



INFORMATION CIRCULAR

for the

ANNUAL GENERAL AND SPECIAL MEETING

of

CAPSTONE MINING CORP.

to be held on

WEDNESDAY, MARCH 16, 2011

INFORMATION CIRCULAR

CAPSTONE MINING CORP.
9th Floor - 999 West Hastings Street
Vancouver, British Columbia V6C 2W2

(all information as at February 9, 2011 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 and Special Meeting of the Company's shareholders (the "Meeting") to be held on Wednesday, March 16, 2011 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.

In addition, the Company has retained **Kingsdale Shareholder Services Inc.**, The Exchange Tower, 130 King Street West, Suite 2950, PO Box 361, Toronto, Ontario M5X 1E2 as proxy solicitation agent. You may contact **Kingsdale Shareholder Services Inc.** by telephone at 1-888-518-1552 toll-free in North America or 416-867-2272 outside of North America or by email at contactus@kingsdaleshareholder.com.

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 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 66 $\frac{2}{3}$ % of the votes cast will be required.

Appointment of Proxyholders

The persons named in the accompanying 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 shareholders that are OBOs (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 RRSP's, RRIF's, RESP's 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). Subject to the provision of National Instrument 54-101 - Communication with Beneficial Owners of Securities of Reporting Issuers ("NI 54-101"), issuers can request and obtain a list of their NOBOs from intermediaries via their transfer agents and use the NOBO list for distribution of proxy-related materials directly (not via Broadridge) to NOBOs.

This year, we have decided to take advantage of those provisions of NI 54-101 that permit us to directly deliver proxy-related materials to our NOBOs who have not waived the right to receive them. As a result NOBOs can expect to receive a Voting Instruction Form ("VIF"), together with the Notice of Meeting, this Information Circular and related documents from our transfer agent, Computershare Investor Services Inc. ("Computershare"). These VIF's are to be completed and returned to Computershare in the envelope provided, or by facsimile, or voted using the telephone or internet alternatives included on the VIF. In this regard, Computershare is required to follow the voting instructions properly received from NOBOs. Computershare will tabulate the results of the VIF's received from NOBOs and will provide appropriate instructions at the Meeting with respect to the Common Shares represented by the VIF's they receive. **NOBOs should carefully follow the instructions of Computershare, including those regarding when and where to complete the VIF's that are to be returned to Computershare.** Should a NOBO wish to vote at the Meeting in person, the NOBO must insert the names of the NOBO in the space provided, and attend the Meeting and vote in person.

NOBOs that wish to change their vote must in sufficient time in advance of the Meeting contact Computershare to arrange to change their vote.

In accordance with the requirements of NI 54-101, we have distributed copies of the Notice of Meeting, this Information Circular, the form of proxy and related documents (collectively, the "Meeting Materials") to the clearing agencies and Intermediaries for onward distribution to OBOs. Intermediaries are required to forward the Meeting Materials to OBOs unless in the case of certain proxy-related materials the OBO has waived the right to receive them. Very often, Intermediaries will use service companies to forward the

Meeting Materials to OBOs. With those Meeting Materials, Intermediaries or their service companies should provide OBOs of Common Shares with a "request for voting instruction form" which, when properly completed and signed by such OBO 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 OBOs of Common Shares to direct the voting of the Common Shares that they beneficially own. Should an OBO of Common Shares wish to vote at the Meeting in person, the OBO 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 OBO the right to attend the Meeting and vote in person. **OBOs 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. OBOs of Common 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 9th Floor - 999 West Hastings Street, Vancouver, BC V6C 2W2, Canada or to Computershare Investor Services Inc., at 9th Floor - 100 University Avenue, Toronto, 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 US, 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.

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 February 9, 2011, the Company has issued and outstanding 203,671,997 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 February 9, 2011 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 best of the knowledge of the directors and senior officers of the Company, the only persons who, or corporations 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
Pala Investments Holdings Limited	35,262,200	17.31%

NUMBER OF DIRECTORS

The Board of Directors of the Company 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) ("Business Corporations Act"). All of the current nominees, save for Ms. Gosselin, were elected as directors by the shareholders at last year's annual general and special meeting and have agreed to serve as directors if elected. Ms. Gosselin was appointed a director on July 26, 2010 and has agreed to serve as a director if elected.

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 accompanying form of proxy as proxyholders intend to vote for the election of all nominees whose names are set forth in this Information Circular, unless instructed otherwise.

Nominees

The following charts provide information on the eight nominees proposed for election as directors, the province 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, other public board memberships held in the past five years, and board and committee meeting attendance in the 12 months ended December 31, 2010. In that period, the board held nine regularly scheduled and special meetings. Special meetings are called on shorter notice than regularly scheduled meetings, which are scheduled over the year or more in advance. In addition to the attendance listed below, directors from time to time attend other committee meetings by invitation. All nominees attended more than 96% 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 beneficially owned, directly or indirectly, or controlled or directed, options (each equivalent in value to a common share) credited to each nominee. The total equity value of common shares held as at December 31, 2010 is presented in Canadian dollars.

Lawrence I. Bell		Age: 73	
Vernon, British Columbia		Independent Director since November 24, 2008	
<p>Mr. Bell served as the non-executive Chairman of British Columbia Hydro and Power Authority until December 2007. From August 2001 to November 2003, Mr. Bell was Chairman and Chief Executive Officer of British Columbia Hydro and Power Authority and, from 1987 to 1991, he was Chairman and Chief Executive Officer of British Columbia Hydro and Power Authority. He is also a director of Silver Wheaton Corp., International Forest Products Limited, Matrix Asset Management Inc. and Goldcorp and is former Chairman of the University of British Columbia Board of Directors and former Chairman of Canada Line (Rapid Transit) Project. Prior to these positions, Mr. Bell was Chairman and President of the Westar Group and Chief Executive Officer of Vancouver City Savings Credit Union. In the province's public sector, Mr. Bell has served as Deputy Minister of Finance and Secretary to the Treasury Board. 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 a member of the Corporate Governance Committee for Silver Wheaton Corp., member of the Audit and Compensation Committees for Goldcorp, Chair of the Compensation and Governance Committees for Matrix Asset Management Inc. and a member of the Audit and Corporate Governance Committees for International Forest Products Limited.</p>			
Areas of Expertise			
Government Relations, Accounting, Audit and Finance, Human Resources and Compensation, Corporate Governance, Shareholder Communications, and Public Reporting			
Board/Committee Membership		Attendance	
Board		9 of 9	100%
Audit Committee		5 of 5	100%
Human Resources and Corporate Governance Committee		3 of 3	100%
Special Committee		9 of 9	100%
Options and Common Shares (as at December 31)			
Year	Options	Common Shares	Total Value of Common Shares
2010	317,450	Nil	Nil

Colin K. Benner		Age: 66	
Vancouver, British Columbia		Independent Director since November 24, 2008	
<p>Mr. Benner, our Non-Executive Chairman, is an experienced mining executive with more than 40 years in the mining industry with senior management and executive roles in Canada and Internationally. He was most recently Vice Chairman and CEO of Skye Resources and previously Vice Chairman and CEO of Lundin Mining Corporation and EuroZinc Mining Corporation and was Chairman of PBS Coals Ltd. He has also served on a number of public company boards in the mining industry in Canada and currently sits as an independent board member of several listed companies. He is a member of the Association of Professional Engineers of Ontario, the Canadian Society of Professional Engineers as well as a member of the Association of Professional Engineers and Geoscientists of British Columbia, the Association of Professional Engineers and Geoscientists of Nunavut, the Society of Mining Engineers of the AIME and the Canadian Institute of Mining. Mr. Benner is also a member of the ICD-DP.</p>			
Areas of Expertise			
Mineral Reserves and Resources, Safety and Security, Environment and Health, Human Resources and Compensation, Corporate Governance, Environment and Health, Operations and Construction, Shareholder Communications and Public Reporting			
Board/Committee Membership		Attendance	
Board		9 of 9	100%
Human Resources and Corporate Governance Committee		3 of 3	100%
Special Committee		9 of 9	100%
Environment, Health, Safety and Sustainability Committee ⁽¹⁾			
Options and Common Shares (as at December 31)			
Year	Options	Common Shares	Total Value of Common Shares
2010	262,640	130,000	\$583,700 ⁽²⁾

(1) Mr. Benner served on the EHS&S Committee from May 17, 2010 to November 8, 2010, during which time no EHS&S Committee meetings were held.

(2) Calculated using the market price of our shares on the TSX on December 31, 2010, which was \$4.49.

George L. Brack		Age: 49	
North Vancouver, British Columbia		Independent Director since May 19, 2009	
<p>Mr. Brack's 26-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 most recently Managing Director and Industry Head, Mining Group of Scotia Capital. Prior to joining Scotia Capital in 2006, he served seven years as President of Macquarie North America Ltd., an investment banking firm specializing in mergers and acquisitions advice to the global mining industry. 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 BSc in Geological Engineering from the University of Toronto and the CFA designation. Mr. Brack serves as the Chairman of Alexco Resource Corp. and as a director Aurizon Mines Ltd., Geological Explorations Inc. and Silver Wheaton Corp.</p>			
Areas of Expertise			
Mineral Reserves and Resources, Accounting, Audit and Finance, Human Resources and Compensation, Corporate Governance, Shareholder Communications, Finance and Public Reporting			
Board/Committee Membership		Attendance	
Board		9 of 9	100%
Audit Committee		4 of 5	80%
Human Resources and Corporate Governance Committee		3 of 3	100%
Special Committee		9 of 9	100%
Options and Common Shares (as at December 31)			
Year	Options	Common Shares	Total Value of Common Shares
2010	150,000	Nil	Nil

Chantal Gosselin		Age: 41	
Toronto, Ontario		Independent Director since July 26, 2010	
<p>Ms. Gosselin is a senior mining analyst with Sun Valley Gold LLP, a precious metals focused investment fund. From May 2006 to March 2008, Ms. Gosselin was the 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. Over the past 20 years, Ms. Gosselin, as a mining engineer, held various management positions for Blackhawk Mining Inc., Pan American Silver Corporation, Dynatec Mining Corporation and Aur Resources Inc. Ms. Gosselin holds a MBA in business administration from Concordia University and a BSc. in mining engineering from Laval University. Ms. Gosselin serves as a director for both Peregrine Metals Ltd. and Avala Resources Ltd.</p>			
Areas of Expertise			
Mining Operations, Project Construction, Mineral Reserves and Resources, Safety and Security, Environment and Health, Shareholder Communications and Public Reporting			
Board/Committee Membership		Attendance	
Board ⁽¹⁾		4 of 4	100%
Environment, Health, Safety and Sustainability Committee ⁽²⁾		1 of 1	100%
Options and Common Shares (as at December 31)			
Year	Options	Common Shares	Total Value of Common Shares
2010	100,000	Nil	Nil

(1) Ms. Gosselin was appointed as a director on July 26, 2010.

