CAPSTONE MINING CORP.

INFORMATION CIRCULAR

for the

ANNUAL GENERAL MEETING

of

CAPSTONE MINING CORP.

to be held on

WEDNESDAY, MAY 8, 2013

INFORMATION CIRCULAR

CAPSTONE MINING CORP.

900 - 999 West Hastings Street
Vancouver, British Columbia V6C 2W2

(all information as at April 5, 2013 unless otherwise noted)

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of proxies being made by the management of Capstone Mining Corp. (the "Company") for use at the Annual General Meeting of the Company's shareholders (the "Meeting") to be held on Wednesday, May 8, 2013 at the time and place and for the purposes set forth in the accompanying Notice of Meeting. While it is expected that the solicitation will be made primarily by mail, proxies may be solicited personally or by telephone by directors, officers and employees of the Company. All costs of this solicitation will be borne by the Company.

COMPLETION AND VOTING OF PROXIES

Voting

Voting at the Meeting will be by a show of hands, each registered shareholder and each Proxyholder (representing a registered or non-registered shareholder) having one vote, unless a poll is required or requested, whereupon each such shareholder and Proxyholder is entitled to one vote for each common share held or represented, respectively. To approve a motion proposed at the Meeting a majority of greater than 50% of the votes cast will be required (an "ordinary resolution") unless the motion requires a "special resolution" in which case a majority of 66⅔% of the votes cast will be required.

Appointment of Proxyholders

The persons named in the accompanying form of proxy ("Proxy") as "Proxyholders" are directors or officers of the Company. **A shareholder has the right to appoint a person (who need not be a shareholder) to attend and act on the shareholder's behalf at the Meeting other than the persons named in the Proxy as Proxyholders. To exercise this right, the shareholder must insert the name of the shareholder's nominee in the space provided or complete another Proxy.**

A shareholder completing the enclosed Proxy may indicate the manner in which the persons named in the Proxy are to vote with respect to any matter by marking an "X" in the appropriate space. On any poll required (for the reason described above) or requested, those persons will vote or withhold from voting the shares in respect of which they are appointed in accordance with the directions, if any, given in the Proxy provided such directions are certain.

If a shareholder wishes to confer a discretionary authority with respect to any matter, then the space should be left blank. **In such instance, the Proxyholder, if nominated by management, intends to vote the shares represented by the Proxy in favour of the motion.**

The enclosed Proxy, when properly signed, confers discretionary authority with respect to amendments or variations to the matters identified in the Notice of Meeting and with respect to other matters which may be properly brought before the Meeting. At the time of printing this Information Circular, the management of the Company is not aware that any such amendments, variations or other matters are to be presented for action at the Meeting. If, however, other matters which are not now known to the management should properly come before the Meeting, the Proxies hereby solicited will be exercised on such matters in accordance with the best judgment of the nominees.

The Proxy must be dated and signed by the shareholder or the shareholder's attorney authorized in writing. In the case of a corporation, the Proxy must be dated and duly executed under its corporate seal or signed by a duly authorized officer or attorney for the corporation.

The completed Proxy, together with the power of attorney or other authority, if any, under which it was signed or a notarially certified copy thereof, must be deposited with the Company's transfer agent in accordance with

the instructions and before the time set out in the Proxy. Non-Registered Holders (as defined below under "Non-registered Shareholders") must deliver their completed Proxies in accordance with the instructions given by their financial institution or other intermediary that forwarded the Proxy to them.

Registered Shareholders

Only shareholders registered as shareholders in the Company's shareholder registry maintained by the Company's registrar and transfer agent or duly appointed Proxyholders (except as discussed below under "Non-registered Shareholders") will be recognized to make motions or vote at the Meeting.

Non-registered Shareholders

Many shareholders are "non-registered" shareholders because the shares of the Company they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares. More particularly, a person is not a registered shareholder in respect of shares which are held on behalf of that person (the "Non-Registered Holder") but which are registered either: (a) in the name of an intermediary (an "Intermediary") that the Non-Registered Holder deals with in respect of the shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant.

There are two kinds of Non-Registered Holders – those who object to their name being made known to the issuers of securities which they own (called OBOs for Objecting Beneficial Owners) and those who do not object to the issuers of the securities they own knowing who they are (called NOBOs for Non-Objecting Beneficial Owners).

In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of Reporting Issuers* ("NI 54-101"), we have distributed copies of the Notice of Meeting, this Information Circular, the Proxy and related documents (collectively, the "Meeting Materials") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders. Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless in the case of certain proxy-related materials the Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. With those Meeting Materials, Intermediaries or their service companies should provide Non-Registered Holders of shares with a "request for voting instruction form" which, when properly completed and signed by such Non-Registered Holder and **returned to the Intermediary or its service company**, will constitute voting instructions which the Intermediary must follow. The purpose of this procedure is to permit Non-Registered Holders of shares to direct the voting of the shares that they beneficially own. Should a Non-Registered Holder of shares wish to vote at the Meeting in person, the Non-Registered Holder should follow the procedure in the request for voting instructions provided by or on behalf of the Intermediary and request a form of legal proxy which will grant the Non-Registered Holder the right to attend the Meeting and vote in person. Non-Registered Holder**s should carefully follow the instructions of their Intermediary, including those regarding when and where the completed request for voting instructions is to be delivered.**

Only registered shareholders have the right to revoke a proxy. Non-Registered Holders of shares who wish to change their vote must in sufficient time in advance of the Meeting, arrange for their respective Intermediaries to change their vote and if necessary revoke their proxy in accordance with the revocation procedures set out above.

Shareholders with questions respecting the voting of shares held through a stockbroker or other financial intermediary should contact that stockbroker or other intermediary for assistance.

REVOCATION OF PROXIES

Shareholders have the power to revoke Proxies previously given by them. Revocation can be effected by an instrument in writing (which includes a Proxy bearing a later date) signed by a shareholder or the shareholder's attorney authorized in writing and in the case of a corporation, duly executed under its corporate seal or signed by a duly authorized officer or attorney for the corporation, and either delivered to the registered office of the Company at 900 - 999 West Hastings Street, Vancouver, BC V6C 2W2, Canada or to Computershare Investor Services Inc., at 9th Floor - 100 University Avenue, Toronto, Ontario, Canada M5J 2Y1, or by fax at 866.249.7775 in Canada and the United States and 416.263.9524 outside of Canada and the United States, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, or deposited with the Chair of the Meeting on the day of the Meeting.

EXERCISE OF DISCRETION

If the instructions in a Proxy are certain, the shares represented thereby will be voted on any poll by the persons named in the Proxy, and, where a choice with respect to any matter to be acted upon has been specified in the Proxy, the shares represented thereby will, on a poll, be voted or withheld from voting in accordance with the specifications so made.

Where no choice has been specified by the shareholder, such shares will, on a poll, be voted in accordance with the notes to the form of Proxy.

The enclosed Proxy, when properly completed and delivered and not revoked, confers discretionary authority upon the persons appointed Proxyholders thereunder to vote with respect to any amendments or variations of matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the time of the printing of this Information Circular, the management of the Company knows of no such amendment, variation or other matter which may be presented to the Meeting.

CURRENCY

All currency amounts in this Information Circular are expressed in United States dollars, unless otherwise indicated. References to "C$" are to Canadian dollars.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Company's authorized capital consists of an unlimited number of common shares without par value. As at April 5, 2013, the Company has issued and outstanding 379,284,495 fully paid and non-assessable common shares, each share carrying the right to one vote. **The Company has no other classes of voting securities and does not have any classes of restricted securities.**

Any shareholder of record at the close of business on April 5, 2013 who either personally attends the Meeting or who has completed and delivered a Proxy in the manner specified, subject to the provisions described above, shall be entitled to vote or to have such shareholder's shares voted at the Meeting.

Subject to the special rights and restrictions attached to the shares of any class or series of shares, the quorum for the transaction of business at a meeting of shareholders is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the issued shares entitled to be voted at the Meeting.

To the knowledge of the directors and executive officers of the Company, the only persons who, or companies which, beneficially own, or control or direct, directly or indirectly, shares carrying 10% or more of the voting rights attached to all outstanding shares of the Company are:

Shareholder Name	Number of Shares	Percentage of Issued Shares
Korea Resources Corporation	40,198,632	10.60%

NUMBER OF DIRECTORS

The Board of Directors of the Company (the "Board") consists of eight directors and it is proposed to fix the number of directors for the following year at eight. This requires the approval of the shareholders of the Company by an ordinary resolution, which approval will be sought at the Meeting. The management Proxyholders named in the accompanying form of proxy as Proxyholders intend to vote for fixing the number of directors at eight, unless instructed otherwise.

ELECTION OF DIRECTORS

The term of office of each of the present directors expires at the Meeting. **The persons named below have consented to be nominated for election at the Meeting as management's nominees.** Management does not contemplate that any of these nominees will be unable to serve as a director. Each director elected will hold office until the next annual general meeting of the Company or until his or her successor is elected or appointed, unless his or her office is earlier vacated in accordance with the Articles of the Company or with the provisions of the *Business Corporations Act* (British Columbia) ("BCBCA"). All of the current nominees, save for

Messrs. Madhavpeddi and Lee, were elected as directors by the shareholders at last year's annual general and special meeting. Mr. Madhavpeddi was appointed a director on June 1, 2012 and Mr. Lee was appointed a director on October 23, 2012.

At the Meeting, the Company will ask shareholders to vote for the election of the eight nominees proposed by the Company as directors. Each holder of Common Shares will be entitled to cast their votes for or withhold their votes from the election of each director. The management Proxyholders named in the Proxy as Proxyholders intend to vote for the election of all nominees whose names are set forth in this Information Circular, unless instructed otherwise.

Majority Voting for Directors

As part of its ongoing review of corporate governance practices, on August 12, 2011, the Board adopted a policy that requires, in an uncontested election of directors, any nominee for election as a director who receives a greater number of votes "withheld" than votes "for" to tender his or her resignation to the Chair of the Board promptly following the applicable shareholders' meeting. The Corporate Governance & Nominating Committee of the Board (the "CG&N Committee") will consider the offer of resignation and make a recommendation to the Board on whether to accept it. In considering whether or not to recommend acceptance of the resignation, the CG&N Committee will consider all factors deemed relevant by members of the CG&N Committee. The CG&N Committee will be expected to recommend acceptance of the resignation except in situations where the consideration would warrant the applicable director continuing to serve on the Board. The Board will make its final decision and announce it in a news release within 90 days following the shareholders' meeting. A director who tenders his or her resignation pursuant to this policy will not participate in any meeting of the Board or the CG&N Committee at which such resignation is considered.

Nominees

The following charts provide information on the eight nominees proposed for election as directors, the jurisdiction in which each is ordinarily resident, the period or periods during which each has served as a director. Included in these charts is information relating to the nominees' membership on committees of the Board and Board and committee meeting attendance in the 12 months ended December 31, 2012. In that period, the Board held six regularly scheduled meetings. Special meetings are sometimes called on shorter notice than regularly scheduled meetings, which are scheduled over the year in advance. In addition to the attendance listed below, directors from time to time attend other committee meetings by invitation. All nominees attended 100% of applicable Board and committee meetings.

The charts also show present principal occupation and principal occupations held in the last five years, if different. In addition, the charts show the nominees' current equity ownership consisting of common shares of the Company beneficially owned, directly or indirectly, or controlled or directed, or Deferred Share Units ("DSUs"), and/or options (each equivalent in value to a common share) credited to each nominee.

Lawrence I. Bell Vernon, British Columbia				Age: 75 Independent Director since November 24, 2008
Mr. Bell served as the non-executive Chairman of British Columbia Hydro and Power Authority until December 2007. He holds a Bachelor of Arts degree and an Honours Ph.D. from the University of British Columbia. He also holds a Masters of Arts degree from San Jose State University. Mr. Bell is a fellow of the Institute of Corporate Directors and Chair of the Corporate Governance Committee for Silver Wheaton Corp., member of the Audit Committee and Chair of the Compensation Committee for Goldcorp Inc. and Chair of the Compensation and Governance Committees for Matrix Asset Management Inc.				
Board/Committee Membership			**Attendance**	
Board Audit Committee[1] Human Resources and Corporate Governance Committee[2] Human Resources and Compensation Committee[3] Corporate Governance and Nominating Committee[4] Environmental, Health, Safety and Sustainability Committee[5]			6 of 6 2 of 2 4 of 4 2 of 2 2 of 2 2 of 2	100% 100% 100% 100% 100% 100%
Options, Common Shares and DSUs (as at December 31, 2012)				
Options	**Common Shares**	**DSUs**	**Total of Common Shares and DSUs**	**Total Value of Common Shares and DSUs**
440,596	30,000	29,644	59,644	C$143,742.04[6]

(1) Mr. Bell stepped down from the Audit Committee on June 1, 2012.
(2) The Human Resources and Corporate Governance Committee was re-constituted on June 1, 2012.
(3) The Human Resources and Compensation Committee was formed on June 1, 2012.
(4) The Corporate Governance and Nominating Committee was formed on June 1, 2012.
(5) Mr. Bell joined the Environmental, Health, Safety and Sustainability Committee on June 1, 2012.
(6) Calculated using the market price of our shares on the Toronto Stock Exchange ("TSX") on December 31, 2012 (C$2.41). Amount stated in Canadian dollars.

