INFORMATION CIRCULAR

for the

ANNUAL AND SPECIAL MEETING

of

CAPSTONE MINING CORP.

to be held on

WEDNESDAY, APRIL 30, 2014

These materials are important and require your immediate attention. If you have questions or require assistance with voting your shares you may contact Capstone Mining's proxy solicitation agent:

Laurel Hill Advisory Group

North American Toll-Free Number: 1-877-452-7184

Banks, Brokers or Collect Calls Outside North America: 416-304-0211

Email: assistance@laurelhill.com

YOUR VOTE IS IMPORTANT. PLEASE VOTE TODAY

INFORMATION CIRCULAR

CAPSTONE MINING CORP.

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

(all information as at March 26, 2014 unless otherwise noted)

GENERAL PROXY INFORMATION

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" or "Capstone") for use at the Annual and Special Meeting of the Company's shareholders (the "Meeting") to be held on Wednesday, April 30, 2014 at the time and place and for the purposes set forth in the accompanying Notice of Meeting. The Company has retained the services of Laurel Hill Advisory Group ("Laurel Hill") to act as the Company's proxy solicitation agent. 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 and Laurel Hill. In connection with these services, Laurel Hill is expected to receive a fee of $30,000 plus reasonable out of pocket expenses. All costs of this solicitation will be borne by the Company.

Completion and Voting of Proxies

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

Appointment of Proxyholders

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

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

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

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

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

The completed Proxy, together with the power of attorney or other authority, if any, under which it was signed or a notarially certified copy thereof, must be deposited with the Company's transfer agent in accordance with the instructions and before the time set out in the Proxy. Non-Registered Holders (as defined below under "Non-registered

Shareholders") must deliver their completed Proxies in accordance with the instructions given by their financial institution or other intermediary that forwarded the Proxy to them.

In order to be effective, a proxy must be deposited at the office of Computershare Trust Company of Canada ("Computershare"), no later than 10:00am on April 28, 2014 or not less than 48 hours (excluding Saturdays Sundays and holidays) before any adjournment or postponement of the Meeting. The deadline for the deposit of proxies may be waived by the Chairman of the Meeting at his or her sole discretion without notice. Failure to properly complete or deposit a proxy may result in its invalidation.

Registered Shareholders

Only shareholders that are 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.

Registered Shareholders electing to submit a proxy may do so by choosing one of the following methods:

a) complete, date and sign the proxy and return it to Computershare, by fax within North America at 1-866-249-7775, outside North America at 1-416-263-9524, or by mail to Computershare Trust Company of Canada, Proxy Dept., 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1; or

b) use a touch-tone phone to transmit voting choices to the toll free number given in the proxy. Registered Shareholders who choose this option must follow the instructions of the voice response system and refer to the proxy for the toll free number and control number; or

c) log on to the internet at Computershare's website, www.investorvote.com. Registered Shareholders must follow the instructions given on the website and must refer to the proxy for the control number.

Non-registered Shareholders

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

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

In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of Reporting Issuers* ("NI 54-101"), we have distributed copies of the Notice of Meeting, this Information Circular, the Proxy and related documents (collectively, the "Meeting Materials") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders. Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless in the case of certain proxy-related materials the Non-Registered Holder has waived the right to receive them. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communications Corporation ("Broadridge"). Broadridge typically mails a scannable voting instruction form ("VIF") instead of the form of proxy. The Non-Registered Holder is asked to complete the VIF and return it to Broadridge by mail or facsimile. Alternatively, the Non-Registered Holder may call a toll-free number or go online to vote. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Capstone Shares to be represented at the applicable meeting.

Capstone may utilize the Broadridge QuickVote™ service to assist shareholders with voting their shares. NOBOs may be contacted by Laurel Hill to conveniently obtain a vote directly over the telephone.

The purpose of this procedure is to permit Non-Registered Holders to direct the voting of the shares which they beneficially own. A Non-Registered Holder receiving a voting instruction form cannot use that voting instruction form to vote Capstone Shares directly at the Meeting. Should a Non-Registered Holder wish to attend and vote at the Meeting in person, the Beneficial Holder must insert his or her name (or the name of such other person as the Non-Registered Holder wishes to attend and vote on his or her behalf) in the blank space provided for that purpose on the VIF and return the completed VIF in accordance with the instructions provided well in advance of the Meeting. **Only registered shareholders have the right to revoke a proxy. Non-Registered Holders of shares who wish to change their vote must in sufficient time in advance of the Meeting, arrange for their respective Intermediaries to change their vote and if necessary revoke their proxy in accordance with the revocation procedures set out below.**

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. You may also contact Laurel Hill toll free (North America) at 1-877-452-7184 or outside North America collect: 416-304-0211, or by e-mail: assistance@laurelhill.com.

Revocation of Proxies

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

Exercise of Discretion

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

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

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

Currency

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

Voting Securities and Principal Holders of Voting Securities

The Company's authorized capital consists of an unlimited number of common shares without par value. As at March 27, 2014, the Company has issued and outstanding 380,962,681 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 March 26, 2014 who either personally attends the Meeting or who has completed and delivered a Proxy in the manner specified, subject to the provisions described above, shall be entitled to vote or to have such shareholder's shares voted at the Meeting.

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

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

Shareholder Name	Number of Shares	Percentage of Issued Shares
Korea Resources Corporation	40,198,632	10.55%

PARTICULAR OF MATTERS TO BE ACTED UPON

Number of Directors

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

Election of Directors

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

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

Majority Voting for Directors

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

Nominees

The following charts provide information on the eight nominees proposed for election as directors, the jurisdiction in which each is ordinarily resident and the period or periods during which each has served as a director. Included in these charts is information relating to the nominees' membership on committees of the Board and Board and committee meeting attendance in the 12 months ended December 31, 2013. In that period, the Board held six regularly scheduled meetings and seven special meetings. Special meetings are sometimes called on shorter notice than regularly scheduled meetings, which are scheduled over the year in advance. In addition to the attendance listed below, directors from time to time attend other committee meetings by invitation.

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

Lawrence I. Bell Age: 76

Vernon, British Columbia — Independent director since November 24, 2008

Mr. Bell is a corporate director and has served as the non-executive Chairman of British Columbia Hydro and Power Authority until December 2007. He holds a Bachelor of Arts degree and an Honorary 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 director and Chair of the Corporate Governance Committee for Silver Wheaton Corp.

Board/Committee Membership	Attendance	
Board	13 of 13	100%
Human Resources and Compensation Committee	6 of 6	100%
Corporate Governance and Nominating Committee	2 of 2	100%
Environmental, Health, Safety and Sustainability Committee	4 of 4	100%

Options, Common Shares and DSUs (as at December 31, 2013)

Options	Common Shares	DSUs	Total of Common Shares and DSUs	Total Value of Common Shares and DSUs
333,618	30,000	61,832	91,832	C$275,496[(1)]

(1) Calculated using the market price of the Company's shares on the Toronto Stock Exchange ("TSX") on December 31, 2013 (C$3.00). Amount stated in Canadian dollars.

George L. Brack Age: 52

North Vancouver, British Columbia — Independent director since May 19, 2009

Mr. Brack is a corporate director and the Non-Executive Chairman of Capstone Mining Corp., Alexco Resource Corp., and Geologix Explorations Inc. and serves as a director of Newstrike Capital Inc. and Silver Wheaton Corp. His 29-year career in the mining industry has focused on the identification, evaluation and execution of strategic mergers and acquisitions and the provision of equity financing. Mr. Brack lead the mining industry group of Scotia Capital and spent seven years as President and CEO of Macquarie North America Ltd. where he lead it's mining industry mergers and acquisitions advisory business. Previously he was Vice President, Corporate Development at Placer Dome Inc., Vice President in CIBC Wood Gundy's investment banking mining group and worked in Rio Algom's corporate development department. He began his career as an exploration geologist with Sherritt-Gordon Mines Ltd. Mr Brack holds an MBA from York University, a BASc in Geological Engineering from the University of Toronto and the CFA designation.

Board/Committee Membership	Attendance	
Board	13 of 13	100%
Human Resources and Compensation Committee	6 of 6	100%
Corporate Governance and Nominating Committee	2 of 2	100%

Options, Common Shares and DSUs (as at December 31, 2013)

Options	Common Shares	DSUs	Total of Common Shares and DSUs	Total Value of Common Shares and DSUs
410,442	100,000	79,000	179,000	C$537,000[(1)]

(1) Calculated using the market price of the Company's shares on the TSX on December 31, 2013 (C$3.00). Amount stated in Canadian dollars.

Chantal Gosselin				Age: 44
Toronto, Ontario				Independent director since July 26, 2010

Ms. Gosselin is a corporate director and has served as Vice President and Portfolio Manager at Goodman Investment Counsel, and as senior mining analyst at Sun Valley Gold LLP, a precious metals focused investment fund. From May 2006 to March 2008, Ms. Gosselin was a senior mining analyst and partner of Genuity Capital Markets. Prior to joining Genuity, she held positions as a mining analyst with Haywood Securities Inc. and Dundee Securities Corporation. Between 1992 and 2000, she held various management positions in North, Central and South America for Blackhawk Mining Inc., Pan American Silver Corporation, Dynatec Mining Corporation and Aur Resources Inc. She holds a MBA in business administration from Concordia University, a Chartered Investment Manager accreditation and a BSc. in mining engineering from Laval University. Ms. Gosselin is a director of Silver Wheaton Corp. and a director and audit committee member of Avala Resources Ltd.

Board/Committee Membership	**Attendance**	
Board	13 of 13	100%
Audit Committee	6 of 6	100%
Corporate Governance and Nominating Committee	2 of 2	100%
Environmental, Health, Safety and Sustainability Committee	2 of 2	100%

Options, Common Shares and DSUs (as at December 31, 2013)

Options	**Common Shares**	**DSUs**	**Total of Common Shares and DSUs**	**Total Value of Common Shares and DSUs**
333,618	15,000	61,832	76,832	C$230,496[1]

[1] Calculated using the market price of the Company's shares on the TSX on December 31, 2013 (C$3.00). Amount stated in Canadian dollars.

GookHo Lee				Age: 65
Toronto, Ontario				Independent director since October 23, 2012

Mr. Lee is an Executive Advisor with Korea Resources Corporation ("Kores"), a position he has held since 2011. From 2004 to 2010 he was Senior Executive Vice President and Executive Vice President, Overseas Business Development Division, Raw Materials Procurement Division at LS-Nikko Copper Inc., and was Senior Vice President, Marketing Division, Raw Materials Procurement Division, Corporate Strategy Development Division at LG Metals from 1995 to 2003. Mr. Lee holds an MBA from Yonsei University in Korea and completed the Advanced Management Program from Wharton Business School.

Board/Committee Membership	**Attendance**	
Board	12 of 13	92%
Technical Committee	7 of 7	100%

Options, Common Shares and DSUs (as at December 31, 2013)

Options	**Common Shares**	**DSUs**	**Total of Common Shares and DSUs**	**Total Value of Common Shares and DSUs**
180,472	Nil[2]	32,188	32,188	C$96,564[1]

[1] Calculated using the market price of the Company's shares on the TSX on December 31, 2013 (C$3.00). Amount stated in Canadian dollars.
[2] Kores, with whom Mr. Lee is an Executive Advisor, owns 40,198,632 common shares of the Company.

Kalidas Madhavpeddi Phoenix, Arizona				Age: 59 Independent director since June 1, 2012
Mr. Madhavpeddi is President of Azteca Consulting LLC and Overseas CEO of China Molybdenum Co. Ltd. Previously, he served as Senior Vice President and member of Senior Management at Phelps Dodge Corporation, and President of Phelps Dodge Wire & Cable. Mr. Madhavpeddi began his career as an engineer, spending seven years in Morenci, Arizona, at Phelps Dodge's Western Operations, ultimately serving as Senior Vice President for its global M&A and worldwide exploration, and President of downstream copper and aluminum wire and cable operations. He is a member of SME (Society of Mining Engineers). He holds a B.S Engineering, M.S. Industrial Management. Mr. Mahavpeddi currently serves as a director of NovaCopper Inc., a director and Chair of the Compensation Committee of NovaGold Resources Inc. and a director and Chair of Namibia Rare Earths Inc.				
Board/Committee Membership			**Attendance**	
Board			12 of 13	92%
Audit Committee			6 of 6	100%
Technical Committee			7 of 7	100%
Environmental, Health, Safety and Sustainability Committee			2 of 2	100%
Options, Common Shares and DSUs (as at December 31, 2013)				
Options	**Common Shares**	**DSUs**	**Total of Common Shares and DSUs**	**Total Value of Common Shares and DSUs**
180,472	Nil	61,832	61,832	C$185,496[(1)]

(1) Calculated using the market price of the Company shares on the TSX on December 31, 2013 (C$3.00). Amount stated in Canadian dollars.

Dale C. Peniuk West Vancouver, British Columbia				Age: 54 Independent director since May 19, 2009
Mr. Peniuk is a chartered accountant and corporate director. In addition to his position on the Company's Board, Mr. Peniuk serves as a director and Audit Committee Chair of Lundin Mining Corporation and Argonaut Gold Inc., Mr. Peniuk has a B.Comm from the University of British Columbia and received his Chartered Accountant designation from the Institute of Chartered Accountants of British Columbia. He spent more than 20 years with KPMG LLP, Chartered Accountants and predecessor firms, the last 10 as an Assurance Partner.				
Board/Committee Membership			**Attendance**	
Board			10 of 10[(2)]	100%
Audit Committee			6 of 6	100%
Human Resources and Compensation Committee			6 of 6	100%
Options, Common Shares and DSUs (as at December 31, 2013)				
Options	**Common Shares**	**DSUs**	**Total of Common Shares and DSUs**	**Total Value of Common Shares and DSUs**
433,618	10,000	61,832	71,832	C$215,496[(1)]

(1) Calculated using the market price of the Company's shares on the TSX on December 31, 2013 (C$3.00). Amount stated in Canadian dollars.
(2) Mr. Peniuk declared his interest and recused himself from certain meetings as a result of a potential conflict of interest.

Darren M. Pylot Vancouver, British Columbia					Age: 46 Non-Independent director since October 23, 2003
Mr. Pylot is the founder of Capstone Mining Corp., the Company's President and Chief Executive Officer and former Vice Chairman. In 2006 he created Silverstone Resources Corp., a spin out from Capstone and served as its President and Chief Executive Officer until its sale to Silver Wheaton in May 2009. Mr. Pylot also serves as Chairman of the board of Zena Mining Corp.					
Board/Committee Membership				**Attendance**	
Board				13 of 13	100%
Options, Common Shares and DSUs (as at December 31, 2013)					
Options	**Common Shares**	**PSUs**	**RSUs**	**Total of Common Shares, PSUs and RSUs**	**Total Value of Common Shares, PSUs and RSUs**
1,853,190	742,297	249,567	249,568	1,241,432	3,724,296

(1) Calculated using the market price of the Company's shares on the TSX on December 31, 2013 (C$3.00). Amount stated in Canadian dollars.