(2) Ms. Gosselin was appointed to the EHS&S Committee on November 8, 2010.

D. Bruce McLeod		Age: 47	
West Vancouver, British Columbia		Independent Director since November 24, 2008	
Mr. McLeod is a Mining Engineer with over 25 years experience in the mining exploration and development business. Mr. McLeod is currently the President & CEO of Creston Moly Corp. and Troon Ventures Ltd. He was a founder of Stornoway Diamond Corporation and founder and Executive Chairman of Sherwood Copper Corp., which in 2008 completed a business combination with Capstone Mining Corp. Mr. McLeod primarily focuses on project development, strategic planning and financing activities. His professional associations include chair of the TSX-V Exchange's Local Advisory Committee, member of the TSX-V National Advisory Board, membership in the Canadian Institute of Mining & Metallurgy, the Association for Mineral Exploration British Columbia, and the Association of Professional Engineers of BC. Mr. McLeod also sits as Co-Chair of the Prospectors and Developers Association of Canada Securities Committee.			
Areas of Expertise			
Mining Operations, Project Construction, Mineral Reserves and Resources, Safety and Security, Environment and Health, Accounting, Corporate Governance, Environment and Health, Shareholder Communications and Public Reporting			
Board/Committee Membership		Attendance	
Board		9 of 9	100%
Environment, Health, Safety and Sustainability Committee		4 of 4	100%
Options and Common Shares (as at December 31)			
Year	Options	Common Shares	Total Value of Common Shares
2010	671,250	747,920	\$3,358,160.80 ⁽¹⁾

(1) Calculated using the market price of our shares on the TSX on December 31, 2010, which was \$4.49.

Dale C. Peniuk, CA		Age: 51	
West Vancouver, British Columbia		Independent Director since May 19, 2009	
Mr. Peniuk is a chartered accountant that provides financial consulting services to a number of mining companies and, in addition to the Company, currently serves on the Board and as Audit Committee Chair of Lundin Mining Corporation, Sprott Resource Lending Corp., Argonaut Gold Inc. and Rainy River Resources Ltd. Mr. Peniuk also served on the Board and as Audit Committee Chair of Corriente Resources Inc., until completion of a takeover bid by CRCC-Tongguan Investment (Canada) Co. Ltd., EuroZinc Mining Corporation, until completion of its merger with Lundin Mining, and Rio Narcea Gold Mines, Ltd., following the acquisition of a controlling interest in the company by Lundin Mining until the takeover of Rio Narcea was completed. Mr. Peniuk also served on the Board and as Audit Committee Chair of both Reservoir Capital Corp. and Q2 Gold Resources Inc. until resigning in September 2010. 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.			
Areas of Expertise			
Accounting, Audit and Finance, International and Business Tax, Human Resources and Compensation, Corporate Governance, Information Systems and Public Reporting			
Board/Committee Membership		Attendance	
Board		8 of 9	89%
Audit Committee		5 of 5	100%
Options and Common Shares (as at December 31)			
Year	Options	Common Shares	Total Value of Common Shares
2010	200,000	Nil	Nil

Darren M. Pylot		Age: 43	
Vancouver, British Columbia		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, and has been responsible for bringing Capstone's Cozamin base metal mine into production. Mr. Pylot also serves as Chairman of the Board of Zena Capital Corp. and East Asia Minerals Corp. and as a director of Lithium 1 Inc.			
Areas of Expertise			
Government Relations, Accounting, Audit and Finance, Human Resources and Compensation, Corporate Governance, Shareholder Communications, Finance, Information Systems and Public Reporting			
Board/Committee Membership		Attendance	
Board		9 of 9	100%
Options and Common Shares (as at December 31)			
Year	Options	Common Shares	Total Value of Common Shares
2010	910,000	556,209	\$2,497,378.41 ⁽¹⁾

(1) Calculated using the market price of our shares on the TSX on December 31, 2010, which was \$4.49.

Stephen P. Quin		Age: 51	
West Vancouver, British Columbia		Non-Independent Director since November 24, 2008 Independent ⁽¹⁾ Director since January 1, 2011	
Mr. Quin is the Company's former President and Chief Operating Officer. Mr. Quin is a graduate of the Royal School of Mines, London, with a B.Sc. (Honours) in Mining Geology and has 30 years' experience in exploration, feasibility studies, mine development, financing and operations, as well as corporate development and general corporate affairs. From 2005 through 2008, he was President & CEO of Sherwood Copper Corporation. In early 2008, following the successful combination with Capstone, he became President & COO, responsible for operations, exploration and business development. From 1987 to 2005 Mr. Quin was a senior executive with Miramar Mining Corporation, responsible for exploration and business development, including the acquisition of the Con Mine and Hope Bay gold project, and the creation of Northern Orion Explorations and its acquisition of the Agua Rica copper project. Mr. Quin is a Professional Geoscientist registered with the Association of Professional Engineers and Geoscientists of BC, a Fellow of the Geologic Association of Canada and the Society of Economic Geologists, and a member of the Canadian Institute of Mining & Metallurgy and the Society of the Institution of Materials, Minerals & Mining (UK). Mr. Quin is currently President & CEO of Midas Gold, Inc. and is a non-executive member of the board of directors of Mercator Minerals Ltd., Troon Ventures Ltd., Rare Element Resources Ltd., Bear Lake Gold Ltd. and Kimber Resources Inc., as well as a non-executive director of Chalice Gold Mines Limited.			
Areas of Expertise			
Geology and Exploration, Mineral Reserves and Resources, Government Relations, Human Resources and Compensation, Corporate Governance, Environment and Health, Mine Operations and Construction, Shareholder Communications, Finance, Safety, Security, Environment and Health and Public Reporting			
Board/Committee Membership		Attendance	
Board		9 of 9	100%
Environment, Health, Safety and Sustainability Committee		4 of 4	100%
Options, Common Shares and DSU's (as at December 31)			
Year	Options	Common Shares	Total Value of Common Shares
2010	1,038,883	364,804	\$1,637,969.96 ⁽²⁾

(1) Mr. Quin resigned as COO of the Company on May 20, 2010 and as President of the Company on December 31, 2010.

(2) Calculated using the market price of our shares on the TSX on December 31, 2010, which was \$4.49.

To the best of management's knowledge, save for Colin K. Benner, no proposed director is, or has been within the last ten years, a director or executive officer of any company that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (c) 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 its assets.

Mr. Benner was a director of Tahera Diamond Corporation which, on January 16, 2008, was granted creditor protection by the Ontario Superior Court of Justice under the Companies' Creditors Arrangement Act (Canada). Mr. Benner resigned as a director of Tahera Diamond Corporation on September 29, 2008.

To the best of management's knowledge, no proposed director has, within the ten years before the date of this Information Circular, 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.

EXECUTIVE COMPENSATION

Unless otherwise stated, compensation amounts contained in this section are reported in US dollars, the currency the Company uses in its financial statements.

Named Executive Officers

Set out below are particulars of compensation paid to the following persons (the "Named Executive Officers"):

- (a) the Company's chief executive officer ("CEO");
- (b) the Company's chief financial officer ("CFO");
- (c) each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than C\$150,000 for that financial year; and
- (d) each individual who would be a Named Executive Officer under paragraph (c) but for the fact that the individual was neither one of our executive officers nor acting in a similar capacity at the end of that financial year.

As at December 31, 2010, the end of the most recently completed financial year of the Company, we had six Named Executive Officers, whose names and positions held with us are set out in the summary compensation table below.

Compensation Discussion & Analysis

The Human Resources and Corporate Governance ("HR&CG") 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, 2010, the members of the HR&CG Committee were Colin K. Benner, Chair,

Lawrence I. Bell and George L. Brack, each of whom are independent directors within the meaning of Section 1.4 of Multilateral Instrument 52-110 - Audit Committees of the Canadian Securities Administrators.

The compensation of the Company's executive officers has been established with a view to attracting and retaining executives critical to the Company's short and long-term success and to continuing to provide executives with compensation that is in accordance with existing market standards generally.

Compensation of the Company's executive officers is comprised of a base salary, annual cash bonuses, bonus shares and the grant of options to purchase Common Shares under the Incentive Stock Option and Bonus Share Plan.

Through its executive compensation practices, the Company seeks to provide value to its shareholders through a strong executive leadership. Specifically, the Company's executive compensation structure seeks to attract and retain talented and experienced executives necessary to achieve the Company's strategic objectives, motivate and reward executives whose knowledge, skills and performance are critical to the Company's success, align the interests of the Company's executives and shareholders by motivating executives to increase shareholder value, and provide a competitive compensation package in which a significant portion of total compensation is determined by corporate and individual results and the creation of shareholder value, and foster a shared commitment among executives by coordinating their corporate and individual goals.

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 2010 based on a number of factors, including: the Company's understanding of the amount of compensation generally paid by similarly situated companies to their executives with similar roles and responsibilities as provided by an independent study by Coopers Consulting initiated by the Company; the Company's executives' performance during the fiscal year in general and as measured against predetermined corporate and individual performance goals; the roles and responsibilities of the Company's executives; the individual experience and skills of, and expected contributions from, the Company's executives; the amounts of compensation being paid to the Company's other executives; and any contractual commitments the Company has made to its executives regarding compensation.