George L. Brack North Vancouver, British Columbia				Age: 51 Independent Director since May 19, 2009
Mr. Brack is the Chairman of both Capstone Mining Corp. and Alexco Resource Corp. and serves as a director of Aurizon Mines Ltd. , Geologix Explorations Inc., Newstrike Capital Inc. and Silver Wheaton Corp. Mr. Brack's 28-year career in the mining industry working in investment banking and corporate development has focused on the identification, evaluation and execution of strategic mergers and acquisitions and the provision of equity financing. Mr. Brack was Managing Director and Industry Head, Mining Group of Scotia Capital. Previously, Mr. Brack held the position of Vice President, Corporate Development at Placer Dome Inc., worked for CIBC Wood Gundy, where he was a Vice President of the Investment Banking Group and worked in Rio Algom's corporate development department. Mr. Brack started his career as an exploration geologist with Sherritt-Gordon Mines. Mr. Brack holds an MBA from York University, a BASc in Geological Engineering from the University of Toronto and the CFA designation.				
Board/Committee Membership			**Attendance**	
Board Human Resources and Corporate Governance Committee[1] Human Resources and Compensation Committee[2] Corporate Governance and Nominating Committee[3]			6 of 6 4 of 4 2 of 2 2 of 2	100% 100% 100% 100%
Options, Common Shares and DSUs (as at December 31, 2012)				
Options	**Common Shares**	**DSUs**	**Total of Common Shares and DSUs**	**Total Value of Common Shares and DSUs**
303,146	100,000	29,644	129,644	C$312,442.04[4]

(1) The Human Resources and Corporate Governance Committee was re-constituted on June 1, 2012.
(2) The Human Resources and Compensation Committee was formed on June 1, 2012.
(3) The Corporate Governance and Nominating Committee was formed on June 1, 2012.
(4) Calculated using the market price of our shares on the TSX on December 31, 2012 (C$2.41). Amount stated in Canadian dollars.

Chantal Gosselin Toronto, Ontario				Age: 43 Independent Director since July 26, 2010
Ms. Gosselin is a Vice President and Portfolio Manager at Goodman Investment Counsel. She formerly held the position of senior mining analyst, at Sun Valley Gold LLP, a precious metals focused investment fund. From May 2006 to March 2008, Ms. Gosselin was a senior mining analyst and partner of Genuity Capital Markets. Prior to joining Genuity, she held positions as a mining analyst with Haywood Securities Inc. and Dundee Securities Corporation. Between 1992 and 2000, she held various management positions in North, Central and South America for Blackhawk Mining Inc., Pan American Silver Corporation, Dynatec Mining Corporation and Aur Resources Inc. She holds a MBA in business administration from Concordia University, a Chartered Investment Manager accreditation and a BSc. in mining engineering from Laval University.				
Board/Committee Membership			**Attendance**	
Board Audit Committee Human Resources and Corporate Governance Committee[1] Corporate Governance and Nominating Committee[2] Environmental, Health, Safety and Sustainability Committee			6 of 6 4 of 4 4 of 4 2 of 2 4 of 4	100% 100% 100% 100% 100%
Options, Common Shares and DSUs (as at December 31, 2012)				
Options	**Common Shares**	**DSUs**	**Total of Common Shares and DSUs**	**Total Value of Common Shares and DSUs**
253,146	15,000	29,644	44,644	C$107,592.04[3]

(1) The Human Resources and Corporate Governance Committee was re-constituted on June 1, 2012.
(2) The Corporate Governance and Nominating Committee was formed on June 1, 2012.
(3) Calculated using the market price of our shares on the TSX on December 31, 2012 (C$2.41). Amount stated in Canadian dollars.

GookHo Lee Toronto, Ontario				Age: 64 Independent[1] Director since October 23, 2012
Mr. Lee has been an Executive Advisor with KORES since 2011, Senior Executive Vice President and Executive Vice President, Overseas Business Development Division, Raw Materials Procurement Division at LS-Nikko Copper Inc. from 2004 to 2010 and Senior Vice President, Marketing Division, Raw Materials Procurement Division, Corporate Strategy Development Division at LG Metals from 1995 to 2003.				
Board/Committee Membership			**Attendance**	
Board[2] Technical Committee[3]			2 of 2 1 of 1	100% 100%
Options, Common Shares and DSUs (as at December 31, 2012)				
Options	**Common Shares**	**DSUs**	**Total of Common Shares and DSUs**	**Total Value of Common Shares and DSUs**
Nil	Nil	Nil	Nil	Nil

(1) The Company is party to an agreement with Korea Resources Corporation ("KORES") dated April 15, 2011 pursuant to which KORES is entitled to nominate one member of the Board so long as it holds at least 36,178,769 common shares of the Company. KORES's current nominee is Mr. GookHo Lee.
(2) Mr. Lee was appointed a director on October 23, 2012.
(3) Mr. Lee joined the Technical Committee on October 23, 2012.

Kalidas Madhavpeddi Phoenix, Arizona			Age: 58 Independent Director since June 1, 2012	
Mr. Madhavpeddi is a former Senior Vice President and member of Senior Management, Phelps Dodge Corporation, former President and Phelps Dodge Wire & Cable. Mr. Madhavpeddi started his career as an Engineer – seven years in Morenci, Arizona, Western Operations, ultimately Senior Vice President for global M&A and worldwide exploration, President of downstream copper and aluminum wire and cable operations. Former Overseas CEO, China Molybdenum Co., Ltd.; former member of SME (Society of Mining Engineers). He is a B.S Engineering, M.S. Industrial Management and is currently CEO, Forex Investment Group and Azteca Consulting LLC.				
Board/Committee Membership			**Attendance**	
Board Audit Committee[(1)] Technical Committee[(2)]			3 of 3 2 of 2 2 of 2	100% 100% 100%
Options, Common Shares and DSUs (as at December 31, 2012)				
Options	**Common Shares**	**DSUs**	**Total of Common Shares and DSUs**	**Total Value of Common Shares and DSUs**
100,000	Nil	29,644	29,644	C$71,442.04[(3)]

(1) Mr. Madhavpeddi joined the Audit Committee on June 1, 2012.
(2) The Technical Committee was formed on June 1, 2012.
(3) Calculated using the market price of our shares on the TSX on December 31, 2012 (C$2.41). Amount stated in Canadian dollars.

Dale C. Peniuk West Vancouver, British Columbia			Age: 54 Independent Director since May 19, 2009	
Mr. Peniuk is a chartered accountant and corporate director. In addition to the Company, Mr. Peniuk currently serves on the Board as Audit Committee Chair of Lundin Mining Corporation, Sprott Resource Lending Corp., Argonaut Gold Inc. and Rainy River Resources Ltd. Mr. Peniuk obtained a B.Comm from the University of British Columbia in 1982 and his Chartered Accountant designation from the Institute of Chartered Accountants of British Columbia in 1986, and spent more than 20 years with KPMG LLP, Chartered Accountants and predecessor firms, the last 10 of which as an assurance partner.				
Board/Committee Membership			**Attendance**	
Board Audit Committee Human Resources and Compensation Committee[(1)]			6 of 6 4 of 4 2 of 2	100% 100% 100%
Options, Common Shares and DSUs (as at December 31, 2012)				
Options	**Common Shares**	**DSUs**	**Total of Common Shares and DSUs**	**Total Value of Common Shares and DSUs**
353,146	10,000	29,644	39,644	C$95,542.04[(2)]

(1) Mr. Peniuk joined the Human Resources and Compensation Committee on June 1, 2012.
(2) Calculated using the market price of our shares on the TSX on December 31, 2012 (C$2.41). Amount stated in Canadian dollars.

Darren M. Pylot Vancouver, British Columbia		Age: 45 Non-Independent Director since February 13, 1995	
Mr. Pylot is our President and Chief Executive Officer, former Vice Chairman and founder of Capstone Mining Corp. and in 2006 created Silverstone Resources Corp. He formerly served as President and Chief Executive Officer for Silverstone prior to its sale to Silver Wheaton in May 2009. Mr. Pylot also serves as Chairman of the Board of Zena Mining Corp.			
Board/Committee Membership		**Attendance**	
Board		6 of 6	100%
Options, Common Shares and DSUs (as at December 31, 2012)			
Options	**Common Shares**	**Total Value of Common Shares**	
1,282,000	729,369	C$1,757,779.29[(1)]	

(1) Calculated using the market price of our shares on the TSX on December 31, 2012 (C$2.41). Amount stated in Canadian dollars.

Richard N. Zimmer North Vancouver, British Columbia				Age: 64 Independent Director since June 20, 2011
Mr. Zimmer is the former President and Chief Executive Officer of Far West Mining Ltd., which was acquired by Capstone in 2011. Prior to Far West, Mr. Zimmer worked for Teck Corporation, Teck-Cominco and Teck-Pogo Inc. from 1992 to 2007 in various engineering and operating positions and from 1998-2007, as Vice President and Project Manager for Teck-Pogo Inc. on the design and construction of the Pogo Mine near Fairbanks, Alaska. Before joining Teck, Mr. Zimmer was employed with Bow Valley Industries, 1984-1992, as Senior Staff Engineer responsible for evaluation of new mining ventures. Mr. Zimmer has over 35 years of experience in the mining industry and has a B.Sc. degree, B. Eng., MBA and is a P.Eng in the Province of British Columbia.				
Board/Committee Membership			**Attendance**	
Board Environmental, Health, Safety and Sustainability Committee Technical Committee(1)			6 of 6 4 of 4 2 of 2	100% 100% 100%
Options, Common Shares and DSUs (as at December 31, 2012)				
Options	**Common Shares**	**DSUs**	**Total of Common Shares and DSUs**	**Total Value of Common Shares and DSUs**
2,282,026	27,069	29,644	56,713	C$136,678.33(2)

(1) The Technical Committee was formed on June 1, 2012.
(2) Calculated using the market price of our shares on the TSX on December 31, 2012 (C$2.41). Amount stated in Canadian dollars.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the best of management's knowledge, during the ten years preceding the date of this Information Circular, no proposed director of the Company has, to the knowledge of the Company, been a director, chief executive officer or chief financial officer of any company that:

(a) was subject to an order that was issued while the proposed director was acting in the capacity as a director, chief executive officer of chief financial officer; or

(b) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the best of management's knowledge, during the ten years preceding the date of this Information Circular, no proposed director of the Company has, to the knowledge of the Company, been a director, chief executive officer of chief financial officer of any company that:

(a) while that person was acting in that capacity, or within a year of that person ceasing to act in that 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 the assets of that company; or

(b) has 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 the assets of the proposed director.

To the best of management's knowledge, no proposed director of the Company has been subject to 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 been subject to any other penalties or sanctions imposed by a court, or regulatory body that would likely be considered important to a reasonable securityholder in deciding to vote for a proposed director.

ADVANCE NOTICE POLICY

Effective March 12, 2013, the Board adopted an advance notice policy (the "Advance Notice Policy"), a copy of which is attached to this Information Circular as Schedule "B". In order for the Advance Notice Policy to remain in effect following the conclusion of the Meeting, it must be ratified and approved by the shareholders at the Meeting.

Purpose of the Advance Notice Policy

The purpose of the Advance Notice Policy is to provide shareholders, directors and management of the Company with direction on the procedure for shareholder nomination of directors. The Advance Notice Policy is the framework by which the Company seeks to fix a deadline by which holders of record of common shares of the Company must submit director nominations to the Company prior to any annual or special meeting of shareholders and sets forth the information that a shareholder must include in the notice to the Company for the notice to be in proper written form.

Effect of the Advance Notice Policy

The following is a summary of the material provisions of the Advance Notice Policy. Shareholders are directed to review the complete terms of the Advance Notice Policy attached to this Information Circular as Schedule "B". Briefly, the Advance Notice Policy:

- provides that only persons who are nominated (a) by or at the direction of the Board, including pursuant to a notice of meeting; (b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the BCBCA or a requisition of shareholders made in accordance with the provisions of the BCBCA; or (c) by any person who, at the close of business on the notice date and on the record date for notice of such meeting, is entered in the securities register as a shareholder and who complies with the notice procedures set forth in the Advance Notice Policy; shall be eligible for election as directors of the Company;
- fixes a deadline by which a registered shareholder may submit director nominations to the Company prior to any annual or special general meeting and sets out the specific information that must be included in the written notice to the Company for an effective nomination to occur;
- provides that in the case of an annual meeting, notice to the Company must be given no fewer than 35 nor more than 60 days prior to the date of the meeting; provided that if the meeting is to be held on a date that is fewer than 50 days after the date on which the first public announcement of the date of the meeting was made, notice may be given no later than the close of business on the 10th day following such public announcement;
- provides that in the case of a special general meeting that is not also an annual meeting, notice to the Company must be made no later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made; and
- provides that the board of directors, in its sole discretion, may waive any requirement of the Advance Notice Policy.

Shareholder Approval

If the Advance Notice Policy is ratified and approved by the shareholders at the Meeting, it will be subject to an annual review by the Board, which will update it to reflect any changes required by securities regulatory authorities and applicable stock exchanges or as otherwise determined by the Board to be in the best interests of the Company and its shareholders. If the Advance Notice Policy is not ratified and approved at the Meeting, it will no longer be in effect after the conclusion of the Meeting.