Richard N. Zimmer North Vancouver, British Columbia				Age: 65 Independent director since June 20, 2011
Mr. Zimmer is a corporate director and is the former President and Chief Executive Officer of Far West Mining Ltd., which was acquired by Capstone in 2011. Prior to Far West, Mr. Zimmer worked for Teck Corporation, Teck-Cominco and Teck-Pogo Inc. From 1992 to 2007 he served in various engineering and operating roles and from 1998 to 2007, as Vice President and Project Manager for Teck-Pogo. on the design and construction of the Pogo Mine near Fairbanks, Alaska. Before joining Teck, Mr. Zimmer was employed with Bow Valley Industries as Senior Staff Engineer responsible for evaluation of new mining ventures. Mr. Zimmer has over 35 years of experience in the mining industry and has a B.Sc. degree, B. Eng., MBA and is a P.Eng in the Province of British Columbia.				
Board/Committee Membership			**Attendance**	
Board Technical Committee Environmental, Health, Safety and Sustainability Committee			13 of 13 7 of 7 4 of 4	100% 100% 100%
Options, Common Shares and DSUs (as at December 31, 2013)				
Options	**Common Shares**	**DSUs**	**Total of Common Shares and DSUs**	**Total Value of Common Shares and DSUs**
2,362,498	27,069	61,832	88,901	C$266,703[(1)]

(1) Calculated using the market price of the Company's shares on the TSX on December 31, 2013 (C$3.00). Amount stated in Canadian dollars.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

d) was subject to an order that was issued while the proposed director was acting in the capacity as a director, chief executive officer of chief financial officer;
e) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;
f) while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that company; or
g) has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

To the best of management's knowledge, no proposed director of the Company has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court, or regulatory body that would likely be considered important to a reasonable security holder in deciding to vote for a proposed director.

Amendment to Articles

Notice and Access

In late 2012, the Canadian Securities Administrators adopted amendments to NI 54-101 and National Instrument 51-102 *Continuous Disclosure Obligations* ("NI 51-102") that provide eligible reporting issuers with a voluntary notice-and-access mechanism to send proxy-related materials to registered and beneficial owners of securities ("Notice-and-Access"). Under Notice-and-Access, provided that shareholders are appropriately notified, proxy-related materials may be posted on a website, other than SEDAR, instead of being sent to shareholders by mail.

Presently, the Company's Articles of Incorporation (the "Articles") do not allow for delivery of information to registered shareholders by the means contemplated by Notice-and-Access. Therefore, the Company proposes to modify the Articles to allow delivery for all shareholders of information by electronic means and other means permitted by applicable securities laws (for example, via Notice-and-Access). Management believes that updating the Articles to permit electronic delivery and delivery via Notice-and-Access will result in cost-savings for the Company.

Quorum

The Company also proposes to revise the quorum requirements under the Articles in order to align the Company's Articles with current corporate governance best practices and the requirements of certain institutional shareholders. Currently, quorum for a meeting of shareholders is set at two persons holding at least 5% of the eligible vote. The proposed amendment to Article 11.3 would increase the quorum requirement to two persons holding at least 25% of the eligible vote at the meeting.

Shareholder Approval

Under the Articles and the BCBCA, the Company's governing statute, the alteration of the Company's Articles requires the approval by at least two-thirds of the votes cast in person or represented by proxy at the Meeting by the shareholders of the Company by a special resolution. Accordingly, shareholders will be asked at the Meeting to vote on the following special resolution (the "Special Resolution"):

"**BE IT RESOLVED AS A SPECIAL RESOLUTION THAT**:

1. the Articles of the Company be amended, substantially in the form attached as Schedule B, to modify the means by which notice of meetings of shareholders and other shareholder information may be delivered to shareholders and to revise the quorum requirements for meetings of shareholders;

2. any officer or director of the Company is hereby authorized and directed for and on behalf of the Company to execute or cause to be executed, under the seal of the Company or otherwise, and to deliver or cause to be delivered, all such documents, agreements and instruments and to perform all acts or things necessary or desirable to give full effect to the foregoing resolutions and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents, agreements or instruments and the taking of any such actions; and

3. the Board is hereby authorized, at any time in its absolute discretion, to determine whether or not to proceed with the foregoing resolution without further approval, ratification or confirmation by the shareholders of the Company."

Recommendation of the Board

The Board has concluded that the amendments pertaining to Notice-and-Access and quorum requirements for meetings of shareholders are in the best interests of the Company and its shareholders. Accordingly, the Board unanimously recommends that the shareholders ratify, confirm and approve an alteration of the Company's Articles by voting FOR the Special Resolution at the Meeting.

Incentive Stock Option and Bonus Share Plan

Material Changes to the Existing Incentive Stock 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"):

- updating the definitions section of the Plan;
- amending the Plan to clarify that Bonus Shares will be counted in the determination of the number of options that can be granted under the Plan;
- clarifying that upon the issuance of common shares from treasury or upon the expiration, cancellation or termination of any options under the Plan, the number of common shares issuable under the Plan shall automatically be replenished;
- updating the Plan with respect to United States tax matters;
- clarifying that upon a stock dividend, recapitalization, stock split, reverse stock split, subdivision, consolidation, combination, reclassification or similar change in the capital structure of the Company, the number of common shares reserved for issuance under the Plan, the number of common shares subject to outstanding options and the Exercise Price (as defined in the Plan) will be proportionally adjusted by the Board;
- providing that if the Board decides to grant an option during a Blackout Period (as defined in the Plan), the Award Date (as defined in the Plan) of such option shall be deemed to be the date five trading days following the end of such Blackout Period;
- clarifying the amendments to the Plan that the Board may implement without shareholder approval including adding or changing provisions relating to any form of financial assistance provided by the Company to Eligible Persons (as defined in the Plan) that would facilitate the purchase of securities under the Plan and adding a cashless exercise feature to any Option or to the Plan, including providing for the payment in cash or securities upon the exercise of Options; and
- updating the withholding tax provision.

Particulars of the Plan

The following is a summary of the principal terms of the amended and restated Plan.

Eligible Participants

The Plan provides that 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 Share Option and Bonus Share Plan (the "**Prior Plan**") adopted by our Board and approved by our shareholders on March 16, 2011. The Plan provides for the issuance of 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. All outstanding options granted under the Prior Plan, a total of 22,484,132 options as of March 27, 2014, are included in determining the maximum number of shares reserved for issuance under the Plan.

The Plan is considered a "rolling" 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" plan which means that when an option is exercised, additional shares become available for subsequent grants under the Plan because each exercise reduces the number of shares that are currently covered by options and increases the outstanding share capital of the

Company and also means that when an 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 option again become available for the purposes of the Plan. Any option outstanding when the Plan is terminated will remain in effect until it is exercised or it expires.

As of March 27, 2014, we had 380,962,681 of our common shares issued and outstanding and options to acquire 22,484,132 of our common shares outstanding (representing 5.9% of our issued and outstanding common shares).

As the Plan provides for the issuance of options to acquire at any time up to a maximum of 10% of our issued and outstanding common shares, as of March 27, 2014, options to acquire an additional 15,612,136 of our common shares were available for grant (representing 4.1% of our issued and outstanding common shares).

Plan Administration

Under the Plan, our 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 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 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 an 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 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 an option be exercisable at a price less than the minimum prescribed by the TSX or any other securities exchange upon which the Company has listed or posted its securities for trading as of the relevant Award Date.

Expiration or Termination

Under the Plan, an 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, an 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, an option will expire, unless otherwise determined by the Board, 30 days after a director ceases to be 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 regardless of the expiry date on the certificate evidencing such options.

If an option expires during a trading blackout or within ten business days after the date on which the blackout ends, then the expiry date of the option will be extended for a period of ten 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 ten years from the date of grant, however, options may be granted with an earlier expiry date.

Vesting

Options granted to directors and employees will vest as and when determined by the Board. 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 (other than for normal estate settlement purposes);

(d) any amendment extending the term of an option beyond its original expiry date (other than an extension as a result of a Blackout Period);

(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 certain 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;

(h) amendments necessary to suspend or terminate the Plan;

(i) any addition or change provisions relating to any form of financial assistance provided by the Company to Eligible Persons that would facilitate the purchase of securities under the Plan; and

(j) any addition of a cashless exercise feature to any option or to the Plan, including providing for the payment in cash or securities upon the exercise of options.

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 regardless of the expiry date on the certificate evidencing such options.

Financial Assistance

Common shares will not be issued pursuant to options granted under the Plan until the Company has received the Exercise Price plus any required payment for withholding taxes. Currently, we will not provide financial assistance to option holders to assist them in exercising their options, however, upon approval of the Plan by the shareholders, the Board will have the ability to amend the Plan without shareholder approval to allow for the provision of financial assistance.

Copy of the Plan

A copy of the Plan will be available for viewing up to April 30, 2014, the date of the Annual General and Special Meeting, at our offices at 9th Floor - 999 West Hastings Street, Vancouver, BC, and on April 30, 2014, at the Annual General and Special Meeting.

Approval of the Plan

According to the policies of the TSX, all evergreen 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

The TSX requires approval of the unallocated awards/entitlements under a plan every three years where the plan does not state a fixed maximum number of shares issuable. As the TSX requires shareholder approval of security 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.

"**BE IT RESOLVED THAT**:

1. the amended and restated Incentive Stock Option and Bonus Share Plan (the "Plan") adopted by the Board of Directors of the Company on March 12, 2014 and as described in the Management Information Circular dated March 27, 2014, 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 options and bonus shares, under the Plan in accordance with its terms until April 30, 2017; 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.

Appointment and Remuneration of Auditors

At the request of the Board, the Audit Committee conducted a review of the Company’s audit requirements and the offers of services received for the 2014 financial year and the fees associated with such services. As a result of such review, the Audit Committee has recommended the re-appointment of Deloitte LLP, Chartered Accountants, 1055 Dunsmuir Street, Vancouver, BC V7X 1P4, as the Company’s auditor for the financial year ending December 31st, 2014. Deloitte LLP has served as the auditor of the Company since 2008.

The Board approved the unanimous recommendation of the Audit Committee to re-appoint Deloitte LLP because of their competitive rates and their knowledge of the industry and market in which the Company operates. At the Meeting, or any adjournment thereof, Deloitte LLP will be proposed for re-appointment as auditor of the Company to hold office until the next annual general meeting of the shareholders.

At the Meeting, the shareholders will be asked to re-appoint Deloitte LLP as auditor of the Company for the following year and to authorize the Board to fix their remuneration. The majority of votes cast must be in favour of this resolution for it to be approved. The term of the auditor shall end at the close of the next annual meeting of shareholders of the Company.

The persons named in the enclosed Proxy will vote for the re-appointment of Deloitte LLP 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.

Compensation Discussion and Analysis

An introduction by Lawrence I. Bell

Chair, Human Resources & Compensation Committee, Capstone Mining Corp.

Dear Capstone Mining Corp. Shareholders,

On behalf of the Human Resources & Compensation Committee ("HR&CC") , we present the Compensation Discussion and Analysis (CD&A), which outlines our executive compensation program at Capstone Mining Corp. (**the "Company" or "Capstone"**), and shows how the Board reaches its decisions about executive pay plans and awards. Through the CD&A, we aim to provide enhanced understanding to our shareholders, advisory groups and industry analysts, by disclosing how our executive compensation aligns with Capstone's strategic business plan, corporate and individual performance, and shareholder interests.

Although we operate in a dynamic business climate, we remain focused on our strategic objectives and building shareholder value. We are committed to the highest standards of corporate governance and accountability and aim to provide clarity and transparency in all our activities, including our executive compensation program, in line with the current market environment and industry best practices.

Capstone had a pivotal year in 2013. We improved safety performance at all sites, outperformed our relevant peer group in share price and significantly enhanced our asset portfolio with the acquisition of the Pinto Valley Copper Mine ("Pinto Valley"), all while embedding our core values across the organization. In a difficult year for the resource sector as a whole, we not only outperformed the S&P/TSX Composite Index by over 50%, but we were also the top performer in the S&P/TSX Capped Diversified Metals & Mining Index.

We met our corporate performance goals for 2013 and this performance is reflected in the executive compensation set out in the CD&A.

The key executive compensation principles that we apply at Capstone are as follows:

We align our executive pay program with shareholders' interests: We directly align our executive compensation program with shareholder interests and the short and long-term objectives of the Company, through a mix of stock options, restricted share units and performance share units.

A significant proportion of executive pay is at risk: Over 75% of the total compensation for the President & Chief Executive Officer ("CEO"), and on average, almost 60% of the total compensation for remaining Named Executive Officers ("NEOs") is at risk.

We assess and manage compensation risk: We ensure our compensation programs are appropriately aligned to reflect Capstone's position within our peer group and to best position it in the labour market for experienced mining executives. Our programs are reviewed regularly to benchmark best practices, ensuring they are encouraging the appropriate behaviour for performance and aligning with Capstone's values. We engage a third party consultant, Mercer Canada Limited ("Mercer") to assist with our review to ensure a balanced approach and to mitigate excessive risk.

We follow leading compensation practices: We operate in a highly competitive industry and our programs are designed to facilitate the attraction and retention of talented and experienced mining executives. Through the annual engagement of Mercer and the combination of a balanced pay mix of salary and equity, meaningful links to performance measures, share ownership requirements and anti-hedging guidelines, Capstone has developed a flexible, industry-leading executive compensation program.

We refine our executive compensation in line with business strategy: As a result of the recent Pinto Valley acquisition, in 2013 we updated the composition of the peer group we used to benchmark our executive compensation. As a best practice, we regularly review our compensation peer group.

As Capstone emerges from a transformational year in 2013, we are committed to maximizing the value of our current assets through operational performance, and striving to achieve our strategic goals.

Yours sincerely,

"Lawrence I. Bell"

Lawrence I. Bell
Chair, Human Resources & Compensation Committee, Capstone Mining Corp.

Our Executive Compensation Program

Executive Compensation Philosophy

The philosophy underlying our executive compensation program is to provide an attractive and market-based total rewards program tied to performance and aligned with the interests of our shareholders. Our objective is to attract and retain the calibre of executive officers and other key employees necessary to deliver sustained high performance to our shareholders and communities where we have a strong presence. Equally important, we view compensation practices as a means for communicating our goals and standards of conduct and performance and for motivating and rewarding employees in relation to their achievements. The goals of our program are:

- **Attract and retain top-calibre executives:** Executive officers should have base salaries and employee benefits that are market competitive and that allow us flexibility to hire and retain high-calibre individuals at all levels;

- **Pay for performance:** A significant portion of the annual short-term incentive compensation of our executive officers should be tied to corporate, team and individual performance measures;

- **Reward long-term growth and profitability:** Executive officers should be rewarded for achieving long-term results, and those rewards should be aligned with the interests of our shareholders;

- **Align compensation with shareholder interests:** The interests of our executive officers should be linked with those of our shareholders through the risks and rewards of the ownership of our securities; and

- **Reinforce succession planning:** The overall compensation program for our executive officers should reinforce our robust succession planning process.

