



## **MALBEX RESOURCES INC.**

### **Corporate Governance Guidelines**

#### **1. INTRODUCTION**

The directors (collectively the "Board" and individually a "director") of Malbex Resources Inc. ("Malbex") are committed to adhering to the highest possible standards of corporate governance. The Board has approved the following corporate governance guidelines which, together with the Board mandate, the position description for the Chairman of the Board, the position description for the Chief Executive Officer, and the charters of the committees of the Board, provide the general framework for the governance of Malbex. The Board believes that these guidelines will continue to evolve to address all applicable regulatory and stock exchange requirements relating to corporate governance and will be modified and updated as circumstances warrant.

#### **2. BOARD RESPONSIBILITIES**

##### **2.1 Board Mandate**

The Board has responsibility for the stewardship of Malbex and has adopted a formal written mandate setting out the Board's stewardship responsibilities including:

- strategic planning and risk identification and management
- review and approval of annual operating plans and budgets
- corporate social responsibility, ethics and integrity
- succession planning, including appointment, training and supervision of management
- delegations and general approval guidelines
- monitoring financial reporting and management

- corporate disclosure and communications
- adopting measures for receiving feedback from stakeholders
- adopting key corporate policies designed to ensure that Malbex, its directors, officers and employees comply with all applicable laws, rules and regulations and conduct their business ethically and with honesty and integrity

The responsibilities of the Board will include oversight responsibilities with respect to: (a) Malbex's financial policies and strategies, including capital structure; (b) Malbex's financial risk management practices; and (c) proposed issues of debt and other financial instruments.

The responsibilities of the Board will include fulfilling its oversight responsibilities with respect to: (a) technical matters relating to exploration, development, permitting, construction and operation of Malbex's mining activities; (b) estimates of resources and reserves on Malbex's mineral resource properties; (c) material commercial arrangements regarding Engineering Procurement and Construction Management ("EPCM") activities; (d) operating and production plans for proposed and existing operating mines; (e) due diligence in the development and implementation of systems and programs for the management of health, safety, environment and social responsibility; (f) ensuring Malbex implements best-in-class practices; (g) monitoring safety, environment and social responsibility performance; and (h) monitoring compliance with applicable law related to safety, environment and social responsibility.

The Board annually reviews and confirms or updates the Board Mandate. The Board Mandate will be publicly disclosed.

## **2.2 Corporate Governance**

The Board has delegated responsibility to the Corporate Governance and Compensation Committee for developing Malbex's approach to corporate governance, including recommending modifications to these Corporate Governance Guidelines for consideration by the Board.

## **3. BOARD ORGANIZATION & MEMBERSHIP**

### **3.1 Director Selection Criteria**

The Corporate Governance and Compensation Committee is required under its charter to annually review the characteristics, qualities, skills and experience which form the criteria for candidates to be considered for nomination to the Board. The objective of this review will be to maintain the composition of the Board in a way that provides, in the judgment of the Board, the best mix of skills and experience to provide for the overall stewardship of Malbex. All directors are required to possess fundamental qualities of intelligence, honesty, integrity, ethical behavior, fairness and responsibility and be

committed to representing the long-term interests of the shareholders. They must also have a genuine interest in Malbex, the ability to be objective at all times about what is in the best interests of Malbex, have independent opinions on all issues and be both willing and able to state them in a constructive manner and be able to devote sufficient time to discharge their duties and responsibilities effectively. The Corporate Governance and Compensation Committee is mandated to identify qualified candidates for nomination as directors and to make recommendations to the Board. Directors are encouraged to identify potential candidates.

### **3.2 Independence**

The Board annually reviews and makes a determination on the independence of each director in light of all applicable laws, rules, regulations and stock exchange requirements (collectively "Applicable Laws"). To the extent required by (and subject to the exemptions and other provisions set out in) Applicable Laws, the determination of independence of the directors will be publicly disclosed. Malbex will maintain a Board with at least a majority of directors determined by the Board to be independent.