At the Meeting, shareholders will be asked to approve the following ordinary resolution:

"**BE IT RESOLVED THAT:**

1. the Company's Advance Notice Policy (the "Advance Notice Policy"), a copy of which is attached as Schedule "B" to the Information Circular of the Company dated as at April 5, 2013, be and is hereby ratified and approved;
2. the board of directors of the Company be and is hereby authorized in its absolute discretion to administer the Advance Notice Policy and to amend or modify the Advance Notice Policy to the extent needed to reflect changes required by securities regulatory authorities and applicable stock exchanges, or as otherwise determined to be in the best interests of the Company and its shareholders; and

3. any one director or officer of the Company be and is hereby authorized and directed to do all such acts and things and to execute and deliver all such documents, instruments and assurances as in the opinion of such director or officer may be necessary or desirable to give effect to the foregoing resolutions."

Recommendation of the Board

The Board has determined that the Advance Notice Policy is in the best interests of the Company and its shareholders, and unanimously recommends that shareholders vote in favour of the resolution ratifying and approving the Advance Notice Policy.

EXECUTIVE COMPENSATION

Named Executive Officers

Set out below in the summary compensation table, are details of compensation paid to the following persons (the "Named Executive Officers" or "NEOs"), as at December 31, 2012, the end of the most recently completed financial year of the Company:

- Darren M. Pylot - President and CEO;
- Peter T. Hemstead - Vice President, Marketing and Treasurer (acting in a similar capacity to a CFO since November 2012);
- Tony S. Giardini - Senior Vice President and CFO (August to November);
- Richard R. Godfrey - Senior Vice President and CFO (January to August);
- Gregg B. Bush - Senior Vice President and COO;
- Jagdish K. Grewal - Senior Vice President, Strategy and Stakeholder Affairs; and
- Juan Carlos Alfaro Gonzalez – President & General Manager, Minera Santo Domingo.

Executive Summary

The Company's compensation strategy is based on pay for performance. Through its executive compensation practices, the Company seeks to provide value to its shareholders through a strong executive leadership team. Specifically, the Company's executive compensation structure seeks to attract and retain talented and experienced executives necessary to achieve the Company's strategic objectives. The program is designed to motivate and reward executives to increase shareholder value, a significant portion of total compensation is determined by corporate, and individual results, fostering a shared commitment among executives by coordinating their corporate, team and individual goals.

The Company's operational and financial performance was strong in 2012. A significant proportion of variable compensation is based on the performance of the Company's cash flow generating operations. The Company exceeded both the production and cost targets that were set.

Our safety performance also beat our 2012 targets and extensive work was completed to further enhance our safety program. We continued to meet our resource growth targets at both of our mines and also by bringing additional exploration properties into our portfolio. We advanced both our enterprise risk management program and social responsibility objectives, primarily evidenced through our First Nation relationship at our Minto Mine and the advancement of a number of internal human resource initiatives designed to ensure we have the employee base in place to meet our growth targets in the future.

We did not meet all of our objectives related to our development Projects. We completed the environmental assessment for our Santo Domingo Project and much of the feasibility and engineering work, however the application was not filed and the feasibility study not finalized due to the lack of economically priced power in Chile. At Kutcho, we delayed submission of the Environmental Impact Assessment ("EA") in order to complete additional environmental testing in support of the EA.

Compensation Discussion & Analysis ("CD&A")

The Human Resources and Compensation Committee (the "HR&C Committee") is required to consult with and make recommendations to the Board on executive compensation and compensation plan matters. In the course of its deliberations, the HR&C Committee considered the implications of the risks associated with adopting the compensation program currently in place.

The HR&C Committee has not identified risks arising from the Company's compensation policies and practices that are reasonably likely to have a material adverse effect on the Company. The HR&C Committee will continue to include this consideration in its deliberations, and believes that it and the Board would detect actions of management or employees of the Company that constitute or would lead to inappropriate or excessive risks.

The compensation structure of the Company's executive officers is a balanced pay mix; comprised of base salary, annual short term incentive ("STI") bonus and long term incentives ("LTI") (a combination of Performance Share Units ("PSUs"), Restricted Share Units ("RSUs") and incentive stock options) identified under the Incentive Stock Option and Bonus Share Plan and the Share Unit Plan.

Within the context of the overall objectives of the Company's compensation practices, the Company determined the specific amounts of compensation to be paid to each of its executives in 2012, based on a number of factors, including:

- the Company's understanding of the amount of compensation generally paid by a group of peer companies listed herein to their executives with similar roles and responsibilities as provided by an independent study by Mercer initiated by the Company;
- the Company's executives' performance during the 2012 fiscal year in general and as measured against predetermined corporate, team and individual performance goals. The 2012 Corporate goals focused on the following core areas:
    - Production;
        - Cost per pound of payable copper;
    - Safety:
        - Improve on the 2011 safety performance by reducing the frequency of Lost Time Incidents;
    - Environmental:
        - Maintain or reduce the number of reportable environmental incidents from 2011;
    - Enterprise Risk Management:
        - Proactively manage risks within approved risk appetite by successfully embedding risk management into the business and our processes;
    - Social Responsibility:
        - Demonstrate social responsibility with our people and the communities we operate in;
    - Growth:
        - Improvement in Share Price relative to our Peer Group;
        - Manage Capital Structure to support the pursuit of growth while maintaining a strong balance sheet;
        - Improve Asset Mix to ensure a long term growth through acquisition of production or development of a property through JV Agreements and expanding Resources/Reserves balances;
    - Advancing Projects:

      <u>Santo Domingo</u>
        - Complete Feasibility Study including Basic Engineering;
        - Executed Port Agreement;

- Complete Environmental Assessment Process;

Kutcho

- Environmental Impact Assessment submitted;

- the roles and responsibilities of the Company's executives;
- the individual experience and skills of, and expected contributions from, the Company's executives;
- the internal equity considerations with respect to amounts of compensation being paid to the Company's other executives; and
- any contractual commitments the Company has made to its executives regarding compensation.

Peer Group

In assisting the Company with a review of peer companies used to inform executive and outside director compensation pay levels and practices, Mercer used the following criteria to identify organizations for peer group inclusion: publically-traded Canadian mining companies; international operations with an emphasis on base metals; revenue between approximately 0.5x to 2.0x that of the Company's; and market capitalization to revenue multiple between approximately 0.5x to 2.0x that of the Company's. Based on Mercer's review, the following companies were identified and used as executive and outside director compensation peers:

Alamos Gold Inc.	Hecla Mining Co.
Aura Minerals Inc.	HudBay Minerals, Inc.
Dundee Precious Metals Inc.	Mercator Minerals Limited
Eastern Platinum Limited	PanAust Limited
Endeavour Silver Corp.	Silver Standard Resources Inc.
First Majestic Silver Corp.	Taseko Mines Ltd.
Imperial Metals Corp.	Thompson Creek Metals Company Inc.

Peer group median revenue, market capitalization and market capitalization to revenue multiples are: $262 million, $1 billion and 3.2x, respectively, all of which are aligned with the Company's values.

	Revenue $ (in millions)(1)	Market Capitalization $ (in millions)(2)
25th Percentile	236	493
Median	260	967
75th Percentile	444	1,521
Capstone Mining Corp.	**333**	**923**

(1) Most recently reported annual revenue.
(2) Market Capitalization at August 31, 2012.

Using information sourced from the information circulars of the above peers, in conjunction with information obtained from Mercer and Coopers Consulting captive compensation surveys, Mercer conducted a compensation study of the Company's top 13 executive and management positions (which included all of our Named Executive Officers). Based on Mercer's study, the Company's executives overall were positioned around the 75th percentile of the competitive market on target total direct compensation (base salary + target bonus + long-term incentives).

In addition to providing analyses on executive pay levels, Mercer also assisted the Company with a review of competitive market long-term incentive practices for both senior executives and independent directors.

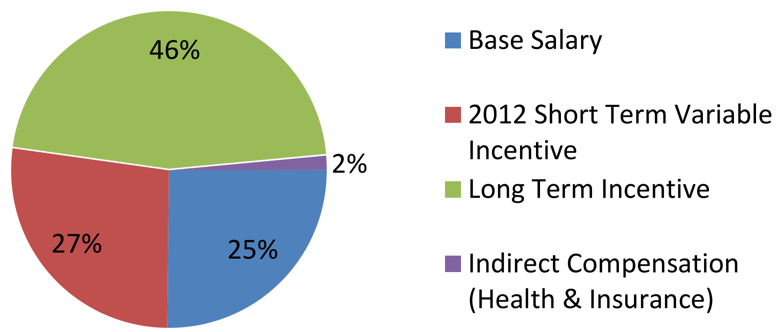
- Senior Executives: moved from granting 100% stock options to a mix of 50% stock options, 25% RSUs and 25% PSUs.

- Independent Directors: moved from granting 100% stock options to granting a 50/50 mix of stock options and DSUs.

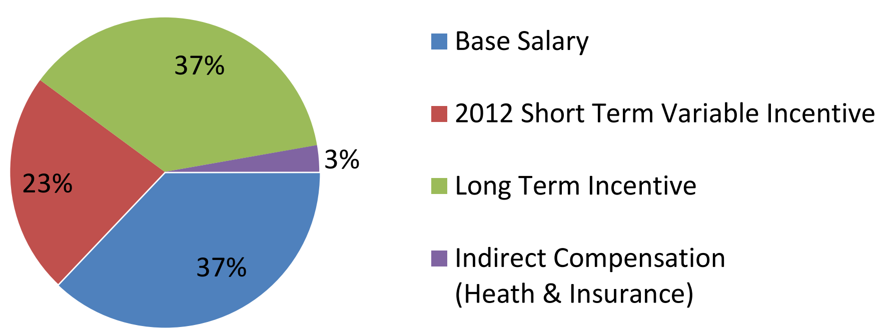
NEO Compensation Mix

The charts below demonstrate the balance pay mix we have in place for the executives. A large portion of the mix is leveraged against the short term annual incentive bonus and the long term incentives. In the case of the CEO, 80% of his STI component is weighted against the Corporate goals; the other 20% focuses on personal leadership and culture effectiveness objectives. The long term incentive (LTI) component is based on a dollar value that aligns the CEO to 75% of the market against other CEOs as defined by our determined peer group.

CEO Compensation Pay Mix



NEO Compensation Pay Mix



At the end of 2012, a detailed analysis was completed by Mercer comparing the implied LTI three year value that has been realized to date for the CEO in 2012.

The tables below illustrate the concept of "realizable pay" for the CEO over the last three financial years, and reflect the target and realizable value for each of the compensation elements. The target pay considers the target short-term and long-term incentive award levels, while the "realizable pay" considers the actual short-term incentive awarded and the value of the long-term incentive awards at the closing share price at December 31, 2012, assuming awards were vested.

CEO Target Pay (CAD$)						
Year	**Salary**	**Bonus**	**Options**	**Stock[1]**	**Other**	**Total Pay**
2012	$575,000	$460,000	$483,000	$483,000	$31,059	$2,032,059
2011	$530,786	$345,011	$665,484	-	$15,606	$1,556,887
2010	$397,942	$258,662	$389,268	-	$15,170	$1,061,042
Average 3-year Target Pay:						$1,549,996

CEO Realizable Pay (CAD$)						
Year	**Salary**	**Bonus**	**Options[2]**	**Stock[12]**	**Other**	**Total Pay**
2012	$575,000	$564,000	$0	$442,489	$31,059	$1,612,548
2011	$530,786	$456,649	$0	-	$15,606	$1,003,041
2010	$397,942	$178,994	$0	-	$15,170	$592,106
Average 3-year Realizable Pay:						$1,069,232

[1]Stock consists of RSU and PSU grants for 2012
[2]Intrinsic value of all equity as of closing price at December 31, 2012 of $2.41
PSU multiplier for 2012 equals 0.778x target for 2012; 1.0x target assumed for 2013 and 2014

The value of long-term awards varies prior to vesting, and the final payouts realized are directly tied to share price appreciation. These incentive awards may enjoy a higher potential payout in years where shareholders realize value, but also align the CEO with shareholders when the share price does not appreciate. Unlike shareholders, the CEO and other NEOs are also restricted from exercising stock options or trading shares during blackout periods and are subject to minimum share ownership, which further aligns their "realizable pay" with long-term shareholder interests.

The HR&C Committee regularly monitors the compensation elements and modifies as required, to ensure the Company maintains its competitiveness and that it appropriately recognizes growth and change within the organization.

Base Salary

The Company's approach is to pay its executives a base salary that is competitive with those of other executive officers in similar companies. The Company believes that a competitive base salary, targeting the median of the peer group, is a necessary and balanced element to attract and retain talented and experienced executives. The base salary of each executive is reviewed annually, and may be adjusted in accordance with performance and the competitive market conditions defined by the peer group.

