

**MALBEX RESOURCES INC.**

Suite 901, 372 Bay Street  
Toronto, Ontario M5H 2W9  
Telephone: (416) 628-0215

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that the annual and special meeting (the "Meeting") of the shareholders of Malbex Resources Inc. (the "Corporation") will be held at 372 Bay Street, Suite 901, Toronto, Ontario at 10:00 a.m. (Toronto time), on Friday, March 18, 2011 for the following purposes:

1. to receive the audited financial statements of the Corporation for the financial year ended September 30, 2010, together with the report of the auditor thereon;
2. to elect directors of the Corporation for the ensuing year;
3. to appoint the auditor of the Corporation for the ensuing year and to authorize the directors of the Corporation to fix the remuneration of the auditor;
4. to consider and, if deemed advisable, to pass, with or without variation, a resolution confirming and approving the share option plan of the Corporation; and
5. to transact such other business as may properly be brought before the Meeting or any adjournment thereof.

Particulars of the foregoing matters are set forth in the accompanying management information circular. A copy of the annual report of the Corporation, including the audited financial statements of the Corporation as at and for the financial year ended September 30, 2010 and the report of the auditor of the Corporation thereon, also accompanies this notice of the Meeting. The directors of the Corporation have fixed the close of business on February 16, 2011 as the record date for the determination of the shareholders of the Corporation entitled to receive notice of and to vote at the Meeting.

DATED at Toronto, Ontario this 16<sup>th</sup> day of February, 2011.

By Order of the Board of Directors

(signed) TIM WARMAN  
President and Chief Executive Officer

**Shareholders who are unable to attend the Meeting in person are requested to complete, date, sign and return the accompanying form of proxy in the enclosed return envelope. All instruments appointing proxies to be used at the Meeting or at any adjournment thereof must be deposited with Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, not later than 5:00 p.m. (Toronto time) on the second to last business day preceding the date of the Meeting or any adjournment thereof or with the chairman of the Meeting prior to the commencement of the Meeting or any adjournment thereof.**

## MALBEX RESOURCES INC.

### MANAGEMENT INFORMATION CIRCULAR

#### GENERAL PROXY INFORMATION

##### Solicitation of Proxies

**This management information circular is furnished in connection with the solicitation of proxies by the management and the directors of Malbex Resources Inc.** (the "Corporation") for use at the annual and special meeting (the "Meeting") of the shareholders of the Corporation to be held at **372 Bay Street, Suite 901, Toronto, Ontario at 10:00 a.m. (Toronto time) on Friday, March 18, 2011** and at all adjournments thereof for the purposes set forth in the accompanying notice of the Meeting (the "Notice of Meeting"). The solicitation of proxies will be made primarily by mail and may be supplemented by telephone or other personal contact by the directors, officers and employees of the Corporation. Directors, officers and employees of the Corporation will not receive any extra compensation for such activities. The Corporation may also retain, and pay a fee to, one or more professional proxy solicitation firms to solicit proxies from the shareholders of the Corporation in favour of the matters set forth in the Notice of Meeting. The Corporation may pay brokers or other persons holding common shares ("Common Shares") of the Corporation in their own names, or in the names of nominees, for their reasonable expenses for sending forms of proxy and this management information circular to beneficial owners of Common Shares and obtaining proxies therefrom. The cost of any such solicitation will be borne by the Corporation.

No person is authorized to give any information or to make any representation other than those contained herein and, if given or made, such information or representation should not be relied upon as having been authorized by the Corporation. The delivery of this management information circular shall not, under any circumstances, create an implication that there has not been any change in the information set forth herein since the date hereof.

A registered shareholder of the Corporation may vote in person at the Meeting or may appoint another person to represent such shareholder as proxy and to vote the Common Shares of such shareholder at the Meeting. Only registered shareholders of the Corporation, or the persons they appoint as their proxies, are entitled to attend and vote at the Meeting. For information with respect to shareholders who own their Common Shares beneficially through an intermediary, see "Non-Registered Shareholders" below.

##### Appointment and Revocation of Proxies

**The persons named in the form of proxy accompanying this management information circular are directors and/or officers of the Corporation. A shareholder of the Corporation has the right to appoint a person (who need not be a shareholder of the Corporation) other than the persons whose names appear in such form of proxy to attend and act for and on behalf of such shareholder at the Meeting and at any adjournment thereof. Such right may be exercised by either striking out the names of the persons specified in the form of proxy and inserting the name of the person to be appointed in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed and executed form of proxy to Computershare Investor Services Inc. in time for use at the Meeting in the manner specified in the Notice of Meeting or by depositing the completed and executed form of proxy with the chairman of the Meeting prior to the commencement of the Meeting or any adjournment thereof.**

A registered shareholder of the Corporation who has given a proxy may revoke the proxy at any time prior to its use by: (a) depositing an instrument in writing, including another completed form of proxy, executed by such registered shareholder or by his or her attorney authorized in writing or by electronic signature or, if the registered shareholder is a corporation or other similar entity, by an authorized officer or attorney thereof (i) at the registered office of the Corporation, located at 372 Bay Street, Suite 901, Toronto, Ontario M5H 2W9, at any time prior to 5:00 p.m. (Toronto time) on the second to last business day preceding the day of the Meeting or any adjournment thereof, (ii) with Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, at any time prior to 5:00 p.m. (Toronto time) on the second to last business day preceding the day of the Meeting or any adjournment thereof, or (iii) with the chairman of the Meeting on the day of the Meeting or any adjournment thereof; (b) transmitting, by telephonic or electronic means, a revocation that complies with clauses (i), (ii) or (iii) above and that is signed by electronic signature, provided that the means of electronic signature permits a reliable determination that the document was created or communicated by or on behalf of such registered shareholder or by or on behalf of his or her attorney, as the case may be; or (c) in any other manner permitted by law including attending the Meeting in person.

### **Exercise of Discretion by Proxies**

The Common Shares represented by an appropriate form of proxy will be voted on any ballot that may be conducted at the Meeting, or at any adjournment thereof, in accordance with the instructions contained on the form of proxy. In the absence of instructions, such Common Shares will be voted in favour of each of the matters referred to in the Notice of Meeting.

The enclosed form of proxy, when properly completed and signed, confers discretionary authority upon the persons named therein to vote on any amendments to or variations of the matters identified in the Notice of Meeting and on other matters, if any, which may properly be brought before the Meeting or any adjournment thereof. At the date hereof, management of the Corporation knows of no such amendments or variations or other matters to be brought before the Meeting. However, if any other matters which are not now known to management of the Corporation should properly be brought before the Meeting, or any adjournment thereof, the Common Shares represented by such proxy will be voted on such matters in accordance with the judgment of the person named as proxy thereon.

### **Signing of Proxy**

The form of proxy must be signed by the shareholder of the Corporation or the duly appointed attorney thereof authorized in writing or, if the shareholder of the Corporation is a corporation or other similar entity, by an authorized officer of such entity. A form of proxy signed by the person acting as attorney of the shareholder of the Corporation or in some other representative capacity, including an officer of a corporation which is a shareholder of the Corporation, should indicate the capacity in which such person is signing and should be accompanied by the appropriate instrument evidencing the qualification and authority to act of such person, unless such instrument has previously been filed with the Corporation. A shareholder of the Corporation or his or her attorney may sign the form of proxy or a power of attorney authorizing the creation of a proxy by electronic signature provided that the means of electronic signature permits a reliable determination that the document was created or communicated by or on behalf of such shareholder or by or on behalf of his or her attorney, as the case may be.

### **Non-Registered Shareholders**

Only registered shareholders of the Corporation, or the persons they appoint as their proxies, are entitled to attend and vote at the Meeting. However, in many cases, Common Shares beneficially owned by a person (a "Non-Registered Shareholder") are registered either:

- (a) in the name of an intermediary (an "Intermediary") with whom the Non-Registered Shareholder deals in respect of the Common Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and, trustees or administrators of a self-administered registered retirement savings plan, registered retirement income fund, registered education savings plan and other similar plans); or
- (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited in Canada or The Depository Trust Company in the United States) or its nominee of which the Intermediary is a participant.

In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* published by the Canadian Securities Administrators, the Corporation has distributed copies of the Notice of Meeting, this management information circular and the accompanying form of proxy (collectively the "Meeting Materials") to the Intermediaries and clearing agencies for onward distribution to Non-Registered Shareholders. Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless the Non-Registered Shareholders have waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Shareholders. Generally, Non-Registered Shareholders who have not waived the right to receive Meeting Materials will either receive:

- (a) **Voting Instruction Form:** a voting instruction form **which is not signed by the Intermediary** and which, when properly completed and signed by the Non-Registered Shareholder and **returned to the Intermediary or its service company**, will constitute voting instructions (often called a "voting instruction form") which the Intermediary must follow. Typically, the voting instruction form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the voting instruction form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label with a bar-code and other information. In order for the form of proxy to validly constitute a voting instruction form, the Non-Registered Shareholder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company; or
- (b) **Form of Proxy:** a form of proxy **which has already been signed by the Intermediary** (typically by a facsimile, stamped signature), which is restricted as to the number of Common Shares beneficially owned by the Non-Registered Shareholder but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Shareholder when submitting the proxy. In this case, the Non-Registered Shareholder who wishes to submit a proxy should properly **complete the form of proxy and deposit it with Computershare Investor Services Inc.**, Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1.

**In either case, the purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Shareholder who receives either a voting instruction form or a form of proxy wish to attend the Meeting and vote in person (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should strike out the names of the persons named in the form of proxy and insert the Non-Registered Shareholder's (or such other person's) name in the blank space provided or, in the case of a voting instruction form, follow the directions indicated on the form.** In either case, Non-Registered Shareholders should carefully follow

the instructions of their Intermediaries and their service companies, including those regarding when and where the voting instruction form or the form of proxy is to be delivered.

A Non-Registered Shareholder who has submitted a proxy may revoke it by contacting the Intermediary through which the Common Shares of such Non-Registered Shareholder are held and following the instructions of the Intermediary respecting the revocation of proxies.

## **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

### **Description of Share Capital**

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of preference shares ("Preference Shares") of which 99,439,965 Common Shares and nil Preference Shares were outstanding as of the close of business on February 16, 2011.

The holders of the Common Shares are entitled to one vote for each Common Share held on all ballots taken at all meetings of shareholders of the Corporation, except meetings at which only holders of another specified class or series of shares of the Corporation are entitled to vote. Subject to the provisions of the *Business Corporations Act* (Ontario), holders of Common Shares are not entitled to vote separately on, or to dissent in respect of, any proposal to amend the articles of the Corporation to: (a) increase or decrease any maximum number of authorized Common Shares or increase any maximum number of authorized shares of a class or series of shares having rights or privileges equal or superior to the Common Shares; (b) effect an exchange, reclassification or cancellation of all or part of the Common Shares; or (c) create a new class or series of shares equal or superior to the Common Shares.

### **Record Date**

The directors of the Corporation have fixed February 16, 2011 as the record date for the determination of the shareholders of the Corporation entitled to receive notice of the Meeting. Holders of record of Common Shares at the close of business on February 16, 2011 will be entitled to vote at the Meeting and at all adjournments thereof.

### **Ownership of Securities of the Corporation**

As at February 16, 2011, to the knowledge of the directors and officers of the Corporation, the only person, firm or corporation that beneficially owned, directly or indirectly, or exercised control or direction over, voting securities of the Corporation carrying more than 10% of the voting rights attaching to any class of voting securities of the Corporation is as follows:

<u>Name and Municipality of Residence</u>	<u>Number of Common Shares</u>	<u>Approximate Percentage of Outstanding Common Shares</u>
Sun Valley Gold LLC <sup>(1)</sup> Toronto, Ontario	10,000,000 Common Shares <sup>(2)</sup>	10.1

(1) Sun Valley Gold LLC acquired control and direction over the Common Shares on behalf of Sun Valley Gold Master Fund, Ltd., a client account over which Sun Valley LLC has discretionary trading authority.

(2) Sun Valley Gold LLC also has control and direction over warrants to purchase an additional 5,000,000 Common Shares. If exercised, the warrants would, together with the 10,000,000 Common Shares, represent approximately 14.4% of the outstanding Common Shares on a partially-diluted basis.

## BUSINESS OF THE MEETING

### Election of Directors

The Corporation currently has five directors, the term for all of whom ends at the close of the Meeting. At the Meeting, shareholders of the Corporation will be asked to elect five directors for the ensuing year. Each director elected will hold office until the close of the next annual meeting of the shareholders of the Corporation following his election unless his office is earlier vacated in accordance with the by-laws of the Corporation.

The following table sets forth certain information regarding the nominees, their position with the Corporation, their principal occupation during the last five years, the dates upon which the nominees became directors of the Corporation and the approximate number of Common Shares and options to purchase Common Shares beneficially owned by them, directly or indirectly, or over which control or direction is exercised by them as of February 16, 2011:

<u>Name, Position and Municipality of Residence</u>	<u>Principal Occupation During Last Five Years</u>	<u>Date Became Director</u>	<u>Voting Securities Owned or Controlled<sup>(1)</sup></u>
Patrick Anderson Director Toronto, Ontario	Chairman and Chief Executive Officer of Dalradian Resources Inc. (mining company) since October 2009; Corporate director since October 2008; President and Chief Executive Officer of Aurelian Resources Inc. (mining company) from 2003 to 2008.	October 30, 2009	666,666 Common Shares 533,333 Options
David Garofalo Director Richmond Hill, Ontario	President and Chief Executive Officer of HudBay Minerals Inc. (mining company) since July 2010; Senior Vice-President, Finance and Chief Financial Officer, Agnico-Eagle Mines Limited (mining company) from January 1999 through June 2010.	November 2, 2009	84,000 Common Shares 300,000 Options 42,000 Warrants
Joseph Hamilton Director Orono, Ontario	President of PICKAX International Corp. (consulting company) since 2006; Co-interim Chief Executive Officer of Noront Resources Ltd. (mining company) from October 2008 to June 2009; Chief Executive Officer of African Copper plc (mining company) from January 2007 to June 2008; Chief Operating Officer of African Copper Plc from 2005 to 2007.	October 30, 2009	5,027,777 Common Shares <sup>(2)</sup> 533,333 Options 125,000 Warrants
A. Terrance MacGibbon Director Oakville, Ontario	Chairman of the Board of Quadra FNX Mining Ltd. (mining company) since May 2010; Chairman and Chief Executive Officer of FNX Mining Company Inc. (mining company) from November 2008 to May 2010; Executive Chairman of FNX Mining Company Inc. from 2007 to 2008; President and Chief Executive Officer of FNX Mining Company Inc. from November 1997 to September 2007.	November 2, 2009	3,811,110 Common Shares 300,000 Options

<u>Name, Position and Municipality of Residence</u>	<u>Principal Occupation During Last Five Years</u>	<u>Date Became Director</u>	<u>Voting Securities Owned or Controlled<sup>(1)</sup></u>
Tim Warman President and Chief Executive Officer and Director Toronto, Ontario	President and Chief Executive Officer of the Corporation since October 2009; President and Chief Executive Officer Malbex Resources Inc. (a predecessor company of the Corporation) from February 2009 to October 2009; Vice President, Corporate Development of Aurelian Resources Inc. (mining company) from 2006 to 2008; Vice President, Exploration of Karmin Exploration Inc. (mining company) from 2005 to 2006.	October 30, 2009	383,333 Common Shares 1,166,666 Options 25,000 Warrants

<sup>(1)</sup> The information as to the number of securities beneficially owned or over which control or direction is exercised has been furnished by the respective nominee.