Our Named Executive Officers

The Compensation Discussion and Analysis section explains the pay program for the financial year ended December 31, 2013 for our NEOs, which include our CEO, our Chief Financial Officer ("CFO") and three other most highly compensated executive officers, as follows:

Darren M. Pylot President & CEO and Director
D. James Slattery[(1)] Senior Vice President & Chief Financial Officer
Peter T. Hemstead[(2)] Vice President, Marketing & Treasurer
Gregg B. Bush Senior Vice President & Chief Operating Officer
Juan Carlos Alfaro Gonzalez President & General Manager, Minera Santo Domingo
Brad J. Mercer[(3)] Senior Vice President, Exploration
Jagdish K. Grewal[(4)] Senior Vice President, Strategy & Stakeholder Affairs

(1) Mr. D. James Slattery was appointed Senior Vice President & Chief Financial Officer of the Company on July 15, 2013
(2) Mr. Peter T. Hemstead acted in a similar capacity to a CFO from November 30, 2012 until July 2013
(3) Mr. Brad J. Mercer was appointed Senior Vice President, Exploration on March 12, 2013.
(4) Ms. Jagdish K. Grewal left the Company on November 30, 2013

Darren M. Pylot
President & CEO and Director

D. James Slattery
Senior Vice President & CFO

Peter T. Hemstead
Vice President, Marketing & Treasurer

Gregg B. Bush
Senior Vice President & COO

Juan Carlos Alfaro Gonzalez
President & General Manager
Minera Santo Domingo

Brad J. Mercer
Senior Vice President, Exploration

Our Executive Compensation Practices

Role of Human Resources & Compensation Committee ("HR&CC")

The HR&CC is responsible for implementing and assisting the Board in fulfilling its oversight responsibilities in relation to human resources activities pertaining to succession planning, executive compensation and general compensation and human resources policies and guidelines.

In fulfilling its responsibilities, the HR&CC is responsible for the following:

- Considering matters of compensation with respect to the CEO and making recommendations to the Board;
- Reviewing the Corporate Scorecard objectives, which are ultimately approved by the Board and approving the Corporate Scorecard rating;
- Approving compensation of the NEOs and reviewing compensation for all other senior executives, all within the human resources and compensation policies and guidelines;
- Annually reviewing and assessing the risk, competitiveness and appropriateness of Capstone's executive compensation plans and policies;
- Ensuring the development of the CEO succession plan and a succession plan for the other key executive officers;
- Reporting regularly to the Board on all of the HR&CC activities and findings during the year.

Role of Management

Management plays an important role in executive compensation and human resources policy decisions by making recommendations to the HR&CC regarding the following:

- The Company's annual Corporate Scorecard, which is proposed by management, reviewed by the HR&CC, and ultimately approved by the Board;
- The annual team and individual goals and objectives of the other executive officers and Company employees to ensure they are aligned to the Corporate Scorecard;
- NEOs and senior executive officer compensation adjustments; and
- Participation in the Company's equity-based compensation plans and amendments to such plans, as necessary.

With respect to executive pay decisions, management acts in an advisory and informational capacity only. The HR&CC reviews the basis for the recommendations made by the CEO to the HR&CC and exercises its discretion in making any modifications prior to making its recommendations to the Board.

Succession Planning

The Board is responsible for succession planning with respect to the position of the CEO and monitoring and advising on management's succession planning for other executive officers. The Board's goal is to be in a position to appoint a replacement CEO in the event of a planned or unplanned departure of the current CEO.

The Board:

- Approves the CEO succession plan;
- Receives appropriate briefings and acquires sufficient knowledge of potential CEO successor candidates to make an informed decision on future appointments;
- Ensures the Company has appropriate plans in place to:
    - regularly review the future CEO attributes and other executive officers relevant to the Company's strategy; and
    - identify and develop potential CEO successor candidates.

The HR&CC supports the Board with respect to CEO and other executive officers' succession planning.

Specific to their role, the HR&CC:

- Reviews and updates the CEO Succession Policy for recommendation to the Board, including an annual review of the CEO attributes and other executive officers relevant to the Company's strategy;
- Reviews the plans for developing potential CEO successor candidates and other executive officer candidates, to ensure appropriate planning is in place; and
- Leads an annual discussion with the Board on CEO attributes, potential CEO successor candidates and developmental plans for those key candidates.

Management

The CEO is responsible for identifying and developing potential internal CEO successor candidates and other executive officer candidates, and supporting the Board with the succession planning process. The CEO ensures the Company has a long-term and continuing program for effective senior leadership development and succession.

The CEO:

- Identifies the experience and attributes required for future CEO and other executive officer roles;
- Reviews the readiness of potential internal CEO candidates and other executive officer candidates;
- Identifies emergency CEO and other executive officer candidates; and
- Reviews and supports the nature and scope of the development plans for the succession candidates.

Compensation Positioning

The Company's compensation position is to target the 50th percentile of the Company's peer group for base salary, and to target the 75th percentile for Total Direct Compensation.

- Base salaries are generally targeted at the 50th percentile of the Company's peer group, but may be above or below to reflect specific circumstances for each incumbent such as experience, individual performance, the Capstone job and the available benchmark jobs in the peer group;
- Short-Term Incentive ("STI") target awards are aligned with the 50th percentile of the Company's peer group; actual payouts may exceed the target when results exceed objectives and may be below the target when results are below target;
- Long-Term Incentive ("LTI") grants of share units and stock options target the 75th percentile of the Company's peer group, and are linked to performance measures and vesting schedules; and
- Benefits are set at market competitive levels, typically targeting the 50th percentile of the Company's peer group.

Competitor Benchmarking

The Company engaged Mercer to assist with a review of peer companies' executive and independent director pay levels and practices.

With the recent acquisition of Pinto Valley and the associated increase in size and scope of the Company, many of the peer companies used in 2012 fell outside of the size range typically used by Mercer to screen potential peers. To identify appropriate peer companies, Mercer used the following criteria:

- Canadian-listed companies in the mining sector;
- International operations with an emphasis on base metals and development activity in Mexico/South America; and
- Revenues/Market capitalization in the range of approximately 0.5 to 2.0 times that of the Company (after annualizing the expected revenues for Pinto Valley)

These criteria were validated by Capstone's HR&CC and management.

Thus, in 2013, the peer group was amended as follows:

- Of the 2012 peer group, five companies (HudBay Minerals Inc., Thompson Creek Metals Company Inc., Dundee Precious Metals Inc., Alamos Gold Inc. and Hecla Mining Company) continued to be appropriate and were retained in the 2013 peer group;
- As PanAust Limited is not listed in Canada and as such its disclosure does not provide the detail required to adequately assess and compare compensation levels, it was removed from the 2013 peer group;
- Two companies in the 2012 peer group that fell outside the size range in 2013 (Imperial Metals Corporation and Taseko Mines Limited) were included in the 2013 peer group due to their anticipated growth and their Vancouver head office; and
- Nine additional peers were validated by Capstone's HR&CC and management and added to the peer group.

Compensation Peer Group

Alamos Gold Inc.	Hecla Mining Company	Lundin Mining Corporation	Rio Alto Mining Limited
Centerra Gold Inc.	HudBay Minerals Inc.	Nevsun Resources Ltd.	Stillwater Mining Company
Coeur Mining Inc.	Imperial Metals Corporation	New Gold Inc.	Taseko Mines Limited
Dundee Precious Metals Inc.	Katanga Mining Limited	Pan American Silver Corp.	Thompson Creek Metals Company Inc.

Compensation Consultant

As outlined above, the HR&CC of the Board retained Mercer to provide market information on executive and independent director compensation pay levels and practices. Specifically, Mercer assisted the Company with the following activities:

- Peer group review;
- Executive compensation review;
- Long-term incentive plan review for senior executives and independent directors; and
- Independent directors' compensation review.

Executive Compensation-Related Fees

In connection with the deliberations of the HR&CC, the following consulting fees were incurred.

Year	Fees (C$)	Consultant
2013	$66,570	Mercer
2012	$80,467	Towers Watson; Mercer

Evolution of Capstone's Executive Compensation Program

Over the last three years, Capstone has developed its compensation program to match its rapid business growth. As it has evolved, it has adopted leading practices that drive performance, build culture and teamwork, and instil our Company values. We have integrated the following leading practices:

- Majority of NEOs total compensation is performance-based and 'at risk'.
- Cash or equity incentive awards are earned, not guaranteed.
- The Board of Directors may exercise discretion when considering compensation decisions to reduce or increase the size of any award or payout to reflect extraordinary events and prevailing circumstances and market conditions.
- Compensation-related risks are regularly reviewed and monitored.

- In 2012, we changed our long-term equity incentives to grant a balanced mix of PSUs and RSUs in addition to stock options. The PSUs have vesting criteria which are tied to relative Total Shareholder Return ("TSR").

In 2013, we implemented two new shareholder-friendly policies:

- Share ownership guidelines that require a minimum level of stock ownership to align executives' and directors' interests with those of shareholders.
- A policy that prohibits executives and independent directors from engaging in hedging against a decrease in the market value of Company shares.

Share Ownership Guidelines

The Board of Directors adopted Executive & Director Stock Ownership Guidelines that apply to the independent directors and officers of Capstone Mining Corp. and its subsidiaries (Independent Directors; CEO; CFO; COO; SVP, Exploration; President & General Manager, Santo Domingo and Vice Presidents).

The following shares qualify under the guidelines:

- Shares owned outright;
- Shares vested through the Company Share Unit Plans (RSUs, PSUs and DSUs);
- Stock/Shares obtained through the Incentive Stock Option & Bonus Share Plan;
- Shares obtained through the Employee Share Purchase Plan; and
- Shares owned by immediate family members or held in trust or by family holding companies.

Independent directors are required to own shares equal to 3 times their annual retainer; the CEO is required to own shares equal to 3 times his annual base salary; and all other executives are required to own shares equal to 1 times their annual base salary.

Participants are required to achieve ownership of a number of Qualifying Shares meeting the Required Market Value within the later of five years after adoption of the Share Ownership Guidelines (July 2013), or five years after first being designated as a Participant.

The following table provides information about the stock-based holdings of Capstone's NEOs, as at December 31, 2013.

Executive Position*	Share Ownership Guidelines: Multiple of Salary (C$)	Status as at December 31, 2013 (C$)
Darren M. Pylot President & CEO and Director	3X ($1,875,000)	$3,724,296 (2X)
D. James Slattery Senior Vice President and CFO	1X ($400,000)	$681,972 (2X)
Peter T. Hemstead Vice President, Marketing & Treasurer	1X ($250,000)	$267,501 (1X)
Gregg B. Bush Senior Vice President & COO	1X ($402,150)	$810,354 (2X)
Juan Carlos Alfaro Gonzalez President & General Manager, Minera Santo Domingo	1X ($352,176)	$424,080 (1X)
Brad J. Mercer Senior Vice President, Exploration	1X ($290,000)	$552,972 (2X)

* Ms. Jagdish K. Grewal left the Company on November 30, 2013 and therefore her share ownership has not been included as at December 31, 2013.

Anti-Hedging Guidelines

In 2013, the Company adopted a policy to prohibit independent directors and management from directly or indirectly engaging in hedging against future declines in the market value of any securities of the Company through the purchase of financial instruments designed to offset such risk. Prohibited transactions include the purchase by an independent director or management of financial instruments, including, without limitation, prepaid variable forward contracts, equity swaps, collars, puts, calls or other derivative securities that are designed to hedge or offset a decrease in market value of equity securities of the Company.

Hedging or monetizing transactions to fix the value of equity holdings in the Company could potentially terminate the alignment between the holder's interests and those of other Company shareholders, thus defeating the purpose of long-term incentive compensation.

Risk Assessment of Compensation Program

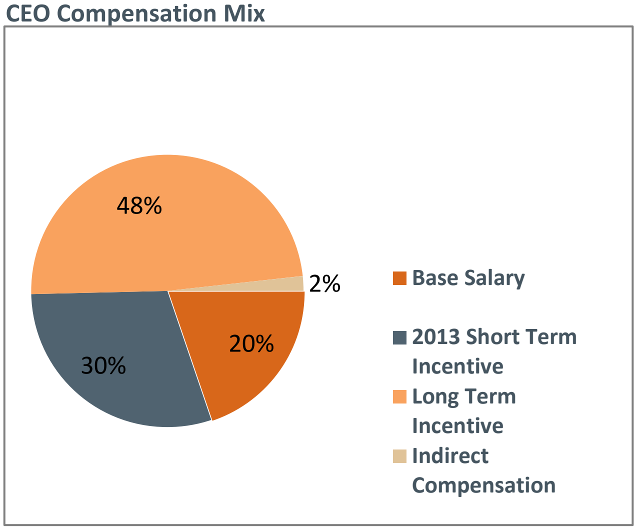
The Board has overall responsibility for the oversight of our risk management plans, policies and practices. The HR&CC is responsible for overseeing our compensation policies and practices to ensure they do not encourage executives to take risks that would be reasonably likely to have a material adverse effect on Capstone. Management will report annually to the HR&CC on the steps taken to indemnify, monitor and control compensation risk exposures. Annually, a third party consultant reviews the following:

- The appropriateness of the peer group to ensure that it meets the needs of Capstone's business strategy and is generally consistent with external practices;
- Compensation levels by role to ensure that levels are consistent with compensation philosophy and peer group practices;
- Pay mix to ensure that there is an appropriate mix of fixed and variable compensation; and
- Pay-for-performance programs to ensure that there is appropriate alignment between executive pay and shareholder returns.

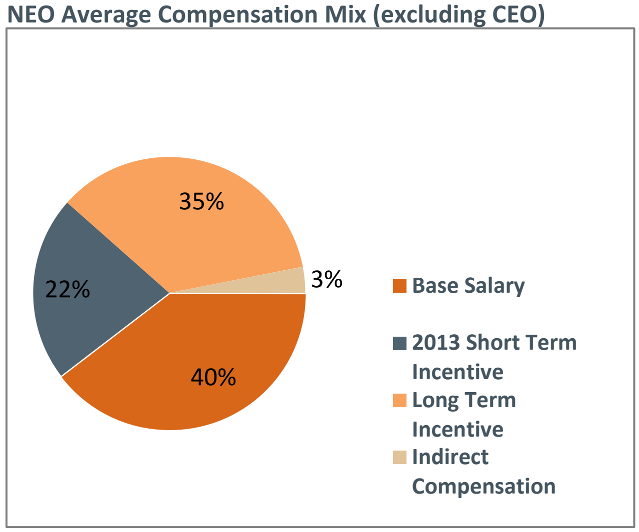
Compensation Mix

The charts below demonstrate the pay mix for Capstone's NEOs. A large portion of NEO pay is performance-based in the form of short-term annual incentive bonuses and long-term incentives. In the case of the CEO, 100% of his short-term incentive component is weighted against the Company's Corporate Objectives. The LTI component is based on a dollar value that aligns the CEO to the 75th percentile of the market against other CEOs as defined by our peer group.

CEO Compensation Mix



NEO Average Compensation Mix (excluding CEO)



CEO Realizable Pay

The following tables summarizes Capstone's target versus realizable compensation, as of December 31, 2013, for the CEO for 2011 – 2013 compensation levels.

Realizable pay adjusts compensation to reflect the impact of company performance (stock price and other performance metrics) on potential pay values. It is typically the actual or potential value of compensation *granted* during the stated period, regardless of when received.

The methodology used to calculate target and realizable compensation levels may vary among proxy advisors as there is currently no standard definition of realizable pay; however, we believe that the calculations shown below provide a reasonable directional approximation of Capstone's historical pay for performance program.