To the extent that the Company has entered into employment agreements with its executives, the base salaries of such individuals reflect the initial base salaries that the Company negotiated with them. The NEOs entered into employment agreements with the Company which were negotiated and executed at the time of their hiring. The base salaries that the Company negotiated with its executives were based on its understanding of base salaries for comparable positions at similarly situated companies at the time, the individual experience and skills of, and expected contribution from, each executive, the roles and responsibilities of the executive, the base salaries of the Company's existing executives and other factors. The terms and conditions of such employment agreements were recommended by the HR&C Committee and approved by the Board.

Evaluations of base salary are reviewed annually, regardless of whether an NEO has entered into an employment agreement with the Company, and annual adjustments, if warranted, to the base salary of the Company's NEOs are analyzed within the context of the terms and conditions of such employment agreements.

Executive	Annual Salary 2011 ($)	Annual Salary 2012 ($)	Percentage Change(1)
Darren M. Pylot President & CEO	530,786	574,770	9.52%
Peter H. Hemstead Vice President, Marketing & Treasurer (acting in a similar capacity to a CFO)	219,912	238,824	8.60%
Tony S. Giardini Senior Vice President & CFO (August – November)	Nil	399,840	N/A
Richard S. Godfrey Senior Vice President & CFO (January - August)	326,719	354,000	8.35%
Gregg B. Bush Senior Vice President & COO	336,195	362,586	7.85%

Executive	Annual Salary 2011 ($)	Annual Salary 2012 ($)	Percentage Change(1)
Jagdish K. Grewal Senior Vice President, Strategy and Stakeholder Affairs	157,123(2)	321,921	7.35%
Juan Carlos Alfaro Gonzalez President & GM, Minera Santo Domingo	375,000	375,000	0%

(1) Percentages are based on the increase to the base salary calculated in Canadian dollars, as approved by the HR&C Committee, and may not reflect the increase in base salary shown in United States dollars in the table above due to the year to year exchange rate fluctuations.

(2) Ms. Grewal joined the Company on September 1, 2011, in addition to consulting work billed to the Company prior to September 1, 2011.

Executive Short-Term Annual Incentive Bonus

The executive officers of the Company have an opportunity to earn an annual bonus based on corporate, team and individual goals in the context of the overall performance of the Company. The 2012 Corporate goals were outlined previously in the CD&A, reflecting production and costs, safety, environmental, risk management, social responsibility growth and project development objectives.

Individual target bonuses, which are established by the HR&C Committee, are aligned with our market peer group at 75% of the market and the strategic objectives of the Company. Bonuses granted to each executive officer are approved by the HR&C Committee and the bonuses granted to the CEO are recommended by the HR&C Committee to the Board which ultimately approves awards for the CEO.

Bonuses are based upon corporate, team and individual performance of the executive as measured against predetermined Company, team and individual goals covering business development, operational, corporate and financial achievements. The objectives are proposed by the HR&C Committee, and discussed with the executives. The primary objective of the Company's bonus payments is to motivate and reward its NEOs for meeting the Company's near-term objectives using a performance-based compensation program with objectively determinable goals. In addition, the Company has the ability to offer additional discretionary incentive bonuses in order to motivate its executives' overall performance and their performance relating to matters that are not addressed in the predetermined performance goals that the Company sets. The Company believes that not every important aspect of executive performance can be specifically quantified in a predetermined objective goal. For example, events outside of the Company's control may occur after the Company has established the executives' performance goals for the year that requires its executives to focus their attention on different or other strategic objectives.

Long Term Incentive Plans

In 2012, the Company made the following changes to its long term incentive plans. Based on a study completed by Towers Watson in 2011, the Company proceeded to grant a combination of 50% stock options, 25% RSUs and 25% PSUs to executives.

The new equity vehicles were chosen to support the Company's long term business objectives with relation to performance, retention of critical skillsets, ability to manage long-term costs and minimize the dilutive impact of stock options while remaining competitive within the industry.

Executive compensation is aligned with shareholders' long-term interests through grants of stock options and Share Units of PSUs and RSUs. PSUs vest only when certain three-year performance based criteria are achieved, while RSUs vest at the end of a three-year term based on the Participant's continued employment. The value of earned Share Units as well as vested stock options fluctuates with the value of the Company's shares.

The purposes and characteristics of each type of grant are summarized in the following table:

Types of Equity Awards			
Type of Grant	Purpose of Grant	Vesting	Payment Characteristics
RSUs	• to promote retention over the long term • Immediate sense of "ownership"	• time vesting: at the end of three years based on continued employment	• vested awards can be settled in cash, or in shares purchased on the open market, at the Company's discretion • Greater resiliency under all market conditions • Non- dilutive as cash settled or share purchase in the market
PSUs	• to ensure that long-term incentive plan payouts are directly linked to corporate performance • focuses executives efforts on specific operational and financial objectives • to promote retention long term	• performance vesting: at the end of three years based on the Company's relative improvement on Total Shareholder Return (TSR) relative to similar companies aligned to a 0-150% performance scale payout	• vested awards can be settled in cash, or in shares purchased on the open market, at the Company's discretion • Non- dilutive as cash settled or share purchase in the market
Stock Options	• to encourage participants to pursue opportunities that will increase shareholder value over the long term • to promote retention over the long term	• time vesting: ⅓ on grant, ⅓ on first anniversary and ⅓ on the second anniversary of grant • stock options will expire after a five year period	• stock options are issued with an exercise price equal to or above the weighted average price of the Common Shares traded on the TSX for the five days preceding the date of grant • stock options provide value to participants only if the stock price increases above the exercise price before the end of the term

Incentive Stock Options and Bonus Shares

The Company's granting of options to purchase Common Shares and the issuance of bonus shares to its executive officers is a method of compensation that is used to attract and retain personnel and to provide an incentive to participate in the long-term development of the Company and to increase shareholder value. The relative emphasis of options for remunerating executive officers and employees will generally vary depending on the number of options to purchase Common Shares that are outstanding at the time. The NEOs currently employed by the Company held a total of 4,307,089 stock options as at April 5, 2013. These options have exercise prices between C$1.30 and C$4.48 per share.

The Company may issue up to 500,000 Common Shares for bonus compensation in lieu of cash for annual or long-term bonus plans. These bonus shares allow for more ownership in the Company by management and provide additional incentive for employees to remain with the Company. Any bonus shares issued are subject to approval from the HR&C Committee and the Board. The Company issued 286,335 bonus shares in 2012.

The Company generally expects future stock option grants to be based on the following factors: the terms and conditions of the employment agreements, the executive's past performance, anticipated future contribution, prior option grants to each executive, the percentage of outstanding equity owned by the executive, the level of vested and unvested options, competitive market practices and executive responsibilities and performance. The Company has not set specific target levels for option grants to NEOs but seeks to be competitive with peer group companies. Additional option grants will be recommended by the HR&C Committee to the Board which ultimately has the responsibility to award options.

Restricted Share Units and Performance Share Units

The purposes of the Share Unit Plan are (a) to promote a further alignment of interests between employees and shareholders of the Company; (b) to associate a portion of employees' compensation with the returns achieved by shareholders of the Company; and (c) to attract and retain employees with the knowledge, experience and expertise required by the Company.

The Share Unit Plan provides that the HR&C Committee may award grants of performance share units ("PSUs") and restricted share units ("RSUs"), together referred to as "Share Units") to certain officers, employees and consultants that makes contributions to the organization. A PSU is a right to receive a Common Share, that generally vests subject to the attainment of certain performance conditions (including financial, personal, operational or transaction-based performance criteria) and satisfaction of such other conditions to vesting, if any, as may be determined by the HR&C Committee. In 2012, the performance condition on PSU grants are Capstones Total Shareholder Return (TSR) relative to the performance of similar companies. An RSU is a right to receive a Common Share that generally becomes vested following a period of continuous employment with the Company.

The Share Unit Plan is non-dilutive: payment of PSUs or RSUs are made in cash or in Common Shares purchased from the secondary market, at the option of the Company, under the terms and conditions of the Share Unit Plan. The Share Unit Plan does not rely upon shares from treasury, nor are there any corresponding shares reserved in treasury for the purposes of the plan.

Settlement of Share Units after vesting is made in cash, Common Shares delivered from a share purchase trust (being a trust established by the Company to purchase Common Shares through the facilities of any stock exchange in accordance with the rules of such stock exchange), or a combination thereof, as determined by the HR&C Committee.

The Share Unit Plan and any grant of Share Units made pursuant to the Share Unit Plan may be amended, modified or terminated by the Board without approval of the shareholders, provided that no amendment to the Share Unit Plan or grants made pursuant to the Share Unit Plan may be made without the consent of a Participant if it adversely alters or impairs the rights of the Participant in respect of any grant previously granted to such Participant under the Share Unit Plan, except that Participant consent shall not be required where the amendment is required for purposes of compliance with applicable laws. Any PSU or RSU award shall vest in the case of a change of control, as defined in the Share Unit Plan.

No assignment or transfer of the Share Units is permitted, other than pursuant to the designation of a beneficiary as set out in the Share Unit Plan or by operation of law.

DSUs

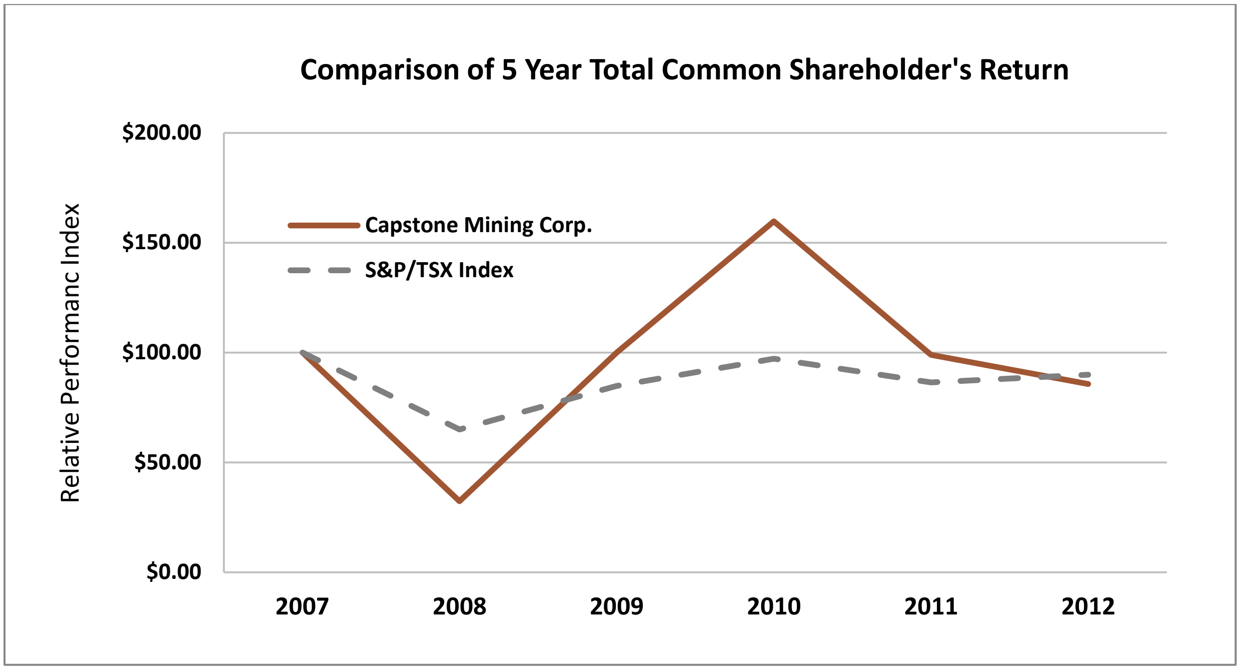
In 2012, the Company adopted the DSU Plan to align the interests of non-executive directors with those of the shareholders of the Company and to provide a compensation system for eligible directors that, together with the other director compensation mechanisms of the Company, is reflective of the responsibility, commitment and risk accompanying Board membership and the performance of the duties required of the various committees of the Board.

Pursuant to the DSU Plan, outside directors may elect to receive in the form of DSUs any percentage, up to 100%, of their fees payable in respect of serving as a director. Under the DSU Plan, outside directors are granted, as of the last day of each fiscal quarter of the Company, a number of DSUs determined on the basis of the amount of deferred remuneration payable to directors in respect of such quarter divided by the value of a DSU, which is the average of the closing prices of the Common Shares on the TSX the five (5) trading days immediately preceding the last day of each fiscal quarter of the Company. Directors to whose accounts DSUs stand credited will be credited with additional DSUs whenever cash dividends are paid on Common Shares. DSUs granted under the DSU Plan will be redeemable, and the value thereof payable, only after the holder of DSUs ceases to act as a director of the Company.

Performance Graph

The following chart compares the total cumulative shareholder return for $100 invested in common shares of the Company since December 31, 2007, with the cumulative total return of the S&P/TSX Composite Index for the five most recently completed fiscal years of the Company.

Capstone Mining Corp.
Comparison of Five Year Total Common Shareholder's Return
(as at December 31 of each year – in Canadian dollars)



For the financial years ended	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Common Shares of Capstone Mining Corp.	100.00	32.38	100.00	159.79	98.93	85.77
S&P/TSX Composite Total Return Index	100.00	64.97	84.91	97.18	86.42	89.88

Our executive compensation programs are designed to align the financial, operating and market performance of the Company with the value that the NEOs ultimately receive from the programs. Executive compensation has generally corresponded to the trends shown by the graph over the period from 2007 to 2012, although industry-specific factors have influenced compensation over the same period. Base salaries are reviewed annually and increases are based on financial and operational performance objectives that are within Management's control and may not align with total shareholder returns. The value of long-term incentives at a time of grant will also vary based on corporate performance.

