board meetings, setting the agenda for the meetings in consultation with the CEO, and ensuring that there is adequate time and balance allowed between strategic, operational and compliance issues;
- (c) ensuring that issues relating to conflicts of interest between the Company and its Directors and employees are properly dealt with in accordance with the Constitution of the Company and applicable law;
- (d) understanding of Board and general meeting rules and procedures;

- (e) chairing the Annual General Meeting (the “**AGM**”), and any Extraordinary General Meetings, and ensuring that shareholders have adequate opportunity to ask questions and provide their comments in relation to the management of the Company;
- (f) ensuring that the external audit partner is present at the AGM and available to answer any questions raised by shareholders;
- (g) providing leadership and ensuring the effective performance of the Board;
- (h) maintaining ongoing relations with management that are conducive to productive co-operation, and ensuring the provision by management to Directors of accurate, timely and clear information;
- (i) arranging regular evaluations of the performance of the Board and its Committees and of individual Directors;
- (j) ensuring Directors continually update their skills and experience and knowledge of the Company necessary to fulfil their role on the Board and its Committees; and
- (k) establishing a protocol to be applied in the event that the Chairman is absent from meetings of the Board.

#### **Non-Executive Directors**

Collectively, non-executive Directors shall:

- (a) challenge executive management and contribute to the development of the Company’s strategy;
- (b) scrutinise the performance of executive management against agreed objectives and strategies;
- (c) monitor the quality, quantity and efficiency of internal and external reporting of the Company’s performance;
- (d) review independently and challenge the proposals presented by executive management, requesting additional information where they consider the information provided is not sufficiently detailed to support informed decision making; and
- (e) take reasonable and proper steps to satisfy themselves that financial information released to the markets and shareholders is accurate, and that there are adequate and proper financial controls and systems of risk management and that the controls are maintained and the systems robust.

Individually, non-executive Directors shall:

- (a) take the time to ensure they are properly informed about the subject matter of all decisions they are called upon to make as Directors of the Company;
- (b) monitor their own performance, taking into account their other time commitments, state of health, potential conflicts of interest, and personal circumstances, to determine whether they can properly discharge their duties and responsibilities as a Director of the Company, and provide quality assistance to enable the Company to achieve its objectives; and
- (c) undertake ongoing education to maintain appropriate skill levels, and attend site visits to the Company to assist with the need to remain familiar with the Company's business activities.

Board size and composition shall be reviewed annually by the Board to ensure that the non-executive Directors between them bring the range of skills, knowledge and experience necessary to direct the Company in the future, taking into account its current operations and expectations for changes in the nature and scope of its activities. The Board shall also review annually the time expected to be devoted by non-executive Directors in relation to the Company's affairs.

#### **Compliance with Legislation and Board Policy**

Directors must comply with the relevant legislation impacting on their activities as Directors, and with all policies established by the Board.

#### **Board Performance**

The Board has a process for reviewing its performance and that of its individual Directors, Committees and senior management. The Board meets annually to review the outcome of this process. The annual procedure for Board performance evaluation will be to:

- (a) review its performance against the terms of this Charter;
- (b) review the performance of the Committees against the terms of their charters;
- (c) review the contribution of each Director; and
- (d) review the changes that may be required to the charter of the Board or its Committees, taking into account the developments in the Company and its businesses over the preceding year, and in corporate governance practices.

The Board shall determine the scope and detailed procedures involved in this performance evaluation.

## **5. DELEGATION**

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### **Delegation of the Powers of the Board**

In order to ensure the efficient management of the Company, the Board recognises the need to delegate certain of its powers to executive management. These powers may be delegated to a Committee of the Board, an individual Director, or to an officer or employee of the Company.

In delegating this power, the Board must be satisfied that the delegate will exercise it reliably and competently, and in accordance with the requirements of the Board. The Board must be satisfied on reasonable grounds at all times that the delegate would exercise the power in conformity with the duties imposed on Directors of the Company by the Corporations Act and the Company's constitution. The Board must also be satisfied, on reasonable grounds and in good faith and after making proper inquiry if the circumstances indicated the need for inquiry, that the delegate was reliable and competent in relation to the power delegated.