CEO Target Pay (C$)						
Year	**Salary**	**Bonus**	**Options**	**Stock** (1)	**Other**	**Total Pay**
2013	$625,000	$625,000	$718,750	$718,750	$55,123	$2,742,622
2012	$575,000	$460,000	$393,984	$482,370	$31,059	$1,942,413
2011	$525,000	$341,250	$556,416	-	$15,871	$1,438,537
Average 3-year Target Pay:				$2,041,191		

CEO Realizable Pay (C$)						
Year	**Salary**	**Bonus**	**Options** (2)	**Stock**	**Other**	**Total Pay**
2013	$625,000	$943,750	$516,697	$1,002,547	$55,123	$3,143,117
2012	$575,000	$564,000	$41,040	$598,482	$31,059	$1,809,581
2011	$525,000	$451,672	$0	-	$15,871	$992,543
Average 3-year Realizable Pay:				$1,981,747		

(1) Stock consists of RSU and PSU grants

(2) Intrinsic value of all equity-based compensation based on closing price at December 31, 2013 of Capstone Mining common shares of $3.00, PSU multiplier for 2012 equals 0.778x target for 2012; 1.5x target for 2013 and 1.0x assumed for 2014.

Based on the above, the CEO's 3-year average *realizable pay is 3% lower than target pay*.

In addition, the NEO's 3- year average *realizable pay is 8% lower than target pay on average*.

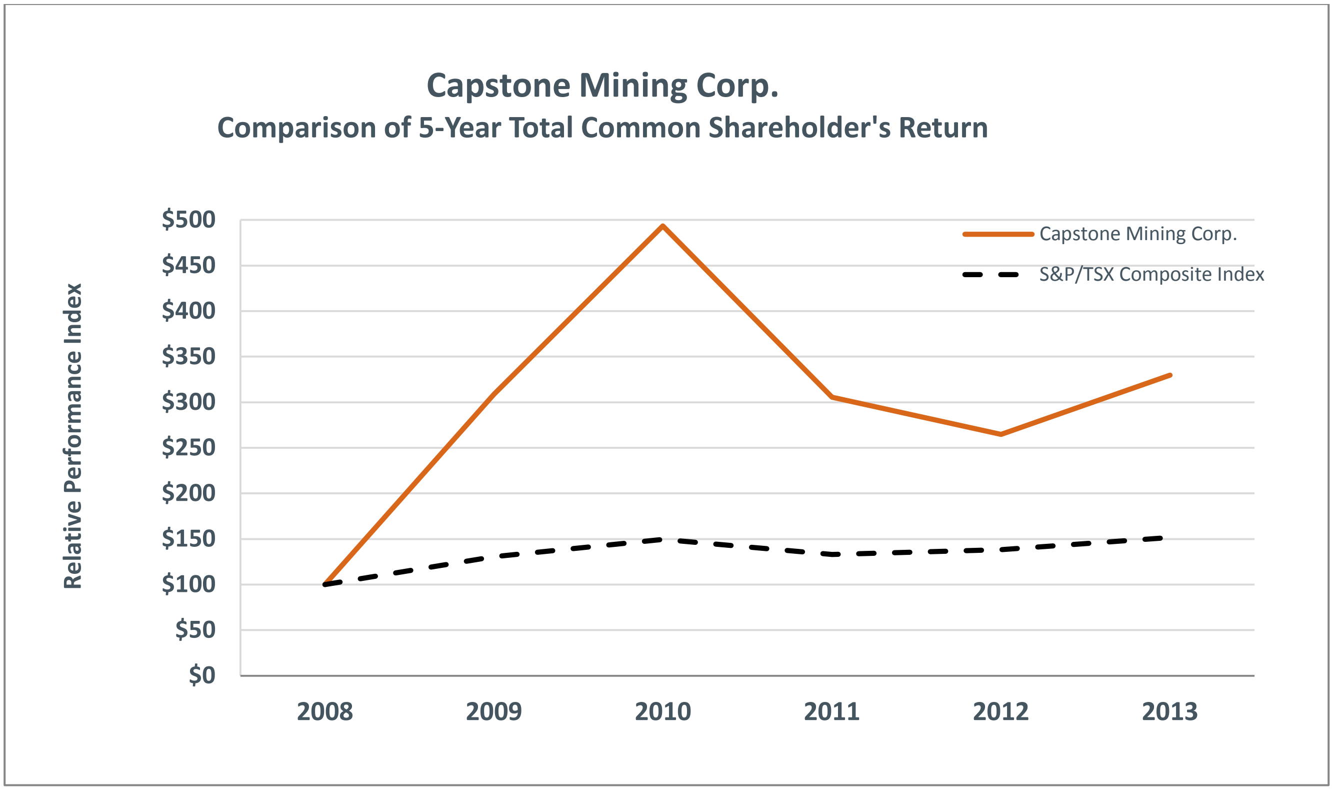
The lower realizable pay relative to target pay is primarily attributable to the stock option grants in 2012 and 2011 which, as of December 31, 2013, are generally not in-the-money and therefore no value is realizable.

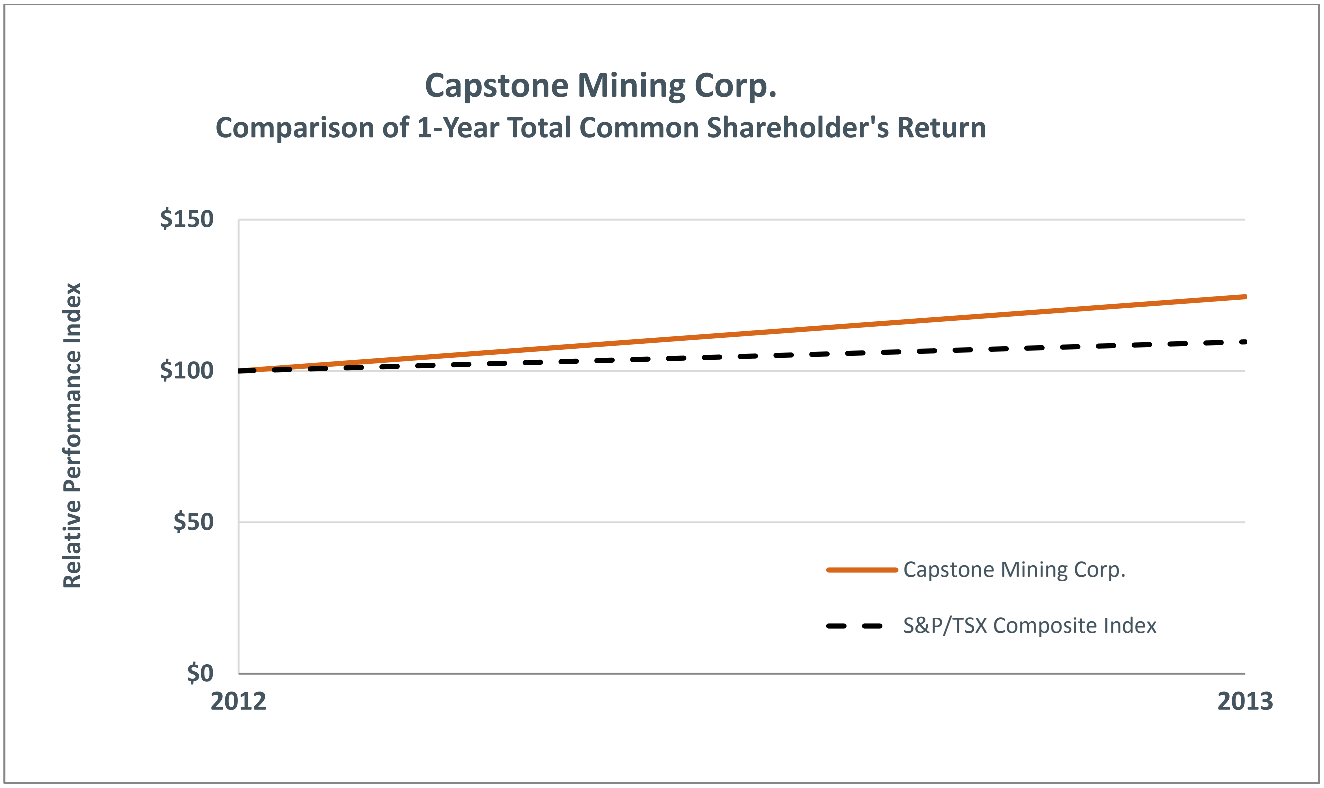
Linking Executive Compensation to Performance

Share Performance:

The following graph compares the cumulative total shareholder return (“**TSR**”) on $100 invested in common shares of Capstone from December 31, 2008 through December 31, 2013 with the cumulative TSR for the same period of the S&P/TSX Composite Index.

Comparison of Capstone Total Return with S&P/TSX Composite Index





Compensation, Corporate Performance and Share Performance:

Capstone's total shareholder return for 2013 was 24.5%. The 2013 comparator peer group identified for PSU payout awards (consisting of Copper Mountain Mining Corporation, Hudbay Minerals Inc., Imperial Metals Corporation, Lundin Mining Corporation, Mercator Minerals Ltd., Oz Minerals Limited, PanAust Limited, Taseko Mines Limited and Thompson Creek Metals Company Inc.), experienced a negative total return of -33% during that same time period, with Capstone being one of only two companies in the group posting a positive return for the year. The S&P/TSX Capped Diversified Metals and Mining Index experienced a -22% decline in 2013, with Capstone the top performing stock within the index and the only index member with a positive return for the year.

2013 Corporate Scorecard

Capstone bases short-term variable compensation on predetermined objectives that are set annually by management and approved by the Board.

- A significant proportion of variable compensation is based on the performance of the Company's operating mines. Despite meeting the external guidance provided for copper production and cash cost in 2013, targeted payouts were lower as a result of not meeting the internal targets on which short-term incentives are based. The primary reason for the lower payouts was the shortfall in copper production, partially offset by cash cost coming in below target.
- The 2013 Strategic Initiatives objectives centered on growing the Company.
  - Capstone met its objective of improving its asset mix to ensure long-term growth through acquisition of a producing mine by acquiring the Pinto Valley Mine in Arizona. This acquisition significantly enhances the profile of the Company, and both the acquisition and ongoing management of the mine require a higher level of commitment and expertise from the management team.
  - Capstone also met the objective of managing its capital structure to support growth while maintaining a strong balance sheet. The acquisition of Pinto Valley was completed with cash and debt, and the Company completed the successful syndication of a conservative level of committed low-cost debt financing before closing the acquisition.
  - The Santo Domingo Environmental Impact Assessment ("EIA") was completed and filed ahead of schedule and the Feasibility Study was largely complete in 2013 and is expected to be filed in the first half of 2014. At Kutcho, however, the EIA was not filed in 2013 as planned. Instead, the project was reassessed and it was determined that, due to its limited scale and scope, it no longer fit with Capstone's growth strategy. As a result, the decision was made to not proceed with further development and to evaluate strategic alternatives, including the possible sale of the project.
- The Sustainable Performance objectives include the broad categories of Safety, Environmental, Sustainability, Stakeholder and People.
  - Capstone's 2013 safety performance objective was to maintain or improve on its 2012 safety performance by reducing the frequency of Lost Time Incidents. The primary measurable environmental goal in 2013 was to reduce both reportable and non-reportable environmental incidents. Lost-time incident frequencies were reduced by 65% compared with the 2012 performance, achieving the third straight year of improved safety performance. Environmental performance lagging indicators were flat compared with the previous year, although root causes for much of the minor incident frequency were clearly identified and action plans were advanced that should lead to improved performance in 2014. The Company advanced its plan to measure and report on various sustainability measures, developed policies and a framework to guide interactions with all stakeholders. A detailed corporate-wide crisis management plan was largely completed. The 2013 people objective was met, which was to have 75% of critical roles with "ready-now" successors to ensure continuity of the employee base and meet future growth targets.

Executive Compensation Components

The following table describes the different compensation components that make up total executive pay to meet the objectives of Capstone's compensation philosophy. The table provides a description of each component's key features and objectives:

Compensation Elements, Key Features and Objectives

Compensation Elements	Key Features	Objectives
Base Salary	Set in the first quarter of each year for the 12-month period from January to December	▪ Attract and retain talented and experienced executives ▪ Recognize individual experience, level of responsibility and performance
Annual Short-Term Incentive ("STI")	▪ Annual bonus based on the achievement of corporate, team and individual goals in the context of the overall performance of the Company ▪ Payments can be above (up to 150%) or below target (to zero) depending on performance ▪ NEO weightings of corporate, team and individual ratings vary by level	▪ Motivate and reward NEOs to meet the Company's near-term objectives using a performance-based compensation program with objectively determined goals ▪ Reward achievement of team goals ▪ Recognize individual contributions
Long-Term Incentive ("LTI")		
Restricted Share Units (RSUs)	Time vesting; at the end of 3 years based on continued employment	▪ Promote retention ▪ Provide immediate sense of ownership ▪ Allow greater resiliency under all market conditions
Performance Share Units (PSUs)	Performance vesting; at the end of 3 years based on the Company's Total Shareholder Return (TSR) relative to a predetermined peer group of similar companies	▪ Ensure that LTI plan payouts are directly linked to share price performance ▪ Focus executives efforts on specific operational and financial objectives ▪ Promote retention ▪ Do not dilute shareholders, as rewards are cash settled or awarded shares are purchased in the market
Stock Options	▪ Time vesting; 1/3 on grant, 1/3 on first anniversary and 1/3 on the second anniversary of grant ▪ Expire after 5 years	▪ Encourage participants to pursue opportunities that increase shareholder value over the long term ▪ Promote retention
Bonus Shares	▪ Common shares ▪ No vesting ▪ No expiry date	▪ Attract, retain and motivate talented and experienced executives
Registered Retirement Savings Plan (RRSP) – Canada	Annual personal contributions of up to 5% of base salary are matched by the Company up to 5%	Provide market competitive benefits to increase income security in retirement

Compensation Elements	Key Features	Objectives
Health and Other Benefits and Perquisites	▪ Health, dental, life, critical illness and disability insurance plans ▪ Annual executive medical examinations ▪ Employee Share Purchase Plan (Canada) allows employees to contribute up to 7% of base salary (to a maximum of $5,000) per calendar year to the purchase of Capstone shares; the Company will match 50% of employee contributions	▪ Provide market competitive benefits to support a healthy and focused team ▪ Promote ownership in the Company

Base Salary

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

The Company entered into employment agreements with certain of its NEOs at the time of their hiring that set base salaries at an initial negotiated level considering the following factors:

- Base salaries for comparable positions at similarly situated companies;
- Individual experience and skills of, and expected contribution from, each executive;
- Roles and responsibilities of the executive; and
- Base salaries of the Company's other executives and other factors.

Base salaries are reviewed annually, regardless of whether an NEO has entered into an employment agreement with the Company. Annual base salary adjustments, if warranted, are analyzed within the context of the terms and conditions of the employment agreements.

The table below shows the base salaries of our NEOs.