<sup>(2)</sup> Includes 333,333 Common Shares owned by PICKAX International Corp., a company controlled by Mr. Hamilton.

The directors of the Corporation have three committees: the corporate governance and compensation committee (the "Governance and Compensation Committee"), the safety, health and environmental affairs committee (the "SHEA Committee") and the audit committee (the "Audit Committee"). The Governance and Compensation Committee consists of three directors, being Messrs. Anderson, Hamilton and Garofalo. The SHEA Committee consists of three directors, being Messrs. Anderson, MacGibbon and Warman. The Audit Committee consists of three directors, being Messrs. Garofalo, Hamilton and MacGibbon.

None of the nominees for election as a director of the Corporation is, or was within the ten years prior to the date hereof, a director, chief executive officer or chief financial officer of any company that was subject to a cease trade order, an order similar to cease trade order or an order that denied such company access to any exemption under securities legislation that was, in each case, in effect for a period of more than 30 consecutive days and that was issued while that person was acting in such capacity or that was issued after that person ceased to act in such capacity and which resulted from an event that occurred while that person was acting in such capacity.

None of the nominees for election as a director of the Corporation is, or was within the ten years prior to the date hereof, a director or executive officer of any company that, while that person was acting in such capacity, or within a year of that person ceasing to act in such capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

None of the nominees for election as a director of the Corporation has within the ten years prior to the date hereof become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets.

None of the nominees for election as a director of the Corporation has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

**The persons named in the form of proxy accompanying this management information circular intend to vote FOR the election of the nominees whose names are set forth above, unless the shareholder of the Corporation who has given such proxy has directed that the Common Shares**

**represented by such proxy be withheld from voting in respect of the election of directors of the Corporation.** Management of the Corporation does not contemplate that any of the nominees will be unable to serve as a director of the Corporation for the ensuing year, however, if that should occur for any reason prior to the Meeting or any adjournment thereof, the persons named in the form of proxy accompanying this management information circular have the right to vote for the election of the remaining nominees and may vote for the election of a substitute nominee at their discretion.

### **Appointment of Auditor**

The auditor of the Corporation is currently PricewaterhouseCoopers LLP ("PWC"). PWC has been the auditor of the Corporation since March 12, 2010. Prior to March 12, 2010, KPMG LLP was the auditor the Corporation and was first appointed the auditor of the Corporation on June 22, 1998.

**The persons named in the form of proxy accompanying this management information circular intend to vote FOR the appointment of PWC as the auditor of the Corporation until the close of the next annual meeting of the shareholders of the Corporation or until its successor is appointed and the authorization of the directors of the Corporation to fix the remuneration of PWC, unless the shareholder of the Corporation who has given such proxy has directed that the Common Shares represented by such proxy be withheld from voting in respect of the appointment of the auditor of the Corporation.**

### **Approval of the Option Plan**

The current share option plan of the Corporation (the "Option Plan") was approved by the shareholders of the Corporation on December 3, 2009, and amended and restated as of February 9, 2010. Pursuant to the policies of the TSX Venture Exchange (the "Exchange"), the Corporation is required to obtain shareholder approval of the Option Plan each year because the Option Plan is a rolling-maximum option plan whereby the maximum number of Common Shares that may be reserved for issue and which can be purchased upon the exercise of all options granted under the Option Plan is fixed at 10% of the outstanding Common Shares from time to time.

A copy of the Option Plan is available to any shareholder of the Corporation at or prior to the Meeting upon request to the Secretary of the Corporation and is also attached hereto as schedule A. Set forth below is a summary of the Option Plan. The following summary is qualified in all respects by the provisions of the Option Plan. Reference should be made to the Option Plan for the complete provisions thereof.

### ***Summary of the Option Plan***

#### *Purpose, Administration and Eligible Participants*

The purpose of the Option Plan is to advance the interests of the Corporation through the motivation, attraction and retention of key employees, consultants and directors of the Corporation and designated affiliates of the Corporation and to secure for the Corporation and the shareholders of the Corporation the benefits inherent in the ownership of Common Shares by key employees, consultants and directors of the Corporation and the designated affiliates of the Corporation through the granting of non-transferable options ("Options") to eligible participants under the Option Plan. The Option Plan is administered by a committee (the "Committee") of the directors of the Corporation authorized to carry out such administration or, failing a committee being so designated, by the directors of the Corporation.

Subject to the provisions of the Option Plan, the Committee has the authority to select those persons to whom Options will be granted. Eligible participants under the Option Plan include the directors, officers and employees (including both full-time and part-time employees) of the Corporation

or of any designated affiliate of the Corporation and any person or corporation engaged to provide ongoing management, advisory or consulting services for the Corporation or a designated affiliate of the Corporation or any employee of such person or corporation.

#### *Common Shares Subject to the Option Plan*

The aggregate number of Common Shares reserved for issue and which can be purchased upon the exercise of all Options granted under the Option Plan may not exceed 10% of the Common Shares outstanding from time to time. The Option Plan is a "rolling" maximum share option plan, and any increase or reduction in the number of outstanding Common Shares will result in an increase or reduction, respectively, in the number of Common Shares that are available to be issued under the Option Plan. All Common Shares reserved for issue upon the exercise of outstanding options granted under the previous share option plans of the Corporation and its predecessors (the "Predecessor Option Plans") are counted toward the maximum number of Common Shares permitted to be reserved for issue pursuant to any of the provisions of the Option Plan. Notwithstanding the foregoing, options granted under the Predecessor Option Plans will continue to be governed by the respective terms of those share option plans. If Options granted under the Option Plan (or options granted under the Predecessor Option Plans) are surrendered, terminated or expire without being exercised in whole or in part, new Options may be granted covering the Common Shares not purchased under such lapsed Options (including lapsed options granted under the Predecessor Option Plans). The maximum number of Common Shares reserved for issue pursuant to Options to Participants who are insiders of the Corporation in any 12 month period may not exceed, in the aggregate, 10% of the number of Common Shares then outstanding, unless disinterested shareholder approval is received therefor in accordance with the policies of the Exchange.

As of February 16, 2011, there were 7,286,997 Common Shares reserved for issue upon the exercise of outstanding Options (or options granted under the Predecessor Option Plans).

#### *Exercise Price of Options*

The exercise price of any Option may not be less than the closing price of the Common Shares on the principal stock exchange on which the Common Shares are listed on the last trading day immediately preceding the date of grant of the Option less the maximum discount, if any, permitted by such stock exchange. As long as the Common Shares are listed on the Exchange, the exercise price is subject to a minimum price of \$0.10.

#### *Expiry Date of Options*

Each Option, unless sooner terminated pursuant to the provisions of the Option Plan, will expire on a date to be determined by the Committee at the time the Option is granted, subject to amendment by an employment contract, which date cannot be later than ten years after the date the Option is granted. However, if the expiry date falls within a "blackout period" or within ten business days of the expiry of a "blackout period", then the expiry date of the Option will be the date which is ten business days after the expiry of the blackout period.

#### *Vesting and Exercise of Options*

Except as otherwise provided in the Option Plan or in any employment contract, each Option may be exercised during the term of the Option only in accordance with the vesting schedule, if any, determined by the Committee at the time of the grant of the Option, which vesting schedule may include performance vesting or acceleration of vesting in certain circumstances and which may be amended or changed by the Committee from time to time with respect to a particular Option, subject to applicable regulatory requirements. If the Committee does not determine a vesting schedule at the time of the grant

of any particular Option, such Option will be exercisable in whole at any time, or in part from time to time, during the term of the Option.

*Effect of Termination*

No Option granted under the Option Plan may be exercised unless the optionee at the time of exercise thereof is:

- (a) in the case of an eligible employee, an officer of the Corporation or a designated affiliate of the Corporation or in the employment of the Corporation or a designated affiliate of the Corporation and has been continuously an officer or so employed since the date of the grant of such Option;
- (b) in the case of an eligible director who is not also an eligible employee, a director of the Corporation or a designated affiliate of the Corporation and has been such a director continuously since the date of the grant of such Option; and
- (c) in the case of any other eligible participant, engaged, directly or indirectly, in providing ongoing management, advisory, consulting, technical or other services for the Corporation or a designated affiliate of the Corporation and has been so engaged since the date of the grant of such Option;

provided, however, that if a participant (i) ceases to be a director of the Corporation and of the designated affiliates of the Corporation (and is not or does not continue to be an employee thereof) for any reason (other than death), or (ii) ceases to be employed by, or provide services to, the Corporation or the designated affiliates of the Corporation (and is not or does not continue to be a director or officer thereof), or any corporation engaged to provide services to the Corporation or the designated affiliates of the Corporation, for any reason (other than death) or receives notice from the Corporation or any designated affiliate of the Corporation of the termination of his or her employment contract, except as otherwise provided in any employment contract, such participant will have 90 days from the date of such termination to exercise his or her Options to the extent that such participant was entitled to exercise such Options at the date of such termination. Notwithstanding the foregoing or any employment contract, in no event will such right extend beyond the term of the Option.

*Consolidation, Merger, etc.*

If there is a consolidation, merger or statutory amalgamation or arrangement of the Corporation with or into another corporation, a separation of the business of the Corporation into two or more entities or a sale, lease exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Corporation to another entity, upon the exercise of an Option under the Option Plan the holder thereof is entitled to receive the securities, property or cash which the holder would have received upon such consolidation, merger, amalgamation, arrangement, separation or transfer if the holder had exercised the Option immediately prior to the effective time of such event, unless the Committee otherwise determines the basis upon which such Option shall be exercisable.

*Securities Exchange Take-Over Bid*

If a take-over bid (within the meaning of the *Securities Act (Ontario)*) is made as a result of which all of the outstanding Common Shares are acquired by the offeror through compulsory acquisition provisions of the incorporating statute of the Corporation or otherwise, and where consideration is paid in whole or in part in equity securities of the offeror, the Committee may send notice to all optionees requiring them to surrender their Options within ten days of the mailing of such notice, and the optionees shall be deemed to have surrendered such Options on the tenth day after the mailing of such notice

without further formality, provided that, among other things, the Committee delivers with such notice an irrevocable and unconditional offer by the offeror to grant replacement options to the optionees on the equity securities offered as consideration.

#### *Acceleration on Take-Over Bid, Consolidation or Merger*

In the event that (a) the Corporation seeks or intends to seek approval from the shareholders of the Corporation for a transaction which, if completed, would constitute an Acceleration Event (as hereinafter defined), or (b) a person makes a bona fide offer or proposal to the Corporation or the shareholders of the Corporation which, if accepted or completed, would constitute an Acceleration Event, then the Corporation is required to send notice to all optionees of such transaction, offer or proposal as soon as practicable. Provided that the Committee has determined that no adjustment will be made under the provisions of the Option Plan described above under the heading "Consolidation, Merger, etc.", (i) the Committee may by resolution, and notwithstanding any vesting schedule applicable to any Option, permit all Options outstanding which have restrictions on their exercise to become immediately exercisable during the period specified in the notice (but in no event later than the applicable expiry date of an Option), so that the optionee may participate in such transaction, offer or proposal, and (ii) the Committee may accelerate the expiry date of such Options and the time for the fulfillment of any conditions or restrictions on such exercise. An "Acceleration Event" means an acquisition by any offeror of beneficial ownership of more than 50% of the votes attached to the outstanding voting securities of the Corporation, any consolidation merger or statutory amalgamation or arrangement of the Corporation with or into another corporation and pursuant to which the Corporation will not be the surviving entity (other than a transaction under which the shareholders of the Corporation immediately prior to completion of the transaction will have the same proportionate ownership of the surviving corporation), a separation of the business of the Corporation into two or more entities, a sale, lease exchange or other transfer of all or substantially all of the assets of the Corporation to another entity or the approval by shareholders of the Corporation of any plan of liquidation or dissolution of the Corporation.

#### *Amendments, Modifications and Changes*

The Committee may from time to time in the absolute discretion of the Committee, subject to the applicable requirements of the principal stock exchange on which the Common Shares are listed, amend, modify and change the provisions of this Option Plan or any Options, provided, however, that any amendment, modification or change to the provisions of the Option Plan or any Options which would (a) materially increase the benefits under the Option Plan or any Options, (b) increase the number of Common Shares, other than as provided for pursuant to the terms of the Option Plan concerning capital reorganizations, which may be issued pursuant to the Option Plan, or (c) materially modify the requirements as to eligibility for participation in the Option Plan, will only be effective upon such amendment, modification or change being approved by the shareholders of the Corporation and, if required, by any stock exchange or any other regulatory authority having jurisdiction over the securities of the Corporation. In addition, if an optionee is an insider of the Corporation at the time of an amendment, modification or change that would materially increase the benefits under any of his or her Options, the Corporation must obtain disinterested shareholder approval.

#### *Shareholder Approval of the Option Plan*

At the Meeting, shareholders of the Corporation will be asked to consider, and if deemed advisable, to pass, with or without variation, a resolution (the "Option Plan Resolution") confirming and approving the Option Plan. The full text of the Option Plan Resolution is set out in schedule B attached hereto.

In order to be passed, the Option Plan Resolution requires the approval of a majority of the votes cast thereon by shareholders of the Corporation present in person or represented by proxy at the Meeting. The directors of the Corporation unanimously recommend that shareholders vote in favour of the Option Plan Resolution. **Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote FOR the Option Plan Resolution.**

### **OTHER BUSINESS**

Management is not aware of any matters to come before the Meeting other than those set forth in the Notice of Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the form of proxy accompanying this management information circular to vote the shares represented thereby in accordance with their best judgment on such matter.

### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Other than as set forth herein, management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last financial year, or of any associate or affiliate of any such persons, in any matter to be acted upon at the Meeting.

### **STATEMENT OF EXECUTIVE COMPENSATION**

The purpose of this section is to describe the compensation of certain named executive officers of the Corporation and the directors of the Corporation for the most recently completed financial year of the Corporation in accordance with Form 51-102F6 – *Statement of Executive Compensation* published by the Canadian Securities Administrators. When used in this section, “Named Executive Officers” means the chief executive officer, the chief financial officer and each of the three most highly compensated executive officers of the Corporation or the three most highly compensated individuals acting in a similar capacity, other than the chief executive officer and the chief financial officer, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year.