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 is a necessary element of any compensation program that is designed to attract and retain talented and experienced executives. The Company also believes that attractive base salaries can motivate and reward executives for their overall performance. The base salary of each executive is reviewed annually, and may be adjusted in accordance with the terms of such executive officer's employment agreement, where applicable.

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 Named Executive Officers ("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&CG Committee and approved by the Board.

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

Executive Performance Bonus

The executive officers of the Company have an opportunity to earn an annual bonus based on corporate and individual performance in the context of the overall performance of the Company. Individual target bonuses, which are established by the HR&CG Committee, will typically vary between 10% and 40% of the base salary of executive officers, except in the case of the CEO and COO, who are each eligible for a bonus of up to 65% of base salary. Bonuses granted to each executive officer are recommended by the HR&CG Committee to the Board which ultimately approves the award of such bonuses.

Bonuses are primarily based upon performance of the executive as measured against predetermined Company and individual goals covering business development and corporate and financial achievements. The objectives are proposed by the HR&CG 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 that are specifically tailored for each executive. In addition, the Company may reserve a portion of each executive's annual cash incentive bonus to be paid at the Company's discretion based on the executive's overall performance. The Company maintains this discretionary portion of the annual cash 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 every important aspect of executive performance is not capable of being 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 require its executives to focus their attention on different or other strategic objectives.

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 which 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 4,566,043 stock options as at February 9, 2011. 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&CG Committee and the Board of Directors.

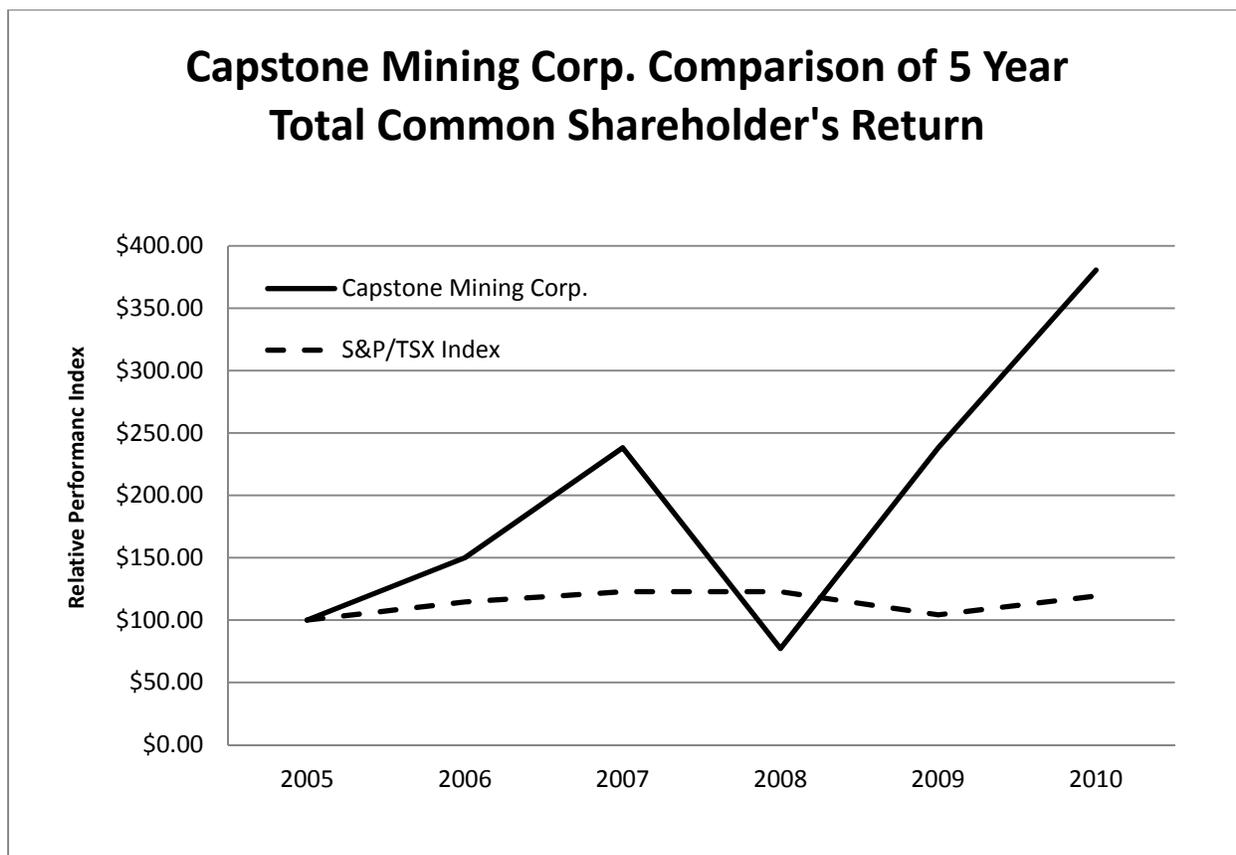
The Company generally expects future stock option grants should be based on the following factors: the terms and conditions of the employment agreements, the executive's past performance, anticipated future contribution, prior option grants to such executive, the percentage of outstanding equity owned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

For further details as to the specific terms of the Incentive Stock Option and Bonus Share Plan, see "Amendment to Incentive Stock Option and Bonus Share Plan" below.

Performance Graph

The following chart compares the total cumulative shareholder return for \$100 invested in common shares of the Company since December 31, 2005, 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)



For the financial years ended	2005	2006	2007	2008	2009	2010
Common Shares of Capstone Mining Corp.	100.00	150.00	238.14	77.12	238.14	380.51
S&P/TSX Composite Total Return Index	100.00	114.51	122.72	122.72	104.20	119.26

Option-Based Awards

The Company's Incentive Stock Option and Bonus Share Plan has been and will be used to provide options which are granted in consideration of the level of responsibility of the executive as well as his or her impact or contribution to the longer-term operating performance of the Company. In determining the number of options to be granted to the executive officers, the Board takes into account the number of options, if any, previously granted to each executive officer, and the exercise price of any outstanding options to ensure that such grants are in accordance with the policies of the TSX, and closely align the interests of the executive officers with the interests of shareholders.

The HR&CG Committee has the responsibility to administer the compensation policies related to the executive management of the Company, including option-based awards.

Summary Compensation Table

The following table is a summary of compensation paid to our Named Executive Officers for our most recently completed financial year. Reported in US dollars, the currency the Company uses in its financial statements.

Name and principal position	Year	Salary (\$)	Share Based Awards (\$) ⁽¹⁾	Option-based awards (\$) ⁽²⁾	Non-equity incentive plan compensation (\$)		All other compensation (\$)	Total compensation (\$)
					Annual incentive plans ⁽³⁾	Long-term incentive plans		
Darren M. Pylot President and CEO	2010	397,942	Nil	389,268	178,994	Nil	15,170	981,375
	2009	305,166	Nil	172,672	164,989	Nil	8,266	651,094
	2008	Nil ⁽⁴⁾	Nil	116,376	87,566	Nil	222,827	426,768
Richard R. Godfrey Chief Financial Officer	2010	287,133	Nil	278,048	91,391	Nil	12,550	673,167
	2009	240,806	Nil	98,670	82,452	Nil	6,335	428,262
	2008	197,023	Nil	229,302	52,539	Nil	4,764	483,628
Stephen P. Quin Former President	2010	378,531	Nil	389,268	170,263	Nil	16,894	954,955
	2009	341,506	Nil	172,672	153,609	Nil	8,936	676,724
	2008	262,697	Nil	Nil	70,061	Nil	5,450	338,208
Gregg Bush Chief Operating Officer	2010 ⁽⁵⁾	190,833	126,915	300,238	Nil	Nil	8,456	626,442
Robert B. Barnes Vice President, Operations	2010	247,167	58,818	208,536	48,406	Nil	16,634	579,561
	2009	216,000	53,065	72,266	48,406	Nil	8,696	401,432
	2008	216,000	Nil	80,355	78,300	Nil	11,527	386,182
Brad J. Mercer Vice President, Exploration	2010	211,912	Nil	208,536	84,591	Nil	11,476	535,795
	2009	161,996	13,266	80,169	17,029	Nil	5,180	277,641
	2008	150,797	Nil	Nil	78,505	Nil	3,367	232,669

(1) These shares 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 2.2% per annum, no expected dividends, an expected volatility of 71% and an expected life of options of 3.5 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's 2008 compensation was paid through his consulting company, Stealth Investments Corp.

(5) Mr. Bush was appointed the Company's COO on May 26, 2010.

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, 2010.

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	170,000	1.57	March 9, 2011	493,733.84
	100,000	1.88	March 14, 2012	259,598.17
	200,000	3.16	March 20, 2013	264,571.31 ⁽³⁾
	160,000	1.30	February 9, 2014	507,658.64 ⁽⁴⁾
	280,000	2.99	March 26, 2015	417,744.18 ⁽⁵⁾
Richard R. Godfrey	548,100	2.98212	February 22, 2012	822,030.07
	39,150	3.35249	May 9, 2012	44,294.33
	156,600	3.55683	February 28, 2013	145,349.53 ⁽²⁾
	65,000	1.30	February 9, 2014	206,236.32 ⁽⁴⁾
	200,000	2.99	March 26, 2015	298,388.70 ⁽⁵⁾
Stephen P. Quin	430,650	2.33078	October 30, 2011	924,873.77
	234,900	3.35249	May 9, 2012	265,765.96
	93,333	1.30	February 9, 2014	296,133.15 ⁽⁴⁾
	280,000	2.99	March 26, 2015	417,744.18 ⁽³⁾
Gregg Bush	300,000	2.13	May 20, 2015	704,197.33 ⁽⁶⁾
Robert B. Barnes	150,000	1.57	March 9, 2011	435,647.50
	50,000	1.88	March 14, 2012	129,799.09
	130,000	3.16	March 20, 2013	171,971.35 ⁽³⁾
	130,000	1.30	February 9, 2014	412,472.65 ⁽⁴⁾
	150,000	2.99	March 26, 2015	223,791.53 ⁽⁵⁾
Brad J. Mercer	39,150	2.33078	October 30, 2011	84,079.43
	15,660	3.35249	May 9, 2012	17,717.73
	60,000	1.30	February 9, 2014	190,371.99 ⁽⁴⁾
	150,000	2.99	March 26, 2015	223,791.53 ⁽⁵⁾

(1) Calculated based on the difference between the market price of our shares on the TSX on December 31, 2010, which was C\$4.49 and the exercise price of the option. Converted to US dollars using the US dollar/Canadian dollar exchange rate of 1.0054 at December 31, 2010.