Executive	Salary 2011 (C$)	Salary 2012 (C$)	Salary 2013 (C$)	Percentage Change[(1)]
Darren M. Pylot President & CEO	525,000	575,000	625,000	8.7%[(1)]
D. James Slattery Senior Vice President and CFO[(2)]	-	-	400,000	N/A
Peter H. Hemstead Vice President, Marketing & Treasurer (acting in a similar capacity to a CFO)	222,424	238,920	250,000	4.6%
Gregg B. Bush Senior Vice President & COOZ[(3)]	341,910	360,737	402,150	5.6%[(4)]
Jagdish K. Grewal Senior Vice President, Strategy and Stakeholder Affairs	300,000	322,050	332,000	3.0%[(5)]
Juan Carlos Alfaro Gonzalez President & GM, Minera Santo Domingo[(6)]	340,518	361,572	352,176	0.0%

Executive	Salary 2011 (C$)	Salary 2012 (C$)	Salary 2013 (C$)	Percentage Change[1]
Brad J. Mercer Senior Vice President, Exploration	246,825	268,052	290,000	8.2%[6]

(1) Mr. Pylot was provided with an 8.7% increase to bring him in line with market.
(2) Mr. Slattery was appointed Senior Vice President and Chief Financial Officer on July 15, 2013.
(3) In 2011 and 2012, Mr. Bush was paid in US dollars and his salary has been converted to Canadian dollars using Bank of Canada's noon exchange rate as at December 31 of each year reported.
(4) In 2013, Mr. Bush received a 5.6% increase to bring him in line with market. In November 2013 he moved to Canada where his pay was converted to Canadian currency and therefore the salary may also reflect year to year exchange rate fluctuations.
(5) Ms. Grewal was appointed as Senior Vice President, Strategy and Corporate Affairs on September 1, 2011 and left the Company on November 30, 2013. Her increase was a result of the range of diverse responsibilities assumed.
(6) Mr. Alfaro Gonzalez was appointed as President & General Manager of Minera Santo Domingo, a 70% owned subsidiary of the Company on August 17, 2011. Mr. Alfaro Gonzalez is remunerated in Chilean pesos and his salary has been converted to Canadian dollars using Bank of Canada's noon exchange rate as at December 31 of each year reported.
(7) Mr. Mercer was promoted to the position of Senior Vice President, Exploration on March 12, 2013. His salary increase was provided to reflect his promotion and increased scope of responsibility.

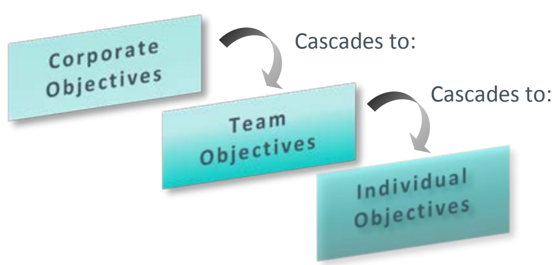
Short-Term Annual Incentive Bonus

The executive officers of the Company have an opportunity to earn an annual short-term incentive bonus based on corporate, team and individual goals in the context of the overall performance of the Company. The corporate goals are defined and communicated using the Company's annual Corporate Scorecard (as outlined in the Linking Executive Compensation to Performance section above), which includes production and costs, safety, environmental, risk management, sustainability, people, social responsibility growth and project development objectives.

Each year, the HR&CC recommends to the Board for their approval performance targets for the STI that reflect the Company's short- term business objectives.

The STI considers a balanced mix of performance measures, which include:

1. **Corporate Objectives,** which outline the Company's annual objectives, including specific weightings, targets and tools for measurement.
2. **Team Objectives,** which reward achievement of various performance objectives by departments or designated teams/divisions.
3. **Individual Objectives,** which vary for each NEO and consist of key initiatives and projects aligned with the Company's strategic business plan, measured either using quantitative measures (for example, compliance with project deadlines and budgets) or qualitative goals (for example, implementation of new programs, effectiveness of new processes or structures).



The following table describes the performance measure weightings for the CEO and other NEOs.

CEO and NEO Performance Measure Weightings

Executive	Corporate Scorecard	Team Goals	Individual Goals	Total
Darren M. Pylot President & CEO	100%	-	-	100%
D. James Slattery Senior Vice President and CFO	70%	20%	10%	100%

Executive	Corporate Scorecard	Team Goals	Individual Goals	Total
Peter H. Hemstead Vice President, Marketing & Treasurer (acting in a similar capacity to a CFO)	60%	20%	20%	100%
Gregg B. Bush Senior Vice President & COO	70%	20%	10%	100%
Jagdish K. Grewal Senior Vice President, Strategy and Stakeholder Affairs	70%	20%	10%	100%
Juan Carlos Alfaro Gonzalez President & GM, Minera Santo Domingo	-	50%	50%	100%
Brad J. Mercer Senior Vice President, Exploration	70%	20%	10%	100%

The primary objective of the Company's STI payments is to motivate and reward NEOs for meeting the Company's near-term objectives using a performance-based compensation program with objectively determinable goals. The 2013 goals and performance are articulated under the Corporate Scorecard section on page 28.

Discretionary Bonuses

In addition, the Company may offer additional discretionary incentive bonuses to motivate executives' overall performance and their performance relating to matters that are not addressed in the predetermined performance goals that the Company sets. The Company believes that not every important aspect of executive performance can be specifically quantified in a predetermined objective goal. For example, events outside of the Company's control may occur after the Company has established the executives' performance goals for the year that requires its executives to focus their attention on different or other strategic objectives.

Discretionary Distinction Awards

For 2013, discretionary bonuses were awarded to the CEO, SVP & COO and VP, Marketing & Treasurer. The additional awards were granted based on their strong leadership, innovative thinking, demonstration of Capstone values, and ability to achieve results during challenging periods with lean resources. The bonuses were comprised of 50% cash and 50% RSUs. The RSUs component was introduced to enhance retention aligning with Capstone's long-term growth strategy.

Long-Term Incentive Plans

Capstone's long-term incentive plans are designed to align management's interests with those of shareholders through grants of stock options, performance share units ("PSUs") and restricted share units ("RSUs"). The value of earned share units as well as vested stock options fluctuates with the value of the Company's shares. PSUs vest only when certain three-year performance-based criteria are achieved, while RSUs vest at the end of a three-year term based on the executive's continued employment.

As disclosed in Capstone's 2013 Management Information Circular, the Company altered the mix of equity vehicles in the long-term incentive plans in 2012. Rather than receiving 100% stock options, senior executives were granted a combination of 50% stock options, 25% RSUs and 25% PSUs. A 50/50 mix of stock options and DSUs was granted to independent directors. The new equity vehicles were chosen to support the Company's long-term business objectives with relation to performance, retention of critical skillsets, ability to manage costs and minimize the dilutive impact of stock options while remaining competitive within the industry.

In 2013, the Company adjusted the long-term incentive targets for the NEOs. The CEO's target increased from 165% to 250% of base salary. Targets for Senior Vice Presidents (including Mr. Bush, Ms. Grewal, Mr. Mercer and Mr. Slattery) increased from 100% to 120% of base salary and targets for Vice Presidents (including Mr. Hemstead) increased from 80% to 100% of base salary. The rationale for these changes was to reflect market conditions and increased compensation at risk. Capstone's target LTI awards are positioned at the 75th percentile of the market. The changes aligned executives between the 60th and 75th percentile.

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

Types of Equity Awards

Type of Grant	Purpose of Grant	Vesting and Expiration	Payment Characteristics
RSUs	▪ Promote retention over the long term ▪ Provide an immediate sense of "ownership" ▪ Allow greater resiliency under all market conditions	▪ Time vesting: at the end of three years based on continued employment	▪ Vested awards can be settled in cash, or in shares purchased on the open market, at the Company's discretion
PSUs	▪ Ensure that long-term incentive plan payouts are directly linked to corporate performance ▪ Focus executives' efforts on specific operational and financial objectives ▪ Promote retention long term ▪ Will not dilute common shareholders if cash settled	▪ Performance vesting: at the end of three years based on the Company's Total Shareholder Return (TSR) relative to similar companies aligned to a 0-150% performance scale payout	▪ Vested awards can be settled in cash, or in shares purchased on the open market, at the Company's discretion
Stock Options	▪ Encourage participants to pursue opportunities that increase shareholder value over the long term ▪ Promote retention over the long term	▪ Time vesting: ⅓ on grant, ⅓ on first anniversary and ⅓ on the second anniversary of grant ▪ Stock options will expire after five years	▪ Issued with an exercise price equal to or above the weighted average price of the common shares traded on the TSX for the five days preceding the date of grant ▪ Provide value to participants only if the share price increases above the exercise price before the end of the term
Bonus Shares	▪ Attract, retain and motivate talented and experienced executives	▪ Common shares ▪ No vesting ▪ No expiry date	▪ Provide immediate value to participants

Incentive Stock Options and Bonus Shares

Stock option grants and bonus shares are used to attract and retain executives and to give them an incentive to participate in the long-term development of the Company and increase shareholder value.

Incentive Stock Options

The relative emphasis of options to remunerate executive officers will generally vary depending on the number of options to purchase common shares that are outstanding at the time. As of December 31, 2013, the NEOs held a total of 4,917,154 stock options. These options have exercise prices between C$1.30 and C$4.48 per share.

The Company generally expects future stock option grants to be based on the following factors:

- Terms and conditions of the employment agreements,
- Executive's past performance and anticipated future contribution,
- Prior option grants to each executive,

- Percentage of outstanding equity owned by the executive,
- Level of vested and unvested options,
- Competitive market practices, and
- Executive responsibilities and performance.

The Company has not set specific target levels for option grants to NEOs, but seeks to be competitive with peer group companies. Additional option grants will be recommended by the HR&C Committee to the Board which ultimately has the responsibility to award options.

Bonus Shares

Bonus Shares allow for more ownership in the Company by management and provide additional incentives for employees to remain with the Company. The Bonus Shares are also used as an incentive tool to attract new employees to the Company. The Company may issue up to 500,000 common shares for bonus compensation in lieu of cash for annual or long-term bonus plans. In 2013, the Company issued 141,223 bonus shares; in 2012 20,000 bonus shares; and in 2011, 80,000 bonus shares. Any bonus shares issued are subject to approval from the HR&CC and the Board.

The Share Unit Plan - Restricted Share Units and Performance Share Units

The objectives of the Share Unit Plan ("Share Plan") are to:

- Promote a further alignment of interests between employees and shareholders of the Company;
- Associate a portion of employees' compensation with the returns achieved by shareholders of the Company;
- Attract and retain employees with the knowledge, experience and expertise required by the Company.

The Share Plan provides that the HR&CC may award grants of PSUs and RSUs (together referred to as "Share Units") to certain officers, employees and consultants who make contributions to the organization. A PSU is a right to receive a Common Share, that generally vests subject to the attainment of certain performance conditions (including financial, personal, operational or transaction-based performance criteria) and satisfaction of such other conditions to vesting, if any, as may be determined by the HR&CC. In 2013, the performance condition on PSU grants is Capstone's Total Shareholder Return (TSR) relative to the performance of similar companies over a one-year period. An RSU is a right to receive a Common Share that generally becomes vested following a period of continuous employment with the Company.

The Share Plan is non-dilutive: payment of PSUs or RSUs after vesting can be made in cash, in Common Shares purchased in the secondary market, or a combination thereof, as determined by the HR&CC, under the terms and conditions of the Share Plan. The Share Plan does not rely on shares from treasury, nor are there any corresponding shares reserved in treasury for the purposes of the plan

The Share Plan and any grant of Share Units made under the Share Plan may be amended, modified or terminated by the Board without approval of the shareholders. However, amendments to the Share Plan or grants made under the Share Plan may not be made without the consent of a Participant. Participant consent is not required where the amendment is mandated by applicable laws.

PSU award levels are determined by relative Total Shareholder Return (TSR) which is the annual return on investment including share price return and dividends relative to the TSR of other companies in the comparator group.

Performance against the predetermined base metals peer group was measured in 2013 and PSU grants were based on Capstone's performance against the group.

In 2013, Capstone's total shareholder return (TSR) was 24.5% compared to the total return of -33.1% for the defined peer group comprised of Copper Mountain Mining Corp., Hudbay Minerals Inc., Imperial Metals Corporation, Lundin Mining Corporation, Mercator Minerals Ltd., Oz Minerals Limited, PanAust Limited, Taseko Mines Limited, and Thompson Creek Metals Company Inc. Based on the TSR achieved, it aligned against the 75th percentile performance criteria which resulted in a rating of 150% of target.

PSU Pay- Performance Range (0-150%)

• Performance < 25th percentile	0%
• Performance 37.5th percentile	50% of target
• Performance median	100% of target
• Performance 62.5th percentile	125% of target
• Performance 75th percentile	150% of target

Board discretion can be applied to the percentage payout range as required.

Pension and Other Benefits

Registered Retirement Savings Plan

In 2012, the Company implemented a Registered Retirement Savings Plan (RRSP) program for all executive and non-executive employees in Canada. The program allows employees to contribute up to 5% of their base salary and the Company will match the employee's percentage contribution up to 5%. Once the employee has met their annual maximum RRSP contribution amount, they and the Company may continue to contribute to a Non-Registered Retirement Savings Plan (NRRSP).

Employee Share Purchase Plan (ESPP)

In 2012, the Company implemented a voluntary Employee Share Purchase Plan (ESPP) for all executive and non-executive employees in Canada. The program allows employees to purchase Capstone shares through employee and Company contributions. Employees can contribute up to 7% of their eligible earnings to a maximum of $5,000 per calendar year. Capstone will match 50% of employee contributions.

Annual Executive Medicals

Capstone executives are eligible for an annual executive medical examination.

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 NEOs. Under the terms of the employment agreements, our NEOs are entitled to compensation, based on their remuneration at the time, in the event of termination without cause and/or on a change of control. No NEO 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 Capstone's common shares. The events selected for triggering payment in connection with termination without cause and on a change of control were determined by the HR&C Committee, with advice from independent consultants, based on industry standards at the time the agreements were entered into with the NEOs.

In the event of termination without cause, Darren Pylot, CEO, is 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 the termination occurs. In the event of termination without cause, each of, D. James Slattery, Senior Vice President and Chief Financial Officer; Peter T. Hemstead, Vice President, Marketing and Treasurer, acting in a similar capacity to a CFO for part of 2013; Gregg B. Bush, Senior Vice President and Chief Operating Officer; Juan Carlos Alfaro Gonzalez, President, Minera Santo Domingo; and Brad J. Mercer, Senior 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.

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 resigns his employment for good reason within 12 months of the Change of Control, then he 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. Slattery, Hemstead, Bush, Alfaro, Mercer and the Company, if the employee is terminated without cause or resigns his or her 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 following table provides the total value of severance, incremental payments, payables and any other termination benefits that would have been paid to each NEO, had employment been terminated on December 31, 2013 under various termination scenarios.

Termination and Change of Control Benefits

Name		Retirement (C$)	Change of Control[(1)] (C$)	Voluntary Termination (C$)	Termination Not for Cause[(1)] (C$)	Termination for Cause (C$)
Darren M. Pylot	*Base*	-	1,562,500	-	1,562,500	-
	Target Bonus	-	2,285,993	-	2,285,993	-
	Other	-	33,943	-	33,943	-
D. James Slattery	*Base*	-	800,000	-	800,000	-
	Target Bonus	-	300,000	-	300,000	-
	Other	-	26,494	-	26,494	-
Peter T. Hemstead	*Base*	-	500,000	-	500,000	-
	Target Bonus	-	306,351	-	306,351	-
	Other	-	29,670	-	29,670	-
Gregg B. Bush	*Base*	-	804,300	-	804,300	-
	Target Bonus	-	630,253	-	630,253	-
	Other	-	25,034	-	25,034	-
Juan Carlos Alfaro Gonzalez	*Base*	-	704,352	-	704,352	-
	Target Bonus	-	412,116	-	412,116	-
	Other	-	26,960	-	26,960	-
Brad J. Mercer	*Base*	-	580,000	-	580,000	-
	Target Bonus	-	535,289	-	535,289	-
	Other	-	24,504	-	24,504	-

Note: Ms. Jagdish K. Grewal left the Company on November 30, 2013.