The Named Executive Officers during the financial year of the Corporation ended September 30, 2010 were Tim Warman, the President and Chief Executive Officer of the Corporation, Derrick Weyrauch, the former Chief Financial Officer of the Corporation,<sup>1</sup> Dr. Peter Stewart, the Vice President, Exploration of the Corporation and Marla Gale, the Vice President, Investor Relations of the Corporation. In addition, Brian E. Bayley and K. Peter Miller were Named Executive Officers of the Corporation during the financial year of the Corporation ended September 30, 2010 as they acted as the President and Chief Executive Officer and the Chief Financial Officer, respectively, of the Corporation until the completion of the reverse take-over transaction (the "RTO") on October 30, 2009, as described below.

#### *Description of the RTO*

Prior to October 30, 2009, the Corporation (referred to in this paragraph as "Arapaho") did not carry out any active business operations other than the identification and evaluation of potential business ventures or properties. Effective October 30, 2009, Arapaho completed the RTO involving Malbex

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<sup>1</sup> Mr. Weyrauch tendered his resignation as Chief Financial Officer of the Corporation effective January 31, 2011. Stephanie Malec has assumed the role of Chief Financial Officer of the Corporation.

Resources Inc., a private exploration company exploring for gold in Argentina (referred to in this management information circular as “Pre-RTO Malbex”). The RTO was effected by way of a three-cornered amalgamation pursuant to the *Business Corporations Act* (Ontario) whereby Pre-RTO Malbex amalgamated with a wholly-owned subsidiary of Arapaho and, among other things, shareholders of Pre-RTO Malbex received common shares of Arapaho (being the Common Shares) in exchange for their Pre-RTO Malbex common shares. Upon completion of the RTO, there were 56,308,301 Common Shares outstanding, of which 49,383,301, representing approximately 87.7% of the then outstanding Common Shares, were held by the former Pre-RTO Malbex shareholders. The RTO resulted in a change of control of Arapaho and constituted a reverse takeover under the policies of the TSXV. In December 2009, Arapaho was continued under the OBCA and changed its name to “Malbex Resources Inc.”.

## **Compensation Discussion and Analysis**

### *Philosophy and Objectives of Compensation Program*

The executive compensation program of the Corporation is administered by the directors of the Corporation with the assistance of the Governance and Compensation Committee. The directors of the Corporation, with the assistance of the Governance and Compensation Committee, review and make decisions in respect of compensation matters relating to the executive officers, employees, consultants and directors of the Corporation, ensuring consistent application of matters relating to remuneration and ensuring that executive remuneration is consistent with industry standards. The directors of the Corporation believe that the Corporation should provide a compensation package that is competitive and motivating, that will attract, hold and inspire qualified executives, that will encourage performance by executives to enhance the growth and development of the Corporation and that will balance the interests of the executives and the shareholders of the Corporation. Achievement of these objectives is expected to contribute to an increase in shareholder value.

### *Responsibilities of the Governance and Compensation Committee*

The responsibilities of the Governance and Compensation Committee include assisting the directors of the Corporation with respect to, among other things: (a) establishment of key human resources and compensation policies, including all incentive and equity based compensation plans; (b) establishment of corporate goals and objectives relevant to the Chief Executive Officer's compensation; (c) evaluation of the Chief Executive Officer's performance and determination of the Chief Executive Officer's and the senior executives' compensation; (d) evaluation of the performance of senior management; and (e) compensation of directors. In particular, the Governance and Compensation Committee, among other things:

- (a) annually reviews the Chief Executive Officer's and the senior executives' performance objectives, and recommends any changes to the directors for consideration;
- (b) annually reviews and evaluates the Chief Executive Officer's performance in light of pre-established performance objectives and reports its conclusions to the directors;
- (c) annually reviews the Chief Executive Officer's compensation and recommends any changes to the directors for consideration;
- (d) annually reviews the Chief Executive Officer's recommendations for the senior executives' compensation, and recommends any changes to the directors for consideration;
- (e) annually reviews incentive compensation plans and equity-based compensation;
- (f) ensures compensation policies for the Chief Executive Officer and the senior executives:
  - (i) properly reflect their respective duties and responsibilities;
  - (ii) are competitive in attracting, retaining and motivating people of the highest quality;
  - (iii) align the interests of the Chief Executive Officer and the senior executives with the shareholders; and
  - (iv) are based on established corporate and individual performance objectives; and
- (g) annually reviews directors' compensation, and recommends any changes to the directors for consideration.

#### *Elements of Executive Compensation*

Executives of the Corporation receive compensation in the form of fixed compensation, short term incentive compensation and long term equity-based incentive compensation. Base salary is designed to provide income certainty and to attract and retain executives, and is therefore based on the assessment of a number of factors such as current competitive market conditions, experience of the directors of the Corporation with other issuers in the industry and factors particular to the executive, including individual performance, the scope of the executive's role with the Corporation and retention considerations. In addition to base salary, the Corporation may award executives with short term incentive awards in the form of an annual bonus. Annual bonuses are intended to provide short-term incentives to executives and to reward them for their yearly individual contribution and performance of personal objectives in the context of overall annual corporate performance. The amount is not pre-established and is at the discretion of the directors of the Corporation. While there is no target amount for annual bonus, other than as may be set out in an executive's employment agreement, the directors of the Corporation review similar factors as those discussed above in relation to base salary. Equity incentive awards are designed to, among other things, motivate executives to achieve longer-term sustainable business results and align their interests with those of the shareholders, since grantees of equity incentive awards benefit only if the market value of the Common Shares at the time of stock option exercise is greater than the exercise price of the stock options determined with reference to the market price of the Common Shares at the time of grant. Awards are based on a variety of factors, such as the need to attract or retain key individuals, competitive market conditions and internal equity. The amounts and terms of historical and outstanding awards are taken into account from time to time when determining whether and in what amount to make new awards. The allocation of an executive's compensation to these different elements is not based on a

formula, but rather is intended generally to reflect market practices and realities as well as the discretionary assessment by the directors of the Corporation of his or her past contribution and ability to contribute to future short- and long-term business results. The directors rely on their experience as officers and directors of other companies in assessing appropriate compensation levels.

*Discussion of Compensation Awarded to the Named Executive Officers*

Tim Warman, the President and Chief Executive Officer of the Corporation, is compensated for his services to the Corporation pursuant to the terms of an employment agreement (the "Warman Employment Agreement") with the Corporation. The Warman Employment Agreement provides for both fixed compensation, comprised of base salary, and performance-based variable incentive compensation, comprised of an annual bonus, and long-term incentives in the form of awards under the Option Plan. Under the Warman Employment Agreement, Mr. Warman receives a base salary of \$180,000 per year, subject to an annual review by the directors of the Corporation having reference to any increase in the Consumer Price Index for Toronto and such other factors as the directors in their discretion consider relevant, provided that the adjusted salary may not be less than the base salary for the previous financial year. Mr. Warman is also eligible to receive an annual bonus with a target of 30% of his base salary. The annual bonus may be awarded by the directors of the Corporation in whole or in part, applying such personal and corporate performance measures as they consider appropriate. At the option of the Corporation, the annual bonus may be paid in whole or in part by issuing Common Shares or granting Options. Under the Warman Employment Agreement, Mr. Warman receives all benefits generally provided to senior officers of the Corporation, is entitled to four weeks of paid vacation annually and is eligible to be granted Options under the Option Plan.

As of September 30, 2010, the Corporation had signed offer letters with each of Derrick Weyrauch, the former Chief Financial Officer of the Corporation, Dr. Peter Stewart, the Vice President, Exploration of the Corporation, and Marla Gale, the Vice President, Investor Relations of the Corporation, pursuant to which each of such executives agreed to enter into a definitive employment agreement with the Corporation.

Mr. Weyrauch's offer letter provided that he receive an annual base salary of \$175,000 with a bonus target of up to 30% of his base salary. Mr. Weyrauch tendered his resignation from employment with the Corporation effective January 31, 2011.

Dr. Stewart's offer letter provides that he receive an annual base salary of \$175,000, subject to the annual review of the Corporate Governance and Compensation Committee and the directors of the Corporation, with adjustments to be determined by Dr. Stewart's overall performance of duties and responsibilities as well as the fiscal performance of the Corporation. Dr. Stewart is also eligible for an annual bonus of up to 30% of base salary at the discretion of the Corporate Governance and Compensation Committee. Dr. Stewart is entitled to four weeks of paid vacation annually.

Ms. Gale's offer letter provides that she receive an annual base salary of \$160,000. Ms. Gale is also eligible for an annual bonus of up to 30% of base salary. Ms. Gale is entitled to five weeks of paid vacation annually.

For the year ended September 30, 2010, the Named Executive Officers each received a cash bonus equal to 30% of his or her base annual salary primarily for achieving, as a group, the following:

- (a) successful completion of the 2009/2010 field season at the Corporation's mineral projects in Argentina, including identification of significant mineralization on six of seven drill targets at the Del Carmen property (including the gold-silver discovery at Rojo Grande) and finding multiple new targets for exploration at the Del Carmen and Despoblados properties during the 2010/2011 field season;
- (b) transition of Pre-RTO Malbex's operations to those of a public company following completion of the RTO;
- (c) completion of an oversubscribed public offering of Common Shares and warrants of the Corporation in June 2010 for aggregate gross proceeds of \$12.6 million; and
- (d) development of the plan for the 2010/2011 field season, which includes increased drilling from the previous season.

Brian E. Bayley and K. Peter Miller, the former President and Chief Executive Officer and the former Chief Financial Officer, respectively, of the Corporation prior to the completion of the RTO on October 30, 2009, did not receive any compensation from the Corporation during the financial year ended September 30, 2010.

### **Option-Based Awards**

Long-term incentive compensation is provided to executive officers and directors of the Corporation by granting Options to them under the Option Plan. All of the Corporation's officers, directors, employees and other service providers are eligible to participate in the Option Plan. Participants in the Option Plan benefit only if the market value of the Common Shares at the time of Option exercise is greater than the exercise price of the Options determined with reference to the market price of the Common Shares at the time of grant, thereby motivating holders of Options, including executive officers, to achieve longer-term sustainable business results and align their interests with those of the shareholders of the Corporation. Consistent with most other junior mining companies who do not have a source of revenues (other than interest from funds on deposit), management of the Corporation believes that security-based compensation arrangements and similar plans are a critical component of the Corporation's compensation arrangements and are necessary and vital to attracting and retaining key individuals.

Options are awarded by the directors in a manner that ensures that the total number of Options granted to any particular individual, including previous grants of Options, is commensurate with the individual's level of ongoing responsibility within the Corporation. Generally, all employees, officers and directors are eligible for an annual award of Options.

A summary of the Option Plan is set out under the heading "Business of the Meeting – Approval of the Option Plan" above. The full text of the Option Plan is attached as schedule A hereto.

## Summary Compensation Table

The following table sets forth information concerning the annual and long-term compensation for services rendered to the Corporation and its subsidiaries for the financial year of the Corporation ended for all financial years ending on or after December 31, 2008 in respect of the Named Executive Officers during such financial years.

Name and Principal Position	Year	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards <sup>(6)</sup> (\$)	Non-Equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans <sup>(7)</sup> (\$)	Long-Term Incentive Plans (\$)			
Tim Warman <sup>(1)</sup> President and Chief Executive Officer	2010	180,000	Nil	451,500	36,000	Nil	Nil	Nil	667,500
	2009	120,000	Nil	93,100	Nil	Nil	Nil	Nil	213,100
Derrick Weyrauch <sup>(2)</sup> Former Chief Financial Officer	2010	175,000	Nil	301,000	52,500	Nil	Nil	Nil	528,500
Dr. Peter Stewart <sup>(3)</sup> Vice President, Exploration	2010	175,000	Nil	301,000	52,500	Nil	Nil	Nil	528,500
Marla Gale <sup>(4)</sup> Vice President, Investor Relations	2010	120,000	Nil	210,700	36,000	Nil	Nil	Nil	366,700
Brian E. Bayley <sup>(5)</sup> Former President and Chief Executive Officer	2010	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2009	Nil	Nil	13,296	Nil	Nil	Nil	Nil	13,296
K. Peter Miller <sup>(5)</sup> Former Chief Financial Officer	2010	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2009	Nil	Nil	8,864	Nil	Nil	Nil	Nil	8,864

<sup>(1)</sup> Tim Warman assumed the role of President and Chief Executive Officer of the Corporation on October 30, 2009. The compensation shown for 2009 is compensation paid to Mr. Warman by Pre-RTO Malbex. The compensation shown for 2010 includes compensation paid to Mr. Warman by Pre-RTO Malbex for services provided by Mr. Warman from October 1, 2009 through October 29, 2009. Mr. Warman assumed the role of President and Chief Executive Officer of Pre-RTO Malbex effective February 1, 2009.

<sup>(2)</sup> Derrick Weyrauch assumed the role of Chief Financial Officer of the Corporation on October 30, 2009. The compensation shown for 2010 includes compensation paid to Mr. Weyrauch by Pre-RTO Malbex for services provided by Mr. Weyrauch from October 1, 2009 through October 29, 2009. Mr. Weyrauch resigned from his position as Chief Financial Officer on January 31, 2011 and was replaced by Stephanie Malec.

<sup>(3)</sup> Peter Stewart assumed the role of Vice President, Exploration of the Corporation on October 30, 2009. The compensation shown for 2010 includes compensation paid to Mr. Stewart by Pre-RTO Malbex for services provided by Mr. Stewart from October 1, 2009 through October 29, 2009.

<sup>(4)</sup> Marla Gale assumed the role of Vice President, Investor Relations of the Corporation on January 1, 2010.

<sup>(5)</sup> Concurrently with the completion of the RTO on October 30, 2009, Mr. Bayley resigned as the President and Chief Executive Officer of the Corporation and Mr. Miller resigned as the Chief Financial Officer of the Corporation. Following completion of the RTO, Mr. Bayley resigned as a director of the Corporation.

<sup>(6)</sup> The Corporation uses the Black-Scholes model to calculate the grant date fair value of option-based awards. The model requires six key inputs: risk-free interest rate, exercise price of the option, market price of the Common Shares at date of grant, expected dividend yield, expected life and share price volatility, all of which, except for exercise price of the option and market price of the Common Shares at date of grant, are estimates of management. In calculating the fair value of the options shown for 2010, management assumed a risk-free interest rate of 2.46%, an expected dividend yield of 0%, expected life of 5 years and share price volatility of 100%. In calculating the fair value of the options shown for 2009 for Mr. Warman, management assumed a risk-free interest rate of 1.28%, a market price of the common shares of Pre-RTO Malbex at date of grant of \$0.50 per share, an expected dividend yield of 0%, expected life of five years and share price volatility of 100%. In calculating the fair value of the options shown for 2009 for Messrs. Bayley and Miller, management assumed a risk-free interest rate of 2.47%, an expected dividend yield of nil, expected life of five years and share price volatility of 90.86%.

