

MOLY MINES LIMITED
AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

Effective Date: 23 March 2010

1. PURPOSE AND SCOPE OF CHARTER

The Board of Directors (the “**Board**”) of Moly Mines Limited (the “**Company**”) has the responsibility of ensuring that an effective internal control framework exists within the governance structure of the Company. The Audit & Risk Management Committee (the “**Committee**”) will assist the Board to meet its oversight responsibilities in relation to the Company’s accounting, financial reporting and external audit functions, internal control structure and risk management processes.

This Charter is established in compliance with the requirements of the Toronto Stock Exchange (“**TSX**”) and the Australian Stock Exchange (“**ASX**”) and other Canadian and Australian legal requirements. The Charter is a statement of broad policies and is intended as a component of the flexible governance framework within which the Audit and Risk Management Committee functions. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company’s constitution, it is not intended to establish any legally binding obligations.

The Charter outlines the Committee’s role and responsibilities, and details the administration requirements for the Committee. This includes the membership and authority of the Committee, the role of chairman, conduct of the Committee meetings and attendance at these meetings and finally, the review of the Committee performance.

2 ROLE AND RESPONSIBILITIES

The primary role of the Committee is:

- To assist the Board in fulfilling its responsibilities relating to the integrity of the Company’s financial reporting, and to oversee the independence of the external auditors; and
- To establish a sound system of risk oversight, management and internal control.

In carrying out this role, the Committee will:

- Appraise the quality of the audits conducted by the Company’s external auditor;
- Determine the independence and effectiveness of the external auditor;
- Maintain free and open lines of communication between the Board and the external auditor;
- Serve as an independent and objective party to review the financial information submitted by management to the Board for issue to shareholders, regulatory authorities and the general public;

- Review the adequacy of the reporting and accounting controls of the Company; and
- Appraise the quality of management’s identification, assessment, reporting and management of risk.

The Committee’s role is one of oversight. It is not the responsibility of the Committee to determine that the Company’s financial statements are complete and accurate and in accordance with generally accepted accounting principles or to plan or conduct audits. The financial statements are the responsibility of management. The independent auditors are responsible for performing an audit and expressing an opinion on the fair presentation of the Company’s financial statements in accordance with generally accepted accounting principles.

In specific terms, the Committee will have the following responsibilities:

Internal Control

- (a) The Committee shall keep under review the effectiveness of the Company’s financial reporting and internal control policies and its procedures for the identification, assessment, reporting and management of risks.
- (b) It is the responsibility of the Chief Executive Officer and Managing Director (the “CEO”) and other officers of the Company to ensure that the Company operates within a sound structure of internal controls and procedures and within an approved risk management framework as adopted by this Committee.

Financial Statements

- (a) The Committee shall review, prior to public disclosure, and challenge where necessary the Company’s annual and interim financial statements, taking into account:
 - (i) critical accounting policies and practices and any changes in them;
 - (ii) decisions requiring a major element of judgment;
 - (iii) the extent to which the financial statements are affected by any unusual transactions;
 - (iv) the clarity of disclosure;
 - (v) significant adjustments resulting from the audit;
 - (vi) the going concern assumption;
 - (vii) compliance with accounting standards;
 - (viii) compliance with stock exchange and other legal requirements; and

- (ix) whether the CEO and the Chief Financial Officer (the “CFO”) certifies to the Board as to the truth and fairness of the financial statements and their compliance with relevant accounting standards and as to whether the financial statements are founded on a reliable system of risk management and internal control.
- (b) The Committee shall review the other financial information to be included in the Company’s Annual Report and shall recommend approval to the Board.
- (c) The Committee shall review the Annual Information Form (including risk factors that could materially affect the business of the Company) and shall recommend approval to the Board.
- (d) The Committee shall review the Company’s MD&A (as such term is defined in Canadian National Instrument 51-102 – *Continuous Disclosure Obligations*) prior to public disclosure and shall recommend approval to the Board.
- (e) The Committee shall review any press release relating to financial statements or financial results (including any financial guidance or updates thereto) prior to public disclosure and shall recommend approval to the Board.