Jagdish K. Grewal Termination

Under the Employment Agreement between the Company and Ms. Grewal, upon termination in November 2013, she received a termination payment totalling C$1,181,205., comprised of the following compensation and benefits under the termination without cause provision of her Employment Agreement:

- A lump sum payment equivalent to 24 months' salary (C$664,000);
- An amount equivalent to the average bonus received under the Annual Incentive Plan during the last three completed bonus years, pro-rated to November 30, 2013 for the 2013 Bonus Year (C$153,163);
- An amount equal to two times the average amounts paid during the last three completed bonus years (C$306,326);
- All accrued and unused vacation (C$57,717); and
- Share and option based awards were extended for a period of two years following Ms. Grewal's termination.

Compensation of the Executive Officers

NAMED EXECUTIVE OFFICERS AND 2013 INDIVIDUAL PERFORMANCE

President & CEO and Director

Darren M. Pylot
46
British Columbia, Canada

Darren Pylot is the founder of Capstone Mining Corp and in 2006 created Silverstone Resources Corp., a spinout from Capstone and served as its President and Chief Executive Officer prior to its sale to Silver Wheaton in 2009. He was responsible for bringing Capstone's Cozamin base metal mine into production, and under his leadership the Company has grown into a mid-cap producer, developer and exploration company by merging with Sherwood Copper (Minto and Kutcho), acquiring Far West Mining (Santo Domingo) and developing the strategic partnership with Korea Resources Corporation and acquiring the Pinto Valley Mine from BHP Billiton.

Darren has over 20 years of experience in the management, development, administration and financing of public companies focusing on the resource sector. He also serves as Chairman of the Board of Zena Mining Corp. (TSX.V:ZCC).

2013 Performance Summary
Mr. Pylot's accomplishments in 2013 centred around enhancing the Company's asset portfolio, improving shareholder return, developing a strong internal culture, optimizing senior leadership's effectiveness and managing risk. Under his strategic guidance, the Company successfully acquired the Pinto Valley Copper Mine, securing the acquisition financing through existing cash and new debt facilities. The existing operating assets posted strong operational performance, meeting external guidance production targets and cost guidance for the year and posted strong safety performance. With the acquisition of the Pinto Valley Mine, the Company increased annual copper production by over 150%.

Compensation Component	2011 (C$)	2012 (C$)	2013 (C$)	Year over Year Change
Base Salary	525,000	575,000	625,000	8.7%
Bonus	451,672	564,000	943,750	

Senior Vice President & Chief Financial Officer

D. James Slattery
55
British Columbia, Canada

Jim Slattery has over 30 years of financial and executive management experience, with the last eight years spent as the Vice President and CFO of Inmet Mining Corporation, a Canadian-based global copper and zinc producer. Before joining Inmet, Jim held various senior management roles, including Vice President and CFO for Wescast Industries, a publicly traded automotive parts supplier, and CFO for Canadian General Tower Ltd., a privately owned manufacturing business. He has broad management and corporate finance experience, including jointly developing and executing Inmet's integrated growth strategy and leading financing activities for mine development projects totalling over $5 billion. Jim began his career with Ernst & Young, progressing through a number of roles in Canada and Europe from 1981 to 1997.

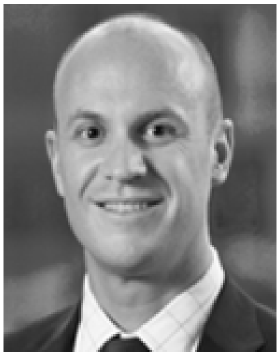
Jim is a Canadian chartered accountant.

2013 Performance Summary
Mr. Slattery assumed the position of Senior Vice President and Chief Financial Officer in July 2013, playing an important leadership role at the Executive level, working on all critical aspects of the business and strategic planning initiatives. Since joining Capstone, he has been actively involved in the integration of Pinto Valley and in supporting the Company's investor relations activities. He has enhanced the Company's banking and advisory relationships; leveraged and aligned the accounting, finance, tax, treasury, insurance, marketing and information technology functions to support the long-term growth of the organization.

Compensation Component	2011 (C$)	2012 (C$)	2013 (C$)	Year over Year Change
Base Salary	-	-	400,000	N/A
Bonus(1)	-	-	127,400	N/A

(1) Mr. Slattery's bonus is pro-rated (6 months) based on his hire date.

Vice President, Marketing & Treasurer



Peter T. Hemstead
41
British Columbia, Canada

Peter Hemstead joined Sherwood Copper in November 2006, as Treasurer, following 10 years with PricewaterhouseCoopers LLP, in Toronto and Vancouver. At Sherwood, Peter was responsible for the company's treasury activities through the construction of the Minto Mine, subsequent mining operations, acquisition of Western Keltic Mines, and the merger with Capstone. Peter became VP, Marketing and Treasurer of Capstone where he is responsible for all banking and credit facility matters, funding and cash flow requirements, management of the Minto, Cozamin and Pinto Valley off-take sales and Silver Wheaton precious metals streams, refurbishment and operation of the Port of Skagway, all tax planning and compliance, and the insurance program.

2013 Performance Summary

Mr. Hemstead acted in a similar capacity to a CFO from January 2013 to July 2013. During this period, he provided leadership and stability to the finance team across a broad spectrum of crucially important areas. His performance highlights included arranging flexible and cost effective financing to support the acquisition of Pinto Valley, and executing the marketing strategy for Capstone. Specifically he secured 100% of the production pricing at each of Cozamin and Minto. In addition, he successfully placed Pinto Valley's 2014 production on attractive terms with a diversified group of customers providing financial, risk management and potential financing benefits to the Company that will support its growth.

Compensation Component	2011 (C$)	2012 (C$)	2013 (C$)	Year over Year Change
Base Salary	222,424	238,920	250,000	4.6%
Bonus	57,338	96,763	152,250	

Senior Vice President & Chief Operating Officer

Gregg B. Bush
54
British Columbia, Canada

Gregg Bush is a Metallurgical Engineer with 30 years of experience in feasibility, mine development, operations, international M&A strategies, permitting, alternative infrastructure projects supporting mine development and project engineering. He is fluent in Spanish and has experience in operations based in Chile, USA, Mexico and Canada. Gregg is responsible for the operations of the Pinto Valley, Cozamin and Minto mines as well as the development of organic growth opportunities for Capstone.

Prior to joining Capstone, Gregg served as COO of Minefinders Corporation Ltd. (2007-2010) where he helped develop its growth strategy and was responsible for the construction and commissioning of its first mine. From 1990-2007 he worked at Placer Dome and later Barrick, progressing from Plant Superintendent to Mine General Manager where his operation achieved certification under ISO 14001 in 2002. Twelve years of that time were spent in Chile, where he was the Mine General Manager of the Zaldivar Mine in northern Chile, a 320 million pound per year copper operation, and Operations Manager and Plant Superintendent of the La Coipa Project, a 100,000 tonne per day precious metals operation approximately 140 kilometers northwest of Copiapó.

Gregg began his career as a metallurgist with Chino Mines Company, a Division of Kennecott Copper. He holds a Bachelor of Science in Metallurgical Engineering from the University of Texas at El Paso.

2013 Performance Summary

Mr. Bush's performance highlights include strong operational performance, meeting external guidance production targets and cost guidance for the year, and improving safety records at all sites. He provided the strategic oversight and discipline required to advance the Santo Domingo project and played a critical role in the acquisition and integration of the Pinto Valley Mine. In addition, his experience and leadership was instrumental in the Pinto Valley environmental permitting process.

Compensation Component[(1)]	2011 (C$)	2012 (C$)	2013 (C$)	Year over Year Change
Base Salary	341,910	360,737	402,150	5.6%
Bonus	117,107	199,307	319,820	

[(1)] In 2011 and 2012, Mr. Bush was paid in US dollars and all compensation amounts have been converted to Canadian dollars using Bank of Canada's noon exchange rate as at December 31 of each year reported. In 2013, Mr. Bush received a 5.6% increase to bring him in line with market. In November 2013 he moved to Canada where his pay was converted to Canadian currency and therefore the salary may also reflect year to year exchange rate fluctuations.

President & General Manager, Minera Santo Domingo

Juan Carlos Alfaro Gonzalez
63
Santiago, Chile

Mr. Juan Carlos Alfaro Gonzalez is a senior executive with over 30 years of experience in Chile's mining industry, with previous management responsibilities at projects and operations owned by Barrick Gold, Kinross, Placer Dome and Exxon Minerals.

Most recently, he was General Manager of the Cerro Casale Project (Barrick/Kinross JV), one of the world's largest undeveloped gold-copper projects in Region III, Chile. Prior to that he was General Manager and President of the Board of Directors of Compañía Minera Purén, a JV between Compañía Minera Mantos de Oro and Codelco Chile, where he led the development of the Purén gold and silver mining operation in Region III from the early stages of exploration through to the mine's construction, start up and operation. He was also General Manager of Compañía Minera Mantos de Oro (Placer/Kinross JV), the operator of the La Coipa Gold Mine in Region III. He has consulted as Mining Project Director for projects in Peru and Southern Chile with Metalica Consultores S.A.

Mr. Alfaro Gonzalez is a Civil Mining Engineer (Universidad de Chile) and a graduate of Queen's University Executive Development Program. He holds a Diploma in Finance from the Universidad Adolfo Ibañez in Chile.

2013 Performance Summary

Mr. Alfaro Gonzalez's performance highlights were advancing the Minera Santo Domingo ("MSD") project by developing a power strategy that positions MSD well to achieve a power purchase agreement before the end of the year. In addition, he and his team secured port locations in Punta Roca Bianca and completed the EIS study a month ahead of schedule while maintaining a high level of support with the project's stakeholders.

Compensation Component[2]	2011 (C$)	2012 (C$)	2013 (C$)	Year over Year Change
Base Salary	340,518	361,572	352,176	0%
Bonus	-	106,360	168,384	

[1] Mr. Alfaro Gonzalez is remunerated in Chilean pesos and his salary has been converted to Canadian dollars using Bank of Canada's noon exchange rate as at December 31 of each year reported. He has not received a base salary increase since he joined the Company and any change in salary reflected above is a result of currency fluctuations.

Senior Vice President, Exploration

Brad J. Mercer
54
Alberta, Canada

Brad Mercer leads Capstone's exploration team, which is credited with discovering nine copper-gold deposits in six years at our Minto Mine, Yukon, Canada. The exploration team, under Brad's leadership, is currently continuing their success at the Cozamin Mine in Mexico, with the discovery of the Mala Noche Footwall Zone. Brad is also overseeing exploration at the SQM property in Chile and on the former Far West properties.

For the past 27 years, Brad has managed mineral exploration programs and participated in feasibility evaluations of mineral properties focused in the Americas taking him from Greenland to Patagonia and he has enjoyed success leading teams who have made discoveries in areas previously considered to be well explored. In addition to successes at our Minto and Cozamin mines, Brad is credited with the discovery of the Moly Brook molybdenum deposit and the Unknown Brook gold deposit, located in Newfoundland, Canada.

Brad graduated from Memorial University of Newfoundland in 1984 with a Bachelor of Earth Science. He is a Professional Geoscientist registered with the Association of Professional Engineers, Geologists and Geophysicists of the Northwest Territories. He is also a member of the board of directors of Northern Tiger Resources Inc.

2013 Performance Summary

Mr. Mercer's performance highlights include collaborative leadership at the executive level and advancing the Company's growth strategy. His Exploration Program was well executed, coming in on or under budget, and rejuvenating long-term exploration plans for existing properties. In addition, he secured a highly perspective land package in Chile for copper exploration.

Compensation Component	2011 (C$)	2012 (C$)	2013 (C$)	Year over Year Change
Base Salary	246,825	268,052	290,000	8.2%
Bonus	142,232	209,081	183,976	

Summary Compensation Table

The following table is a summary of compensation paid to our Named Executive Officers for each of the Company's three most recently completed financial years (2011, 2012 and 2013).

Name and principal position	Year	Salary (C$)	Share Based Awards (C$)[1]	Option-based awards (C$)[2]	Non-equity incentive plan compensation ($)		All other compensation (C$)	Total compensation (C$)
					Annual incentive plans (C$)[3]	Long-term incentive plans (C$)		
Darren M. Pylot President and CEO[4]	2013 2012 2011	625,000 575,000 525,000	718,750 482,370 Nil	718,749 393,984 556,416	943,750 564,000 451,672	Nil Nil Nil	55,123 31,059 15,871	3,061,372 2,046,413 1,548,959
D. James Slattery Sr. VP & CFO[5]	2013	400,000	440,000[6]	159,588	127,400[7]	Nil	142,007	1,268,995
Gregg B. Bush Sr. VP & COO[8]	2013 2012 2011	402,150 360,737 341,910	217,548 180,540 Nil	217,551 148,608 370,944	319,820 199,307 117,107	Nil Nil Nil	13,829 16,807 9,154	1,170,898 905,999 839,115
Peter T. Hemstead VP, Marketing & Treasurer[9]	2013 2012 2011	250,000 238,920 222,424	119,460 95,882 Nil	119,459 77,760 278,280	152,250 96,763 57,338	Nil Nil Nil	33,411 28,199 16,226	674,580 537,524 574,268
Jagdish K. Grewal Sr. VP, Strategy & Stakeholder Affairs[10]	2013 2012 2011	332,000 322,050 300,000	193,226 161,172 97,500	193,230 131,328 89,400	- 182,119 47,625	Nil Nil Nil	33,831 30,494 1,706	752,287 837,163 536,231
Juan Carlos Alfaro Gonzalez President, Minera Santo Domingo[11]	2013 2012 2011	352,176 361,572 340,518	74,998 149,706 162,500	75,000 122,688 191,880	168,384 106,360 61,154	Nil Nil Nil	13,480 27,017 8,440	684,038 767,343 764,492
Brad J. Mercer Sr. VP, Exploration[12]	2013 2012 2011	290,000 268,052 246,825	160,830 133,988 Nil	160,831 109,440 278,208	183,976 209,081 142,232	Nil Nil Nil	29,252 23,734 13,630	824,889 744,295 680,895

(1) The share based awards earned by Mr. Alfaro Gonzalez and Ms. Grewal were Bonus Shares, paid during the subsequent financial year. RSUs and PSUs were first granted in 2012, with initial vesting occurring in 2015.

(2) Option-based compensation is valued using the Black-Scholes option pricing model. We selected the Black-Scholes model because it is widely used in estimating option based compensation values by Canadian public companies. The Black-Scholes model resulted in a value of an option of $0.93 on March 25 2013, $1.15 on March 26 2012, and $1.85 on January 5 2011.

(3) The amounts earned as non-equity incentive pay compensation were paid during the subsequent financial year.