<sup>(7)</sup> Represents annual cash bonus paid to Named Executive Officer.

## Incentive Plan Awards

The following table sets forth certain information, in relation to the Named Executive Officers, regarding share-based and option-based awards outstanding as of the end of the financial year of the Corporation ended September 30, 2010.

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options <sup>(2)</sup> (\$)	Number of Shares or Units of Shares That Have not Vested (#)	Market or Payout Value of Share-Based Awards That Have not Vested (\$)
Tim Warman	166,667	0.75	08/20/2014	Nil	-	-
	750,000	0.80	12/08/2014	Nil		
Derrick Weyrauch	500,000	0.80	12/08/2014	Nil	-	-
Dr. Peter Stewart	500,000	0.80	12/08/2014	Nil	-	-
Marla Gale	350,000	0.80	12/08/2014	Nil	-	-
Brian E. Bayley <sup>(1)</sup>	-	-	-	-	-	-
K. Peter Miller <sup>(1)</sup>	-	-	-	-	-	-

<sup>(1)</sup> Concurrently with the completion of the RTO, Mr. Bayley resigned as the President and Chief Executive Officer of the Corporation and Mr. Miller resigned as the Chief Financial Officer of the Corporation. Following completion of the RTO, Mr. Bayley resigned as a director of the Corporation.

<sup>(2)</sup> Represents the aggregate dollar amount of in-the-money unexercised options held at the end of the most recent financial year of the Corporation. The value of in-the-money unexercised options is calculated based on the difference between the market value per Common Shares as at September 30, 2010 (\$0.56 per Common Share on the TSX Venture Exchange) and the exercise price of the option.

The following table sets forth certain information, in relation to the Named Executive Officers, regarding the value vested or earned in connection with incentive plan awards during the financial year of the Corporation ended September 30, 2010.

Name	Option-Based Awards – Value Vested During the Year <sup>(2)</sup> (\$)	Share-Based Awards – Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)
Tim Warman	Nil	-	-
Derrick Weyrauch	Nil	-	-
Dr. Peter Stewart	Nil	-	-
Marla Gale	Nil	-	-
Brian E. Bayley <sup>(1)</sup>	-	-	-
K. Peter Miller <sup>(1)</sup>	-	-	-

<sup>(1)</sup> Concurrently with the completion of the RTO, Mr. Bayley resigned as the President and Chief Executive Officer of the Corporation and Mr. Miller resigned as the Chief Financial Officer of the Corporation. Following completion of the RTO, Mr. Bayley resigned as a director of the Corporation.

<sup>(2)</sup> The amounts reported in this column represent the aggregate dollar value that would have been realized if all of the in-the-money option-based awards had been exercised on their respective vesting dates. Amounts represented by “nil” indicate that none of the option-based awards were in-the-money on their respective vesting dates.

## **Termination and Change of Control Benefits**

Pursuant to the Warman Employment Agreement, in the event that the Corporation terminates the employment of Mr. Warman without cause, he will be entitled to: (i) a lump sum payment on the date of termination of an amount equal to four months pay in lieu of notice; (ii) unpaid annual bonus pro-rated to the date that is four months after the date of termination; (iii) accrued but unused vacation to the date of termination; (iv) continued participation at the expense of the Corporation in the health and medical plans of the Corporation for its executive personnel in effect on the date on which the notice of termination is given, if any, until the earlier of Mr. Warman obtaining alternate coverage under the terms of new employment and the date that is four months after the date of termination. In addition, any stock option granted by the Corporation to Mr. Warman which would vest within four months of the date of notice of termination will immediately vest if it is not already vested, and will remain exercisable in accordance with the stock option plan under which such stock option was granted, and until the termination date of such stock option determined in accordance with such stock option plan.

In the event there is a Change of Control (as defined in the Warman Employment Agreement) and within 12 months of such Change of Control the Corporation gives notice of its intention to terminate the employment of Mr. Warman for any reason other than just cause or in the event a Triggering Event (as defined in the Warman Employment Agreement) occurs and Mr. Warman elects to terminate his employment with the Corporation, Mr. Warman is entitled to: (i) a lump sum payment equal to two times the sum of his annual base salary and annual bonus at target (being 30% of his annual base salary); and (ii) continued participation at the expense of the Corporation in the health and medical plans of the Corporation for its executive personnel in effect on the date of termination, if any, until the earlier of Mr. Warman obtaining alternate coverage under the terms of new employment and the date that is two years after the date of termination. In addition, any stock options granted by the Corporation to Mr. Warman immediately vest and remain exercisable in accordance with, and until the ordinary termination date of such stock options determined in accordance with, the stock option plan under which such stock options were granted.

Under the Warman Employment Agreement, the definition of Change of Control includes the following events: (i) less than 50% of the directors of the Corporation is comprised of individuals who were directors of the Corporation on the effective date of the Warman Employment Agreement or who became directors subsequent to such date with the consent of at least a majority of the directors at the time of appointment to the board; (ii) subject to certain provisions, an acquiror, other than through an offering of securities undertaken with the approval of the directors of the Corporation, acquires control of voting securities of the Corporation totaling, together with such securities already held by the acquiror, 50% of the outstanding voting securities of the Corporation; (iii) all resolutions of the shareholders of the Corporation necessary to permit such an acquisition are approved by shareholders; (iv) subject to certain provisions, the sale or transfer of more than 50% of the property or assets of the Corporation; and (v) all resolutions of the shareholders of the Corporation necessary to permit such a transfer are approved by shareholders. Under the Warman Employment Agreement, the definition of Triggering Event includes: (i) a material adverse change in any of the duties, powers, rights, discretion, prestige, title, salary, benefits or perquisites of Mr. Warman as they exist, and with respect to financial entitlements, the conditions under, and manner in which, they were payable, immediately prior to the Change of Control; (ii) a change in the office, individual or body (which includes the directors of the Corporation) to whom Mr. Warman reports immediately prior to the Change of Control, except if such office, individual or body is of equivalent rank or stature, provided that this shall not include a change resulting from a promotion in the normal course of business; or (iii) a material change in the hours during, or location at, which Mr. Warman is regularly required immediately prior to the Change of Control to carry out the terms of his employment with the Corporation, or a material increase in the amount of travel Mr. Warman is required to conduct on behalf of the Corporation.

The total estimated incremental payments, payables and benefits to Mr. Warman in the event of termination of his employment without cause, as if such event occurred on the last business day of the period of the most recently completed financial year of the Corporation, is \$78,000. The total estimated incremental payments, payables and benefits to Mr. Warman in the event of termination pursuant to a Change of Control, as if such termination occurred on the last business day of the period of the most recently completed financial year of the Corporation, is \$468,000. Each such amount represents a lump sum in terms of salary and bonus and the estimated cost of benefits.

Pursuant to Dr. Stewart's offer letter, if Dr. Stewart's employment is terminated without cause, he will be entitled to six months of salary, bonus and benefits in lieu of notice. In the event that the termination of his employment is pursuant to a change of control of the Corporation, Dr. Stewart will be entitled to 24 months of salary, bonus and benefits. The total estimated incremental payments, payables and benefits to Dr. Stewart in the event of termination of his employment without cause, as if such event occurred on the last business day of the period of the most recently completed financial year of the Corporation, is \$113,750. The total estimated incremental payments, payables and benefits to Dr. Stewart in the event of termination pursuant to a change of control, as if such termination occurred on the last business day of the period of the most recently completed financial year of the Corporation, is \$455,000. Each such amount represents a lump sum in terms of salary and bonus and the estimated cost of benefits.

Pursuant to Ms. Gale's offer letter, if Ms. Gale's employment is terminated without cause, she will be entitled to six months of salary, bonus and benefits in lieu of notice. In the event that the termination of her employment is pursuant to a change of control of the Corporation, Ms. Gale will be entitled to 24 months of salary, bonus and benefits. The total estimated incremental payments, payables and benefits to Ms. Gale in the event of termination of her employment without cause, as if such event occurred on the last business day of the period of the most recently completed financial year of the Corporation, is \$104,000. The total estimated incremental payments, payables and benefits to Ms. Gale in the event of termination pursuant to a change of control, as if such termination occurred on the last business day of the period of the most recently completed financial year of the Corporation, is \$416,000. Each such amount represents a lump sum in terms of salary and bonus and the estimated cost of benefits.

### **Director Compensation**

The following table sets forth information concerning the annual and long-term compensation in respect of the directors of the Corporation, other than the Named Executive Officers, during the financial year of the Corporation ended September 30, 2010.

Name	Fees Earned (\$)	Share-Based Awards (\$)	Option-Based Awards <sup>(3)</sup> (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Patrick Anderson <sup>(1)</sup>	23,333	-	60,200	-	-	Nil	83,533
David Garofalo <sup>(1)</sup>	23,333	-	120,400	-	-	Nil	143,733
Joseph Hamilton <sup>(1)</sup>	17,500	-	60,200	-	-	Nil	77,700
A. Terrance MacGibbon <sup>(1)</sup>	23,333	-	120,400	-	-	Nil	143,733
Donn Burchill <sup>(2)</sup>	-	-	-	-	-	-	-
Alan Matthews <sup>(2)</sup>	-	-	-	-	-	-	-
Robert Pollock <sup>(2)</sup>	-	-	-	-	-	-	-

<sup>(1)</sup> Messrs. Anderson and Hamilton were appointed directors of the Corporation on October 30, 2009, concurrently with the completion of the RTO. Messrs. Garofalo and MacGibbon were appointed directors of the Corporation on November 2, 2009.

<sup>(2)</sup> Concurrently with the completion of the RTO, Messrs. Burchill, Matthews and Pollock resigned as directors of the Corporation.

<sup>(3)</sup> The Corporation uses the Black-Scholes model to calculate the grant date fair value of option-based awards. The model requires six key inputs: risk-free interest rate, exercise price of the option, market price of the Common Shares at date of grant, expected dividend yield, expected life and share price volatility, all of which, except for exercise price of the option and market price of the Common Shares at date of grant, are estimates of management. In calculating the fair value of the options, management assumed a risk-free interest rate of 2.46%, an expected dividend yield of 0%, expected life of 5 years and share price volatility of 100%.

The following table sets forth certain information, in relation to the directors of the Corporation, other than the Named Executive Officers, regarding share-based and option-based awards outstanding as of the end of the financial year of the Corporation ended September 30, 2010.

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options <sup>(3)</sup> (\$)	Number of Shares or Units of Shares That Have not Vested (#)	Market or Payout Value of Share-Based Awards That Have not Vested (\$)
Patrick Anderson <sup>(1)</sup>	333,333	0.75	08/20/2014	Nil	-	-
	100,000	0.80	12/08/2014	Nil	-	-
David Garofalo <sup>(1)</sup>	200,000	0.80	12/08/2014	Nil	-	-
Joseph Hamilton <sup>(1)</sup>	333,333	0.75	08/20/2014	Nil	-	-
	100,000	0.80	12/08/2014	Nil	-	-
A. Terrance MacGibbon <sup>(1)</sup>	200,000	0.80	12/08/2014	Nil	-	-
Donn Burchill <sup>(2)</sup>	-	-	-	-	-	-
Alan Matthews <sup>(2)</sup>	-	-	-	-	-	-
Robert Pollock <sup>(2)</sup>	-	-	-	-	-	-

<sup>(1)</sup> Messrs. Anderson and Hamilton were appointed directors of the Corporation on October 30, 2009, concurrently with the completion of the RTO. Messrs. Garofalo and MacGibbon were appointed directors of the Corporation on November 2, 2009.

<sup>(2)</sup> Concurrently with the completion of the RTO, Messrs. Burchill, Matthews and Pollock resigned as directors of the Corporation.

<sup>(3)</sup> Represents the aggregate dollar amount of in-the-money unexercised options held at the end of the most recent financial year of the Corporation. The value of in-the-money unexercised options is calculated based on the difference between the market value per Common Shares as at September 30, 2010 (\$0.56 per Common Share on the TSX Venture Exchange) and the exercise price of the option.

The following table sets forth certain information, in relation to the directors of the Corporation, other than the Named Executive Officers, regarding the value vested or earned in connection with incentive plan awards during the financial year of the Corporation ended September 30, 2010.

Name	Option-Based Awards – Value Vested During the Year <sup>(3)</sup> (\$)	Share-Based Awards – Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)
Patrick Anderson <sup>(1)</sup>	Nil	-	-
David Garofalo <sup>(1)</sup>	Nil	-	-
Joseph Hamilton <sup>(1)</sup>	Nil	-	-
A Terrance MacGibbon <sup>(1)</sup>	Nil	-	-
Donn Burchill <sup>(2)</sup>	Nil	-	-
Alan Matthews <sup>(2)</sup>	Nil	-	-
Robert Pollock <sup>(2)</sup>	Nil	-	-

<sup>(1)</sup> Messrs. Anderson and Hamilton were appointed directors of the Corporation on October 30, 2009, concurrently with the completion of the RTO. Messrs. Garofalo and MacGibbon were appointed directors of the Corporation on November 2, 2009.

<sup>(2)</sup> Concurrently with the completion of the RTO, Messrs. Burchill, Matthews and Pollock resigned as directors of the Corporation.

<sup>(3)</sup> The amounts reported in this column represent the aggregate dollar value that would have been realized if all of the in-the-money option-based awards had been exercised on their respective vesting dates. Amounts represented by "nil" indicate that none of the option-based awards were in-the-money on their respective vesting dates.

### EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth, as of September 30, 2010, information concerning securities authorized for issue under equity compensation plans of the Corporation.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders	4,949,997	\$0.75	4,912,500

### INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

As of the date hereof, there is not, nor at any time since the beginning of the most recently completed financial year of the Corporation has there been, any indebtedness of any person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last financial year, or of any associate of such persons, to or guaranteed or supported by the Corporation or its subsidiaries either pursuant to an employee stock purchase program of the Corporation or otherwise.

### AUDIT COMMITTEE DISCLOSURE

#### Charter

The text of the charter (the "Charter") of the Audit Committee is attached hereto as schedule C.

#### Audit Committee

The Audit Committee consists of Messrs. Garofalo (Chair), Hamilton and MacGibbon. For the purposes of National Instrument 52-110 – *Audit Committees* published by the Canadian Securities Administrators ("NI 52-110"), all of the members of the Audit Committee are considered to be financially

literate and a majority of them are considered to be independent. Mr. Hamilton is not considered to be independent because he acted as Secretary of the Corporation until August 30, 2010.

### **Relevant Education and Experience**

Mr. Garofalo is a graduate of the University of Toronto (B.Comm.) and a Chartered Accountant. He currently serves as the President and Chief Executive officer of HudBay Minerals Inc. since July 2010. Before joining HudBay Minerals Inc., Mr. Garofalo served as Senior Vice-President, Finance and Chief Financial Officer at Agnico-Eagle Mines Limited. Mr. Garofalo is a certified director, Institute of Corporate Directors.