(2) Options awarded February 28, 2008 vest one-third per year commencing on February 28, 2008 and have a five year term.

(3) Options awarded March 20, 2008 vest one-third per year commencing on March 20, 2008 and have a five year term.

(4) Options awarded February 9, 2009 vest one-third per year commencing on February 9, 2009 and have a five year term.

(5) Options awarded March 26, 2010 vest one-third per year commencing on March 26, 2010 and have a five year term.

(6) Options awarded May 20, 2010 vest one-third per year commencing on May 20, 2010 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, 2010. Reported in US dollars, the currency the Company uses in its financial statements.

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	129,216.88 ⁽¹⁾	-	-
Richard R. Godfrey	73,838.02 ⁽¹⁾	-	-
Stephen P. Quin	129,216.88 ⁽¹⁾	-	-

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 (\$)
Gregg Bush	0 ⁽²⁾	126,915 ⁽³⁾	-
Robert B. Barnes	59,999.30 ⁽¹⁾	58,818 ⁽³⁾	-
Brad J. Mercer	59,999.30 ⁽¹⁾	-	-

(1) Calculated based on the difference between the market price of our shares on the TSX on February 9, 2010 (C\$2.78) and the exercise price of the option (C\$1.30). Converted to US dollars using the US dollar/Canadian dollar exchange rate of 1.069 as of February 9, 2010.

(2) Mr. Bush was granted 300,000 options, exercisable at C\$2.13 on May 20, 2010. Of these, 100,000 options vested on grant. The market price of our shares on the TSX on May 20, 2010 was C\$2.13.

(3) Converted to US dollars using the 2010 average US dollar/Canadian dollar exchange rate of 1.0303.

Pension Plan Benefits

The Company does not have a pension plan that provides for payments or benefits to the NEOs at, following, or in connection with retirement.

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&CG 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, Richard R. Godfrey, Chief Financial Officer, Gregg Bush, Chief Operating Officer and Brad J. Mercer, Vice President Exploration, is entitled to receive a lump sum payment equal to 24 months 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. Robert B. Barnes, Vice President Operations, is entitled to receive a lump sum payment equal to 24 months salary plus an amount equal to the average of any bonus paid in the last three years under the Company's bonus plan multiplied by the number of years of service as well as a prorated amount for the year in which termination occurs.

Stephen P. Quin resigned as COO of the Company on May 20, 2010 and as President of the Company on December 31, 2010.

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, 2010. Reported in US dollars, the currency the Company uses in its financial statements.

Name	Base Salary (\$)	Bonus (\$)	Option-Based Awards (\$)	All Other Compensation (\$)	Total (\$)
Darren M. Pylot	795,884	287,699.33	-	-	1,083,583.33
Richard R. Godfrey	574,266	150,921.33	-	-	725,187.33
Gregg Bush	620,000	- ⁽¹⁾	-	-	620,000
Robert B. Barnes	494,334	175,112.01	-	-	669,446.01

Name	Base Salary (\$)	Bonus (\$)	Option-Based Awards (\$)	All Other Compensation (\$)	Total (\$)
Brad J. Mercer	423,824	120,083.33	-	-	543,907.33

(1) Mr. Bush was appointed as COO on May 20, 2010 and as such, any bonus will not be paid until the subsequent financial year.

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 months 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. Godfrey, Bush, Mercer and Barnes 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 months 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, 2010. Reported in US dollars, the currency the Company uses in its financial statements.

Name	Base Salary (\$)	Bonus (\$)	Option-Based Awards (\$) ⁽¹⁾	All Other Compensation (\$)	Total (\$)
Darren M. Pylot	994,855	359,624.17	1,943,306.15	-	3,297,785.32
Richard R. Godfrey	574,266	150,921.33	1,516,298.95	-	2,241,486.28
Gregg Bush	620,000	-(²)	704,197.33	-	1,324,197.33
Robert B. Barnes	494,334	116,741.33	1,373,682.12	-	1,984,757.45
Brad J. Mercer	423,824	120,083.33	515,960.68	-	1,059,868.01

(1) Assumes no exchange of options held by Named Executive Officers for acquiring company's stock options and the vesting of all outstanding options. Calculated based on the difference between the market price of our shares on the TSX on December 31, 2010, which was C\$4.49 and the exercise price of the option. Converted to US dollars using the US dollar/Canadian dollar exchange rate of 1.0054 at December 31, 2010.

(2) Mr. Bush was appointed as COO on May 20, 2010 and as such, any bonus will not be paid until the subsequent financial year.

Director Compensation

2010 Director Compensation Table

The following table sets out all amounts of compensation provided to our directors, other than Mr. Darren M. Pylot, our President and CEO, and former Vice-Chairman and Mr. Stephen P. Quin, our former President, for the year ended December 31, 2010.

Name	Fees earned ⁽¹⁾ (\$)	Share-based awards (\$)	Option-based awards ⁽²⁾ (\$)	All other compensation (\$)	Total (\$) ⁽¹⁾
Lawrence I. Bell	60,871.30	-	149,194.35 ⁽³⁾	-	210,065.65

Name	Fees earned ⁽¹⁾ (\$)	Share-based awards (\$)	Option-based awards ⁽²⁾ (\$)	All other compensation (\$)	Total (\$) ⁽¹⁾
Colin K. Benner	92,202.11	-	149,194.35 ⁽³⁾	-	241,396.46
George L. Brack	59,677.74	-	149,194.35 ⁽³⁾	-	208,872.09
Chantal Gosselin ⁽⁴⁾	19,265.96	-	213,845.24 ⁽⁵⁾	-	233,111.20
D. Bruce McLeod	51,322.86	-	149,194.35 ⁽³⁾	-	200,517.21
Dale C. Peniuk, CA	60,927.24	-	149,194.35 ⁽³⁾	-	210,121.59
John Wright ⁽⁶⁾	23,248.09	-	149,194.35 ⁽³⁾	-	172,442.44

(1) Directors are remunerated in Canadian dollars and amounts contained in this table were converted to US dollars using the average US dollar/Canadian dollar exchange rate of 1.0054 for 2010.

(2) Option-based compensation is valued using the Black-Scholes option pricing model, assuming a risk-free interest rate of 2.2% per annum, no expected dividends, an expected volatility of 71% and an expected life of options of 3.5 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) Calculated based on the difference between the market price of our shares on the TSX on December 31, 2010, which was C\$4.49 and the exercise price of the option (C\$2.99). Converted to US dollars using the US dollar/Canadian dollar exchange rate of 1.0054 at December 31, 2010.

(4) Ms. Gosselin was appointed a director on July 26, 2010

(5) Calculated based on the difference between the market price of our shares on the TSX on December 31, 2010, which was C\$4.49 and the exercise price of the option (C\$2.34). Converted to US dollars using the US dollar/Canadian dollar exchange rate of 1.0054 at December 31, 2010.

(6) Mr. Wright did not stand for re-election at the Company Annual General and Special Meeting on May 17, 2010.

The following table provides a breakdown of fees earned by our directors, other than Mr. Darren M. Pylot, our President and CEO, and former Vice-Chairman and Mr. Stephen P. Quin, our former President, for the year ended December 31, 2010.

Name	Annual Retainer (\$) ⁽¹⁾	Chairman Retainer (\$) ⁽¹⁾	Audit Committee Chair Retainer (\$) ⁽¹⁾	HR&CG Committee Chair Retainer (\$) ⁽¹⁾	Board Meeting Attendance Fee (\$) ⁽¹⁾⁽²⁾	Committee Fees (\$) ⁽¹⁾⁽³⁾	Total Fees Earned (\$) ⁽¹⁾
Lawrence I. Bell	29,838.87	-	-	-	10,741.99	20,290.43	60,871.29
Colin K. Benner	29,838.87	29,838.87	-	7,459.72	10,741.99	14,322.66	92,202.11
George L. Brack	29,838.87	-	-	-	10,741.99	19,096.88	59,677.74
Chantal Gosselin ⁽⁴⁾	13,369.57	-	-	-	4,774.22	1,193.55	19,265.54
D. Bruce McLeod	29,838.87	-	-	-	10,741.99	10,741.99	51,322.85
Dale C. Peniuk, CA	29,838.87	-	14,919.44	-	9,548.44	5,967.77	60,274.52
John Wright ⁽⁵⁾	11,312.54	-	-	-	2,387.11	9,548.44	23,248.09

(1) Directors are remunerated in Canadian dollars and amounts contained in this table were converted to US dollars using the average US dollar/Canadian dollar exchange rate of 1.0054 for 2010.

(2) Directors are paid a board meeting fee of \$1,200 per board meeting.

(3) Directors are paid a committee meeting fee of \$1,200 per committee meeting and a per diem of \$1,000 per day on committee business.

(4) Ms. Gosselin was appointed a director on July 26, 2010.

(5) Mr. Wright did not stand for re-election at the Company Annual General and Special Meeting on May 17, 2010.

The Human Resources and Corporate Governance Committee reviews board compensation on an annual basis and recommends revisions to the annual retainers paid to the board of directors when warranted in the circumstances. In addition, the board of directors may award special remuneration to any director undertaking any special services on our behalf other than services ordinarily required of a director.