Compensation Governance

The HR&C Committee is required to consult with and make recommendations to the Board on executive compensation and compensation plan matters. For the year ended December 31, 2012, the members of the HR&C Committee were Lawrence I. Bell, Chair, George L. Brack and Dale C. Peniuk, each of whom are independent directors within the meaning of Section 1.4 of National Instrument 52-110 - *Audit Committees* ("NI 52-110"). All of the members of the HR&C Committee have previous industry experience in setting executive salaries and have served on other compensation committees of issuers of similar size.

In October 2012, the HR&C Committee of the Board retained Mercer, an independent executive compensation consulting firm, to provide market information on executive and outside director compensation pay levels and practices. Specifically, Mercer assisted the Company with the following activities:

- peer group review;

- executive compensation review;
- long-term incentive plan review for senior executives and independent directors; and
- independent director's compensation review.

The Company does not have a policy that would prohibit the NEOs or directors from purchasing financial instruments that are designed or would have the effect of hedging the value of equity securities granted to, or held by these individuals.

Executive Compensation-Related Fees

As noted above, the HR&C Committee retained Mercer, in connection with its deliberations, and paid a total of C$50,590 in 2012.

HR& C Committee also retained Towers Watson in the two most recent financial years the fees paid in 2011 and 2012 were C$93,808.

Pension Plan Benefits

In 2012, the Company implemented a Registered Retirement Savings Plan (RRSP) program for all executive and non-executive employees. The program allows employees to contribute up to 5% of their base salary and the Company will match the employee's percentage contribution up to 5%.

Share Ownership Guidelines

The Board has adopted share ownership guidelines for independent directors in order to align the interests of our directors with the long term interests of our shareholders. These guidelines provide that, on or before December 31, 2015, all current independent directors are required to acquire (and thereafter maintain ownership of) a minimum number of shares of our common shares, including DSUs, with a fair market value equal to two times the annual cash retainer (currently $65,000 for directors and $125,000 for non-executive Chairman) in place for independent directors.

Summary Compensation Table

The following table is a summary of compensation paid to our Named Executive Officers for each of the Company's three most recently completed financial years.

					Non-equity incentive plan compensation ($)			
Name and principal position	**Year**	**Salary ($)**	**Share Based Awards ($)[1]**	**Option-based awards ($)[2]**	**Annual incentive plans[3]**	**Long-term incentive plans**	**All other compensation ($)**	**Total compensation ($)**
Darren M. Pylot President and CEO[4]	2012 2011 2010	574,770 530,786 397,942	Nil Nil Nil	543,953 665,484 389,268	563,774 456,649 178,994	969,457 Nil Nil	33,266 15,606 15,170	2,683,000 1,668,525 981,374
Peter T. Hemstead[5] VP, Marketing and Treasurer	2012 2011 2010	238,824 222,424 174,706	Nil Nil Nil	107,402 332,742 329,115	96,724 57,969 41,930	192,018 Nil Nil	28,187 15,955 16,085	424,331 629,090 576,540
Tony S. Giardini[6] Sr. VP & CFO	2012	399,840	Nil	684,491	Nil	200,924	1,442	1,286,697
Richard R. Godfrey Sr. VP & CFO	2012[7] 2011 2010	354,000 330,452 287,133	Nil Nil Nil	185,187 443,656 278,048	Nil 111,528 91,391	364,261 Nil Nil	23,151 12,894 12,550	926,599 898,530 669,122
Gregg B. Bush Sr. VP & COO	2012 2011 2010[8]	362,586 336,195 190,833	Nil Nil 126,915	205,175 443,656 300,238	200,329 110,104 Nil	364,261 Nil Nil	16,893 8,463 8,456	1,149,244 898,418 626,442

Name and principal position	Year	Salary ($)	Share Based Awards ($)[1]	Option-based awards ($)[2]	Non-equity incentive plan compensation ($) Annual incentive plans[3]	Non-equity incentive plan compensation ($) Long-term incentive plans	All other compensation ($)	Total compensation ($)
Jagdish K. Grewal Sr. Vice President, Strategy and Stakeholder Affairs	2012 2011[9]	321,921 303,306	Nil 99,949	181,318 292,258	182,046 48,149	323,536 Nil	30,481 1,677	1,039,302 745,339
Juan Carlos Alfaro Gonzalez, President, Minera Santo Domingo	2012 2011[10]	375,000 375,000	Nil 166,581	169,389 236,763	100,000 60,132	301,384 Nil	27,155 8,299	972,928 680,194

(1) These share based awards earned were paid during the subsequent financial year.
(2) Option-based compensation is valued using the Black-Scholes option pricing model, assuming a risk-free interest rate of 1.32% per annum, no expected dividends, an expected volatility of 68% and an expected life of options of 4.5 years. We selected the Black-Scholes model because it is widely used in estimating option based compensation values by Canadian public companies. Awards vest one-third per year commencing on the grant of the award and have a five year term.
(3) The amounts earned as non-equity incentive plan compensation were paid during the subsequent financial year.
(4) Mr. Pylot does not receive any remuneration in his role as a director of the Company.
(5) Mr. Hemstead has been acting in a similar capacity to a CFO from November 30, 2012.
(6) Mr. Giardini was appointed Senior Vice President and CFO on August 16, 2012 and resigned on November 30, 2012.
(7) Mr. Godfrey resigned as Senior Vice President and CFO on August 16, 2012.
(8) Mr. Bush was appointed the Company's Chief Operating Officer on May 26, 2010.
(9) Ms. Grewal was appointed as Senior Vice President, Strategy and Corporate Affairs on September 1, 2011.
(10) Mr. Alfaro Gonzalez was appointed as President & General Manager of Minera Santo Domingo, a 70% owned subsidiary of the Company on August 17, 2011.

Incentive Plan Awards

Outstanding Share-Based Awards and Option Based Awards

The following table sets out all option-based awards outstanding for each Named Executive Officer at December 31, 2012. The Company did not have any share-based awards outstanding as at the end of the most recently completed financial year.

Option-based Awards				
Name	**Number of securities underlying unexercised options (#)**	**Option exercise price (C$)**	**Option expiration date**	**Value of unexercised in-the-money options[1] ($)**
Darren M. Pylot	200,000 160,000 280,000 300,000 342,000	3.16 1.30 2.99 4.48 2.88	March 20, 2013 February 9, 2014 March 26, 2015 January 5, 2016 March 26, 2017	- 178,505.76 -[2] -[4] -[5]
Richard R. Godfrey[6]	156,600 30,000 200,000 200,000 125,500	3.56 1.30 2.99 4.48 2.88	February 28, 2013 February 9, 2014 March 26, 2015 August 31, 2015 August 31, 2015	- 33,469.83 -[2] -[4] -[5]
Peter T. Hemstead[7]	109,620 130,000 150,000 150,000 67,500	3.56 1.30 2.99 4.48 2.88	February 28, 2013 February 9, 2014 March 26, 2015 January 5, 2016 March 26, 2017	- 145,035.93 -[2] -[4] -[5]
Gregg B. Bush	300,000 200,000 129,000	2.13 4.48 2.88	May 20, 2015 January 5, 2016 March 26, 2017	84,428.40[3] -[4] -[5]

Option-based Awards				
Name	Number of securities underlying unexercised options (#)	Option exercise price (C$)	Option expiration date	Value of unexercised in-the-money options[(1)] ($)
Jagdish K. Grewal	175,000 114,000	2.98 2.88	September 1, 2016 March 26, 2017	-[(8)] -[(5)]
Juan Carlos Alfaro Gonzalez	150,000 106,500	3.12 2.88	August 17, 2016 March 26, 2017	-[(9)] -[(5)]

(1) Calculated based on the difference between the market price of our shares on the TSX on December 31, 2012, which was C$2.41 and the exercise price of the option. Converted to US dollars using the Canadian dollar/US dollar exchange rate of 1.0051 on December 31, 2012.
(2) Options awarded March 26, 2010 vest one-third per year commencing on March 26, 2010 and have a five year term.
(3) Options awarded May 20, 2010 vest one-third per year commencing on May 20, 2010 and have a five year term.
(4) Options awarded January 5, 2011 vest one-third per year commencing on March 17, 2011 and have a five year term.
(5) Options awarded March 26, 2012 vest one-third per year commencing on March 26, 2012 and have a five year term.
(6) Mr. Godfrey's options will expire on the earlier of their natural expiry date or August 31, 2015.
(7) Mr. Hemstead has been acting in a similar capacity to a CFO from November 30, 2012.
(8) Options awarded September 1, 2011 vest one-third per year commencing on September 1, 2011 and have a five year term.
(9) Options awarded August 17, 2011 vest one-third per year commencing on August 17, 2011 and have a five year term.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets out the value of incentive plan awards vested or earned during the year ended December 31, 2012.

Name	Option-based awards – Value vested during the year ($)	Share-based awards – Value vested during the year ($)	Non-equity incentive plan compensation – Value earned during the year ($)
Darren M. Pylot	4,600.58[(1)]	-	-
Richard R. Godfrey[(2)]	1,688.21[(1)]	-	-
Peter T. Hemstead[(4)]	908.01[(1)]	-	-
Gregg B. Bush	15,659.20[(3)] 1,735.31[(1)]	-	-
Jagdish K. Grewal	1,533.53[(1)]	-	-
Juan Carlos Alfaro Gonzalez	1,432.64[(1)]	-	-

(1) Calculated based on the difference between the market price of our shares on the TSX on March 26, 2012 (C$2.92) and the exercise price of the option (C$2.88). Converted to US dollars using the Canadian dollar/US dollar exchange rate of 1.0089 on March 26, 2012.
(2) Mr. Godfrey's options will expire on the earlier of their natural expiry date or August 31, 2015.
(3) Mr. Hemstead has been acting in a similar capacity to a CFO from November 30, 2012.
(4) Calculated based on the difference between the market price of our shares on the TSX on May 18, 2012 (C$2.29) and the exercise price of the option (C$2.13). Converted to US dollars using the Canadian dollar/US dollar exchange rate of 0.9787 on May 22, 2012.

Termination and Change of Control Benefits

Named Executive Officer Termination and Change of Control Benefits

We have entered into employment agreements with each of our Named Executive Officers. Under the terms of the employment agreements, our Named Executive Officers are entitled to compensation, based on their remuneration at the time, in the event of termination without cause and on a change of control. No Named Executive Officer is entitled to compensation on resignation, retirement or termination for cause. A change of control, in general, occurs when a person or group of persons acting together through a transaction or series of transactions beneficially acquire or exercise control or direction over 50% or more of our common shares. The events selected for triggering payment in connection with termination without cause and on a change of control were determined by the HR&C Committee, with advice from independent consultants, based on industry standards at the time the agreements were entered into with the Named Executive Officers.

In the event of termination without cause, each of Darren M. Pylot, President and CEO, Peter T. Hemstead, Vice President, Marketing and Treasurer, acting in a similar capacity to a CFO, Gregg B. Bush, Senior Vice President and

Chief Operating Officer, Jagdish K. Grewal, Senior Vice President, Strategy and Stakeholder Affair and Juan Carlos Alfaro Gonzalez, President, Minera Santo Domingo, is entitled to receive a lump sum payment equal to 24 month's salary plus an amount equal to twice the average of any bonus paid in the last three years under the Company's bonus plan as well as a prorated amount for the year in which termination occurs.

Richard Godfrey's Termination

Under the issued Employment Agreement, in August 2012 Mr. Godfrey received the following termination without cause provisions:

- A lump sum payment equivalent to 24 month's salary ($708,000);
- An amount equivalent to the average bonus received under the Annual Incentive Plan during the last three completed bonus years, pro-rated to August 31, 2012 for the 2012 Bonus Year ($66,078);
- An amount equal to the two times the average amounts paid during the last three completed bonus years ($198,235); and
- All accrued and unused vacation ($31,451).

The table below sets out the estimated incremental payments, payables and benefits due to each of the Named Executive Officers on termination without cause assuming termination on December 31, 2012.

Name	Base Salary ($)	Bonus ($)	Option-Based Awards ($)	All Other Compensation ($)	Total ($)
Darren M. Pylot	1,150,460	1,016,078	965,416	31,071	3,163,025
Peter T. Hemstead	478,031	154,163	190,372	28,210	850,776
Gregg B. Bush	725,172	310,433	363,485	16,893	1,415,983
Jagdish K. Grewal	644,358	229,836	322,286	30,506	1,226,986
Juan Carlos Alfaro Gonzalez	750,000	100,000	-	-	850,000

In the event of a change of control, as defined in the employment agreement between Mr. Pylot and the Company, if Mr. Pylot is terminated without cause or if Mr. Pylot resigns his employment for good reason within 12 months of the change of control then Mr. Pylot will be entitled to receive a lump sum payment equal to 30 month's salary plus an amount equal to 2.5 times the average of any bonus paid in the last three years under the Company's bonus plan as well as a prorated amount for the year in which employment ceases.