(4) Mr. Pylot does not receive any remuneration in his role as a director of the Company.

(5) Mr. Slattery was appointed Senior Vice President and Chief Financial Officer on July 15, 2013.

(6) Upon joining the Company, Mr. Slattery was provided with a hire grant of bonus shares worth C$200,000 and a grant of RSUs and PSUs worth C$240,000. This grant was grossed-up to satisfy any tax consequences and this gross-up amount is included in the 'All other compensation' section above.

(7) Mr. Slattery's bonus is pro-rated (6 months) based on his hire date.

(8) In 2011 and 2012, Mr. Bush was paid in US dollars and his salary has been converted to Canadian dollars using Bank of Canada's noon exchange rate as at December 31 of each year reported.

(9) Mr. Hemstead acted in a similar capacity to a CFO from November 30, 2012 until July 2013.

(10) Ms. Grewal was appointed as Senior Vice President, Strategy and Corporate Affairs on September 1, 2011 and left Capstone on November 30, 2013.

(11) Mr. Alfaro Gonzalez was appointed as President and General Manager of Minera Santo Domingo, a 70% owned subsidiary of the Company on August 17, 2011. Mr. Alfaro Gonzalez is remunerated in Chilean pesos and his compensation has been converted to Canadian dollars using Bank of Canada's noon exchange rate as at December 31 of each year reported.

(12) Mr. Mercer was appointed Senior Vice President, Exploration on March 12, 2013.

Incentive Plan Awards

The Plan provides for the issuance of options to acquire at any time up to a maximum of 10% of Capstone's issued and outstanding common shares (subject to standard anti-dilution adjustments) to employees or directors of the Company. 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.

The Plan is considered a "rolling" 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" plan which means that when an option is exercised, additional shares become available for subsequent grants under the Plan because each exercise reduces the number of shares that are currently covered by options and increases the outstanding share capital of the Company and also means that when an 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 option again become available for the purposes of the Plan. Any option outstanding when the Plan is terminated will remain in effect until it is exercised or it expires.

The amended and restated Plan may be amended by the Board without shareholder approval in certain instances, including the following: (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; (h) amendments necessary to suspend or terminate the plan; (i) any addition or change provisions relating to any form of financial assistance provided by the Company to eligible persons that would facilitate the purchase of securities under the plan; and (j) any addition of a cashless exercise feature to any option or to the plan, including providing for the payment in cash or securities upon the exercise of options. However, shareholder approval is 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 (other than for normal estate settlement purposes); (d) any amendment extending the term of an option beyond its original expiry date (other than an extension as a result of a blackout period); (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.

Outstanding Share-Based Awards and Option Based Awards

The following tables set out all share and option-based awards outstanding for each Named Executive Officer at December 31, 2013.

Name		Number of RSUs and PSUs (#)		Grant price (C$)
	Year	RSUs	PSUs	
Darren M. Pylot	2012	95,330	95,330	2.53
	2013	154,238	154,238	2.33
D. James Slattery	2012	-	-	-
	2013	63,157	63,157	1.90
Peter T. Hemstead	2012	18,949	18,949	2.53
	2013	25,635	25,635	2.33
Gregg B. Bush	2012	35,680	35,680	2.53
	2013	46,684	46,684	2.33

Name		Number of RSUs and PSUs (#)		Grant price (C$)
	Year	RSUs	PSUs	
Jagdish K. Grewal	2012	31,852	20,234	2.53
	2013	[1]	[1]	-
Juan Carlos Alfaro Gonzalez	2012	29,586	29,586	2.53
	2013	16,094	16,094	2.33
Brad J. Mercer	2012	26,480	26,480	2.53
	2013	34,513	34,513	2.33

(1) RSU and PSU grants in 2013 were cancelled upon termination of Jadish K. Grewal; 2/3 of PSU grants in 2012 vest on January 30, 2015

Outstanding Option-Based Awards

Name	Number of securities underlying unexercised options (#)	Option exercise price (C$)	Option expiration date	Value of unexercised in-the-money options[1] (C$)
Darren M. Pylot	160,000	1.30	February 9, 2014	272,000[2]
	280,000	2.99	March 26, 2015	2,800[3]
	300,000	4.48	January 5, 2016	-[4]
	342,000	2.88	March 26, 2017	41,040[5]
	771,190	2.33	March 25, 2018	516,697[6]
D. James Slattery	200,000	1.90	July 15, 2018	220,000[7]
Peter T. Hemstead	105,000	1.30	February 9, 2014	178,500[2]
	150,000	2.99	March 26, 2015	1,500[3]
	150,000	4.48	January 5, 2016	-[4]
	67,500	2.88	March 26, 2017	8,100[5]
	128,175	2.33	March 25, 2018	85,877[6]
Gregg B. Bush	300,000	2.13	May 20, 2015	261,000[8]
	200,000	4.48	January 5, 2016	-[4]
	129,000	2.88	March 26, 2017	15,480[5]
	233,424	2.33	March 25, 2018	156,394[6]
Jagdish K. Grewal	175,000	2.98	November 30, 2015	3,500[9]
	114,000	2.88	November 30, 2015	13,680[5]
	207,328	2.33	November 30, 2015	138,910[6]
Juan Carlos Alfaro Gonzalez	150,000	3.12	August 17, 2016	-[10]
	106,500	2.88	March 26, 2017	12,780[5]
	80,472	2.33	March 25, 2018	53,916[6]
Brad J. Mercer	150,000	2.99	March 26, 2015	1,500[3]
	150,000	4.48	January 5, 2016	-[4]
	95,000	2.88	March 26, 2017	11,400[5]
	172,565	2.33	March 25, 2018	115,619[6]

(1) Calculated based on the difference between the market price of our shares on the TSX on December 31, 2013, which was C$3.00 and the exercise price of the option.
(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 26, 2010 vest one-third per year commencing on March 26, 2010 and have a five year term.

(4) Options awarded January 5, 2011 vest one-third per year commencing on March 17, 2011 and have a five year term.
(5) Options awarded March 26, 2012 vest one-third per year commencing on March 26, 2012 and have a five year term.
(6) Options awarded March 25, 2013 vest one-third per year commencing on March 25, 2013 and have a five year term.
(7) Options awarded July 15, 2013 vest one-third per year commencing on July 15, 2013 and have a five year term.
(8) Options awarded May 20, 2015 vest one-third per year commencing on May 20, 2015 and have a five year term.
(9) Options awarded September 1, 2011 vest one-third per year commencing on September 1, 2011 and have a five year term.
(10) Options awarded August 17, 2011 vest one-third per year commencing on August 17, 2011 and have a five year term.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets out the value of incentive plan awards vested or earned during the year ended December 31, 2013:

Name	Option-based awards – Value vested during the year (C$)	Share-based awards – Value vested during the year (C$)[1]	Non-equity incentive plan compensation – Value earned during the year (C$)
Darren M. Pylot	185,912	-	943,750
D. James Slattery[2]	73,333	-	127,400
Peter T. Hemstead	31,326	-	152,250
Gregg B. Bush	57,291	-	319,820
Jagdish K. Grewal[3]	50,863	-	-
Juan Carlos Alfaro Gonzalez	22,232	-	168,384
Brad J. Mercer	42,339	-	183,976

(1) RSUs and PSUs were first granted in 2012, with initial vesting occurring in 2015.
(2) Mr. Slattery was appointed Senior Vice President and Chief Financial Officer on July 15, 2013. His bonus is pro-rated (6 months) based on his hire date.
(3) Ms. Grewal left the Company on November 30, 2013.

Board of Directors' Compensation Program

The Board of Directors' Compensation Program focuses on the following three (3) guidelines for independent directors' compensation. Compensation must:

- Reflect the responsibility, commitment and risk accompanying board of directors ("Board") membership and the performance of the duties required of the various committees of the Board;
- Reflect director compensation consistent with companies in the Company's peer group; and
- Align the interests of the Company's directors with those of its shareholders.

Director compensation is based on the recognition of three fundamental determinants:

- The duties to be performed by a director;
- Compensation paid for comparable roles in similar organizations; and
- The appropriate compensation mix to align interests of the Company's directors with those of its shareholders.

Directors' compensation is reviewed annually in consultation with a third party consulting firm. The peer group of companies against which director compensation is benchmarked is reviewed annually. The peer group is chosen from relevant publicly traded mining companies with revenues and market capitalization to revenue ratios in the range of approximately 0.5x to 2x those of the Company, with recognition of entities operating globally. Analysis of a broader index of non-mining companies could be included from time to time.

Directors' compensation for service on the Board is comprised of:

- A cash retainer in an amount targeted between the 50-75th percentile of the peer group; and
- An equity retainer in a value targeted to be in the 50- 75th percentile of the peer group, which is comprised of 50% stock options and 50% deferred share units ("DSUs") issued pursuant to the Company's Incentive Stock Option and Bonus Share Plan and Directors' Deferred Shared Unit Plan, respectively.

Directors who are also employees of the Company do not receive any compensation for their service as a Director of the Company.

2013 Director Compensation Table

The following table sets out all amounts of compensation provided to our non-executive directors for the year ended December 31, 2013.

Name	Fees earned (C$)	Share-based awards (C$)[1]	Option-based awards (C$)[2]	Non-equity incentive plan awards (C$)	All other compensation (C$)	Total (C$)
Lawrence I. Bell	93,544	75,000	75,000[2]	-	-	**243,544**
George L. Brack	145,000	115,000	100,000[2]	-	-	**360,000**
Chantal Gosselin	75,000	75,000	75,000[2]	-	-	**225,000**
GookHo Lee	75,000	75,000	75,000[2]	-	-	**225,000**
Kalidas Madhavpeddi	81,484	75,000	75,000[2]	-	-	**231,484**
Dale C. Peniuk	95,000	75,000	75,000[2]	-	-	**245,000**
Richard N. Zimmer	85,000	75,000	75,000[3]	-	-	**235,000**

(1) Share-based awards are granted in the form of DSUs

(2) Option-based compensation is valued using the Black-Scholes option pricing model, assuming a risk-free interest rate of 1.4% per annum, no expected dividends, an expected volatility of 50% and an expected life of options of 4 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.

The following table provides a breakdown of fees earned by our non-executive directors for the year ended December 31, 2013.

Name	Annual Retainer (C$)[(1)(2)]	Chairman Retainer (C$)[(1)(2)]	Audit Comm. Chair Retainer (C$)[(1)]	HR&C Comm. Chair Retainer (C$)[(1)]	CG&N Comm. Chair Retainer (C$)[(1)]	EHS&S Comm. Chair Retainer (C$)[(1)]	Technical Comm. Chair Retainer (C$)[(1)]	Total Fees Earned (C$)[(1)]
Lawrence I. Bell	75,000	-	-	15,000	-	3,544	-	93,544
George L. Brack	-	135,000	-	-	10,000	-	-	145,000
Chantal Gosselin	75,000	-	-	-	-	-	-	75,000
GookHo Lee[(3)]	75,000	-	-	-	-	-	-	75,000
Kalidas Madhavpeddi[(4)]	75,000	-	-	-	-	6,484	-	81,484
Dale C. Peniuk	75,000	-	20,000	-	-	-	-	95,000
Richard N. Zimmer	75,000	-	-	-	-	-	10,000	85,000

(1) Directors are remunerated in Canadian dollars.

(2) In accordance with the Company's Directors Compensation Policy, each of the independent directors were paid an additional aggregate of C$10,000 as a result of the additional board meetings attended in 2013.

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

Directors' Deferred Share Unit Plan ("DSU Plan")

In 2013, the Company adopted a DSU Plan to align the interests of non-executive directors with those of the shareholders of the Company and to provide a compensation system for eligible directors that, together with the other director compensation mechanisms of the Company, is reflective of the responsibility, commitment and risk accompanying Board membership and the performance of the duties required of the various committees of the Board.

Under the DSU Plan, independent directors may elect to receive up to 100% of their fees for serving as a director in the form of DSUs. Directors receiving DSUs will be credited with additional DSUs whenever cash dividends are paid on common shares. Directors will be able to redeem their DSUs only after they cease to be directors of the Company.

The Board may amend the DSU Plan as it deems necessary or appropriate or terminate the Plan at any time, but no such amendment or termination will, without the consent of the eligible director or unless required by law, adversely affect the rights of an eligible director with respect to any amount in respect of which an eligible director has then elected to receive DSUs or DSUs which the eligible director has then been granted under the DSU Plan.

In 2012 and 2013, under the DSU Plan the Company granted a combination of 50% stock options and 50% deferred share units to align the interests of independent directors with those of shareholders. Prior to 2012, the equity portion of directors' compensation was only stock options.

Name	Number of DSUs (#)	Grant price (C$)
Lawrence I. Bell	29,644 32,188	$2.53 $2.33
George L. Brack	29,644 49,356	$2.53 $2.33
Chantal Gosselin	29,644 32,188	$2.53 $2.33
GookHo Lee	32,188	$2.33

Name	Number of DSUs (#)	Grant price (C$)
Kalidas Madhavpeddi	29,644	$2.53
	32,188	$2.33
Dale C. Peniuk	29,644	$2.53
	32,188	$2.33
Richard N. Zimmer	29,644	$2.53
	32,188	$2.33

Outstanding Option Based Awards

Option-based Awards				
Name	Number of securities underlying unexercised options (#)	Option exercise price (C$)	Option expiration date	Value of unexercised in-the-money options[(1)] (C$)
Lawrence I. Bell	100,000	2.99	March 26, 2015	1,000[(2)]
	100,000	4.48	January 5, 2016	-[(3)]
	53,146	2.88	March 26, 2017	6,378[(4)]
	80,472	2.33	March 25, 2018	53,916[(5)]
George L. Brack	50,000	1.49	March 16, 2014	75,500[(6)]
	100,000	2.99	March 26, 2015	1,000[(2)]
	100,000	4.48	January 5, 2016	-[(3)]
	53,146	2.88	March 26, 2017	6,378[(4)]
	107,296	2.33	March 25, 2018	71,888[(5)]
Chantal Gosselin	100,000	2.34	July 26, 2015	66,000[(7)]
	100,000	4.48	January 5, 2016	-[(3)]
	53,146	2.88	March 26, 2017	6,378[(4)]
	80,472	2.33	March 25, 2018	53,916[(5)]
GookHo Lee	100,000	2.54	June 1, 2017	46,000[(8)]
	80,472	2.33	March 25, 2018	53,916[(5)]
Kalidas Madhavpeddi	100,000	2.42	June 1, 2017	58,000[(9)]
	80,472	2.33	March 25, 2018	53,916[(5)]
Dale C. Peniuk	100,000	1.49	March 16, 2014	151,000[(6)]
	100,000	2.99	March 26, 2015	1,000[(2)]
	100,000	4.48	January 5, 2016	-[(3)]
	53,146	2.88	March 26, 2017	6,378[(4)]
	80,472	2.33	March 25, 2018	53,916[(5)]
Richard N. Zimmer	491,280	2.45	November 18, 2015	271,432
	100,000	3.19	June 20, 2016	-[(10)]
	614,100	1.73	March 7, 2017	777,328
	53,146	2.88	March 26, 2017	6,378[(4)]
	80,472	2.33	March 25, 2018	53,916[(5)]
	307,050	1.72	April 30, 2018	393,147
	102,350	1.47	September 25, 2018	157,046
	614,100	2.59	March 22, 2020	252,272

(1) Calculated based on the difference between the market price of our shares on the TSX on December 31, 2013, which was C$3.00 and the exercise price of the option.
(2) Options awarded March 26, 2010 vest one-third per year commencing on March 26, 2010 and have a five year term.
(3) Options awarded January 5, 2011 vest one-third per year commencing on March 17, 2011 and have a five year term.