Outstanding Option Based Awards

The following table sets out all option-based awards outstanding for each of our directors other than, Mr. Darren M. Pylot, our President and CEO, and former Vice-Chairman and Mr. Stephen P. Quin, our former President, for the year ended December 31, 2010.

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	3.57599	April 17, 2013	106,773.90
	100,000	1.30	February 9, 2014	317,286.65 ⁽²⁾
	100,000	2.99	March 20, 2015	149,194.35 ⁽⁴⁾
Colin K. Benner	31,320	2.33078	October 30, 2011	67,263.55
	31,320	3.35249	May 9, 2012	35,435.46
	100,000	1.30	February 9, 2014	317,286.65 ⁽²⁾
	100,000	2.99	March 20, 2015	149,194.35 ⁽⁴⁾
George L. Brack	50,000	1.49	March 16, 2014	149,194.35 ⁽³⁾
	100,000	2.99	March 20, 2015	149,194.35 ⁽⁴⁾
Chantal Gosselin	100,000	2.34	July 26, 2015	213,845.24 ⁽⁵⁾
D. Bruce McLeod	156,600	1.27714	February 24, 2011	500,431.55
	254,475	2.33078	October 30, 2011	546,516.32
	156,600	3.35249	May 9, 2012	177,177.31
	100,000	1.30	February 9, 2014	317,286.65 ⁽²⁾
	100,000	2.99	March 20, 2015	149,194.35 ⁽⁴⁾
Dale C. Peniuk, CA	100,000	1.49	March 16, 2014	298,388.70 ⁽³⁾
	100,000	2.99	March 20, 2015	149,194.35 ⁽⁴⁾
John Wright	30,000	1.88	March 14, 2012	77,879.45
	50,000	3.16	March 20, 2013	66,142.83
	100,000	1.30	February 9, 2014	317,286.65 ⁽²⁾
	100,000	2.99	March 20, 2015	149,194.35 ⁽⁴⁾

(1) Calculated based on the difference between the market price of our shares on the TSX on December 31, 2010, which was C\$4.49 and the exercise price of the option. Converted to US dollars using the US dollar/Canadian dollar exchange rate of 1.0054 at December 31, 2010.

(2) Options awarded February 9, 2009 vest one-third per year commencing on February 9, 2009 and have a five year term.

(3) Options awarded March 16, 2009 vest one-third per year commencing on March 16, 2009 and have a five year term.

(4) Options awarded May 20, 2010 vest one-third per year commencing on May 20, 2010 and have a five year term.

(5) Options awarded July 26, 2010 vest one-third per year commencing on July 26, 2010 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 for each of our directors, other than Mr. Darren M. Pylot, our President and CEO, and former Vice-Chairman and Mr. Stephen P. Quin, our former President (each of whom received no additional compensation for their services as directors), vested or earned during the year ended December 31, 2010.

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	46,148.59 ⁽¹⁾	-	-
Colin K. Benner	46,148.59 ⁽¹⁾	-	-
George L. Brack	46,148.59 ⁽¹⁾	-	-
	52,554.99 ⁽²⁾	-	-
Chantal Gosselin	3,555.69 ⁽³⁾	-	-
D. Bruce McLeod	46,148.59 ⁽¹⁾	-	-

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 (\$)
Dale C. Peniuk, CA	46,148.59 ⁽¹⁾ 52,554.99 ⁽²⁾	-	-
John Wright	46,148.59 ⁽¹⁾	-	-

- (1) Calculated based on the difference between the market price of our shares on the TSX on February 9, 2010 (C\$2.78) and the exercise price of the option (C\$1.30). Converted to US dollars using the US dollar/Canadian dollar exchange rate of 1.069 at February 9, 2010.
- (2) Calculated based on the difference between the market price of our shares on the TSX on March 16, 2010 (C\$3.09) and the exercise price of the option (C\$1.49). Converted to US dollars using the US dollar/Canadian dollar exchange rate of 1.0148 at March 16, 2010.
- (3) Ms. Gosselin was appointed a director on July 26, 2010. Calculated based on the difference between the market price of our shares on the TSX on July 26, 2010 (C\$2.45) and the exercise price of the option (C\$2.34). Converted to US dollars using the US dollar/Canadian dollar exchange rate of 1.0312 at July 26, 2010.

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	11,429,733	\$2.56	8,663,392
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
Total	11,429,733	\$2.56	8,663,392

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 of directors 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.

INTEREST OF CERTAIN 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.

CORPORATE GOVERNANCE DISCLOSURE STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company, as a whole, is responsible for reviewing the overall governance principles of the Company and governance issues that arise during the course of 2010. 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 National Instrument 52-110 - *Audit Committees* ("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 2010, six of the eight members of the Board were independent. The members who were independent in 2010 were Lawrence I. Bell, Colin K. Benner, George L. Brack, Chantal Gosselin, D. Bruce McLeod and Dale C. Peniuk, CA. Messrs. Pylot and Quin were not independent by virtue of the fact that they were executive officers of the Company. Accordingly, the majority of the directors were independent in 2010. On May 17, 2010, Mr. John Wright resigned as a director and on July 26, 2010, Ms. Chantal Gosselin was appointed a director.

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. Benner, an independent director, was appointed Non-Executive Chairman on November 28, 2008. 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., International Forest Products Limited, Matrix Asset Management Inc., Silver Wheaton Corp.
Colin K. Benner	Adriana Resources Inc., Corsa Capital Ltd., Creston Moly Corp., Dalradian Resources Inc., Gammon Gold Inc., Lundin Mining Corporation and Troon Ventures Ltd.
George L. Brack	Alexco Resource Corp., Aurizon Mines Ltd., Geologix Explorations Inc. and Silver Wheaton Corp.
Chantal Gosselin	Avala Resources Ltd. and Peregrine Metals Ltd.
D. Bruce McLeod	Creston Moly Corp., International Northair Mines Ltd., Kaminak Gold Corporation, Luna Gold Corp., New Dimension Resources Ltd., Reunion Gold Corporation and Troon Ventures Ltd.
Dale C. Peniuk, CA	Argonaut Gold Inc., Lundin Mining Corporation, Rainy River Resources Ltd. and Sprott Resource Lending Corp. (formerly Quest Capital Corp.)
Darren M. Pylot	East Asia Minerals Corp., Lithium 1 Inc. and Zena Capital Corp.
Stephen P. Quin	Bear Lake Gold Ltd., Chalice Gold Mines Ltd., Kimber Resources Inc., Mercator Minerals Ltd., Rare Element Resources Ltd. and Troon Ventures Ltd.

Interlocking Boards

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

Directors serving on Interlocking Boards	Name of other company
Colin K. Benner and D. Bruce McLeod	Creston Moly Corp.
Colin K. Benner and Dale C. Peniuk, CA	Lundin Mining Corporation
Larry I. Bell and George L. Brack	Silver Wheaton Corp.
Colin K. Benner, D. Bruce McLeod and Stephen P. Quin	Troon Ventures Ltd.

Attendance of Directors at Board and Committee Meetings

Since the beginning of the Company's last financial year, the Board of Directors held a total of nine meetings, seven of which were held after the election as directors at the 2010 Annual General and Special Meeting. The attendance record of the directors at such meetings is as follows:

Summary of Attendance of Directors at Meetings						
Directors	Board Meetings (9 Meetings)	Independent Director Meetings (9 Meetings)	Audit Committee Meetings (5 Meetings)	Human Resources and Corporate Governance Committee Meetings (3 Meetings)	Environmental, Health, Safety and Sustainability Committee Meetings (4 Meetings)	Special Committee Meetings (9 Meetings)
Lawrence I. Bell	9 of 9 100%	9 of 9 100%	5 of 5 100%	3 of 3 100%	-	9 of 9 100%
Colin K. Benner	9 of 9 100%	9 of 9 100%	-	3 of 3 100%	-	9 of 9 100%
George L. Brack	9 of 9 100%	9 of 9 100%	4 of 5 80%	3 of 3 100%	-	9 of 9 100%
Chantal Gosselin	4 of 4 ⁽¹⁾ 100%	4 of 4 100%	-	-	1 of 1 ⁽¹⁾ 100%	-
D. Bruce McLeod	9 of 9 80%	9 of 9 100%	-	-	4 of 4 100%	-
Dale C. Peniuk, CA	8 of 9 89%	8 of 9 89%	5 of 5 100%	-	-	-
Darren M. Pylot	9 of 9 100%	-	5 of 5 ⁽²⁾ 100%	3 of 3 ⁽²⁾ 100%	-	9 of 9 ⁽²⁾ 100%
Stephen P. Quin	9 of 9 100%	-	5 of 5 ⁽³⁾ 100%	-	4 of 4 100%	-
John Wright ⁽⁴⁾	2 of 2 100%	2 of 2 100%	-	-	3 of 3 ⁽¹⁾ 100%	-
Overall Attendance Rate	99%	99%	96%	100%	100%	100%

⁽¹⁾ Ms. Gosselin was appointed a Director on July 26, 2010 and appointed to the Environmental Health, Safety and Sustainability Committee on November 8, 2010.

⁽²⁾ As Chief Executive Officer and Vice-Chairman, Mr. Pylot attended certain committee meetings *ex officio*.

⁽³⁾ As President, Mr. Quin attended certain Audit Committee meetings *ex officio*.

⁽⁴⁾ Mr. Wright did not stand for re-election at the Company's 2010 Annual General and Special Meeting, and as such Mr. Wright did not attend any meetings after May 17, 2010.

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 Directors, 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 British Columbia Business Corporations Act, 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 Human Resources and Corporate Governance ("HR&CG") Committee has responsibility for identifying potential Board candidates. The members of the HR&CG Committee are Colin K. Benner, Chair, Lawrence I. Bell and George L. Brack, each of whom is independent. The HR&CG 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 HR&CG Committee. The HR&CG 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 HRCG 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.

Compensation

The members of the HR&CG Committee are Colin K. Benner, Chair, Lawrence I. Bell and George L. Brack, each, of whom is independent. The HR&CG Committee has responsibility for determining compensation for the directors and senior management.