Mr. MacGibbon is a Professional Geologist with over 35 years of international experience in the mining business. He currently serves as the Chairman of Quadra FNX Mining Ltd. And was previously the CEO of FNX Mining Company Inc., where his responsibilities included reviewing and approving the annual and quarterly financial statements. He is a certified director, Institute of Corporate Directors.

Mr. Hamilton is a Professional Geologist with over 14 years of mineral exploration experience in addition to over seven years as a Mining Analyst in the investment industry and a further three years in mineral development. Mr. Hamilton graduated from the University of Toronto in 1984 with a B.Sc. in Geology. In 1991, Mr. Hamilton graduated from Queen's University with a M.Sc. (Applied) in Mineral Exploration. In 2003, Mr. Hamilton was awarded a Chartered Financial Analyst designation from the CFA Institute, and in 2004 he joined the Association of Professional Geoscientists of Ontario after qualifying as a Professional Geologist (P.Geo.). Mr. Hamilton was employed as a precious metals research analyst with Dundee Securities Corporation from June 1997 to March 2003. He then held a similar position with RBC Capital Markets, Global Mining Division from March 2003 to December 2004. He joined African Copper plc as Chief Operating Officer in January 2005 and was promoted to Chief Executive Officer in January 2007. Mr. Hamilton left African Copper plc in June 2008 and he currently provides consulting services through Pickax International Corporation. He is currently a member of the Association of Professional Geoscientists of Ontario, the Association of Professional Engineers and Geoscientists of Saskatchewan, Canada, the CFA Institute and the Institute of Corporate Directors.

### **Audit Committee Oversight**

At no time since the commencement of the most recently completed financial year of the Corporation was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the directors of the Corporation.

### **Reliance on Certain Exemptions**

At no time since the commencement of the most recently completed financial year of the Corporation has the Corporation relied on the exemption set out in section 2.4 of NI 52-110 (De Minimis Non-Audit Services), or an exemption from the application of NI 52-110, in whole or in part, granted under Part 8 of NI 52-110 (Exemptions).

### **Pre-Approval Policies and Procedures**

The Audit Committee, or its delegate appointed in accordance with the Charter, must pre-approve all non-audit services to be provided by the external auditor of the Corporation. The Audit Committee has not adopted specific policies and procedures for the engagement of such non-audit services.

## External Auditor Service Fees

The aggregate fees billed by KPMG LLP and PWC, the external auditor of the Corporation, in each of the two most recently completed financial years of the Corporation were as follows:

<u>Year Ending</u>	<u>Audit Fees</u>	<u>Audit-Related Fees</u> <sup>(3)</sup>	<u>Tax Fees</u> <sup>(4)</sup>	<u>All Other Fees</u> <sup>(5)</sup>
September 30, 2010 <sup>(1)</sup>	\$55,000	Nil	\$8,769	\$131,500
September 30, 2009 <sup>(2)</sup>	\$11,500	Nil	Nil	\$47,800

<sup>(1)</sup> PWC acted as auditor of the Corporation for the financial year ended September 30, 2010.

<sup>(2)</sup> KPMG LLP acted as auditor of the Corporation for the financial year ended September 30, 2009.

<sup>(3)</sup> Audit-Related Fees are fees billed for assurance and related services that are reasonable related to the performance of the audit or review of financial statements and are not reported under Audit Fees.

<sup>(4)</sup> Tax Fees are fees for professional services rendered for tax compliance, tax advice, and tax planning.

<sup>(5)</sup> These fees include review fees for quarterly reports and fees relating to the filing statement and comfort letters in connection with the RTO and financings.

## Venture Issuer Exemption

The Corporation is not required to comply with Part 3 of NI 52-110 (Composition of the Audit Committee) and Part 5 of NI 52-110 (Reporting Obligations) by virtue of the exemption for venture issuers contained in section 6.1 of NI 52-110.

## CORPORATE GOVERNANCE DISCLOSURE

### Governance and Compensation Committee

The directors of the Corporation established the Governance and Compensation Committee to assist the directors in fulfilling their oversight responsibilities with respect to, among other things: (a) developing governance guidelines and principles for the Corporation; (b) identifying individuals qualified to be nominated as directors of the Corporation; (c) evaluating the structure and composition of the committees of the directors of the Corporation; and (d) evaluating the performance and effectiveness of the board of directors.

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

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

The charter of the Governance and Compensation Committee can be found on the Corporation's website at [www.malbex.ca](http://www.malbex.ca).

The Governance and Compensation Committee is comprised of three members, Messrs. Anderson, Garofalo and Hamilton, a majority of whom are independent for the purposes of National

Instrument 58-101 – *Disclosure of Corporate Governance Practices* published by the Canadian Securities Administrators ("NI 58-101"). Mr. Hamilton is not considered to be independent because he acted as Secretary of the Corporation until August 30, 2010.

### **Independence of the Board of Directors**

The Corporation has five directors, a majority of whom are considered to be independent. Mr. Warman, the President and Chief Executive Officer of the Corporation, is not considered to be independent because he is an executive officer of the Corporation. Mr. Hamilton is not considered to be independent because he acted as Secretary of the Corporation until August 30, 2010.

The directors of the Corporation annually review and make a determination as to the independence of each director in light of all applicable laws, rules, regulations and stock exchange requirements. The Corporation seeks to maintain a board of directors with at least a majority of independent directors.

The directors facilitate independent supervision over management by holding in camera sessions at each regular meeting of the directors without any members of management present (including those members of management who also serve as directors of the Corporation). Notwithstanding the foregoing, the directors of the Corporation believe that there is value in having certain members of senior management attend each meeting of the directors to provide information and presentations regarding the business of the Corporation in order to assist the directors in their deliberations. Attendance by senior management is determined by the Chief Executive Officer of the Corporation with the concurrence of the board of directors of the Corporation.

Management of the Corporation is expected to make appropriate use of the directors' collective and individual expertise before any decisions on key issues are made. The directors of the Corporation approve annual business plans and budgets and 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 require the approval of the directors of the Corporation.

### **Other Directorships**

Certain directors of the Corporation are also directors of other reporting issuers (or the equivalent in foreign jurisdictions) as set out below:

<u>Name of Director</u>	<u>Other Reporting Issuers</u>
Patrick Anderson	Continental Gold Limited Dalradian Resources Inc. Colossus Minerals Inc.
David Garofalo	Stornoway Diamond Corporation Hudbay Minerals Inc.
Joseph Hamilton	Noront Resources Ltd. Unigold Inc.
A. Terrance MacGibbon	Quadra FNX Mining Ltd. Torex Gold Resources Inc. Gold Wheaton Gold Corp. INV Metals Inc.
Tim Warman	Continental Gold Limited

## **Orientation and Continuing Education**

The Corporation does not have a formal orientation or continuing education program. The President and Chief Executive Officer of the Corporation is responsible for providing an orientation and education program for new directors of the Corporation. When a person joins the board of directors, he or she will be given the opportunity to become familiar with the Corporation by meeting with the other directors of the Corporation and with the officers and representatives of the Corporation. As each director has a different skill set and professional background, orientation and training activities will be tailored to the particular needs and experience of the individual director.

## **Ethical Business Conduct**

The directors of the Corporation have established a Code of Business Conduct and Ethics (the "Ethics Code"), a copy of which may be found on the Corporation's website at [www.malbex.ca](http://www.malbex.ca) or on SEDAR at [www.sedar.com](http://www.sedar.com). The Ethics Code provides a set of ethical standards by which each director, officer, employee, consultant and contractor of the Corporation is expected to conduct their business and, for each officer and employee of the Corporation, constitutes conditions of employment and, for each consultant and contractor, constitutes conditions of providing services to the Corporation. The Ethics Code is intended to give an overview of the Corporation's expectations for its directors, officers, employees, consultants and contractors and is supplemented by any other applicable policies adopted by the Corporation.

The directors of the Corporation expect all directors, officers and employees of the Corporation to act honestly and ethically at all times and to adhere to the Ethics Code. The directors of the Corporation may permit a waiver of the Ethics Code for any director or executive officer of the Corporation. However, any such waiver will be promptly disclosed to the extent required by applicable law or stock exchange rules and regulations.

The Ethics Code sets out that all directors, officers, employees, contractors and consultants of the Corporation, in discharging their duties, must comply with:

- the laws, rules and regulations of the location in which the Corporation is conducting business activities;
- the Ethics Code; and
- all corporate policies, including, without limitation, the Foreign Corrupt Practices Policy, the Corporate Disclosure Policy and the Insider Trading Policy.

All directors, officers, employees, contractors and consultants are required to provide an annual certification to the Corporation confirming compliance with all laws, rules and regulations of the location in which the Corporation is performing business activities, as well as compliance with all applicable policies of the Corporation. The Chief Executive Officer of the Corporation is responsible for ensuring that all annual certifications are obtained and for providing confirmation to the directors of the Corporation that such certifications have been obtained and summarizing the results thereof.

The Chief Executive Officer of the Corporation is responsible for setting the ethical tone for the Corporation and its management, including (i) overseeing the administration and implementation of, and compliance with, the Corporation's policies and procedures; (ii) taking all reasonable steps to satisfy the directors of the Corporation as to the integrity of the Chief Executive Officer and other senior officers of the Corporation; (iii) taking all reasonable steps to satisfy the directors of the Corporation that the Chief Executive Officer and other senior officers of the Corporation create a culture of integrity throughout the organization; and (iv) fostering ethical and responsible decision making by management.

## **Nomination of Directors**

The directors of the Corporation as a whole are responsible for identifying and recommending new candidates, having regard to the appropriate number of directors of the Corporation and the necessary competencies and skills of the directors collectively and individually. New nominees should have a track record in general business management, special expertise in an area of strategic interest to the Corporation and the ability to devote the time required to fulfill the duties of a director of the Corporation.

The Governance and Compensation Committee annually (i) reviews and assesses the size, composition and operation of the board of directors to ensure effective decision making; (ii) reviews and assesses the size, composition and chairmen of all committees of the directors; and (iii) identifies and reviews candidates for appointment or nomination as directors of the Corporation based upon an assessment of the independence, skills, qualifications and experience of the candidate and makes recommendations to the directors for their consideration. In addition, the 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 as directors of the Corporation. The objective of the review is to maintain the composition of the board of directors in a way that provides the best mix of skills and experience to provide for the overall stewardship of the Corporation. All directors are required to possess fundamental qualities of intelligence, honesty, integrity, ethical behavior, fairness and responsibility and to be committed to representing the long-term interests of the shareholders of the Corporation. They must also have a genuine interest in the Corporation, have the ability to be objective at all times about the best interests of the Corporation, 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 directors of the Corporation have the ability to increase or decrease the size of the board of directors within the limits set out in the articles and by-laws of the Corporation and applicable laws. The directors will determine the size of the board of directors having regard to the best interests of the Corporation. The directors believe that the size of the board of directors 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 attendance at meetings of the directors of the Corporation. The directors of the Corporation will review the size of the board of directors if a change is recommended by the Governance and Compensation Committee.

## **Compensation**

See "Statement of Executive Compensation" above for information regarding compensation made to certain executives and to directors of the Corporation.

## **Other Board Committees**

In addition to the Audit Committee and the Governance and Compensation Committee, the directors of the Corporation have established the SHEA Committee. The responsibilities of the SHEA Committee include assisting the directors of the Corporation in fulfilling their oversight responsibilities with respect to: (a) developing health, safety and environmental guidelines including emergency preparedness for the Corporation; and (b) monitoring health, safety and environmental performance of the Corporation.

## **Assessments**

The Governance and Compensation Committee is mandated to undertake an annual assessment of the overall performance and effectiveness of the directors of the Corporation collectively and each committee thereof and to report on the results of such assessment to the directors of the Corporation. The purpose of the assessment is to ensure the continued effectiveness of the directors of the Corporation in discharging their duties and responsibilities and to contribute to a process of continuing improvement.

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as otherwise disclosed herein, no informed person (as that term is defined in NI 51-102) or any nominee for election as a director, or any associate or affiliate of any of them, has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year of the Corporation that has materially affected or is reasonably expected to materially affect the Corporation.

Robert Pollock, a former director of the Corporation, had an interest in the RTO by virtue of being, at the time of the RTO, a director of the Corporation and an insider of Pre-RTO Malbex. Mr. Pollock held approximately 13.6% of the outstanding common shares of Pre-RTO Malbex prior to the RTO (without giving effect to the exchange, immediately prior to the effective time of the RTO, of subscription receipts of Pre-RTO Malbex into common shares of Pre-RTO Malbex and purchase warrants for common shares of Pre-RTO Malbex). As required by the policies of the TSX Venture Exchange, the Common Shares held by Mr. Pollock were excluded from the approval of shareholders of the Corporation required by the policies of the TSX Venture Exchange in connection with the RTO. In connection with the RTO, Mr. Pollock resigned as a director of the Corporation and, upon completion of the RTO and as of the date hereof, held, or exercised control or direction over, less than 10% of the outstanding Common Shares.

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the comparative financial statements and the management's discussion and analysis of the Corporation for the financial year of the Corporation ended September 30, 2010. Shareholders may also obtain these documents, without charge, upon request to the Corporation at its offices located at Suite 901, 372 Bay Street, Toronto, Ontario M5H 2W9.

## **APPROVAL**

The contents of this management information circular and the sending thereof to the shareholders of the Corporation have been approved by the directors of the Corporation.

DATED at Toronto, Ontario as of this 16<sup>th</sup> day of February, 2011.