Audit

External Audit

- (a) The external auditor is accountable to the Board and the Committee. The Board and the Committee, subject to the approval of the Company’s shareholders, have the ultimate authority and responsibility to select, evaluate and, where appropriate, recommend replacement of the external auditor. The Committee shall ensure that key partners within the appointed firm are rotated from time to time in accordance with Board policy.
- (b) The Committee shall recommend to the Board the external auditor to be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services. The Committee acknowledges the requirement that the Company’s external auditor must be independent of the Company in accordance with any applicable laws.
- (c) The Committee shall recommend to the Board the compensation of the external auditor.
- (d) The external auditor shall report directly to the Committee, and the Committee shall have authority to communicate directly with the external auditor.
- (e) The Committee shall be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting.

- (f) The Committee shall ensure that the external auditor is independent and objective and that the Committee receives from the external auditor a formal written statement describing any and all relationships between the external auditor and the Company. The Committee shall engage in a dialogue with the external auditor with respect to any disclosed relationships or services that could impact the objectivity and independence of the external auditor and may take, or recommend that the Board take, appropriate action to ensure the independence of the external auditor.
- (g) The Committee shall ensure that the external auditor is satisfied that the accounting estimates and judgments made by management, and management's selection of accounting principles, reflect an appropriate application of International Financial Reporting Standards.
- (h) The Committee shall develop a relationship with the external auditor that allows for full, frank and timely discussion of all material issues. The Committee shall meet on a regular basis with the external auditor, without management present.
- (i) The Committee shall confirm with the external auditor its judgment of the acceptability and quality of the Company's accounting principles as applied in the Company's financial reporting including, without limitation, disclosure, degree of aggressiveness or conservatism in the accounting principles and underlying estimates, and other significant decisions made by management in preparing the Company's financial reporting and disclosure materials.
- (j) The Committee shall review the planning and results of the external audit, including:
 - (i) review the external auditor's engagement letter;
 - (ii) review the scope of the audit, including materiality, locations to be visited, audit reports required, areas of audit risk, timetable, deadlines;
 - (iii) review the post-audit management letter together with management's response;
 - (iv) review the form of the audit report;
 - (v) review any other related audit engagements; and
 - (vi) assess the external auditor's performance.
- (k) The Committee shall review and approve the Company's hiring policies regarding current and former partners and employees of current and former external auditors.

Pre-Approval of Non-Audit Services

- (a) The Committee shall pre-approve all non-audit services to be provided to the Company or its subsidiaries by the external auditor.
- (b) The Committee may satisfy the pre-approval requirement if the non-audit services are determined to be *de minimis* in accordance with NI 52-110.

- (c) The Committee may satisfy the pre-approval requirement by delegating authority to pre-approve non-audit services to one or more members, which pre-approval must be presented by the member(s) to the full Committee at its next scheduled meeting.
- (d) The Committee may satisfy the pre-approval requirement by adopting specific policies and procedures for the engagement of non-audit services provided that: (i) the policies and procedures are detailed as to the specific service; (ii) the Committee is informed of each non-audit service; and (iii) the procedures do not include delegation of the Committee's responsibilities to management.

Internal Audit

The Company is not currently of a size that can support an internal audit function. It is the opinion of the Board that the cost of establishing and maintaining such a function outweighs the potential benefits that may be obtained from one. The Committee will, however, review the need for an internal audit function on a regular basis.

Accounting Systems and Practices

- (a) The Committee shall keep under review the consistency of accounting policies both on a year-to-year basis and across the Company group.
- (b) The Committee shall obtain reasonable assurance, from discussions with and reports from management and the external auditor, that the Company's accounting systems are reliable and that the prescribed internal controls are operating effectively.
- (c) The Committee shall direct the external auditor's examinations to additional particular areas, where appropriate.
- (d) Where appropriate, the Committee shall request the external auditor to undertake special examinations.
- (e) The Committee shall review control weaknesses identified by the external auditor, together with management's response.
- (f) The Committee shall review and recommend to the Board the appointments of the CFO and any other key financial executives comprising management.
- (g) The Committee shall recommend to the Board the policies and practices for the payment, monitoring and review of the expenses of the Board and officers of the Company who report directly to the Board.
- (h) The Committee shall satisfy itself that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements (other than documents or information already reviewed by the Committee). The Committee shall periodically assess the adequacy of such procedures and controls.