To determine compensation payable, the HR&CG 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 HRCG 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&CG Committee. The HR&CG 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 of Directors 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&CG Committee engaged Coopers Consulting to provide compensation analysis for directors and the CEO of the Company.

Other Board Committees

In addition to the Audit Committee and the HR&CG Committee, the Company has an Environmental, Health and Safety Committee which monitors compliance with environmental and safety standards and sets environmental and safety policy. The Company also has a Special Committee which conducts and facilitates an evaluation of strategic alternatives for the Company to maximize shareholder value.

Audit Committee

The Audit Committee, comprised of Dale C. Peniuk, CA, Chair, Lawrence I. Bell and George L. Brack, 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. National Instrument 52-110 Audit Committees of the Canadian securities administrators 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 26, 2010, which has been filed on SEDAR (see “Additional Information” at the end of this Information Circular). The text of the Audit Committee’s Charter is attached as Schedule “B” to this Information Circular.

Assessments

The Board conducts informal 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 HRCG 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 & Touche 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 & Touche 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 & Touche LLP, Chartered Accountants has served as the Company’s auditor since 2008.

PARTICULARS OF MATTERS TO BE ACTED UPON - SPECIAL BUSINESS

Incentive Stock Option and Bonus Share Plan

Material Changes to the Existing Incentive Share Option and Bonus Share Plan

We are proposing to make the following material changes to our existing Incentive Stock Option and Bonus Share Plan (the “Plan”):

- extend the expiry date of any outstanding option that expires during a trading blackout or within 10 business days after the date on which the blackout ends, for a period of 10 business days after such date on which the trading blackout ends;
- updating the definitions section of the Plan;
- amending the number of days an option can be exercised following a termination, other than for cause from 90 days to 30 days;
- providing for the issuance of Option Certificates in replacement of Option Agreements;
- restricting the number of options that maybe granted to non-Employee directors to the lesser of (i) 1% of the total number of shares outstanding and (ii) an annual equity award value of \$100,000 per director; and
- clarifying the amendments to the Plan that require shareholder approval including the requirement for shareholder approval for all re-pricing of previously granted options to a lower price or extending the term of previously granted options.

Particulars of the Plan

The following is a summary of the principal terms of the amended and restated Incentive Stock Option and Bonus Share Plan (the "Plan").

Eligible Participants

The Plan provides that stock options may be granted to our directors and employees (and those of our subsidiaries).

Shares Available for Issuance

The Plan amends and restates our Incentive Stock Option and Bonus Share Plan (the "Prior Plan") adopted by our Board and approved by our shareholders on May 17, 2010. The Plan provides for the issuance of stock options to acquire at any time up to a maximum of 10% of our issued and outstanding common shares (subject to standard anti-dilution adjustments). The Plan further allows for the issuance of up to 500,000 Bonus Shares in any one calendar year to Employees or Directors of the Company. Any Bonus Shares that are issued shall not be counted in determining the number of options available to be granted under the Plan. All outstanding stock options granted under the Prior Plan, a total of 12,925,870 stock options as of February 9, 2011, are included in determining the maximum number of shares reserved for issuance under the Plan.

The Plan is considered a "rolling" stock option plan as the number of shares available for issue under the Plan increases with the number of our issued and outstanding shares. The Plan is also considered an "evergreen" stock option plan as when a stock option expires or otherwise terminates for any reason without having been exercised in full, the number of common shares reserved for issuance under that expired or terminated stock option again become available for the purposes of the Plan. Any stock option outstanding when the Plan is terminated will remain in effect until it is exercised or it expires.

As of February 9, 2011, we had 203,671,997 of our common shares issued and outstanding and options to acquire 12,925,870 of our common shares outstanding (representing 6.35% of our issued and outstanding common shares).

As the Plan provides for the issuance of stock options to acquire at any time up to a maximum of 10% of our issued and outstanding common shares, as of February 9, 2011, options to acquire an additional 7,441,329 of our common shares were available for grant (representing 3.65% of our issued and outstanding common shares).

Plan Administration

Under the Plan, our board of directors (the "Board") may, from time to time, designate one of our officers or employees as administrator (the "Administrator") for the purposes of administering the Plan. The Board has currently designated our Corporate Secretary as the Administrator.

Limitations on the Grant of Options

The Plan provides that it is solely within the discretion of the Board to determine who should receive stock options, in what amounts and for what term, subject to the following conditions:

- (a) options may be exercisable for a maximum of ten years from the date of grant;
- (b) options to acquire no more than 5% of our issued and outstanding shares may be granted to any one director or employee in any 12 month period; and
- (c) the number of securities issuable (or, reserved for issuance) to insiders under all share compensation arrangements, cannot at any time exceed 10% of our issued and outstanding shares, and the number of securities issued to insiders under all share compensation arrangements, within a one year period, cannot exceed 10% of our issued and outstanding shares.

At any given time, the number of options granted to non-employee directors shall be limited to the lesser of (i) a reserve, as a group, of 1% of the issued and outstanding Shares and (ii) an annual equity award value of \$100,000 per non-employee director.

The Plan provides that other terms and conditions may be attached to a particular stock option, with those terms and conditions to be referred to in a schedule attached to the option certificate.

Exercise Price

The price at which an option holder may purchase a common share upon the exercise of a stock option will be as set out in the option certificate issued in respect of the option and in any event will not be less than the market price of our common shares as of the date of the grant of the stock option (the "Award Date"). The market price of our common shares for a particular Award Date will be the volume weighted average trading price of our shares, calculated by dividing the total value by the total volume of securities traded, for the five trading days immediately preceding the Award Date. In no case will a stock option be exercisable at a price less than the minimum prescribed by each of the organized trading facilities or the applicable regulatory authorities that would apply to the award of the stock option in question.

Expiration or Termination

Under the Plan, a stock option will expire immediately in the event an employee ceases to be an employee as a result of termination for cause. In the event an employee ceases to be an employee as a result of termination without cause or resigns, a stock option will expire 30 days after the end of an employee's notice period or at such other date as determined by the Board. In addition, a stock option will expire, unless otherwise determined by the Board, 30 days after a director ceases to a director. In the event that the option holder should die, the expiry date shall be the first anniversary of the option holder's date of death.

If an option expires during a trading blackout or within 10 business days after the date on which the blackout ends, then the expiry date of the option will be extended for a period of 10 business days after such date on which the trading blackout ends. Subject to any extension due to a trading blackout, all options will have a maximum expiry date of 10 years from the date of grant, however, Options may be granted with an earlier expiry date.

Vesting

Stock options granted to directors and employees will vest when granted unless otherwise determined by the Board on a case by case basis. In the event of a Change of Control (as defined in the Plan), all options outstanding shall immediately vest and be exercisable.

Amendments

Shareholder approval will be required in respect of:

- (a) any amendment to the number of our common shares issuable under the Plan;
- (b) any amendment which reduces the exercise price of an option;
- (c) any amendment to the transferability or assignability of an option, except as otherwise permitted by the Plan;
- (d) any amendment extending the term of an option beyond its original expiry date, except as otherwise permitted by the Plan;
- (e) any amendments to the amending section of the Plan;
- (f) any amendment to the number of Options which may be granted to non-employee directors; and
- (g) amendments required to be approved by shareholders under applicable law.

The Board may approve all other amendments to the Plan or options granted under the Plan in its discretion without shareholder approval. The following types of amendments would not require shareholder approval:

- (a) amendments of a “housekeeping” or ministerial nature;
- (b) amendments necessary to comply with the provisions of applicable law or stock exchange rules;
- (c) any amendment which increases the exercise price of an option;
- (d) any expansion of the scope of persons eligible to participate in the Plan;
- (e) amendments respecting administration of the Plan;
- (f) any amendment to the vesting provisions of the Plan or any option;
- (g) any amendment to the early termination provisions of the Plan or any option, whether or not the option is held by one of our insiders, provided the amendment does not entail an extension beyond the original expiry date of the option; and
- (h) amendments necessary to suspend or terminate the Plan.

Assignment of Options

Options are not assignable or transferable, other than in the event of an option holder’s death. In such event, the option holder’s personal representative may exercise any portion of the option holder’s outstanding options for a period of one year following the option holder’s death.

Financial Assistance

Common shares will not be issued pursuant to stock options granted under the Plan until they have been paid for in full by the option holder. We will not provide financial assistance to option holders to assist them in exercising their stock options.

Copy of the Plan

A copy of the Plan will be available for viewing up to March 16, 2011, the date of the Annual General and Special Meeting, at our offices at 9th Floor - 999 West Hastings Street, Vancouver, BC, and on March 16, 2011, at the Annual General and Special Meeting.

Approval of the Plan

According to the policies of the TSX, all evergreen stock option plans and all unallocated entitlements thereunder must be approved by:

- (a) a majority of the issuer’s directors; and
- (b) the issuer’s shareholders;

when instituted and thereafter every three years.

As of the date of this Information Circular, all of our directors, including our unrelated directors, have approved the Plan. Accordingly, we will seek shareholder approval of the Plan as described below.

Shareholder Approval

As the TSX requires shareholder approval of stock based compensation arrangements and to ensure that the Plan is acceptable to our shareholders, we will ask our shareholders to approve the Plan at the Meeting. In the event the Plan is not approved by our shareholders:

- (a) previously allocated options will continue unaffected by disapproval of the resolution;

- (b) no further options will be granted under the Prior Plan; and
- (c) previously granted options will not be available for re-allocation if they are cancelled prior to exercise.

Our shareholders will be asked to consider and, if thought fit, pass the following resolution at the Meeting.

“RESOLVED THAT:

1. the amended and restated Capstone Stock Option and Bonus Share Plan (the “Plan”) adopted by the Board of Directors of the Company on February 9, 2011 and as described in the Management Information Circular dated February 9, 2011, including the reserving for issuance under the Plan at any time of a maximum of 10% of the issued common shares of the Company, be and is hereby authorized and approved;
2. the Company be and is hereby authorized to grant all unallocated entitlements, including stock options and bonus shares, under the Plan in accordance with its terms until March 16, 2014; and
3. the Company be and is hereby authorized to prepare such documents and make such submissions and filings as the Company may be required to make to give effect to this resolution.”