By Order of the Board of Directors

(signed) TIM WARMAN  
President and Chief Executive Officer

## SCHEDULE A

### MALBEX RESOURCES INC.

#### SHARE OPTION PLAN

(Amended and Restated as of February 9, 2010)

#### ARTICLE ONE

##### DEFINITIONS AND INTERPRETATION

Section 1.01 **Definitions.** For purposes of this Share Option Plan, unless such capitalized word or term is otherwise defined herein or the context in which such capitalized word or term is used herein otherwise requires, the following words and terms with the initial letter or letters thereof capitalized shall have the following meanings:

- (a) “**Blackout Period**” means a period of time during which (i) the trading guidelines of the Corporation, as amended or replaced from time to time, restrict one or more Participants from trading in securities of the Corporation or (ii) the Corporation has determined that one or more Participants may not trade any securities of the Corporation;
- (b) “**Blackout Period Expiry Date**” means the date on which a Blackout Period expires;
- (c) “**Business Day**” means a day on which the Stock Exchange is open for trading;
- (d) “**Committee**” means the Directors or, if the Directors so determine in accordance with section 2.03 hereof, the committee of the Directors authorized to administer this Share Option Plan;
- (e) “**Common Shares**” means the common shares of the Corporation, as adjusted in accordance with the provisions of article five hereof from time to time;
- (f) “**Corporation**” means Malbex Resources Inc., a corporation existing under the *Business Corporations Act* (Ontario), and any successor thereof;
- (g) “**Designated Affiliates**” means the affiliates of the Corporation designated by the Committee for purposes of this Share Option Plan from time to time;
- (h) “**Directors**” means the directors of the Corporation from time to time;
- (i) “**Eligible Directors**” means the Directors or the directors of any Designated Affiliate from time to time;
- (j) “**Eligible Employees**” means employees and officers, whether Directors or not, of the Corporation or any Designated Affiliate, provided that such employees and officers are either individuals who are considered employees under the *Income Tax Act* (Canada) or individuals

who work full-time, or on a continuing and regular basis for a minimum amount of time per week, for the Corporation or a Designated Affiliate providing services normally provided by an employee and who are subject to the same control and direction by the Corporation or a Designated Affiliate over the details and methods of work as an employee of the Corporation or a Designated Affiliate, but for whom income tax deductions are not made at source;

- (k) “**Employment Contract**” means any contract between the Corporation or any Designated Affiliate and any Eligible Employee, Eligible Director or Other Participant relating to, or entered into in connection with, the employment or departure of the Eligible Employee, the appointment, election or departure of the Eligible Director or the engagement of the Other Participant or any other agreement to which the Corporation or a Designated Affiliate is a party with respect to the rights of such Participant in respect of a change in control of the Corporation or the termination of employment, appointment, election or engagement of such Participant;
- (l) “**Exercise Price**” has the meaning given to such term in section 3.03 hereof;
- (m) “**Insider**” has the meaning given to such term in the policies of the TSX Venture Exchange;
- (n) “**Option**” means an option to purchase Common Shares granted pursuant to, or governed by, this Share Option Plan;
- (o) “**Optionee**” means a Participant to whom an Option has been granted pursuant to this Share Option Plan;
- (p) “**Option Period**” means the period of time during which the particular Option may be exercised, including as extended in accordance with section 3.04 hereof;
- (q) “**Other Participant**” means, other than an Eligible Director or an Eligible Employee, any person engaged to provide ongoing management, advisory, consulting, technical or other services (other than services provided in relation to a distribution of securities of the Corporation) for the Corporation or a Designated Affiliate, or any employee of such person, under a written contract between the Corporation and such person, and who spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or a Designated Affiliate and has a relationship with the Corporation or a Designated Affiliate that enables such person to be knowledgeable about the business and affairs of the Corporation or Designated Affiliate, as the case may be;
- (r) “**Participant**” means each Eligible Director, Eligible Employee and Other Participant;
- (s) “**Share Option Plan**” means this share option plan as amended from time to time;
- (t) “**Stock Exchange**” means the TSX Venture Exchange or, if the Common Shares are not then listed on the TSX Venture Exchange, such other principal market on which the Common Shares are then traded as designated by the Committee from time to time;
- (u) “**Termination**” has the meaning given to such term in section 3.11 hereof; and
- (v) “**U.S. Securities Act**” has the meaning given to such term in section 4.02 hereof.

Section 1.02 **Securities Definitions.** In this Share Option Plan, the terms “affiliate”, “associate” and “subsidiary” shall have the meaning given to such terms in the *Securities Act* (Ontario).

Section 1.03 **Headings.** The headings of all articles, sections, paragraphs and subparagraphs in this Share Option Plan are inserted for convenience of reference only and shall not affect the construction or interpretation of this Share Option Plan.

Section 1.04 **Context, Construction.** Whenever the singular or masculine are used in this Share Option Plan the same shall be construed as being the plural or feminine or neuter or vice versa where the context so requires. The word “person” shall be given the widest meaning possible and shall include, without limitation, an individual, a corporation, a partnership, a limited partnership or any other unincorporated entity.

Section 1.05 **References to this Share Option Plan.** The words “hereto”, “herein”, “hereby”, “hereunder”, “hereof” and similar expressions mean or refer to this Share Option Plan as a whole and not to any particular article, section, paragraph, subparagraph or other part hereof.

Section 1.06 **Canadian Funds.** Unless otherwise specifically provided, all references to dollar amounts in this Share Option Plan are references to lawful money of Canada.

## ARTICLE TWO

### PURPOSE AND ADMINISTRATION OF THIS SHARE OPTION PLAN

Section 2.01 **Purpose of this Share Option Plan.** This Share Option Plan provides for the potential acquisition of Common Shares by Participants for the purpose of advancing the interests of the Corporation through the motivation, attraction and retention of key employees, directors and consultants of the Corporation and the Designated Affiliates and to secure for the Corporation and the shareholders of the Corporation the benefits inherent in the ownership of Common Shares by key employees, directors and consultants of the Corporation and the Designated Affiliates, it being generally recognized that share incentive plans can aid in attracting, retaining and encouraging employees, directors and consultants due to the opportunity offered to them to acquire a proprietary interest in the Corporation.

Section 2.02 **Administration of this Share Option Plan.** This Share Option Plan shall be administered by the Committee and the Committee shall have full authority to administer this Share Option Plan, including the authority to interpret and construe any provision of this Share Option Plan and to adopt, amend and rescind such rules and regulations for administering this Share Option Plan as the Committee may deem necessary or desirable in order to comply with the requirements of this Share Option Plan, subject in all cases to compliance with regulatory requirements. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and conclusive and shall be binding on the Participants and the Corporation. No member of the Committee shall be personally liable for any action taken or determination or interpretation made in good faith in connection with this Share Option Plan and all members of the Committee shall, in addition to their rights as Directors, be fully protected, indemnified and held harmless by the Corporation with respect to any such action taken or determination or interpretation made. The appropriate officers of the Corporation are hereby authorized and empowered to do all things and execute and deliver all instruments, undertakings and applications and writings as they, in their absolute discretion, consider necessary or desirable for the implementation of this Share Option Plan and of the rules and regulations established for administering this Share Option Plan. All costs incurred in connection with this Share Option Plan shall be for the account of the Corporation. This Share Option Plan shall be administered in accordance with the rules

and policies of the TSX Venture Exchange by the Committee so long as the Common Shares are listed on the TSX Venture Exchange.

**Section 2.03 Delegation to Committee.** All of the powers exercisable hereunder by the Directors may, to the extent permitted by applicable law and as determined by resolution of the Directors, be exercised by a committee of the Directors comprised of not less than three Directors.

**Section 2.04 Record Keeping.** The Corporation shall maintain a register in which shall be recorded:

- (a) the name and address of each Optionee;
- (b) the number of Common Shares subject to Options granted to each Optionee; and
- (c) the aggregate number of Common Shares subject to Options.

**Section 2.05 Determination of Participants.** The Committee shall from time to time determine the Participants who may participate in this Share Option Plan. The Committee shall from time to time determine the Participants to whom Options shall be granted, the number of Common Shares to be made subject to, and the expiry date of, each Option granted to each Participant and the other terms, including any vesting provisions, of each Option granted to each Participant, all such determinations to be made in accordance with the terms and conditions of this Share Option Plan, and the Committee may take into consideration the present and potential contributions of, and the services rendered by, the particular Participant to the success of the Corporation and any other factors which the Committee deems appropriate and relevant. All Eligible Employees and Other Participants shall be bona fide Eligible Employees or Other Participants, as the case may be.

**Section 2.06 Maximum Number of Shares.**

- (i) The maximum number of Common Shares reserved for issue pursuant to this Share Option Plan shall be determined from time to time by the Committee but, in any case, shall not exceed, in the aggregate, 10% of the number of Common Shares then outstanding.
- (ii) The maximum number of Common Shares reserved for issue pursuant to Options granted under this Share Option Plan to Participants who are Insiders of the Corporation in any 12 month period shall not exceed 10% of the number of Common Shares then outstanding, unless disinterested shareholder approval is received therefor in accordance with the policies of the Stock Exchange.
- (iii) The maximum number of Common Shares reserved for issue to any one Participant upon the exercise of Options in any 12 month period shall not exceed 5% of the number of Common Shares then outstanding, unless disinterested shareholder approval is received therefor in accordance with the policies of the Stock Exchange.
- (iv) The maximum number of Common Shares reserved for issue to any one Other Participant upon the exercise of Options in any 12 month period shall not exceed 2% of the number of Common Shares then outstanding.
- (v) The maximum number of Common Shares reserved for issue to all Eligible Employees and to all Other Participants conducting Investor Relations Activities (as

such terms are defined in the policies of the TSX Venture Exchange) upon the exercise of Options in any 12 month period shall not exceed, in the aggregate, 2% of the number of Common Shares then outstanding. Options granted to Other Participants performing Investor Relations Activities shall vest in stages over a twelve month period, with no more than ¼ of the Options vesting in any three month period. The Directors shall, through the establishment of appropriate procedures, monitor the trading in the securities of the Corporation by all Optionees performing Investor Relations Activities.

For purposes of this section 2.06, “the number of Common Shares then outstanding” shall mean the number of Common Shares outstanding on a non-diluted basis calculated at the date of the proposed grant of the applicable Option. All Common Shares reserved for issue upon the exercise of options outstanding under any stock option plan (a “Malbex Plan”) of Malbex Resources Inc., which was amalgamated with a wholly-owned subsidiary of the Corporation on October 30, 2009, or any other stock option plan (a “Prior Arapaho Plan”) of the Corporation that has received the approval of the shareholders of the Corporation prior to the date that this Share Option Plan becomes effective, shall be counted toward the maximum number of Common Shares permitted to be reserved for issue pursuant to any of the provisions of this section 2.06.

### ARTICLE THREE

#### SHARE OPTION PLAN

Section 3.01 **The Share Option Plan and Participants.** This Share Option Plan is hereby established for Eligible Directors, Eligible Employees and Other Participants.

Section 3.02 **Option Notice or Agreement.** Each Option granted to a Participant may be evidenced by a stock option notice or stock option agreement setting out terms and conditions consistent with the provisions of this Share Option Plan, which terms and conditions need not be the same in each case and which terms and conditions may be changed from time to time.

Section 3.03 **Exercise Price.** The price per share (the “Exercise Price”) at which any Common Share which is the subject of an Option may be purchased shall be determined by the Committee at the time the Option is granted, provided that the Exercise Price shall be not less than the closing price of the Common Shares on the Stock Exchange on the last trading day immediately preceding the date of the grant of such Option less the maximum discount, if any, permitted by the Stock Exchange (provided that so long as the Common Shares are listed on the TSX Venture Exchange the exercise price will be subject to a minimum price of \$0.10) or, if the Common Shares are not then listed on any stock exchange, the Exercise Price shall not be less than the fair market value of the Common Shares as may be determined by the Directors on the day immediately preceding the date of the grant of such Option. Disinterested shareholder approval shall be required for any reduction in the Exercise Price of any Option if the Optionee is an Insider of the Corporation at the time of the proposed amendment to the Exercise Price.

Section 3.04 **Term of Option.** The Option Period for each Option shall be such period of time as shall be determined by the Committee, subject to amendment by an Employment Contract, provided that in no event shall an Option Period exceed ten years. Notwithstanding the definition of Option Period contained herein or the foregoing, the expiration date of an Option will be the date fixed by the Directors with respect to such Option unless such expiration date falls within a Blackout Period or within ten days after a Blackout Period Expiry Date, in which case the expiration date of the Option will be the date which is ten Business Days after the Blackout Period Expiry Date. Disinterested shareholder approval

shall be required for the extension of any Option Period if the Optionee is an Insider of the Corporation at the time of the proposed amendment to the Option Period.

**Section 3.05 Lapsed Options.** If Options granted under this Share Option Plan (or stock options granted under a Malbex Plan or a Prior Arapaho Plan) are surrendered, terminate or expire without being exercised in whole or in part, new Options may be granted covering the Common Shares not purchased under such lapsed Options (or such lapsed stock options).

**Section 3.06 Limit on Options to be Exercised.** Except as otherwise specifically provided herein or in any Employment Contract, Options may be exercised by the Optionee in whole at any time, or in part from time to time (in each case to the nearest full Common Share), during the Option Period only in accordance with the vesting schedule, if any, determined by the Committee, in its sole and absolute discretion, subject to the applicable requirements of the Stock Exchange, at the time of the grant of the Option, which vesting schedule may include performance vesting or acceleration of vesting in certain circumstances and which may be amended or changed by the Committee from time to time with respect to a particular Option. If the Committee does not determine a vesting schedule at the time of the grant of any particular Option, such Option shall be exercisable in whole at any time, or in part from time to time, during the Option Period, subject to the applicable requirements of the Stock Exchange. In the event that the Common Shares are listed on the TSX Venture Exchange, Options with an Exercise Price based on the Discounted Market Price (as such term is defined in the policies of the TSX Venture Exchange), and the Common Shares issuable upon the exercise thereof, shall be subject to the restricted period and legending requirements imposed by the policies of the TSX Venture Exchange.

**Section 3.07 Eligible Participants on Exercise.** An Option may be exercised by the Optionee in whole at any time, or in part from time to time, during the Option Period, provided however that, except as otherwise specifically provided in section 3.10 or 3.11 hereof or in any Employment Contract, no Option may be exercised unless the Optionee at the time of exercise thereof is:

- (a) in the case of an Eligible Employee, an officer of the Corporation or a Designated Affiliate or in the employment of the Corporation or a Designated Affiliate and has been continuously an officer or so employed since the date of the grant of such Option, provided however that a leave of absence with the approval of the Corporation or such Designated Affiliate shall not be considered an interruption of employment for purposes of this Share Option Plan;
- (b) in the case of an Eligible Director who is not also an Eligible Employee, a director of the Corporation or a Designated Affiliate and has been such a director continuously since the date of the grant of such Option; and
- (c) in the case of an Other Participant, engaged, directly or indirectly, in providing ongoing management, advisory, consulting, technical or other services for the Corporation or a Designated Affiliate and has been so engaged since the date of the grant of such Option.

**Section 3.08 Payment of Exercise Price.** The issue of Common Shares on the exercise of any Option shall be contingent upon receipt by the Corporation of payment of the aggregate purchase price for the Common Shares in respect of which the Option has been exercised by cash or certified cheque delivered to the registered office of the Corporation together with a completed notice of exercise. No Optionee or legal representative, legatee or distributee of any Optionee will be, or will be deemed to be, a holder of any Common Shares with respect to which such Optionee was granted an Option, unless and until certificates for such Common Shares are issued to such Optionee, or them, under the terms of this Share Option Plan. Subject to section 3.12 hereof, upon an Optionee exercising an Option and paying the Corporation the aggregate purchase price for the Common Shares in respect of which the Option has been

exercised, the Corporation shall as soon as practicable thereafter issue and deliver a certificate representing the Common Shares so purchased.