The Board accepts responsibility for the manner in which the delegated powers are exercised, and must monitor the efficiency and effectiveness of the exercise of these powers by the delegate.

### **Delegation of Authority to CEO and Senior Management**

The Board delegates responsibility for the day-to-day management of the Company and its operations to its CEO and senior management. This delegation of authority includes responsibility for:

- (a) formulating, with the Board, the vision, strategies, business plans and budgets for the Company, and, to the extent approved by the Board, implementing these plans, budgets and strategies;
- (b) operating the Company's businesses within the parameters and having regard to the policies set by the Board from time to time, and keeping the Board informed of material developments in relation to those businesses;
- (c) where proposed transactions, commitments or undertakings exceed the parameters set by the Board, referring the matter to the Board for its consideration and approval;
- (d) identifying material business risks, formulating strategies in conjunction with the Board or the Audit and Risk Management Committee to manage the risks, and monitoring effectiveness of the management process and reporting to the Board and the Audit and Risk Management Committee;
- (e) developing and managing financial reporting and internal control and monitoring systems to ensure that they are efficient and effective, and provide adequate and timely financial information pertaining to the performance, condition, and prospects of the Company;

- (f) implementing and monitoring compliance with the policies, processes and codes of conduct approved by the Board;
- (g) negotiating the terms and conditions of appointment of senior executives for Board approval, appointing the senior management team, and endorsing the terms and conditions of appointment of all other staff members;
- (h) implementing and monitoring compliance with policies, processes and procedures for the management and development of the Company's human resources, including the corporate culture and ethics;
- (i) providing strong leadership to, and effective management of, the Company;
- (j) ensuring that all matters requiring review or approval by the Board are raised with sufficient supporting information and advance notice to allow proper consideration by the Board; and
- (k) reporting to the Board on a monthly basis, or other agreed time frame considered to be appropriate by the Board, the performance of all parts of the business against budget.

### **Committees**

The Board may establish, as required, standing and temporary Committees to which it may delegate some of its powers. Each Committee shall adopt a charter in order to define the role, responsibility, powers, structure, composition, operation and administration of the Committee and the Board. As of the date of this Charter, the Board has established the Audit and Risk Management Committee and the Remuneration Committee.

Each Committee shall report to the Board, as it considers appropriate having regard to matters and issues of significance that may arise, but in any case at least twice annually.

The minutes of all Committee meetings shall be provided to Directors at each Board meeting, except where the Chairman considers it inappropriate due to potential conflicts.

## **6. BOARD PROCESS**

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### **Meetings**

The Company is incorporated and domiciled in Western Australia and conducts business in the English language. The Board shall meet regularly and as required. Directors shall use all reasonable endeavours to attend Board meetings in person. The Company's constitution governs the regulation of Board meetings and proceedings.

### **Meetings without management**

The independent members of the Board should endeavour to hold regularly scheduled meetings, or portions of regularly scheduled meetings, at which non-independent directors and members of management are not present. Board Agenda's to include "in camera" sessions for non-executive independent directors.

### **Company Secretary and Minutes**

The Board shall appoint at least one Company Secretary. All Directors shall have direct access to the Company Secretary. The Company Secretary is accountable to the Board and is responsible for coordination of all Board business, including agendas, board papers, minutes, communication with regulatory bodies and ASX, and all statutory and other filings.

The Corporate Secretary, his or her designate or any other person the Board requests shall act as secretary of Board meetings. Minutes of Board meetings shall be recorded and maintained by the Corporate Secretary and prepared and provided to the Chairman within 3 business days of the conclusion of a meeting. The Chairman will approve the minutes within 1 month of the conclusion of the Board meeting and present to the Board for approval at the next applicable Board meeting.

### **Access to management and outside advisors**

The Board shall have unrestricted access to management and employees of the Company. The Board shall have the authority to retain and terminate external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective reasonable compensation of these advisors without consulting or obtaining the approval of any officer of the Company. The Company shall provide appropriate funding, as determined by the Board, for the services of these advisors.

### **Service on other boards**

Directors may serve on the boards of other public companies so long as these commitments do not materially interfere and are compatible with their ability to fulfill their duties as a member of the Board. Directors must advise the Chair in advance of accepting an invitation to serve on the board of another public company.