### **3.3 Board Size**

The Board has the ability to increase or decrease its size within the limits set out in Malbex's articles and by-laws and Applicable Laws. The Board will determine its size with regard to the best interests of Malbex. The Board believes that the size of the Board should be sufficient to provide a diversity of expertise and opinions and to allow effective committee organization, yet small enough to enable efficient meetings and decision-making and maximize full Board attendance. The Board will review its size if a change is recommended by the Corporate Governance and Compensation Committee.

### **3.4 Election by Shareholders**

The members of the Board will be elected each year at the annual meeting of shareholders of Malbex. The Board will propose a slate of nominees to the shareholders of Malbex for election to the Board at each such meeting. Between annual meetings of shareholders of Malbex, the Board may appoint directors to serve until the next such meeting in accordance with Malbex's articles and by-laws and Applicable Laws.

### **3.5 Selection of Chairman of the Board**

The Chairman of the Board will be appointed by the Board after considering the recommendation of the Corporate Governance and Compensation Committee. The Board has adopted and will annually review the position description for the Chairman. The position description for the Chairman of the Board will be publicly disclosed. The Board has a preference for an independent, non-executive Chairman of the Board, but will consider exceptions that would be in the best interests of Malbex.

### **3.6 Lead Director**

The role of the lead director will normally be filled by the non-executive Chairman of the Board. At any time when the Chairman of the Board is an employee of Malbex, the non-management directors will select an independent director to carry out the functions of a lead director. This person will Chair regular meetings of the non-management directors and assume other responsibilities which the non-management directors as a whole have designated.

### **3.7 Term Limits for Directors**

The Board has determined that fixed term limits for directors should not be established. The Board is of the view that such a policy would have the effect of removing directors who have developed, over a period of service, increased insight into Malbex and who, therefore, can be expected to provide an increasing contribution to the Board. At the same time, the Board recognizes the value of some turnover in Board membership to provide on-going input of fresh ideas and views and the Corporate Governance and Compensation Committee is mandated to annually consider recommending changes to the composition of the Board.

### **3.8 Retirement Age for Directors**

Unless otherwise determined by the Board, no person will be appointed or elected as a director once that person has reached 75 years of age.

## **4. BOARD COMMITTEES**

### **4.1 Board Committees**

The Board has determined that there should be three standing Board committees: (i) Audit Committee; (ii) Corporate Governance and Compensation Committee; and (iii) Safety, Health and Environmental

Affairs Committee. The Board will change the Board committee structure and authorize and appoint other committees as it considers appropriate.

#### **4.2 Committee Charters and Responsibilities**

The Board will approve a written charter for each committee setting forth the purpose, authority, duties and responsibilities of each committee. All Board committee charters will be publicly disclosed.

The responsibilities of the Audit Committee will include assisting the Board in fulfilling its oversight responsibilities with respect to: (a) financial reporting and disclosure requirements of Malbex; (b) ensuring that an effective risk management and financial control framework has been implemented by Malbex management; and (c) external and internal audit processes of Malbex.

The responsibilities of the Corporate Governance and Compensation Committee will include assisting the Board in fulfilling its oversight responsibilities with respect to: (a) developing governance guidelines and principles for Malbex; (b) identifying individuals qualified to be nominated as members of the Board; (c) structure and composition of Board committees; and (d) evaluating the performance and effectiveness of the Board.

The responsibilities of the Corporate Governance and Compensation Committee will also include assisting the Board in fulfilling its oversight responsibilities with respect to: (a) key human resources and compensation policies; (b) Chief Executive Officer and executive management compensation; and (c) executive management succession and development.

The responsibilities of the Safety, Health and Environmental Affairs Committee will include assisting the Board in fulfilling its oversight responsibilities with respect to: (a) developing health, safety, and environmental guidelines including emergency preparedness for Malbex; and (b) monitoring health, safety, and environmental performance of the Corporation.