Reporting Responsibilities

- (a) The Committee Chairman shall report to the Board, at the next following Board meeting, on the proceedings of each meeting of the Committee, bringing forward all recommendations of the Committee that require Board endorsement or approval.
- (b) If required, the Committee shall report to the Board and shareholders of the company on all matters relevant to the performance of its role and the discharge of its duties during the period, having regard to corporate governance guidelines and best practice recommendations established by the ASX and the TSX and applicable Canadian and Australian securities laws and regulations. The report should contain all matters relevant to the Committee's role and responsibilities, including:
 - (i) assessment of whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs;
 - (ii) assessment of the management processes supporting external reporting;
 - (iii) procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
 - (iv) recommendations for the appointment or removal of the external auditor;
 - (v) assessment of the performance and independence of the external auditor and whether the Committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;
 - (vi) assessment of the performance and objectivity of the internal audit function;
and
 - (vii) the results of its review of risk management and internal compliance and control systems.

Risk Management

The Committee's specific risk management responsibilities include:

- (a) monitoring and assessing the risk exposure of the Company for regulatory, systems & IT, business and operational risks through effective risk management strategies;
- (b) reviewing treasury policy and procedures;
- (c) reviewing and approving hedging strategies;
- (d) reviewing the adequacy of insurances;
- (e) reviewing and ensuring compliance with occupational health and safety and environmental procedures; and

- (f) establishing risk management systems in accordance with the Risk Management Policy in Schedule “A”.

Whistle Blowing

- (a) The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters.
- (b) The Committee shall establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Litigation

The Committee shall review with management and the external auditor and, as considered appropriate by the Committee, with outside legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Company, and the manner in which any such litigation, claim or contingency has been disclosed in the Company’s financial statements and disclosure documents.

Statutory Responsibilities

- (a) The Committee shall obtain reasonable assurance from management about the process for ensuring the reliability of public disclosure documents that contain audited and unaudited financial information.
- (b) The Committee shall review the contents of any prospectus or similar document, including the financial statements contained therein, and recommend to the Board the approval of any financial statements contained therein that have not previously been approved.
- (c) The Committee shall comply with and carry out the duties of an audit committee as prescribed in applicable legislative and regulatory provisions.

3 ADMINISTRATION OF COMMITTEE

Membership

The Committee shall be composed of not less than three (3) members.

The Committee shall be appointed by the Board. Members shall be appointed for one-year terms and may serve consecutive terms. Each member of the Committee shall serve at the pleasure of the Board until the member resigns, is removed, or ceases to be a member of the Board. In appointing members to the Committee, the Board shall ensure continuity of membership on the Committee.

Each member of the Committee shall:

- (d) be a member of the Board;
- (e) not be an officer or employee of the Company or any of its affiliates; and
- (f) unless otherwise determined by the Board in accordance with Canadian National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”), be independent.

Each member of the Committee must be independent. “Independent” shall have the meaning, as the context requires, given to it in the NI 52-110, as may be amended from time to time.

Each member of the Committee shall, unless otherwise determined by the Board in accordance with NI 52-110, have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. Where possible, at least one member of the Committee shall have relevant qualifications and experience (that is, should be a qualified accountant or other finance professional with experience of financial and accounting matters) and some members of the Committee shall also have an understanding of the industry in which the Company operates.

No director may serve as a member of the Committee if such director serves on the audit committee of more than two other public companies unless the Board of Directors determines that such simultaneous service would not impair the ability of such director to effectively serve on the Committee, and this determination is disclosed in the Corporation's management information circular.

Committee Chairman

The Board shall appoint the Committee Chairman who shall be a person other than the Chairman of the Board. The Committee Chairman shall be approved for a one-year term.