### **Conflicts of Interest and Potential Conflicts of Interest**

Most Directors have other responsibilities or interests which may from time to time interact with the interests of the Company. This may create a situation of divided loyalties or of temporary conflict of interest. Selection process for Board appointees shall avoid any permanent conflict of interest.

The Board aspires to the highest standards of corporate governance, and applies rigorous procedures to deal with actual or potential conflict situations. These rely on the total

acceptance by Directors of the obligation to declare an interest, and to isolate themselves from any activity in which they may have a conflict.

The procedures may be summarised as follows:

- (a) Directors shall advise the Company Secretary promptly of any changes to relevant interests such as directorships, partnerships and holdings in securities. The Company Secretary shall inform all Directors and the regulatory authorities, if required. Directors will normally be advised at the next meeting, but more urgently if appropriate to the circumstances. Interests are confirmed annually in writing to the Company Secretary prior to inclusion in the Directors' Report.
- (b) If a situation of an actual or potential conflict should arise, the Director concerned shall discuss the matter with the Chairman. The Director concerned shall withdraw if requested while the Board discusses the potential conflict.
- (c) If it is decided that a conflict does exist, then depending on its assessed significance, the Director involved will be requested to take one of the following course of action (in order of increasing significance):
  - (i) refraining from voting on a relevant matter during a Board meeting;
  - (ii) withdrawing from discussion of relevant matter(s) during a Board meeting;
  - (iii) taking leave of absence from the Board for a period; or
  - (iv) resigning from the Board.

In the particular case where the other Directors may decide that a Director or a related party may properly supply goods or services on commercially acceptable terms to the Company, details will be provided in the annual Directors' Report and in the notes to the Company's financial statements.

### **Indemnity and Insurance**

The Company maintains a Directors' and officers liability insurance policy to indemnify Directors and officers against liability (subject to certain exclusions) arising out of the discharge of their duties as Directors and officers. All such insurance cover is to be obtained at reasonable rates and on reasonable terms.

### **Independent Professional Advice**

If a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a Director then, provided the Director first obtains approval for incurring such expense from the Chairman, the Company shall pay the reasonable expenses associated with obtaining such advice.

## **Information and Records**

The Company Secretary takes prime responsibility for the proper recording of Board proceedings and related matters, including storage and handling of documents, tapes, discs, etc. However, Directors receive a good deal of information in various forms as a result of their Board roles, and accept responsibility for careful and secure stewardship, particularly in relation to confidential material.

Discretion shall be exercised in regard to information handled via facsimile, email or other electronic transmission devices, to ensure that this is not inadvertently made available to unauthorised parties.

Former Directors have rights in obtaining access to Board records after their terms of appointment have concluded, which shall be exercised by contacting the Company Secretary.

The obligations and procedures may be summarised as follows:

- (a) Directors shall cooperate fully with the Company Secretary in regard to Board records and information. Any such records retained by Board members shall be stored with appropriate security. Material not required for retention shall be passed to the Company Secretary for disposal or shredding.
- (b) Directors acknowledge that confidential information received in the course of exercise or Board duties remains the property of the originating organisation, whether this is the Company or another entity. It will not be disclosed unless either the originator has so authorised or disclosure is required by law.
- (c) A Director must not make improper use of information acquired by virtue of the position as a Director. This prohibition applies irrespective of whether the Director would gain directly or indirectly a personal advantage or an advantage for any associated person or might cause detriment to the Company.
- (d) A Director who has been nominated to the Board by outside parties must recognise the particular sensitivity of the position and shall be especially careful not to disclose confidential matters to the nominators unless the prior unanimous agreement of the Board has been obtained.
- (e) Directors shall exercise discretion in regard to all Board information which is not in the public domain.

## **7. BOARD CHARTER**

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The Board may review and, as and when necessary, revise this Charter.

This Charter is a statement of broad policies and is intended as a component of the flexible governance framework within which the Board, assisted by its committees, directs the affairs of

the Company. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company's constitution, it is not intended to establish any legally binding obligations.

In accordance with applicable securities laws, the text of this Charter shall be included in the Company's management proxy circular for each annual meeting of the Company's shareholders.