Shareholders must vote FOR or AGAINST the above resolution (not “FOR” or “ABSTAIN”).

Unless specified in a proxy form that the Company’s common shares represented by the proxy shall be voted against the resolution in respect of the Plan, it is the intention of the persons designated in the enclosed proxy form to vote in favour of the resolution approving the Plan.

Shareholder Rights Plan

General

The shareholders of the Company will be asked at the Meeting to consider and, if deemed advisable, to approve a resolution approving the adoption by the Company of a shareholder rights plan (the “Rights Plan”). The Rights Plan is contained in an agreement (the “Rights Plan Agreement”) between the Company and Computershare Trust Company of Canada (the “Rights Agent”) dated September 16, 2010. The Rights Plan has been executed by the Company and approved by the Board. Under the Rights Plan, share purchase rights (each, a “Right”), were issued as of the close of business on the date the Plan was approved by the Board, being September 16, 2010 (the “Effective Date”), to each of the holders of common shares of the Company (each, a “Share”) at the rate of one Right for each Share outstanding. Until the Separation Time (as defined below), the Rights will be attached to and are transferred only with the associated Shares. As such no certificates representing Rights will be issued.

The full text of the Rights Plan Agreement, in its current form, will be available for viewing at the Meeting and at the Company’s head office located at 9th Floor - 999 West Hastings Street, Vancouver, British Columbia, V6C 2W2 during regular business hours up to the day before the Meeting. A copy of the Rights Plan Agreement is also available online at www.sedar.com.

Purpose of the Rights Plan

The Rights Plan has been designed to protect shareholders of the Company from unfair, abusive or coercive take-over strategies, including the acquisition of control of the Company by a bidder in a transaction or series of transactions that does not treat all shareholders equally or fairly or provide all shareholders an equal opportunity to share in the premium paid on an acquisition of control. The Rights Plan provides management and the Board with more than the 35 day statutory minimum period under Canadian securities laws to review the terms of a take-over bid and solicit alternative offers. The Rights Plan is not intended to prevent a take-over or deter fair offers for securities of the Company. Rather, it is designed to encourage anyone seeking to acquire control of the Company to make an offer that represents fair value to all holders of common shares.

The Rights Plan could cause substantial dilution to a person or group who attempts to acquire control of the Company other than through a Permitted Bid (as defined below) or on terms approved by the Board. The Rights Plan provides that take-over bids that meet pre-determined standards of fairness will be Permitted Bids and will proceed without triggering the potentially dilutive effects of the Rights Plan. The Permitted Bid concept, which is found in most shareholder rights plans, ensures that senior management of the Company and the Board do not impair the rights of shareholders to obtain, review and accept or decline take-over bids. The Rights Plan is designed to afford the Board the opportunity to present to the shareholders of the Company a detailed analysis of a bid and additional time to consider alternatives to an unfair or inadequate proposal and, if it considers such action to be in the best interests of all shareholders, to commence an orderly auction of the shares or assets of the Company for the benefit of all shareholders.

If a bidder does not wish to make a Permitted Bid, the bidder can negotiate with and obtain prior approval of the Board to make an offer on terms that the board of directors considers fair to all shareholders. In such circumstances, the Board may redeem the Rights or waive the application of the Rights Plan, thereby allowing such offer to proceed without dilution to the bidder. The adoption of the Rights Plan does not relieve the Board of its fiduciary duties to act in the best interests of all shareholders and does not prevent a take-over bid or merger or other business combination that the Board, in the exercise of its fiduciary duties, determines to be in the best interests of the Company and its shareholders. Moreover, the Rights Plan does not inhibit the use of the proxy solicitation rules under applicable legislation to promote a change in the management or direction of the Company.

The Rights Plan is designed not to interfere with the day-to-day operations of the Company. Prior to being activated, the Rights Plan does not affect the Company's balance sheet or income statement and its implementation should not result in a taxable event for the Company or its shareholders. The implementation of the Rights Plan does not increase the level of debt of the Company or involve a sale, exchange or purchase of significant assets or the loss of earning power of the Company. The issue of the Rights does not dilute the equity or voting interests of existing shareholders and should not interfere with equity or debt financing by the Company.

In considering whether to approve the adoption of the Rights Plan, the Board was made aware that the Rights Plan may discourage certain types of take-over bids that might be made for the Company and may render more difficult a merger, tender offer or assumption of control by the holders of a large block of the Company's securities. The Board carefully considered these matters but concluded that they do not justify denying shareholders the protection that the Rights Plan affords. The Rights Plan is not intended to prevent all unsolicited take-over bids for the Company and will not do so. The Rights Plan is designed to encourage potential bidders to make Permitted Bids or negotiate take-over proposals with the Board that the board of directors considers are in the best interests of the Company and to protect the Company's shareholders against being coerced into selling their Shares at less than fair value.

Background

The Rights Plan is not being proposed by the Board or management of the Company in response to or in anticipation of any specific take-over bid or proposed bid or other transaction. Rather, the Rights Plan is intended to address the Board's concern that, in the current business and legal environment in which the Company operates, there is the potential for unfair treatment of shareholders that should be guarded against to the extent practicable.

The Board is concerned that under current law an acquiror could use coercive or other abusive take-over practices to obtain control of the Company without paying a fair price and without negotiating with the Board acting on behalf of all shareholders. For example, a bidder may acquire blocks of Shares in the market or in private agreements involving a small number of private investors and thereby gain effective control of the Company without paying an appropriate "control premium" to all shareholders of the Company. A bidder may also make a take-over bid to acquire effective or legal control of the Company that the Board, acting honestly and in good faith, may believe is wholly inadequate and unfair to shareholders of the Company and does not reflect the full or premium control value for all of the Shares. Without anything else, public shareholders would likely feel compelled to tender to such a bid, even where the bid is considered by the Board to be inadequate and of less than fair value for an acquisition of control, fearing that if they do not tender, they will pass up their only opportunity to receive any "take-over premium" for a portion of their Shares. The Board also believes that the timetable for take-over bids prescribed by the Canadian securities

laws could impair the board's ability to ensure that all other alternatives to maximize shareholder value are thoroughly explored.

In response to these concerns, the Board considered the desirability and the practicability of various strategies to deter unfair or abusive take-over practices and, in particular, whether a shareholder rights plan would be in the best interests of the Company and its shareholders and, if so, what the appropriate characteristics of such a shareholder rights plan would be.

In considering whether to approve the adoption of the Rights Plan, the Board considered the current legislative framework in Canada governing take-over bids. Under provincial securities legislation a take-over bid generally means an offer to acquire voting or equity shares of a person or persons, where the shares subject to the offer to acquire, together with shares already owned by the bidder and parties related to the bidder, an aggregate of 20% or more of the outstanding shares.

Summary of the Rights Plan

The following is a summary of the principal terms of the Rights Plan which is qualified in its entirety by reference to the text of the Rights Plan.

Term

The Rights Plan will expire and all Rights will be terminated immediately after the Meeting if the Rights Plan is not ratified by the shareholders at the Meeting. If ratified by the Shareholders at the Meeting, the Rights Plan will remain in effect until the earlier of the time at which the right to exercise the right shall terminate pursuant to the provisions of the Rights Plan or the close of business on the date immediately following the date of the Company's annual meeting of shareholders to be held in 2013. Subject to shareholder approval by ordinary resolution, the Rights Plan may be renewed for successive periods of three years.

Rights Exercise Privilege

After a person acquires 20% or more of the Shares of the Company or commences a take-over bid to acquire Shares of the Company, other than by way of a Permitted Bid (the "Separation Time"), the Rights will separate and trade separately from the Shares and will be exercisable. The acquisition by any person (an "Acquiring Person") of 20% or more of the Shares, other than by way of a Permitted Bid, is referred to as a "Flip-in Event". Any Rights held by an Acquiring Person will become void upon the occurrence of a Flip-in Event.

Ten business days after the occurrence of a Flip-in Event, each Right (other than those held by the Acquiring Person), will permit its holder to purchase shares at a significant discount to the Market Price of the Company's common shares.

The issue of the Rights is not initially dilutive. However, upon a Flip-in Event occurring and the Rights separating from the Shares, reported earnings per share on a fully diluted or non-diluted basis may be affected. Holders of Rights not exercising their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

Certificates and Transferability

Prior to the Separation Time, the Rights will be evidenced by a legend imprinted on certificates for Shares issued from and after the Effective Date and will not be transferable separately from the Shares. Promptly following the Separation Time, separate certificates evidencing the Rights (the "Rights Certificates") will be mailed to holders of record of Shares as of the Separation Time and the separate Rights Certificates will evidence the Rights. From and after the Separation Time, Rights Certificates, which will be transferable and traded separately from the Shares, will evidence the Rights.

Permitted Bids

The requirements for a Permitted Bid include the following:

- (a) the take-over bid must be made by way of a take-over bid circular;

- (b) the take-over bid must be made to all holders of Shares;
- (c) Shares tendered pursuant to the take-over bid may be taken up only after the expiry of not less than 60 days and then only if at such time more than 50% of the Shares held by shareholders other than the bidder, its affiliates and persons acting jointly or in concert with the bidder (“Independent Shareholders”) have been tendered to the take-over bid and not withdrawn;
- (d) shareholders who tender their shares to the take-over bid must be permitted to withdraw their shares prior to the shares being taken up and paid for; and
- (e) if more than 50% of the Shares held by Independent Shareholders are tendered to the take-over bid within the 60 day period, the bidder must make a public announcement of that fact and the take-over bid must remain open for deposits of Shares for an additional 10 business days from the date of such public announcement.

The Rights Plan allows for a competing Permitted Bid (a “Competing Bid”) to be made while a Permitted Bid is in existence. A Competing Bid must satisfy all the requirements of the Permitted Bid except that it may expire on the same date as the Permitted Bid, subject to the statutory requirement that it be outstanding for a minimum period of 35 days.