#### **4.3 Membership of Committees**

The Board has determined that all committees will be chaired by directors determined by the Board to be independent. In addition, all members of the Audit Committee will be financially literate and if required by applicable laws, rules and regulations, at least one member will be a financial expert. Membership and independence of all committee members will be publicly disclosed.

After receipt of recommendations from the Corporate Governance and Compensation Committee, the Board will appoint the members of the committees annually, and as necessary to fill vacancies, and will appoint the Chairman of each committee. Members of the committees will hold office at the pleasure of the Board.

#### **4.4 Oversight of Committee Functions**

The purpose of Board committees is to assist the Board in discharging its responsibilities. Notwithstanding the delegation of responsibilities to a Board committee, the Board is ultimately responsible for all matters assigned to a Board committee for its determination. Except as may be explicitly provided in the charter of a Board committee or a resolution of the Board, the role of a Board committee is to review and make recommendations to the Board with respect to the approval of matters considered by the Board committee.

### **5. BOARD MEETINGS & MATERIALS**

#### **5.1 Meeting Agendas**

The Chairman and the Chief Executive Officer of Malbex, in consultation with the General Counsel (if applicable) and Corporate Secretary of Malbex, will establish the agenda for each Board meeting. Each director may suggest the inclusion of additional items on the agenda.

#### **5.2 Meeting Materials**

Board and committee meeting materials will be provided to directors before each Board or committee meeting in sufficient time to ensure adequate opportunity exists for review. If certain material is sensitive or confidential in nature, then the material will be distributed at the Board or committee meeting.

#### **5.3 Participation of Management at Board Meetings**

The Board believes there is value in having certain members of senior management attend each Board meeting to provide information and presentations regarding the business of Malbex to assist the directors in their deliberations. Attendance by senior management will be determined by the Chief Executive Officer with the concurrence of the Chairman. Members of management will be excluded from Board meetings during which discussion of matters reserved for directors takes place.

#### **5.4 Meetings of Independent Directors**

The independent directors will hold an *in camera* meeting in conjunction with every regular meeting of the Board.

## **6. DIRECTOR COMPENSATION**

### **6.1 Director Compensation**

The Board has determined that the directors should be compensated in a form and amount that is appropriate and which is customary for comparative companies, having regard to such matters as time commitment, responsibility and trends in director compensation. The Corporate Governance and Compensation Committee are mandated to review the compensation of the directors on an annual basis. All compensation paid to directors will be publicly disclosed.

### **6.2 Loans to Directors**

Malbex will not make loans to any of its directors.

## **7. BOARD'S RELATIONSHIP WITH MANAGEMENT**

### **7.1 Board Relationship with Management**

The Board will support and encourage the members of management in the performance of their duties. Management will make appropriate use of the Board's skills before decisions are made on key issues. The Board has adopted and will annually review the position description for the Chief Executive Officer. The position description for the Chief Executive Officer will be publicly disclosed.

### **7.2 Limits on Management Authority**

The Board will approve annual business plans and budgets and will also approve general authority guidelines that place limits on management's ability to approve contractual and financial arrangements and commitments both in accordance with and outside approved budgets. All transactions, arrangements and commitments outside approved budgets and defined limits will require approval by the Board.

### **7.3 Evaluation of the Chief Executive Officer**

The Corporate Governance and Compensation Committee will conduct an annual review of the performance of the Chief Executive Officer against the goals and objectives which have been established by such committee and will review, assess and recommend the compensation of the Chief Executive Officer to the Board. The Chairman of the Board and the Chairman of Corporate Governance and Compensation Committee will advise the Chief Executive Officer of the results of the assessment.

#### **7.4 Director Access to Management**

All directors will have open access to Malbex's senior management for relevant information. All written communications from directors to members of management will be copied to the Chief Executive Officer or, in the case of accounting and financial matters, to the Chief Executive Officer and the Chief Financial Officer. Individual directors are encouraged to make themselves available for consultations with management outside Board meetings in order to provide specific advice and counsel on subjects where such directors have special skills, knowledge and experience.