**Section 3.09 Acceleration on Take-over Bid, Consolidation, Merger, etc.** In the event that:

- (a) the Corporation seeks or intends to seek approval from the shareholders of the Corporation for a transaction which, if completed, would constitute an Acceleration Event (as defined below); or
- (b) a person makes a bona fide offer or proposal to the Corporation or the shareholders of the Corporation which, if accepted or completed, would constitute an Acceleration Event,

the Corporation shall send notice to all Optionees of such transaction, offer or proposal as soon as practicable and, provided that the Committee has determined that no adjustment will be made pursuant to section 5.06 hereof, (i) the Committee may, by resolution and notwithstanding any vesting schedule applicable to any Option or section 3.06 hereof, permit all Options outstanding which have restrictions on their exercise to become immediately exercisable during the period specified in the notice (but in no event later than the applicable expiry date of an Option), so that the Optionee may participate in such transaction, offer or proposal, and (ii) the Committee may accelerate the expiry date of such Options and the time for the fulfillment of any conditions or restrictions on such exercise.

In this section 3.09, an Acceleration Event means:

- (a) the acquisition by any “offeror” (as defined in section 89 of the *Securities Act* (Ontario) as of the date hereof) of beneficial ownership of more than 50% of the votes attached to the outstanding voting securities of the Corporation, by means of a take-over bid or otherwise;
- (b) any consolidation, merger, statutory amalgamation or arrangement involving the Corporation and pursuant to which the Corporation will not be the continuing or surviving corporation or pursuant to which the Common Shares will be converted into cash or securities or property of another entity, other than a transaction involving the Corporation and in which the shareholders of the Corporation immediately prior to the completion of the transaction will have the same proportionate ownership of the surviving corporation immediately after the completion of the transaction;
- (c) a separation of the business of the Corporation into two or more entities;
- (d) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Corporation to another entity; or
- (e) the approval by the shareholders of the Corporation of any plan of liquidation or dissolution of the Corporation.

**Section 3.10 Effect of Death.** If a Participant or, in the case of an Other Participant which is not an individual, the primary individual providing services to the Corporation or Designated Affiliate on behalf of the Other Participant, shall die, any outstanding Option held by such Participant or Other Participant at the date of such death shall become immediately exercisable notwithstanding section 3.06 hereof, and shall be exercisable in whole or in part only by the person or persons to whom the rights of the Optionee under the Option shall pass by the will of the Optionee or the laws of descent and distribution for a period of 12 months after the date of death of the Optionee or prior to the expiration of the Option Period in respect of the Option, whichever is earlier, and then only to the extent that such

Optionee was entitled to exercise the Option at the date of the death of such Optionee in accordance with sections 3.06, 3.07 and 3.11 hereof.

Section 3.11 **Effect of Termination of Engagement.** If a Participant shall:

- (a) cease to be a director of the Corporation or of a Designated Affiliate, as the case may be (and is not or does not continue to be an employee thereof), for any reason (other than death); or
- (b) cease to be employed by, or provide services to, the Corporation or the Designated Affiliates (and is not or does not continue to be a director or officer thereof), or any corporation engaged to provide services to the Corporation or the Designated Affiliates, for any reason (other than death) or shall receive notice from the Corporation or any Designated Affiliate of the termination of his Employment Contract;

(the earliest to occur of any of the foregoing events being referred to herein as a “Termination”), except as otherwise provided in any Employment Contract, such Participant may, but only within the 90 days next succeeding such Termination, exercise the Options to the extent that such Participant was entitled to exercise such Options at the date of such Termination. Notwithstanding the foregoing or any Employment Contract, in no event shall such right extend beyond the Option Period.

Section 3.12 **Necessary Approvals.** The obligation of the Corporation to issue and deliver any Common Shares in accordance with this Share Option Plan shall be subject to any necessary approval of any stock exchange or regulatory authority having jurisdiction over the securities of the Corporation. If any Common Shares cannot be issued to any Participant upon the exercise of an Option for whatever reason, the obligation of the Corporation to issue such Common Shares shall terminate and any exercise price paid to the Corporation in respect of the exercise of such Option shall be returned to the Participant.

## ARTICLE FOUR

### WITHHOLDING TAXES AND SECURITIES LAWS OF THE UNITED STATES OF AMERICA

Section 4.01 **Withholding Taxes.** The Corporation or any Designated Affiliate may take such steps as are considered necessary or appropriate for the withholding of any taxes which the Corporation or any Designated Affiliate is required by any law or regulation of any governmental authority whatsoever to withhold in connection with any Option or Common Share including, without limiting the generality of the foregoing, the withholding of all or any portion of any payment or the withholding of the issue of Common Shares to be issued upon the exercise of any Option, until such time as the Participant has paid the Corporation or any Designated Affiliate for any amount which the Corporation or the Designated Affiliate is required to withhold with respect to such taxes.

Section 4.02 **Securities Laws of the United States of America.** Neither the Options which may be granted pursuant to this Share Option Plan nor the Common Shares which may be issued pursuant to the exercise of Options have been registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or under any securities law of any state of the United States of America. Accordingly, any Participant who is issued Common Shares or granted an Option in a transaction which is subject to the U.S. Securities Act or the securities laws of any state of the United States of America may be required to represent, warrant, acknowledge and agree that:

- (a) the Participant is acquiring the Option and/or any Common Shares as principal and for the account of the Participant;

- (b) in granting the Option and/or issuing the Common Shares to the Participant, the Corporation is relying on the representations and warranties of the Participant to support the conclusion of the Corporation that the granting of the Option and/or the issue of Common Shares do not require registration under the U.S. Securities Act or to be qualified under the securities laws of any state of the United States of America;
- (c) each certificate representing Common Shares so issued may be required to have the following legend:

“THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”) OR UNDER ANY STATE SECURITIES LAWS, AND THE SECURITIES REPRESENTED HEREBY MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 OR 144A UNDER THE U.S. SECURITIES ACT, IF APPLICABLE, AND IN COMPLIANCE WITH APPLICABLE U.S. STATE SECURITIES LAWS, OR (D) WITH THE PRIOR WRITTEN CONSENT OF THE CORPORATION (WHICH WILL BE DELIVERED PROMPTLY AND WILL NOT BE UNREASONABLY WITHHELD, BUT WHICH MAY BE CONDITIONAL ON DELIVERY OF A LEGAL OPINION IN FORM AND SUBSTANCE SATISFACTORY TO THE CORPORATION), PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

THE PRESENCE OF THIS LEGEND MAY IMPAIR THE ABILITY OF THE HOLDER HEREOF TO EFFECT “GOOD DELIVERY” OF THE SECURITIES REPRESENTED HEREBY ON A CANADIAN STOCK EXCHANGE. A CERTIFICATE WITHOUT A LEGEND MAY BE OBTAINED FROM THE REGISTRAR AND TRANSFER AGENT OF THE CORPORATION IN CONNECTION WITH A SALE OF THE SECURITIES REPRESENTED HEREBY AT A TIME WHEN THE CORPORATION IS A “FOREIGN ISSUER” AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT, UPON DELIVERY OF THIS CERTIFICATE AND A DULY EXECUTED DECLARATION, IN A FORM SATISFACTORY TO THE REGISTRAR AND TRANSFER AGENT AND THE CORPORATION, TO THE EFFECT THAT SUCH SALE OF THE SECURITIES REPRESENTED HEREBY IS BEING MADE IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT.”;

provided that if such Common Shares are being sold outside the United States of America in compliance with the requirements of Rule 904 of Regulation S under the U.S. Securities Act and provided that the Corporation is a “foreign issuer” within the meaning of Regulation S under the U.S. Securities Act at the time of such sale, such legend may be removed by providing a written declaration signed by the holder to the registrar and transfer agent for the Common Shares to the following effect:

“The undersigned (A) represents and warrants that the sale of the securities of Malbex Resources Inc. (the “Corporation”) to which this declaration relates is being made in

compliance with Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), and (B) certifies that (1) the undersigned is not an affiliate of the Corporation as that term is defined in the U.S. Securities Act, (2) the offer of such securities was not made to a person in the United States and either (A) at the time the buy order was originated, the buyer was outside the United States, or the undersigned and any person acting on its behalf reasonably believe that the buyer was outside the United States or (B) the transaction was executed on or through the facilities of a Designated Offshore Securities Market and neither the undersigned nor any person acting on behalf thereof knows or has any reason to believe that the transaction has been prearranged with a buyer in the United States, (3) neither the seller nor any affiliate of the seller nor any person acting on any of their behalf has engaged or will engage in any directed selling efforts in the United States in connection with the offer and sale of such securities, (4) the sale is bona fide and not for the purpose of “washing off” the resale restrictions imposed because the securities are “restricted securities” (as such term is defined in Rule 144(a)(3) under the U.S. Securities Act), (5) the seller does not intend to replace the securities sold in reliance on Rule 904 of the U.S. Securities Act with fungible unrestricted securities and (6) the contemplated sale is not a transaction, or part of a series of transactions which, although in technical compliance with Regulation S under the U.S. Securities Act, is part of a plan or scheme to evade the registration provisions of the U.S. Securities Act. Terms used herein have the meanings given to them by Regulation S under the U.S. Securities Act.”;

- (d) other than as contemplated by paragraph 4.02(c) hereof, prior to making any disposition of any Common Shares acquired pursuant to this Share Option Plan which might be subject to the requirements of the U.S. Securities Act, the Participant shall give written notice to the Corporation describing the manner of the proposed disposition and containing such other information as is necessary to enable counsel for the Corporation to determine whether registration under the U.S. Securities Act or qualification under any securities laws of any state of the United States of America is required in connection with the proposed disposition and whether the proposed disposition is otherwise in compliance with such legislation and the regulations thereto;
- (e) other than as contemplated by paragraph 4.02(c) hereof, the Participant will not attempt to effect any disposition of the Common Shares owned by the Participant and acquired pursuant to this Share Option Plan or of any interest therein which might be subject to the requirements of the U.S. Securities Act in the absence of an effective registration statement relating thereto under the U.S. Securities Act or an opinion of counsel satisfactory in form and substance to counsel for the Corporation that such disposition would not constitute a violation of the U.S. Securities Act and then will only dispose of such Common Shares in the manner so proposed;
- (f) the Corporation may place a notation on the records of the Corporation to the effect that none of the Common Shares acquired by the Participant pursuant to this Share Option Plan shall be transferred unless the provisions of the Plan have been complied with; and
- (g) the effect of these restrictions on the disposition of the Common Shares acquired by the Participant pursuant to this Share Option Plan is such that the Participant may not be able to sell or otherwise dispose of such Common Shares for a considerable length of time in a transaction which is subject to the provisions of the U.S. Securities Act other than as contemplated by paragraph 4.02(c) hereof.

## ARTICLE FIVE

### GENERAL

Section 5.01 **Effective Time of this Share Option Plan.** This Share Option Plan shall become effective upon a date to be determined by the Directors.

Section 5.02 **Amendment of Plan.** The Committee may from time to time in the absolute discretion of the Committee, subject to the applicable requirements of the Stock Exchange, amend, modify and change the provisions of this Share Option Plan or any Options granted pursuant to this Share Option Plan, provided that any amendment, modification or change to the provisions of this Share Option Plan or any Options granted pursuant to this Share Option Plan which would:

- (a) materially increase the benefits under this Share Option Plan or any Options granted pursuant to the Plan;
- (b) increase the number of Common Shares, other than by virtue of sections 5.06 and 5.07 hereof, which may be issued pursuant to this Share Option Plan; or
- (c) materially modify the requirements as to eligibility for participation in this Share Option Plan;

shall only be effective upon such amendment, modification or change being approved by the shareholders of the Corporation, and, if required, by any stock exchange or any other regulatory authority having jurisdiction over the securities of the Corporation. In addition, if an Optionee is an Insider of the Corporation at the time of an amendment, modification or change that would materially increase the benefits under any of his Options granted pursuant to this Shares Option Plan, the Corporation must obtain disinterested shareholder approval. This Share Option Plan may be amended, without obtaining the approval of the TSX Venture Exchange, to (i) reduce the number of Common Shares under Option, or (ii) increase the exercise price or cancel an Option, provided the Corporation issues a news release outlining the terms of the amendment. In the event that the Common Shares are listed on the TSX Venture Exchange, all other amendments to this Share Option Plan will require the approval of the TSX Venture Exchange.

Section 5.03 **Non-Assignable.** No rights under this Share Option Plan and no Option awarded pursuant to this Share Option Plan are assignable or transferable by any Participant other than pursuant to a will or by the laws of descent and distribution.

Section 5.04 **Rights as a Shareholder.** No Optionee shall have any rights as a shareholder of the Corporation with respect to any Common Shares which are the subject of an Option. No Optionee shall be entitled to receive any dividends, distributions or other rights declared for shareholders of the Corporation for which the record date is prior to the date of issue of certificates representing Common Shares acquired upon the exercise of Options of such Optionee.

Section 5.05 **No Contract of Employment.** Nothing contained in this Share Option Plan shall confer or be deemed to confer upon any Participant the right to continue in the employment of, or to provide services to, the Corporation or any Designated Affiliate nor interfere or be deemed to interfere in any way with any right of the Corporation or any Designated Affiliate to discharge any Participant at any time for any reason whatsoever, with or without cause. Participation in any of this Share Option Plan by a Participant shall be voluntary.

Section 5.06 **Consolidation, Merger, etc.** If there is a consolidation, merger or statutory amalgamation or arrangement of the Corporation with or into another corporation, a separation of the business of the Corporation into two or more entities or a sale, lease exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Corporation to another entity, upon the exercise of an Option under this Share Option Plan the holder thereof shall be entitled to receive the securities, property or cash which the holder would have received upon such consolidation, merger, amalgamation, arrangement, separation or transfer if the holder had exercised the Option immediately prior to the effective time of such event, unless the Committee otherwise determines the basis upon which such Option shall be exercisable.

Section 5.07 **Adjustment in Number of Common Shares Subject to the Plan.** In the event there is any change in the Common Shares, whether by reason of a stock dividend, consolidation, subdivision, reclassification or otherwise, an appropriate adjustment shall be made by the Committee in:

- (a) the number of Common Shares available under this Share Option Plan;
- (b) the number of Common Shares subject to any Option; and
- (c) the exercise price of the Common Shares subject to Options.

If the foregoing adjustment shall result in a fractional Common Share, the fraction shall be disregarded. All such adjustments shall be conclusive, final and binding for all purposes of this Share Option Plan.