In the event of a change of control, as defined in the employment agreement between each of Messrs. Hemstead, Bush and Alfaro Gonzalez and Ms. Grewal and the Company, if the employee is terminated without cause or if the employee resigns his employment for Good Reason (as described below) within 12 months of the change of control then the employee will be entitled to receive a lump sum payment equal to 24 month's salary plus an amount equal to two times the average of any bonus paid in the last three years under the Company's bonus plan as well as a prorated amount for the year in which employment ceases.

"Good Reason" means the occurrence, within 12 months of a Change of Control, of any of (i) a meaningful or detrimental change in the employee's position, duties or responsibilities; (ii) a reduction in the employee's salary; or (iii) a demand by the employer that the employee cease working or providing services to another entity where the employer and employee had previously agreed that the employee could engage in such activities.

The table below sets out the estimated incremental payments, payables and benefits due to each of the Named Executive Officers on termination on a change of control or resignation for good cause following a change of control assuming termination or resignation on December 31, 2012.

Name	Base Salary ($)	Bonus ($)	Option-Based Awards ($)	All Other Compensation ($)	Total ($)
Darren M. Pylot	1,438,075	1,016,078	965,416	31,071	3,450,640

Name	Base Salary ($)	Bonus ($)	Option-Based Awards ($)	All Other Compensation ($)	Total ($)
Peter T. Hemstead	478,031	154,163	190,372	28,210	850,776
Gregg B. Bush	725,172	310,433	363,485	16,893	1,415,983
Jagdish K. Grewal	644,358	229,836	322,286	30,506	1,226,986
Juan Carlos Alfaro Gonzalez	750,000	100,000	-	-	850,000

Director Compensation

2012 Director Compensation Table

The following table sets out all amounts of compensation provided to our directors, other than Darren M. Pylot, our President and CEO, for the year ended December 31, 2012.

Name	Fees earned ($)[1]	Share-based awards ($)	Option-based awards ($)[1]	Non-equity incentive plan awards ($)	All other compensation ($)[2]	Total ($)[1]
Lawrence I. Bell	85,790	-	84,563[3]	-	75,698	246,051
George L. Brack	115,778	-	84,563[3]	-	75,698	276,039
Wook Jin Choi[4][8]	29,765	-	-	-	-	29,765
Chantal Gosselin	66,979	-	84,563[3]	-	75,698	227,240
GookHo Lee[5]	12,183	-	-	-	-	12,183
Kalidas Madhavpeddi[6]	42,126	-	117,910[3]	-	75,698	235,734
Dale C. Peniuk	84,966	-	84,563[3]	-	75,698	245,227
Hak-Kyun Shin[7][8]	23,205	-	84,563[3]	-	-	107,768
Richard N. Zimmer	72,723	-	84,563[3]	-	75,698	232,984

(1) Directors are remunerated in Canadian dollars and amounts contained in this table were converted to US dollars using the average Canadian dollar/US dollar exchange rate of 0.9996 for 2012.
(2) DSUs granted on August 27, 2012 converted to US dollars using the Canadian dollar/US dollar exchange rate of 1.0093.
(3) Option-based compensation is valued using the Black-Scholes option pricing model, assuming a risk-free interest rate of 1.32% per annum, no expected dividends, an expected volatility of 68% and an expected life of options of 4.5 years. We selected the Black-Scholes model because it is widely used in estimating option based compensation values by Canadian public companies. Awards vest one-third per year commencing on the grant of the award and have a five year term.
(4) Mr. Choi was appointed a director on May 9, 2012 and resigned as a director on October 23, 2012.
(5) Mr. Lee was appointed a director on October 23, 2012.
(6) Mr. Madhavpeddi was appointed a director on June 1, 2012.
(7) Mr. Shin resigned as a director on May 9, 2012.
(8) Messrs. Shin and Choi's fees earned are paid directly to Kores Canada Corp.

The following table provides a breakdown of fees earned by our directors, other than Darren M. Pylot, our President and CEO, for the year ended December 31, 2012.

Name	Annual Retainer ($)[1]	Chairman Retainer ($)[1]	Audit Comm. Chair Retainer ($)[1]	HR&CG Comm. Chair Retainer ($)[1]	HR&C Comm. Chair Retainer ($)[1]	CG&N Comm. Chair Retainer ($)[1]	EHS&S Comm. Chair Retainer ($)[1]	Technical Comm. Chair Retainer ($)[1]	Total Fees Earned ($)[1]
Lawrence I. Bell	64,974	-	-	6,261	8,733	-	5,822	-	85,790
George L. Brack	-	109,956	-	-	-	5,822	-	-	115,778
Wook Jin Choi[2][6]	29,765	-	-	-	-	-	-	-	29,765
Chantal Gosselin	64,974	-	-	-	-	-	2,005	-	66,979
GookHo Lee[3]	12,183	-	-	-	-	-	-	-	12,183

Name	Annual Retainer ($)(1)	Chairman Retainer ($)(1)	Audit Comm. Chair Retainer ($)(1)	HR&CG Comm. Chair Retainer ($)(1)	HR&C Comm. Chair Retainer ($)(1)	CG&N Comm. Chair Retainer ($)(1)	EHS&S Comm. Chair Retainer ($)(1)	Technical Comm. Chair Retainer ($)(1)	Total Fees Earned ($)(1)
Kalidas Madhavpeddi(4)	42,126	-	-	-	-	-	-	-	42,126
Dale C. Peniuk	64,974	-	19,992	-	-	-	-	-	84,966
Hak-Kyun Shin(5)(6)	23,205	-	-	-	-	-	-	-	23,205
Richard N. Zimmer	64,974	-	-	-	-	-	1,927	5,822	72,723

(1) Directors are remunerated in Canadian dollars and amounts contained in this table were converted to US dollars using the average Canadian dollar/US dollar exchange rate of 0.9996 for 2012.
(2) Mr. Choi was appointed a director on May 9, 2012 and resigned as a director on October 23, 2012.
(3) Mr. Lee was appointed a director on October 23, 2012.
(4) Mr. Madhavpeddi was appointed a director on June 1, 2012.
(5) Mr. Shin resigned as a director on March 15, 2012.
(6) Messrs. Shin and Choi's fees earned are paid directly to Kores Canada Corp.

The HR&C Committee reviews Board compensation on an annual basis and recommends revisions to the annual retainers paid to the Board when warranted in the circumstances. In addition, the Board may award special remuneration to any director undertaking any special services on our behalf other than services ordinarily required of a director.

In 2012, under a Directors' Deferred Shared Unit Plan (the "DSU Plan"), the company proceeded to grant a combination of 50% stock options and 50% deferred share units to align the interests of non-executive directors.

Outstanding Option Based Awards

The following table sets out all option-based awards outstanding for each of our directors other than, Darren M. Pylot, our President and CEO, for the year ended December 31, 2012. The Company does not have any share-based awards outstanding in the year ended December 31, 2012.

Option-based Awards				
Name	Number of securities underlying unexercised options (#)	Option exercise price (C$)	Option expiration date	Value of unexercised in-the-money options(1) ($)
Lawrence I. Bell	117,450 70,000 100,000 100,000 53,146	3.57599 1.30 2.99 4.48 2.88	April 17, 2013 February 9, 2014 March 26, 2015 January 5, 2016 March 26, 2017	- 78,096.27 -(2) -(3) -(4)
George L. Brack	50,000 100,000 100,000 53,146	1.49 2.99 4.48 2.88	March 16, 2014 March 26, 2015 January 5, 2016 March 26, 2017	46,234.60 -(2) -(3) -(4)
Chantal Gosselin	100,000 100,000 53,146	2.34 4.48 2.88	July 26, 2015 January 5, 2016 March 26, 2017	7,035.70 -(3) -(4)
Kalidas Madhavpeddi	100,000	2.42	June 1, 2017	-(5)
Dale C. Peniuk	100,000 100,000 100,000 53,146	1.49 2.99 4.48 2.88	March 16, 2014 March 26, 2015 January 5, 2016 March 26, 2017	92,469.20 -(2) -(3) -(4)
Richard N. Zimmer	491,280 100,000 614,100 53,146 307,050	2.4475 3.19 1.7342 2.88 1.7196	November 18, 2015 June 20, 2016 March 7, 2017 March 26, 2017 April 30, 2018	- -(6) 417,125.32 -(4) 213,068.46

Option-based Awards				
Name	Number of securities underlying unexercised options (#)	Option exercise price (C$)	Option expiration date	Value of unexercised in-the-money options[(1)] ($)
	102,350 614,100	1.4656 2.5892	September 25, 2018 March 22, 2020	97,152.30 -

(1) Calculated based on the difference between the market price of our shares on the TSX on December 31, 2012, which was C$2.41 and the exercise price of the option. Converted to US dollars using the Canadian dollar/US dollar exchange rate of 1.0051 on December 31, 2012.
(2) Options awarded March 26, 2010 vest one-third per year commencing on March 26, 2010 and have a five year term.
(3) Options awarded January 5, 2011 vest one-third per year commencing on March 17, 2011 and have a five year term.
(4) Options awarded March 26, 2012 vest one-third per year commencing on March 26, 2012 and have a five year term.
(5) Options awarded June 1, 2012 vest one-third per year commencing on June 1, 2012 and have a five year term.
(6) Options awarded June 20, 2011 vest one-third per year commencing on June 20, 2011 and have a five year term.

In addition, each of our directors other than, Darren M. Pylot, our President and CEO, and GookHo Lee, were granted 26,644 DSUs for the year ended December 31, 2012. The DSUs were granted on August 27, 2012 at a deemed value of C$75,000.

Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets out the value of incentive plan awards for each of our directors, other than Darren M. Pylot, our President and CEO (who received no additional compensation for his services as a director), vested or earned during the year ended December 31, 2012.

Name	Option-based awards – Value vested during the year ($)	Share-based awards – Value vested during the year ($)	Non-equity incentive plan compensation – Value earned during the year ($)
Lawrence I. Bell	714.91[(1)]	-	-
George L. Brack	714.91[(1)]	-	-
Chantal Gosselin	714.91[(1)]	-	-
Kalidas Madhavpeddi	-	-	-
Dale C. Peniuk	714.91[(1)]	-	-
Richard N. Zimmer	714.91[(1)]	-	-

(1) Calculated based on the difference between the market price of our shares on the TSX on March 26, 2012 (C$2.92) and the exercise price of the option (C$2.88). Converted to US dollars using the Canadian dollar/US dollar exchange rate of 1.0089 on March 26, 2012.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out information as of the end of the Company's most recently completed financial year with respect to compensation plans under which equity securities of the Company are authorized for issuance.

Plan Category	No. of Securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (C$)(b)	Number of securities remaining available for future issuances under equity compensation plans (excluding securities reflected in (a))(c)
Equity compensation plans approved by securityholders	17,663,751	$2.96	20,486,987
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
Total	17,663,751	$2.96	20,486,987

Stock options to purchase securities of the Company are granted to its directors, officers, employees and consultants on terms and conditions acceptable to the regulatory authorities in Canada. At the Company's annual general and special meeting held on May 17, 2010, the shareholders of the Company approved an amendment to the Incentive Share Option and Bonus Share Plan (the "Plan") that reserved 10% of the issued and outstanding shares of the Company for issuance on exercise of stock options, including previously granted stock options.

Under our Plan, (a) the maximum number of shares reserved for issuance under the plan is 10% of our issued and outstanding shares, (b) stock options in favour of any one individual may not exceed 5% of the issued and outstanding shares of common stock, (c) no stock option is transferable by the optionee other than by will or the laws of descent and distribution, (d) a stock option is exercisable during the lifetime of the optionee only by such optionee, (e) the maximum term of each stock option is ten years, with the vesting period determined at the discretion of the Board and (f) the minimum exercise price for a stock option is the volume weighted average trading price of the common shares of the Company on the Toronto Stock Exchange, calculated by dividing the total value by the total volume of common shares traded, for the five trading days immediately preceding the granting of the option.

CORPORATE GOVERNANCE DISCLOSURE

The Board, as a whole, is responsible for reviewing the overall governance principles of the Company and governance issues that arise during the course of 2012. National Instrument 58-101 - *Disclosure of Corporate Governance Practices* requires each reporting issuer to disclose its corporate governance practices on an annual basis. The following describes the Company's corporate governance practices.

Board of Directors

Section 1.4 of NI 52-110 sets out the standard for director independence. Under NI 52-110, a director is independent if he or she has no direct or indirect material relationship with the Company. A material relationship is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment. NI 52-110 also sets out certain situations where a director will automatically be considered to have a material relationship with the Company.

Applying the definition set out in NI 52-110, in 2011, seven of the eight members of the Board were independent. The seven members who were independent in 2012 were Lawrence I. Bell, George L. Brack, Chantal Gosselin, GookHo Lee, Kalidas Madhavpeddi, Dale C. Peniuk and Richard N. Zimmer. Mr. Pylot is not independent by virtue of the fact that he is an executive officer of the Company. Accordingly, the majority of the directors were independent in 2012.