### **8. DIRECTOR RESPONSIBILITIES & PERFORMANCE**

#### **8.1 Director Responsibilities**

Directors are expected to use their skill and experience to provide oversight of the business and affairs of Malbex. Directors have a statutory duty to act honestly and in good faith with a view to the best interests of Malbex and to exercise the care, diligence and skill that a reasonably prudent person would in comparable circumstances.

#### **8.2 Attendance at Meetings**

Directors are expected to attend all Board and committee meetings either in person or by conference call. A director will notify the Chairman of the Board or of a committee or the Corporate Secretary if the director will not be able to attend or participate in a meeting.

#### **8.3 Board and Committee Meeting Materials**

Directors are expected to review and be familiar with Board and committee meeting materials which have been provided in sufficient time for review prior to a meeting. Directors are to advise the Chairman of the Board or of a committee of matters which they believe should be added to a meeting agenda.

#### **8.4 Outside Advisors for Individual Directors**

Any director who wishes to engage an independent legal advisor to assist on matters involving the discharge of his duties and responsibilities as a director at the expense of Malbex should review the request with, and obtain the prior authorization of, the Corporate Governance and Compensation Committee. Notwithstanding the foregoing, reasonable independent legal costs on matters involving the discharge of a director's duties and responsibilities as a director will be borne by Malbex.

## **8.5 Assessment of Board and Committee Performance**

The Corporate Governance and Compensation Committee is mandated to undertake an annual assessment of the overall performance and effectiveness of the Board and each committee of the Board and report on such assessments to the Board. The purpose of the assessments is to ensure the continued effectiveness of the Board in discharging its duties and responsibilities and to contribute to a process of continuing improvement.

## **8.6 Conflicts of Interest**

Directors have a statutory responsibility to disclose all actual or potential conflicts of interest and generally to abstain from voting on matters in which the director has a conflict of interest. A director will recuse himself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest or which otherwise affects his personal, business or professional interests.

# **9. CORPORATE POLICIES**

## **9.1 Annual Review of Corporate Policies**

The Corporate Governance Committee is mandated to conduct an annual review of the following principal corporate policies and recommend updates or amendments for consideration by the Board:

- Code of Business Conduct and Ethics
- Foreign Corrupt Practices Policy
- Environmental, Health and Safety Policy
- Corporate Disclosure Policy
- Whistleblower Policy
- Insider Trading Policy

## **9.2 Waivers of the Code of Business Conduct and Ethics**

The Board expects all directors, officers and employees of Malbex and its subsidiaries to act honestly and ethically at all times and to adhere to Malbex's Code of Business Conduct and Ethics. The Board may permit a waiver of the Code of Business Conduct and Ethics for any director or executive officer. Any

such waiver will be promptly disclosed to the extent required by applicable law or stock exchange rules and regulations. The Code of Business Conduct and Ethics will be publicly disclosed.

## **10. DISCLOSURE**

### **10.1 Annual Governance Reporting**

Malbex will publicly disclose, on an annual basis, its corporate governance practices in compliance with Applicable Laws.

### **10.2 Ongoing Governance Disclosure**

Malbex will publicly disclose its Corporate Governance Guidelines, Board Mandate, Position Descriptions for the Chairman and Chief Executive Officer, Board Committee Charters and principal corporate policies on its website.

### **10.3 Access to Disclosure**

All documents and information referred to in these Corporate Governance Guidelines may be accessed through the Corporate Governance section of Malbex's website [www.malbex.ca](http://www.malbex.ca). To the extent required by (and subject to the exemptions and other provisions set out in) Applicable Law, certain information will be included in Malbex's annual information form and management proxy circular available on SEDAR at [www.sedar.com](http://www.sedar.com).

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Approved by: Corporate Governance and Compensation Committee

Board of Directors