Waiver and Redemption

The board of directors may, prior to the Flip-in Event, waive the dilutive effects of the Rights Plan in respect of a particular Flip-in Event resulting from a take-over bid made by way of a take-over bid circular to all holders of Shares of the Company, in which event such waiver would be deemed also to be a waiver in respect of any other Flip-in Event occurring under a take-over bid made by way of a take-over bid circular to all holders of Shares. The board of directors may also waive the Rights Plan in respect of a particular Flip-in Event that has occurred through inadvertence, and may, in such circumstances require that the Acquiring Person that inadvertently triggered such Flip-in Event reduce its beneficial holdings to less than 20% of the outstanding Shares of the Company prior to such waiver being granted. With the majority consent of shareholders or Rights holders at any time prior to the occurrence of a Flip-in Event, the board of directors may at its option redeem all, but not less than all, of the outstanding Rights at a price of \$0.0001 each.

Exemption for Investment Advisors

Investment managers (for client accounts), trust companies (acting in their capacities as trustees and administrators), statutory bodies (managing investment funds for employee benefit plans, pension plans, insurance plans or various public bodies), administrators and trustees of pension funds, securities depositories and crown agents, any of whom acquire greater than 20% of the Shares of the Company, are exempted from triggering a Flip-in Event provided that they are not making, or are not part of a group making, a take-over bid.

Supplements and Amendments

The Company is authorized to make amendments to the Rights Plan to correct any clerical, typographical error or subject to subsequent ratification by shareholders or Rights holders, to maintain the validity of the Rights Plan as a result of changes in law, or at the request of the Exchange. The Company will issue a news release relating to any significant amendment made to the Rights Plan Agreement prior to the Meeting and will advise the shareholders of any such amendment at the Meeting. Other amendments or supplements to the Rights Plan may be made with the prior approval of shareholders or Rights holders and, if necessary, any stock exchange on which the Shares may be listed.

Grandfathered Persons

Holders of 20% or more of the Shares at the time when the Rights were distributed are recognized for the purposes of the Rights Plan as “grandfathered persons” and, as such, do not constitute Acquiring Persons under the Rights Plan by virtue of their shareholding exceeding the 20% Flip-in Event threshold.

Certain Canadian Federal Income Tax Considerations of the Rights Plan

The Company will not recognize any income for the purposes of the *Income Tax Act* (Canada) (the "ITA") as a result of the issuance of the Rights. The ITA provides that the value of a right to acquire additional shares of a corporation is not a taxable benefit which must be included in computing income, and is not subject to non-resident withholding tax if the right is conferred on all holders of shares of the corporation. Although the Rights are to be so conferred, the Rights could become void in the hands of certain holders of Shares upon certain triggering events occurring (i.e. a "Flip-in Event"), and, consequently, whether or not the issuance of the Rights is a taxable event is not entirely free from doubt. In any event, no amount must be included in computing income if the Rights do not have a monetary value at the date of issue. The Company considers that the Rights, when issued, will have negligible monetary value, there being only a remote possibility that the Rights will ever be exercised. A holder of Rights may have income or be subject to withholding tax under the ITA if the Rights become exercisable or are exercised. A holder of Rights may be subject to tax in respect of the proceeds of disposition of Rights or common shares issued upon the exercise of Rights.

This statement is of a general nature only and is not intended to constitute nor should it be construed to constitute legal or tax advice to any particular holder of Shares. Shareholders are advised to consult their own tax advisors regarding the consequences of acquiring, holding, exercising or otherwise disposing of their Rights, taking into account their own particular circumstances and any applicable foreign, provincial or territorial legislation.

Shareholder Approval

The Company is seeking shareholder approval at the Meeting by way of ordinary resolution to the Rights Plan. The Company has determined that there are no grandfathered persons and, therefore, all shareholders are entitled to vote on the resolution approving the Rights Plan.

Accordingly, the shareholders will be asked to consider and, if thought fit, pass the following resolution:

"RESOLVED THAT:

1. the shareholder rights plan made between Capstone Mining Corp. (the "Company") and Computershare Investor Services Inc. as rights agent dated September 16, 2010 (the "Rights Plan Agreement") and the adoption of the shareholders rights plan (the "Rights Plan") established pursuant to the Rights Plan Agreement, as more particularly described in the Information Circular of the Company dated February 9, 2011, be and the same are hereby authorized, ratified, confirmed and approved;
2. the actions of the directors and officers of the Company in adopting the Rights Plan and in executing and delivering the Rights Plan Agreement be and the same are hereby authorized, ratified, confirmed and approved; and
3. any one director or officer of the Company be and is hereby authorized and directed to execute all such documents and to do and perform all such other acts and things as he or she, in his or her sole and absolute discretion, deems necessary or desirable to carry out the intent of the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the preparation and execution of such document or the doing or performance of such other act of thing."

The Rights Plan will continue in effect only if the resolution approving it is passed by greater than 50% of the votes cast by shareholders present in person or by proxy at the Meeting. If the resolution approving the Rights Plan is not passed, the Rights Plan will automatically terminate and the Rights (as defined above) issued under it will become void.

Recommendation of the Board

The Board has determined that the adoption of the Rights Plan is in the best interests of the Company and the shareholders. The Board unanimously recommends that shareholders vote in favour of the resolution approving the Rights Plan.

The Company has been advised that the directors and senior officers of the Company intend to vote all shares held by them in favour of the resolution approving the Rights Plan.

Unless specified in a proxy form that the Company's common shares represented by the proxy shall be voted against the resolution in respect of the Rights Plan, it is the intention of the persons designated in the enclosed proxy form to vote in favour of the resolution approving the Rights Plan.

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.

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.

APPROVAL AND SIGNATURE

The contents of this Information Circular and the sending of it to each shareholder entitled to receive notice of the Annual General and Special 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 of Directors of the Company.

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 four standing committees of the Board: the Audit Committee, the Human Resources/Compensation Committee, the Corporate Governance and Nominating Committee and the Environment, Safety and Health 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 its 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 "Company")

AUDIT COMMITTEE CHARTER

1. Each member of the Audit Committee (the "Committee") shall be a member of the Board of Directors, in good standing, and all of the members of the Committee shall be independent in order to serve on the Committee.
2. All members of the Committee shall be financially literate.
3. Review the Committee's charter annually, reassess the adequacy of this charter, and recommend any proposed changes to the Board of Directors. Consider changes that are necessary as a result of new laws or regulations.
4. The Committee shall meet at least four times per year, and each time the Company proposes to issue a press release with its quarterly or annual earnings information. These meetings may be combined with regularly scheduled meetings, or more frequently as circumstances may require. The Committee may ask members of the Management or others to attend the meetings and provide pertinent information as necessary.
5. Conduct executive sessions with the external auditors, outside counsel, and anyone else as desired by the Committee.
6. The Committee shall be authorized to hire outside counsel or other consultants as necessary (this may take place any time during the year).
7. Approve all services provided by the external auditors, including tax and other non-audit services. Review and evaluate the performance of the external auditors and review with the full Board of Directors any proposed discharge of the external auditors.
8. Review with the Management the policies and procedures with respect to officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by the external auditors.
9. Receive a report annually from Management of all accounting firms employed, other than the principal external auditors, with such report to include the nature of the services performed and the fees charged.
10. Inquire of the Management and the external auditors about significant risks or exposures facing the Company; assess the steps the Management has taken or proposes to take to minimize such risks to the Company; and periodically review compliance with such steps.
11. Review with the external auditors, the audit scope and plan of the external auditors. Address the coordination of the audit efforts to assure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
12. Inquire regarding the "quality of earnings" of the Company from a subjective as well as an objective standpoint.

13. Review with the external auditors: (a) the adequacy of the Company's internal control over financial reporting including computerized information systems controls and security; and (b) any related significant findings and recommendations of the external auditors together with the Management's responses thereto.
14. Review with the Management and the external auditors the effect of any regulatory and accounting initiatives, as well as off-balance-sheet structures, if any.
15. Review with the Management, the external auditors, the interim and annual financial report before it is filed with the regulatory authorities.
16. Review with the external auditors that perform an audit: (a) all critical accounting policies and practices used by the Company; and (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Management of the Company, the ramifications of each alternative and the treatment preferred by the Company.
17. Review all material written communications between the external auditors and the Management.
18. Review with the Management and the external auditors: (a) the Company's annual financial statements and related footnotes; (b) the external auditors' audit of the financial statements and their report thereon; (c) the external auditors' judgments about the quality, not just the acceptability, of the Company's accounting principles as applied in its financial reporting; (d) any significant changes required in the external auditors' audit plan; and (e) any serious difficulties or disputes with the Management encountered during the audit.
19. Periodically review the Company's code of conduct to ensure that it is adequate and up-to-date.
20. Review the procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters that may be submitted by any party internal or external to the organization. Review any complaints that might have been received, current status, and resolution if one has been reached.
21. Review procedures for the confidential, anonymous submission by employees of the organization of concerns regarding questionable accounting or auditing matters. Review any submissions that have been received, the current status, and resolution if one has been reached.
22. Review and approve hiring policies for employees or former employees of the past and present external auditors.
23. Receive a report annually from the external auditors confirming their independence and actively engage in a dialogue with the external auditors as to any disclosed relationships or services that may impact their independence. Ensure the external auditors are not engaged to provide non-audit services for which the applicable securities legislation prohibits them from providing.
24. The Committee will perform such other functions as assigned by law, the Company's articles, or the Board of Directors.

Any questions and requests for assistance may be directed to the
Proxy Solicitation and Information Agent:



The Exchange Tower
130 King Street West, Suite 2950, P.O. Box 361
Toronto, Ontario
M5X 1E2

North American Toll Free Phone:

1-888-518-1552

Email: contactus@kingsdaleshareholder.com

Facsimile: 416-867-2271

Toll Free Facsimile: 1-866-545-5580

Outside North America, Banks and Brokers Call Collect: 416-867-2272