On February 9, 2012, Mr. Jan A. Castro resigned as a director; on March 15, 2012, Mr. Hak-Kyun Shin resigned as a director; on May 9, 2012, Mr. Wook Jin Choi was appointed a director; on June 1, 2012, Mr. Kalidas Madhavpeddi was appointed a director and on October 23, 2012, Mr. Choi resigned as a director and Mr. GookHo Lee was appointed a director in his stead.

Independent directors hold regularly scheduled, and ad hoc, meetings at which non-independent directors and members of management are not in attendance. At each regularly scheduled Board meeting the independent directors will hold an *in camera* session. Mr. Brack, an independent director, was appointed Non-Executive Chairman on June 20, 2011. The Non-Executive Chairman acts as chair of Board meetings, meetings of the independent members of the Board and acts as the liaison between management and the Board.

In addition to their positions on the Board, the following directors also serve as directors of the following reporting issuers or reporting issuer equivalent(s):

Name of Director	Reporting Issuer(s) or Equivalent(s)
Lawrence I. Bell	Goldcorp Inc., Matrix Asset Management Inc. and Silver Wheaton Corp.
George L. Brack	Alexco Resource Corp., Aurizon Mines Ltd., Geologix Explorations Inc., Newstrike Capital Inc. and Silver Wheaton Corp.
Chantal Gosselin	Avala Resources Ltd.
GookHo Lee	None.
Kalidas Madhavpeddi	Namibia Rare Earths Inc., NovaCopper Inc. and NovaGold Resources Inc.

Name of Director	Reporting Issuer(s) or Equivalent(s)
Dale C. Peniuk	Argonaut Gold Inc., Lundin Mining Corporation, Rainy River Resources Ltd. and Sprott Resource Lending Corp.
Darren M. Pylot	Zena Mining Corp.
Richard N. Zimmer	Alexco Resource Corp. and Magellan Minerals Ltd.

Interlocking Boards

The following directors of the Company currently serve together on interlocking boards:

Directors serving on Interlocking Boards	Name of other company
Larry I. Bell and George L. Brack	Silver Wheaton Corp.
George L. Brack and Richard N. Zimmer	Alexco Resource Corp.

Attendance of Directors at Board and Committee Meetings

Since the beginning of the Company's last financial year, the Board held a total of six meetings, four of which were held after the election as directors at the 2012 Annual General Meeting of shareholders. The attendance record of the directors at such meetings is as follows:

Summary of Attendance of Directors at Meetings								
Director	Board Meetings (6 Meetings)	Independent Director Meetings (6 Meetings)	Audit Committee Meetings (4 Meetings)	Human Resources and Corporate Governance Committee Meetings (4 Meetings)	Human Resources and Compen-sation Committee Meetings (2 Meetings)	Corporate Govern-ance and Nominating Committee Meetings (2 Meetings)	Environ-mental, Health, Safety and Sustain-ability Committee Meetings (4 Meetings)	Technical Committee Meetings (2 Meetings)
Lawrence I. Bell	6 of 6 100%	6 of 6 100%	2 of 2[(4)] 100%	4 of 4 100%	2 of 2 100%	2 of 2 100%	2 of 2 100%	-
George L. Brack	6 of 6 100%	6 of 6 100%	-	4 of 4 100%	2 of 2 100%	2 of 2 100%	1 of 1 100%	2 of 2 100%
Wook Jin Choi[(1)]	0 of 2 0%	0 of 2 0%		-	-	-	0 of 1 0%	0 of 1 0%
Chantal Gosselin	6 of 6 100%	6 of 6 100%	4 of 4 100%	4 of 4 100%	-	2 of 2 100%	4 of 4 100%	-
GookHo Lee[(2)]	2 of 2 100%	2 of 2 100%	-	-	-	-	-	1 of 1 100%
Kalidas Madhavpeddi	3 of 3 100%	3 of 3 100%	2 of 2[(4)] 100%	-	-	-	-	2 of 2 100%
Dale C. Peniuk	6 of 6 100%	6 of 6 100%	4 of 4 100%	-	2 of 2 100%	-	-	-
Darren M. Pylot	6 of 6 100%	-	4 of 4[(5)] 100%	4 of 4[(5)] 100%	2 of 2[(5)] 100%	2 of 2[(5)] 100%	2 of 2[(5)] 100%	2 of 2[(5)] 100%
Hak-Kyun Shin[(3)]	0 of 1 0%	0 of 1 0%	-	-	-	-	0 of 1 0%	-
Richard N. Zimmer	6 of 6 100%	6 of 6 100%	-	-	-	-	4 of 4 100%	2 of 2 100%
Overall Attendance Rate	**93%**	**92%**	**100%**	**100%**	**100%**	**100%**	**89%**	**90%**

(1) Mr. Choi was appointed a director on May 9, 2012 and resigned as a director on October 23, 2012.
(2) Mr. Lee was appointed a director on October 23, 2012.
(3) Mr. Shin resigned as a director on March 15, 2012.

(4) Mr. Bell stepped down and Mr. Madhavpeddi was appointed to the Audit Committee on June 1, 2012.
(5) As Chief Executive Officer and President, Mr. Pylot attended certain committee meetings *ex officio.*

Board Mandate

The Board has adopted a Board Mandate, the text of which is attached as Schedule "A" to this Information Circular.

Position Descriptions

The Board has developed written position descriptions for the Chair of the Board, the CEO and for the Chairs of each of its Committees. Management is responsible for the day-to-day operations of the Company, reviewing and implementing strategies, budgeting and monitoring performance against budget and identifying opportunities and risks.

Orientation and Continuing Education

While the Company does not have formal orientation and training programs, new Board members are provided with:

1. a Board Manual which provides information respecting the functioning of the Board, Board committees and copies of the Company's corporate governance policies;
2. access to recent, publicly filed documents of the Company, technical reports and the Company's internal financial information;
3. access to management and technical experts and consultants; and
4. a summary of significant corporate and securities responsibilities.

Board members are encouraged to communicate with management, auditors and technical consultants; to keep themselves current with industry trends and developments and changes in legislation with management's assistance; and to attend related industry seminars and visit the Company's operations. Board members have full access to the Company's records.

Ethical Business Conduct

The Board views good corporate governance as an integral component to the success of the Company and to meet responsibilities to shareholders.

The Board has adopted a Code of Conduct (the "Code") that is posted on its website at www.capstonemining.com and under the Company's profile at www.sedar.com. The Board has instructed its management and employees to abide by the Code and to bring any breaches of the Code to the attention of the Board. The Board also conducts an annual review of the performance of Company personnel under the Code with a view to making any required changes in Company practice or policy to enhance compliance with the Code. The Board keeps a record of departures from the Code and waivers requested and granted and confirms that no material change reports have been filed by the Company since the beginning of the Company's most recently completed financial year pertaining to any conduct of a director or executive officer that constitutes a departure from the Code.

All directors of the Company have the obligation to perform their duties and assume their responsibilities in the best interests of the Company. The Company expects all of its directors to comply with the laws and regulations governing its conduct and further is committed to promoting integrity and maintaining the highest standard of ethical conduct in all of its activities. To that effect, and because it considers that sound corporate governance practices are essential to the Company's effective operations, the Board adopted the Corporate Governance Manual. Such manual will be reviewed periodically to ensure its compliance with the most recent measures adopted by applicable Canadian securities regulators.

Pursuant to the BCBCA, the Board requires that directors and executive officers who have an interest in a transaction or agreement with the Company promptly disclose that interest at any meeting of the Board at which the transaction or agreement will be discussed and abstain from discussions and voting in respect to same if the interest is material or if required to do so by corporate or securities law.

Nomination of Directors

The CG&N Committee has responsibility for identifying potential Board candidates. The members of the CG&N Committee are Lawrence I. Bell, Chair, George L. Brack and Chantal Gosselin, each of whom is independent. The CG&N Committee assesses potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors. Members of the Board and representatives of the mining industry are consulted for possible candidates. The Board has adopted a written charter that sets forth the responsibilities, powers and operations of the CG&N Committee. The CG&N Committee has the following responsibilities, powers and operations:

(a) to develop and monitor the overall approach to corporate governance issues and, subject to approval by the Board, to implement and administer a system of corporate governance which reflects superior standards of corporate governance practices;

(b) to develop and monitor the overall approach to remuneration for the directors of the Company and, subject to approval by the Board, to implement a remuneration program for the directors and the roles within the Board committees;

(c) to report annually to the shareholders, through the annual management proxy circular or annual report to shareholders, on the Company's system of corporate governance and the operation of its system of governance, having reference to National Policy 58-201- *Corporate Governance Guidelines*;

(d) to analyze and report annually to the Board the relationship of each director to the Company as to whether such director is a related director or an (unrelated) independent director;

(e) to advise the Board or any of the committees of the Board of any corporate governance issues which the HR&C Committee determines ought to be considered by the Board or any such committee;

(f) to review with the Board, on a regular basis but not less than annually, the role of the Board, the terms of reference of each of the committees of the Board and the methods and processes by which the Board fulfills its duties and responsibilities;

(g) to recommend to the Board a system which enables a committee or an individual director to engage separate independent counsel and advisors at the expense of the Company in appropriate circumstances and, upon the approval by the Board of such a process, to be responsible for the management and administration thereof;

(h) be responsible for identifying individuals qualified to become new Board members and recommending to the Board the new director nominees for the next annual meeting of the shareholders, and in so doing consider:

    (i) the competencies and skills that the Board considers to be necessary for the board, as a whole, to possess;

    (ii) the competencies and skills that the Board considers each existing director to possess; and

    (iii) the competencies and skills each new nominee will bring to the boardroom;

(i) whenever the Chairman of the Board is also the Chief Executive Officer of the Company, to establish practices and procedures to permit the Board to act independently, and to act as a forum for concerns of individual directors regarding matters not readily or easily brought to a full Board meeting for discussion.

The Company has implemented a majority voting policy for directors. Information on the majority voting for directors is set out in this Information Circular under the heading *Majority Voting for Directors.*

Compensation

From January 1, 2012 to June 1, 2012, the members of the Human Resources and Corporate Governance ("HR&CG") Committee were Lawrence I. Bell, Chair, George L. Brack and Chantal Gosselin, each of whom were independent. On June 1, 2012, committees of the board were re-constituted and the members of the HR&C

Committee became Lawrence I. Bell, Chair, George L. Brack and Dale C. Peniuk, each of whom is independent. The HR&C Committee has responsibility for determining compensation for the directors and senior management.

To determine compensation payable, the HR&C Committee reviews compensation paid for directors and CEOs of companies of similar size and stage of development in the mineral exploration and development industry and determines an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Company. In setting the compensation, the HR&C Committee annually reviews the performance of the CEO in light of the Company's objectives and considers other factors that may have impacted the success of the Company in achieving its objectives.

The Board has adopted a written charter that sets forth the responsibilities, powers and operations of the HR&C Committee. The HR&C Committee has the following responsibilities, powers and operations:

(a) to recommend to the Board human resources and compensation policies and guidelines for application to the Company;

(b) to ensure that the Company has in place programs to attract and develop management of the highest calibre and a process to provide for the orderly succession of management;

(c) to review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer and, in light of those goals and objectives, to recommend to the Board the annual salary, bonus and other benefits, direct and indirect, of the Chief Executive Officer and to approve compensation for all other designated officers after considering the recommendations of the Chief Executive Officer, all within the human resources and compensation policies and guidelines approved by the Board;

(d) to implement and administer human resources and compensation policies approved by the Board concerning the following:

   (i) executive compensation, contracts, stock plans or other incentive plans, including making recommendations to the Board regarding equity-based compensation and options; and

   (ii) proposed personnel changes involving officers reporting to the Chief Executive Officer;

(e) from time to time, to review the Company's broad policies and programs in relation to benefits;

(f) to annually receive from the Chief Executive Officer recommendations concerning annual compensation policies and budgets, including stock options, for all employees;

(g) from time to time, to review with the Chief Executive Officer the Company's broad policies on compensation for all employees and overall labour relations strategy for employees;

(h) to periodically review the adequacy and form of the compensation of directors and to ensure that the compensation realistically reflects the responsibilities and risks involved in being an effective director, and to report and make recommendations to the Board accordingly;

(i) to report regularly to the Board on all of the Committee's activities and findings during that year;

(j) to develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board within a reasonable period of time following each annual general meeting of shareholders; and

(k) to review executive compensation disclosure before publically disclosed.

The HR&C Committee engaged Mercer to provide compensation analysis for directors and the CEO of the Company.

Audit Committee

The Audit Committee, comprised of Dale C. Peniuk, Chair, Chantal Gosselin and Kalidas Madhavpeddi has the responsibility of, among other things, recommending to the Board the independent auditor; determining the extent of involvement of the independent auditor in reviewing unaudited quarterly financial results; evaluating the qualifications, performance and independence of the independent auditor; reviewing and recommending approval to the board of our annual and quarterly financial results and management discussion and analysis; overseeing the establishment of "whistle-blower" and related procedures. Each member of the Audit Committee is an independent director. NI 52-110 requires the Company's Audit Committee to meet certain requirements. It also requires the Company to disclose certain information regarding the Audit Committee. That information has been disclosed in the Company's Annual Information Form dated March 28, 2013, which has been filed on SEDAR.