Section 5.08 **Securities Exchange Take-over Bid.** In the event that the Corporation becomes the subject of a take-over bid (within the meaning of the *Securities Act* (Ontario)) as a result of which all of the outstanding Common Shares are acquired by the offeror through compulsory acquisition provisions of the incorporating statute or otherwise, and where consideration is paid in whole or in part in equity securities of the offeror, the Committee may send notice to all Optionees requiring them to surrender their Options within 10 days of the mailing of such notice, and the Optionees shall be deemed to have surrendered such Options on the tenth day after the mailing of such notice without further formality, provided that:

- (a) the Committee delivers with such notice an irrevocable and unconditional offer by the offeror to grant replacement options to the Optionees on the equity securities offered as consideration;
- (b) the Committee has determined, in good faith, that such replacement options have substantially the same economic value as the Options being surrendered; and
- (c) the surrender of Options and the granting of replacement options can be effected on a tax free rollover basis under the *Income Tax Act* (Canada).

Section 5.09 **No Representation or Warranty.** The Corporation makes no representation or warranty as to the future market value of any Common Shares issued in accordance with the provisions of this Share Option Plan.

Section 5.10 **Participation through RRSP's and Holding Companies.** Subject to the approval of the Committee, an Eligible Employee or Eligible Director may elect, at the time rights or Options are granted under this Share Option Plan, to participate in this Share Option Plan by holding any rights or Options granted under this Share Option Plan in a registered retirement savings plan established by such Eligible Employee or Eligible Director for the sole benefit of such Eligible Employee or Eligible

Director or in a personal holding corporation controlled by such Eligible Employee or Eligible Director. For the purposes of this section 5.10, a personal holding corporation shall be deemed to be controlled by an Eligible Employee or Eligible Director if (i) voting securities carrying 100% of the votes for the election of directors of such corporation are held, otherwise than by way of security only, by or for the benefit of such Eligible Employee or Eligible Director and the votes carried by such voting securities are entitled, if exercised, to elect a majority of the board of directors of such corporation, and (ii) all of the equity securities of such corporation are directly held, otherwise than by way of security only, by or for the benefit of such Eligible Employee or Eligible Director. In the event that an Eligible Employee or Eligible Director elects to hold the Options granted under this Share Option Plan in a registered retirement savings plan or personal holding corporation, such Eligible Employee or Eligible Director must submit certifications, undertakings or any other documents, if any, required by the Stock Exchange, and the provisions of this Share Option Plan shall continue to apply as if the Eligible Employee or Eligible Director held such Options directly.

Section 5.11 **Compliance with Applicable Law.** If any provision of this Share Option Plan or any Option contravenes any law or any order, policy, by-law or regulation of any regulatory body having jurisdiction over the securities of the Corporation, then such provision shall be deemed to be amended to the extent necessary to bring such provision into compliance therewith.

Section 5.12 **Interpretation.** This Share Option Plan shall be governed by, and be construed in accordance with, the laws of the Province of Ontario.

## **SCHEDULE B**

### **OPTION PLAN RESOLUTION**

"BE IT RESOLVED THAT:

1. the share option plan of the Corporation approved by the shareholders of the Corporation on December 3, 2009 (as amended and restated as of February 9, 2010) and attached as schedule A to the management information circular dated February 16, 2011 of the Corporation be, and the same hereby is, confirmed and approved as the share option plan of the Corporation."

## **SCHEDULE C**

### **CHARTER OF THE AUDIT COMMITTEE**

This charter (the “Charter”) sets forth the purpose, composition, responsibilities, duties, powers and authority of the Audit Committee (the “Committee”) of the directors (the “Board”) of Malbex Resources Inc. (“Malbex”).

#### **1. PURPOSE**

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to:

- financial reporting and disclosure requirements;
- ensuring that an effective risk management and financial control framework has been implemented by management of Malbex; and
- external and internal audit processes.

#### **2. COMPOSITION AND MEMBERSHIP**

a. The members (collectively "Members" and individually a "Member") of the Committee shall be appointed by the Board to serve one-year terms and shall be permitted to serve an unlimited number of consecutive terms. The Board may remove a Member at any time and may fill any vacancy occurring on the Committee. A Member may resign at any time and a Member will cease to be a Member upon ceasing to be a director of Malbex.

b. The Committee will consist of at least three Members. Every Member must be a director of Malbex who is independent and financially literate to the extent required by (and subject to the exemptions and other provisions set out in) applicable laws, rules, regulations and stock exchange requirements (collectively "Applicable Laws"). In this Charter, the terms "independent" and "financially literate" have the meanings ascribed to such terms in Applicable Laws and include the meanings given to similar terms in Applicable Laws to the extent such similar terms are used in this Charter and are applicable under Applicable Laws.

c. The chairman of the Committee (the "Chairman") will be appointed by the Board and confirmed by the Committee or appointed by the Committee from time to time and must have such accounting or related financial management expertise as the Board or Committee may determine in their business judgment is necessary. The secretary of Malbex (the “Secretary”) will be the secretary of all meetings and will maintain minutes of all meetings, deliberations and proceedings of the Committee. In the absence of the Secretary at any meeting, the Committee will appoint another person who may, but need not, be a Member to be the secretary of that meeting.

### 3. MEETINGS

a. Meetings of the Committee will be held at such times and places as the Chairman may determine, but in any event not less than four (4) times per year. Any Member or the auditor of Malbex may call a meeting of the Committee at any time upon not less than forty-eight (48) hours advance notice being given to each Member orally, by telephone, by facsimile or by email, unless all Members are present and waive notice, or if those absent waive notice before or after a meeting. Members may attend all meetings either in person or by conference call.

b. At the request of the external auditors of Malbex, the Chief Executive Officer or the Chief Financial Officer of Malbex or any Member will convene a meeting of the Committee. Any such request will set out in reasonable detail the business proposed to be conducted at the meeting so requested.

c. The Chairman, if present, will act as the Chairman of meetings of the Committee. If the Chairman is not present at a meeting of the Committee, then the Members present may select one of their number to act as chairman of the meeting.

d. A majority of Members will constitute a quorum for a meeting of the Committee. Each Member will have one vote and decisions of the Committee will be made by an affirmative vote of the majority of Members present at the meeting at which the vote is taken. The Chairman will not have a deciding or casting vote in the case of an equality of votes. Powers of the Committee may also be exercised by written resolution signed by all Members.

e. The Committee may invite from time to time such persons as the Committee considers appropriate to attend its meetings and to take part in the discussion and consideration of the affairs of the Committee, except to the extent the exclusion of certain persons is required pursuant to this Charter or by Applicable Laws. The Committee will meet *in camera* without management at each meeting of the Committee.

f. In advance of every regular meeting of the Committee, the Chairman, with the assistance of the Secretary, will prepare and distribute to the Members and others as deemed appropriate by the Chairman, an agenda of matters to be addressed at the meeting together with appropriate briefing materials. The Committee may require officers and employees of Malbex to produce such information and reports as the Committee may deem appropriate in order to fulfill its duties.

#### **4. DUTIES AND RESPONSIBILITIES**

The duties and responsibilities of the Committee as they relate to the following matters, to the extent considered appropriate or desirable or required by Applicable Laws, are to:

##### **4.1 Financial Reporting and Disclosure**

a. review and recommend to the Board for approval, the audited annual financial statements of Malbex, including the auditors' report thereon, the management's discussion and analysis of Malbex prepared in connection with the annual financial statements, financial reports of Malbex, guidance with respect to earnings per share, and any initial public release of financial information of Malbex through press release or otherwise, with such documents to indicate whether such information has been reviewed by the Board or the Committee;

b. review and approval of the quarterly financial statements of Malbex including the management's discussion and analysis prepared in connection with the quarterly financial statements, with such documents to indicate whether such information has been reviewed by the Board or the Committee;

c. review and recommend to the Board for approval, where appropriate, financial information contained in any prospectuses, annual information forms, annual reports to shareholders, management proxy circulars, material change disclosures of a financial nature and similar disclosure documents;

d. review with management of Malbex and with the external auditors of Malbex significant accounting principles and disclosure issues and alternative treatments under Canadian generally accepted accounting principles ("GAAP") all with a view to gaining reasonable assurance that financial statements are accurate, complete and present fairly Malbex's financial position and the results of its operations in accordance with Canadian GAAP;

e. annually review Malbex's corporate disclosure policy and recommend any proposed changes to the Board for consideration; and

f. review the minutes from each meeting of the disclosure committee of Malbex established pursuant to Malbex's corporate disclosure policy, since the last meeting of the Committee.

##### **4.2 Internal Controls and Audit**

a. review and assess the adequacy and effectiveness of Malbex's system of internal control and management information systems through discussions with management and the external auditor of Malbex to ensure that Malbex maintains: (a) the necessary books, records and accounts in sufficient detail to accurately and fairly reflect Malbex's transactions; (b) effective internal control systems; and (c) adequate processes for assessing the risk of material misstatement of the financial statements of Malbex and for detecting control weaknesses or fraud. From time to time the Committee will assess whether a

formal internal audit department is necessary or desirable having regard to the size and stage of development of Malbex at any particular time;

b. satisfy itself that management has established adequate procedures for the review of Malbex's disclosure of financial information extracted or derived directly from Malbex's financial statements;

c. periodically assess the adequacy of such systems and procedures to ensure compliance with regulatory requirements and recommendations;

d. review and discuss the major financial risk exposures of Malbex and the steps taken to monitor and control such exposures, including the use of any financial derivatives and hedging activities;

e. review and assess, and in the Committee's discretion make recommendations to the Board regarding, the adequacy of Malbex's risk management policies and procedures with regard to identification of Malbex's principal risks and implementation of appropriate systems to manage such risks including an assessment of the adequacy of insurance coverage maintained by Malbex; and

f. review and assess annually, and in the Committee's discretion make recommendations to the Board regarding, the investment policy of Malbex.

#### **4.3 External Audit**

a. recommend to the Board a firm of external auditors to be engaged by Malbex;

b. ensure the external auditors report directly to the Committee on a regular basis;

c. review the independence of the external auditors, including a written report from the external auditors respecting their independence and consideration of applicable auditor independence standards;

d. review and approve the compensation of the external auditors, and the scope and timing of the audit and other related services rendered by the external auditors;

e. review the audit plan of the external auditors prior to the commencement of the audit;

f. establish and maintain a direct line of communication with Malbex's external and, if applicable, internal auditors;

g. meet *in camera* with only the auditors (if present), with only management (if present), and with only the Members at every Committee meeting;

h. review the performance of the external auditors who are accountable to the Committee and the Board as representatives of the shareholders, including the lead partner of the independent auditors team;

i. oversee the work of the external auditors appointed by the shareholders of Malbex with respect to preparing and issuing an audit report or performing other audit, review or attest services for Malbex, including the resolution of issues between management of Malbex and the external auditors regarding financial disclosure;

j. review the results of the external audit and the report thereon including, without limitation, a discussion with the external auditors as to the quality of accounting principles used and any alternative treatments of financial information that have been discussed with management of Malbex and the ramifications of their use, as well as any other material changes. Review a report describing all material written communication between management and the auditors such as management letters and schedule of unadjusted differences;

k. discuss with the external auditors their perception of Malbex's financial and accounting personnel, records and systems, the cooperation which the external auditors received during their course of their review and availability of records, data and other requested information and any recommendations with respect thereto;

l. review the reasons for any proposed change in the external auditors which is not initiated by the Committee or Board and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed auditors before making its recommendations to the Board; and

m. review annually a report from the external auditors in respect of their internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues.

#### **4.4 Associated Responsibilities**

a. monitor and periodically review the whistleblower policy of Malbex and associated procedures for:

i. the receipt, retention and treatment of complaints received by Malbex regarding accounting, internal accounting controls or auditing matters;

ii. the confidential, anonymous submission by directors, officers and employees of Malbex of concerns regarding questionable accounting or auditing matters; and

- iii. any violations of any Applicable Laws that relate to corporate reporting and disclosure, or violations of the Code of Business Conduct & Ethics of Malbex; and
- b. review and approve the hiring policies of Malbex regarding employees and partners, and former employees and partners, of the present and former external auditors of Malbex.

#### **4.5 Non-Audit Services**

- a. pre-approve all non-audit services to be provided to Malbex or any subsidiary entities by its external auditors or by the external auditors of such subsidiary entities. The Committee may delegate to one or more of its members the authority to pre-approve non-audit services but pre-approval by such Member or Members so delegated shall be presented to the Committee at its first scheduled meeting following such pre-approval.

#### **4.6 Oversight Function**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that Malbex's financial statements are complete and accurate or are in accordance with Canadian GAAP and applicable rules and regulations. These are the responsibilities of the management and the external auditors of Malbex. The Committee, the Chairman and any Members identified as having accounting or related financial expertise are directors of Malbex, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of Malbex, and are specifically not accountable or responsible for the day to day operation or performance of such activities. Although the designation of a Member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Member who is identified as having accounting or related financial expertise, like the role of all Members, is to oversee the process, not to certify or guarantee the internal or external audit of Malbex's financial information or public disclosure.

### **5. REPORTING**

The Committee shall provide the Board with a summary of all actions taken at each Committee meeting or by written resolution. The Committee will annually review and approve the Committee's report for inclusion in the management proxy circular. The Secretary will circulate the minutes of each meeting of the Committee and each written resolution passed by the Committee to the Board. The Committee shall produce and provide the Board with all reports or other information required to be prepared under Applicable Laws.

## **6. ACCESS TO INFORMATION AND AUTHORITY**

The Committee will be granted unrestricted access to all information regarding Malbex and all directors, officers and employees will be directed to cooperate as requested by Members. The Committee has the authority to retain, at Malbex's expense, independent legal, financial and other advisors, consultants and experts, to assist the Committee in fulfilling its duties and responsibilities. The Committee also has the authority to communicate directly with external and, if applicable, internal auditors of Malbex.

## **7. REVIEW OF CHARTER**

The Committee will annually review and assess the adequacy of this Charter and recommend any proposed changes to the Board for consideration.

## **8. CHAIR**

The Chair of the Committee should:

- a. provide leadership to the Committee with respect to its functions as described in this mandate and as otherwise may be appropriate, including overseeing the operation of the Committee;
- b. chair meetings of the Committee, unless not present, including *in camera* sessions, and report to the Board following each meeting of the Committee on the activities and any recommendations of the Committee;
- c. ensure that the Committee meets at least once per quarter and otherwise as considered appropriate;
- d. in consultation with the Chairman of the Board and the Committee members, establish dates for holding meetings of the Committee;
- e. set the agenda for each meeting of the Committee, with input from other Committee members, the Chairman of the Board, the Lead Director, if one, and any other appropriate persons;
- f. ensure that Committee materials are available to any director upon request;
- g. act as liaison and maintain communication with the Chairman of the Board and the Board to optimize and co-ordinate input from directors, and to optimize the effectiveness of the Committee. This includes reporting to the Board on all decisions of the Committee at the first meeting of the Board after each Committee meeting and at such other times and in such manner as the Committee considers advisable; and

- h. report annually to the Board on the role of the Committee and the effectiveness of the Committee in contributing to the effectiveness of the Board.

Original Approval Date: December 3, 2009

Approved by: Audit Committee

Corporate Governance and Compensation Committee

Board of Directors