The Committee Chairman shall preside over all Committee meetings he/she attends, coordinate the Committee's compliance with this Charter, work with management to develop the Committee's annual work-plan and provide reports and recommendations of the Committee to the Board. In the absence of the Committee Chairman or appointed delegate, the members shall elect one of their number as Chairman for that meeting.

Meetings

- (a) The Committee shall meet as frequently as required but not less than four times per year.
- (b) Any Committee member, the external auditor, the Chairman of the Board, the CEO or the CFO may call a meeting of the Committee by notifying the Company Secretary who will notify the members of the Committee.

- (c) A notice of each meeting shall be forwarded to each Committee member prior to the date of the meeting.
- (d) Minutes and resolutions of the Committee shall be maintained by the Company Secretary and distributed to all Committee members and the Chairman of the Board following their approval by the Committee Chairman.
- (e) The Committee Chairman, or delegate, shall report to the Board at the next meeting.
- (f) Committee minutes and papers may be made available to any director following a request to the Committee Chairman, providing no conflict of interest exists.

Attendance at Meetings

- (a) A quorum will comprise any two Committee members or a majority.
- (b) Each member shall have one vote and the Committee Chairman shall not have a second or casting vote.
- (c) If a member of the Committee is absent then his or her vote may be cast by any other Committee member in accordance with his or her instructions.
- (d) The Chairman of the Board, if not a member of the Committee, may attend meetings, *ex officio*.
- (e) The Committee may invite any executive management team member (including the CEO, CFO or Company Secretary), any representative of the external auditor or legal counsel or other individuals whose attendance it considers necessary or desirable in order carry out its responsibilities to attend meetings of the Committee.

Authority of the Committee

The Committee has the authority:

- (a) to seek any information it requires from any employee of the Company and from the external auditor in order to perform its duties;
- (b) to obtain, at the Company's expense, outside independent legal counsel and other advisors as it determines necessary to carry out its duties;
- (c) to set and pay the compensation for any advisors employed by the Committee;
- (d) to call any member of staff to be questioned at a meeting of the Committee as and when required; and
- (e) to approve accounting policies and procedures and auditing methodology (issues of material importance, however, will be referred to the Board with the Committee's recommendation).

Review of Committee Performance

The Committee will annually revisit its Charter membership, objectives and duties and evaluate the effectiveness of its performance and report to the Board on an annual basis. The Committee may make recommendations to the Board in relation to these matters.

SCHEDULE A

RISK MANAGEMENT POLICY

This risk management policy provides the guiding principle for management in the identification of risks across the organisation as a whole and includes Treasury Functions. The analysis and evaluation criteria are used to continually assess the impact of risks upon the Company's business objectives.

Responsibilities

The CEO is accountable to the Board, through the Committee, for ensuring that the risk management system is implemented and maintained in accordance with this policy. Assignment of responsibilities in relation to risk management is the prerogative of the CEO. The CEO will regularly report to the Board on whether risks across the organisation are being effectively managed and whether the risk management system is implemented and maintained in accordance with this policy. The Board will review this risk management policy at least annually.

Senior executives, including the CEO, the CFO and the Company Secretary, are accountable for strategic risk management within areas under their control, including the dissemination of the risk management process to operational managers.

Collectively, the senior executives are responsible for:

- a) the formal identification of strategic risks that impact upon the Company business;
- b) the allocation of priorities; and
- c) the development of strategic risk management plans

The senior executives review progress against agreed risk management plans.

In conjunction with the Managing Director/CEO, the CFO is accountable for the implementation of this policy and for maintaining a programme of risk reassessment. The CFO also provides advice to the relevant senior executives on risk management matters relevant to their responsibilities.

The CFO is to assist senior management and the Board in the effective discharge of their responsibilities with regard to the Company's internal control environment by ensuring the efficiency and effectiveness of Company processes and identifying opportunities to improve operating performances.

At appropriate intervals, the CFO shall determine the adequacy and effectiveness of the Company's system of internal accounting and operating controls and determine if the business is managing risks, in accordance with management instruction, policies and procedures, in a manner consistent with Company objectives.

The Board will disclose whether it has received assurance from the CEO and the CFO that the declaration provided in accordance with section 295A of the Corporations Act is

founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.