Other Board Committees

In addition to the Audit Committee, the HR&C Committee and the CG&N Committee, the Company has an Environmental, Health, Safety and Sustainability Committee which monitors compliance with environmental and safety standards and sets environmental and safety policy and a Technical Committee which monitors the adequacy, integrity and compliance of the Company's technical work, specially its geological, geotechnical and engineering work.

Assessments

The Board conducts annual assessments of the Board's effectiveness, the individual directors and each of its committees. To assist in its review, the Board may conduct informal surveys of its directors, may receive an annual report from the CG&N Committee on its assessment of the functioning of the Board and may receive reports from each committee respecting its own effectiveness. As part of the assessments, the Board or the individual committee may review their respective mandate or charter and conduct reviews of applicable corporate policies.

APPOINTMENT AND REMUNERATION OF AUDITOR

Shareholders will be asked to approve the appointment of Deloitte LLP, Chartered Accountants, as the auditor of the Company to hold office until the next annual general meeting of the shareholders at remuneration to be fixed by the directors.

The persons named in the enclosed Proxy will vote for the appointment of Deloitte LLP, Chartered Accountants, of Vancouver, British Columbia, as the Company's auditor to hold office until the next annual general meeting of the shareholders, at a remuneration to be fixed by the directors.

Deloitte LLP, Chartered Accountants has served as the Company's auditor since 2008.

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 Proxy to vote the shares represented thereby in accordance with their best judgment on such matter.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed herein, since the commencement of the Company's most recently completed financial year, no informed person of the Company, nominee for director or any associate or affiliate of an informed person or nominee, had any material interest, direct or indirect, in any transaction or any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries. An "informed person" means: (a) a director or executive officer of the Company; (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Company; (c) any person or company who beneficially owns, directly or indirectly, voting securities of the Company or who exercises control or direction over voting securities of the Company or a combination of both carrying more than 10% of the voting rights other than voting securities held by the person or company as underwriter in the course of a distribution; and (d) the Company itself, if and for so long as it has purchased, redeemed or otherwise acquired any of its shares.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except as disclosed herein, no Person has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in matters to be acted upon at the Meeting other than the election of directors or the appointment of auditors. For the purpose of this paragraph, "Person" shall include each person or company: (a) who has been a director or executive officer of the Company at any time since the commencement of the Company's last financial year; (b) who is a proposed nominee for election as a director of the Company; or (c) who is an associate or affiliate of a person or company included in subparagraphs (a) or (b).

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date of this Information Circular, no executive officer, director, employee or former executive officer, director or employee of the Company or any of its subsidiaries is indebted to the Company, or any of its subsidiaries, nor are any of these individuals indebted to another entity which indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company, or any of its subsidiaries.

ADDITIONAL INFORMATION

Additional information relating to the Company is on the SEDAR website at www.sedar.com under "Capstone Mining Corp."

Financial information is provided in the Company's comparative financial statements and MD&A for its most recently completed financial year copies of which will be mailed to shareholders who requested them, and will be filed and available on SEDAR before the Meeting. Shareholders may request copies of the Company's financial statements and MD&A by contacting the Corporate Secretary at 604.684.8894.

APPROVAL AND SIGNATURE

The contents of this Information Circular and the sending of it to each shareholder entitled to receive notice of the Meeting, to each director of the Company, to the auditor of the Company, and to the appropriate regulatory agencies has been authorized, by the Board.

ON BEHALF OF THE BOARD

"Darren M. Pylot"
Darren M. Pylot, President and CEO

SCHEDULE "A"

CAPSTONE MINING CORP.

BOARD MANDATE

A. INTRODUCTION

The Board of Directors (the "Board") has the responsibility for the overall stewardship of the conduct of the business of Capstone Mining Corp. (the "Corporation") and the activities of management. Management is responsible for the day-to-day conduct of the business. The Board's fundamental objectives are to enhance and preserve long-term shareholder value, and to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board should also consider the legitimate interests that its other stakeholders, such as employees, customers and communities, may have in the Corporation. In overseeing the conduct of the business, the Board, through the Chief Executive Officer, shall set the standards of conduct for the Corporation.

As the Corporation is principally a holding company, the Board also has the responsibility to ensure that the directors and officers of the Corporation's subsidiaries have copies of the Corporation's policies, mandates, position descriptions and charters and any amendments to same and to recommend that the directors and officers of the Corporation's subsidiaries adopt similar or more appropriate local policies, mandates, position descriptions and charters for use by the subsidiaries in their operations and activities, to be monitored by the directors and officers of the subsidiaries directly.

B. PROCEDURES AND ORGANIZATION

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs including selecting its Chair, nominating candidates for election to the Board and constituting committees of the Board. Subject to the Articles of the Corporation and the British Columbia Business Corporations Act (the "Act"), the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

C. DUTIES AND RESPONSIBILITIES

The Board's principal duties and responsibilities fall into a number of categories which are outlined below.

1. **Legal Requirements**

    (a) The Board has the responsibility to ensure that legal requirements have been met and documents and records have been properly prepared, approved and maintained;

    (b) The Board has the statutory responsibility to:

        (i) manage or, to the extent it is entitled to delegate such power, to supervise the management of the business and affairs of the Corporation by the senior officers of the Corporation;

        (ii) act honestly and in good faith with a view to the best interests of the Corporation;

        (iii) exercise the care, diligence and skill that reasonable, prudent people would exercise in comparable circumstances; and

        (iv) act in accordance with its obligations contained in the Act and the regulations thereto, the Corporation's Articles, securities legislation of each province and territory of Canada, and other relevant legislation and regulations.

2. **Independence**

The Board has the responsibility to ensure that appropriate structures and procedures are in place to permit the Board to function independently of management, including endeavouring to have a majority of independent directors as well as an independent Chair or an independent Lead Director, as the term "independent" is defined in National Instrument 58-101 "Disclosure of Corporate Governance Practices".

3. **Strategy Determination**

The Board has the responsibility to put in place long-term goals and a strategic planning process for the Corporation and to participate with management directly or through its committees in developing and approving the mission of the business of the Corporation and the strategic plan by which it proposes to achieve its goals, which strategic plan takes into account, among other things, the opportunities and risks of the Corporation's business.

4. **Managing Risk**

The Board has the responsibility to identify and understand the principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and the potential return to shareholders, and to put in place systems which effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

5. **Division of Responsibilities**

The Board has the responsibility to:

(a) appoint and delegate responsibilities to committees where appropriate to do so; and

(b) develop position descriptions for:

   (i) the Board;

   (ii) the Chairman and Vice-Chairman of the Board;

   (iii) the Chair of each Board Committee;

   (iv) the Chief Executive Officer;

   (v) the Chief Financial Officer;

   (vi) the Chief Operating Officer; and

   (vii) the President.

(c) ensure that the directors of the Corporation's subsidiaries are qualified and appropriate in keeping with the Corporation's guidelines and that they are provided with copies of the Corporation's policies for consideration for implementation by the subsidiaries.

To assist it in exercising its responsibilities, the Board hereby establishes three standing committees of the Board: the Audit Committee, the Human Resources & Corporate Governance Committee and the Environment, Health, Safety & Sustainability Committee. The Board may also establish other standing committees from time to time.

Each committee shall have a written mandate that clearly establishes its purpose, responsibilities, members, structure and functions. Each mandate shall be reviewed by the Board regularly. The Board is responsible for appointing committee members.

6. **Appointment, Training and Monitoring Senior Management**

The Board has the responsibility:

(a) to appoint the Chief Executive Officer, to monitor and assess the Chief Executive Officer's performance, to satisfy itself as to the integrity of the Chief Executive Officer, and to provide advice and counsel in the execution of the Chief Executive Officer's duties;

(b) to develop or approve the corporate goals or objectives that the Chief Executive Officer is responsible for;

(c) to approve the appointment of all corporate officers, acting upon the advice of the Chief Executive Officer and to satisfy itself as to the integrity of such corporate officers;

(d) to ensure that adequate provision has been made to train and develop management and for the orderly succession of management and to ensure that all new directors receive a comprehensive orientation, fully understand the role of the Board and its committees, the nature and operation of the Corporation's business and the contribution that individual directors are required to make;

(e) to create a culture of integrity throughout the Corporation;

(f) to ensure that management is aware of the Board's expectations of management;

(g) to provide for succession of management; and

(h) to set out expectations and responsibilities of directors including attendance at meetings and review of meeting materials.

7. **Policies, Procedures and Compliance**

The Board has the responsibility:

(a) to ensure that the Corporation has in place policies and structures that lead the Corporation to operate at all times within applicable laws, regulations and our ethical standards; and

(b) to approve and monitor compliance with significant policies and procedures by which the Corporation is operated.

8. **Reporting and Communication**

The Board has the responsibility:

(a) to ensure the Corporation has in place policies and programs to enable the Corporation to communicate effectively with its shareholders, other stakeholders and the public generally;

(b) to ensure that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;

(c) to ensure the timely reporting of developments that have a significant and material impact on the value of the Corporation;

(d) to report annually to shareholders on its stewardship of the affairs of the Corporation for the preceding year;

(e) to develop appropriate measures for receiving shareholder feedback; and

(f) to develop the Corporation's approach to corporate governance and to develop a set of corporate governance principles and guidelines.

9. **Monitoring and Acting**

The Board has the responsibility:

(a) to monitor the Corporation's progress towards it goals and objectives and to revise and alter its direction through management in response to changing circumstances;

(b) to take action when performance falls short of its goals and objectives or when other special circumstances warrant;

(c) to ensure that the Corporation has implemented adequate control and information systems which ensure the effective discharge of its responsibilities; and

(d) to make regular assessments of the Board.

SCHEDULE "B"

CAPSTONE MINING CORP.
(the "**Corporation**")

ADVANCE NOTICE POLICY
(Initially adopted by the Board of Directors on March 12, 2013)

INTRODUCTION

The Corporation is committed to: (i) facilitating an orderly and efficient annual general or, where the need arises, special meeting, process; (ii) ensuring that all shareholders receive adequate notice of the director nominations and sufficient information with respect to all nominees; and (iii) allowing shareholders to register an informed vote.

The purpose of this Advance Notice Policy (the **Policy**) is to provide shareholders, directors and management of the Corporation with direction on the nomination of directors. This Policy is the framework by which the Corporation seeks to fix a deadline by which holders of record of common shares of the Corporation must submit director nominations to the Corporation prior to any annual or special meeting of shareholders and sets forth the information that a shareholder must include in the notice to the Corporation for the notice to be in proper written form.

It is the position of the Corporation that this Policy is beneficial to shareholders and other stakeholders. This policy will be subject to an annual review, and will reflect changes as required by securities regulatory agencies or stock exchanges, or so as to meet industry standards.

NOMINATIONS OF DIRECTORS

1. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the board of director of the Corporation (the **Board**) may be made at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of directors:

    a. by or at the direction of the Board, including pursuant to a notice of meeting;

    b. by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the British Columbia Business Corporations Act (the **Act**), or a requisition of the shareholders made in accordance with the provisions of the Act; or

    c. by any person (a **Nominating Shareholder**): (A) who, at the close of business on the Notice Date (as defined below) and on the record date for notice at such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting; and (B) who complies with the notice procedures set forth below in this Policy.

2 In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form to the Corporate Secretary of the Corporation at the principal executive offices of the Corporation in accordance with the provisions of this Policy.

3. To be timely, a Nominating Shareholder's notice to the Corporate Secretary of the Corporation must be made:

    a. in the case of an annual meeting of shareholders, not less than 35 nor more than 60 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than 50 days after the date (the **Notice Date**) on which the first public announcement (as defined below) of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10th) day following the later of: (i) the date of the public announcement (as defined below) of this Policy; and (ii) the Notice Date in respect of such meeting; or

b. in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day on which the first public announcement (as defined below) of the date of the special meeting of shareholders was made. In no event shall any adjournment or postponement of a meeting of shareholders or the announcement thereof commence a new time period for the giving of a Nominating Shareholder's notice as described above.

4. To be in proper written form, a Nominating Shareholder's notice to the Corporate Secretary of the Corporation must set forth:

a. as to each person whom the Nominating Shareholder proposes to nominate for election as a director: (A) the name, age, business address and residential address of the person; (B) the principal occupation or employment of the person; (C) the class or series and number of shares in the capital of the Corporation which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and (D) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below); and

b. as to the Nominating Shareholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote any shares of the Corporation and any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below).

The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such proposed nominee.

5. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this Policy; provided, however, that nothing in this Policy shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the Act. The Chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

6. For purposes of this Policy:

a. "**public announcement**" shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com; and

b. “**Applicable Securities Laws**” means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada.

7. Notwithstanding any other provision of this Policy, notice given to the Corporate Secretary of the Corporation pursuant to this Policy may only be given by personal delivery, facsimile transmission or by email (at such email address as stipulated from time to time by the Corporate Secretary of the Corporation for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the Corporate Secretary at the address of the principal executive offices of the Corporation; provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Vancouver time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the subsequent day that is a business day.

8. Notwithstanding the foregoing, the Board may, in its sole discretion, waive any requirement in this Policy.

CURRENCY

This Policy was approved by the Board on March 12, 2013.