(4) Options awarded March 26, 2012 vest one-third per year commencing on March 26, 2012 and have a five year term.
(5) Options awarded March 25, 2013 vest one-third per year commencing on March 25, 2013 and have a five year term.
(6) Options awarded March 16, 2009 vest one-third per year commencing on March 16, 2009 and have a five year term.
(7) Options awarded July 26, 2010 vest one-third per year commencing on July 26, 2010 and have a five year term.
(8) Options awarded January 9, 2013 vest one-third per year commencing on January 9, 2013 and have a five year term.
(9) Options awarded June 1, 2012 vest one-third per year commencing on June 1, 2012 and have a five year term.
(10) Options awarded June 20, 2011 vest one-third per year commencing on June 20, 2011 and have a five year term.

Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets out the value of incentive plan awards for each of our non-executive directors vested or earned during the year ended December 31, 2013.

Name	Option-based awards – Value vested during the year (C$)	Share-based awards – Value vested during the year (C$)	Non-equity incentive plan compensation – Value earned during the year (C$)
Lawrence I. Bell	20,098	-	-
George L. Brack	26,089	-	-
Chantal Gosselin	20,098	-	-
GookHo Lee	33,305	-	-
Kalidas Madhavpeddi	37,305	-	-
Dale C. Peniuk	20,098	-	-
Richard N. Zimmer	20,098	-	-

Independent directors are required to own shares equal to three times their annual retainer.

Participants are required to achieve ownership of a number of Qualifying Shares meeting the Required Market Value within the later of five years after adoption of the Share Ownership Guidelines (July 2013), or five years after first being designated as a Participant.

The following table provides information about the stock-based holdings of the Independent directors, as of December 31, 2013.

Independent Director	Share Ownership Guidelines: Multiple of Retainer (C$)	Status as at December 31, 2013 (C$)
Lawrence I. Bell	3X ($195,000)	$275,496 (1.4X)
George L. Brack	3X ($375,000)	$537,000 (1.4X)
Chantal Gosselin	3X ($195,000)	$230,496 (1.2X)
GookHo Lee	3X ($195,000)	$96,564 (0.5X)(1)
Kalidas Madhavpeddi	3X ($195,000)	$185,496 (0.95X)(2)
Dale C. Peniuk	3X ($195,000)	$215,496 (1.1X)
Richard N. Zimmer	3X ($195,000)	($266,703 (1.4X)

(1) Mr. Lee became a Participant on October 23, 2012.
(2) Mr. Madhavpeddi became a Participant on June 1, 2012.

Securities Authorized for Issuance Under Equity Compensation Plans

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

Plan Category	No. of Securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (C$)(b)	Number of securities remaining available for future issuances under equity compensation plans (excluding securities reflected in (a)(c)
Equity compensation plans approved by securityholders	20,380,735	2.81	17,605,617
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
Total	**20,380,735**	**$2.81**	**17,605,617**

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

Corporate Governance Practices

The Company and the Board believe in the importance of good corporate governance and the central role played by directors in the governance process. They believe that good corporate governance practices are essential for an effectively managed company which in turn enhances shareholder value.

The Company's corporate governance practices are in compliance with all applicable requirements and the Company continues to monitor applicable requirements and developments in best practices to ensure the Company has strong governance practices. The Board believes that the Company's governance system is effective and appropriate to its circumstances, and that there are in place appropriate structures and procedures to ensure the Board's independence from management.

National Instrument 58-101 - Disclosure of Corporate Governance Practices ("NI 58-101") requires each reporting issuer to disclose its corporate governance practices on an annual basis. The following, which has been prepared by the Corporate Governance and Nominating Committee and approved by the Board, describes the Company's corporate governance practices.

The mandate of the Board, which it discharges directly or through one of its five board committees, is to supervise the management of the business and affairs of the Company, and includes responsibility for approving strategic goals and objectives, review of operations, disclosure and communication policies, oversight of financial reporting and other internal controls, corporate governance, director orientation and education, senior management compensation and oversight, and director nomination, compensation and assessment. The frequency of Board and committee meetings may be increased when the Company is facing new opportunities or risks that require oversight by the Board. The Board is kept informed of the operations of the Company on a continuous basis through reports from, and discussions with, management during and between Board and committee meetings.

Risk Reporting to the Board

The Company has an Enterprise Risk Management (ERM) System that is implemented across the Company. The system enables management to identify, evaluate and mitigate risks and report on principle risks of the Company to the Board.

Each quarter, the Board receives an update on the principal risks facing the Company. It includes a major risk matrix supported by a document that details each risk, including reasons for reporting and principal risk and mitigation strategies. A number of risk management activities are completed quarterly, which support the summary reporting to the Board, including but not limited to the following:

- Risk registers are developed for the operating sites, major projects and corporate level
- The site risk registers and project risk registers are assessed, evaluated and updated, through regular workshops with the General Managers and their management teams
- The corporate risk register is reviewed and updated with input from senior management followed by a review by the Executive Management Team.
- On-going training and awareness programs are developed and completed across the Company
- On-going refinement of the Enterprise Risk Management System

In addition to the quarterly reports, additional risk reports are provided to the Board following any special reviews or investigations completed internally or by consultants.

Independence of the Board

The Board has considered the relationship to the Company of each director and determined that a majority (seven of eight) directors, are independent, and were independent in 2013, within the meaning of independent under NI 52-110 and NI 58-101.

The seven members who were independent in 2013 were Lawrence I. Bell, George L. Brack, Chantal Gosselin, GookHo Lee, Kalidas Madhavpeddi, Dale C. Peniuk and Richard N. Zimmer. Mr. Pylot is not independent and is considered to have a material relationship with the Company as Chief Executive Officer

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

Independent Status of Directors

Name	Independent	Non-Independent	Reason for Non-Independent Status
Lawrence I. Bell	✓		
George L. Brack	✓		
Chantal Gosselin	✓		
GookHo Lee	✓		
Kalidas Madhavpeddi	✓		
Dale C. Peniuk	✓		
Darren M. Pylot		✓	President and CEO of the Company
Richard N. Zimmer	✓		

To facilitate the ability of the Board to function independently of management, the following structures and processes are in place:

- The Chairman of the Board is an Independent Director;
- The Chief Executive Officer of the Company is the only member of Management on the Board;
- Pursuant to the Articles of the Company, any one director may call a meeting of the Board;
- The Chief Executive Officer's compensation is considered, in his absence, by the Human Resources and Compensation Committee and by the Board at least once a year;
- In addition to the standing committees of the Board, independent committees are appointed from time to time, when appropriate; and
- The independent directors of the Board hold *in camera* meetings at the end of each Board and committee meeting.

Chairman

The Chairman of the Board, Mr. George L. Brack, is responsible for Board administration with the support and assistance of the Chief Executive Officer and other senior management of the Company. These responsibilities include, but are not limited to, presiding as Chairman of all meetings of the Board and Shareholders, setting the meeting agenda and ensuring the board is organized properly and meets its obligations and responsibilities. The Chairman is also responsible for ensuring the board has a strategic focus and represents the best interests of the Company, helping to set the tone and culture of the Company, acting as the liaison between the Board and the Chief Executive Officer as well as other members of management when required, and ensuring the Board is operating effectively. The Chairman represents the Company, at the request of the Chief Executive Officer, to shareholders and external stakeholders and acts as the primary spokesperson for the Board. The Chairman maintains regular communication with the Chief Executive Officer and Corporate Secretary of the Company. The Chairman and the Chief Executive Officer work together to ensure that all matters of importance are brought to the Boards attention in a timely manner to allow for fulsome discussions of critical issues.

Committees of the Board

The Board discharges some of its mandate through five committees of the Board.

Name	Audit Committee	Human Resources & Compensation Committee	Corporate Governance and Nominating Committee	Environmental, Health, Safety and Sustainability Committee	Technical Committee
Lawrence I. Bell		X*	X	X	
George L. Brack		X	X*		
Chantal Gosselin	X		X		
GookHo Lee					X
Kalidas Madhavpeddi	X			X*	X
Dale C. Peniuk	X*	X	X(1)		
Darren M. Pylot					
Richard N. Zimmer				X	X*

∗ Denotes Chair of Committee
(1) Mr. Peniuk was appointed to the Corporate Governance and Nominating Committee on November 25, 2013.

The Board appoints an Independent Director as Chairman of the audit committee, and each committee appoints its own independent chair based on an assessment of the appropriate skills for a given committee. The Board has the authority to appoint ad hoc committees as needed.

Meetings of the Board and Committees of the Board

The Board has seven regularly scheduled meetings per year with provisions for additional meetings as required. At any time, the Board may convene a special meeting with notice. All directors are expected to attend Board meetings in person or by telephone conference call unless they are recused from such meetings. The committees typically meet between two to six times per year depending upon the nature of the committee. Each committee member is expected to attend committee meetings in person or by telephone conference call unless they are recused and all Directors have a standing invitation to attend committee meetings as guests. The Chairman and the Chief Executive Officer attend portions of committee meetings *ex officio* with a portion of each meeting held in the absence of the Chief Executive Officer.

Attendance of Directors at Board and Committee Meetings

Since the beginning of the Company's last financial year, the Board held a total of 13 meetings, seven of which were held after the election of directors at the 2013 Annual General Meeting of shareholders. The attendance record of the directors at such meetings is as follows:

Director	Board Meetings (13 Meetings)	Independent Director Meetings (13 Meetings)	Audit Committee Meetings (6 Meetings)	Human Resources & Compensation Committee Meetings (6 Meetings)	Corporate Governance and Nominating Committee Meetings (2 Meetings)	Environmental, Health, Safety and Sustain-ability Committee Meetings (4 Meetings)	Technical Committee Meetings (7 Meetings)
Lawrence I. Bell	13 of 13 100%	13 of 13 100%	5(1)	6 of 6 100%	2 of 2 100%	4 of 4 100%	2(1)
George L. Brack	13 of 13 100%	13 of 13 100%	3(2)	6 of 6 100%	2 of 2 100%	4(2)	4(2)
Chantal Gosselin	13 of 13 100%	13 of 13 100%	6 of 6 100%	-	2 of 2 100%	2 of 2 100%	4(1)
GookHo Lee	12 of 13 92%	12 of 13 92%	3(1)	-	-	2(1)	7 of 7 100%

Director	Board Meetings (13 Meetings)	Independent Director Meetings (13 Meetings)	Audit Committee Meetings (6 Meetings)	Human Resources & Compensation Committee Meetings (6 Meetings)	Corporate Governance and Nominating Committee Meetings (2 Meetings)	Environmental, Health, Safety and Sustain-ability Committee Meetings (4 Meetings)	Technical Committee Meetings (7 Meetings)
Kalidas Madhavpeddi	12 of 13 92%	12 of 13 92%	6 of 6[(4)] 100%	2[(1)]	-	3 of 3[(4)] 100%	7 of 7 100%
Dale C. Peniuk	10 of 10 100%[(5)]	10 of 10 100%[(5)]	6 of 6 100%	6 of 6 100%	-	2[(1)]	-
Darren M. Pylot	13 of 13 100%	-	6[(3)]	6[(3)]	2[(3)]	1[(3)]	5[(3)]
Richard N. Zimmer	13 of 13 100%	13 of 13 100%	-	1[(1)]	-	4 of 4 100%	7 of 7 100%
Overall Attendance Rate	**98%**	**98%**	**100%**	**100%**	**100%**	**100%**	100%

(1) Attended committee meeting as a guest.
(2) As Chairman, Mr. Brack attended certain committee meetings *ex officio*.
(3) As President and Chief Executive Officer, Mr. Pylot attended certain committee meetings *ex officio*.
(4) Mr. Madhavpeddi attended one meeting as a guest.
(5) Mr. Peniuk declared his interest and recused himself from certain meetings as a result of a potential conflict of interest.

Board / Committee	Total number of Meetings	Independent Meetings
Board	13	13
Audit Committee	6	6
Human Resources and Compensation Committee	6	6
Corporate Governance and Nominating Committee	2	2
Environmental, Health, Safety and Sustainability Committee	4	4
Technical Committee	7	7

Directorships

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	Silver Wheaton Corp.
George L. Brack	Alexco Resource Corp., Geologix Explorations Inc., Newstrike Capital Inc. and Silver Wheaton Corp.
Chantal Gosselin	Avala Resources Ltd. and Silver Wheaton Corp.
GookHo Lee	None.
Kalidas Madhavpeddi	Namibia Rare Earths Inc., NovaCopper Inc. and NovaGold Resources Inc.
Dale C. Peniuk	Argonaut Gold Inc. and Lundin Mining Corporation
Darren M. Pylot	Zena Mining Corp.
Richard N. Zimmer	Alexco Resource Corp. and Stellar Mining Corp.

Interlocking Directorships

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

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

Board Mandate

The Board has adopted Terms of Reference setting out its Mandate. A copy of the Board's Terms of Reference is attached as Schedule "A" to this Management Information Circular.

Position Descriptions

The Board has developed written position descriptions for the Chairman of the Board, the Chief Executive Officer and the Chairs of each of its committees. These position descriptions are reviewed and approved annually by the Corporate Governance and Nominating Committee and the Board. The Board has also created terms of reference for each committee of the Board.

New Director Orientation and Continuing Education

Board members are provided with:

a) a Board Manual which provides information including, but not limited to, a description of duties and obligations of directors, an overview of the operations of the Company, the Mandate of the Board, Terms of Reference for the Board and all committees and copies of the Company's corporate governance policies;

b) access to recent, publicly filed documents of the Company, technical reports and the Company's internal financial information;

c) access to recent Board meeting materials

d) access to management and technical experts and consultants; and

e) a summary of significant corporate and securities responsibilities.

New members of the Board are provided with a Board Manual, as described above and an onboarding education session with the appropriate members of Executive and Senior Management to familiarize the Director with the Company's business and operations, including but not limited to, strategic plans, risk governance, legal and regulatory compliance programs and financial strategy.

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.

The Board believes that continuing education is important for directors, to keep up to date on changes in governance best practices and legal regulatory requirements, and to better understand the issues facing the Company. As such, the Board encourages all directors to participate in continuing education. In addition, the directors receive regular updates from management on matters of emerging significance.

On August 27, 2013, all directors save for Messrs. Brack, Peniuk and Pylot participated in a site visit to the Minto Mine. On November 23, 2013, all directors save for Mr. Zimmer participated in a site visit to the Cozamin Mine. During the year, Mr. Bell attended a Board Compensation seminar by Towers Watson, Mr. Brack attended a Precious Metals Summit and the Denver Gold Conference, Ms. Gosselin completed Deloitte's director series for Audit Committee, Messrs. Lee and Zimmer attended the Prospectors and Developers Association of Canada conference, Mr. Peniuk completed 110 hours of Continuing Professional Education requirements of the Institute of Chartered Accountants of BC and Mr. Zimmer completed a seminar on legal issues in mining through Stikeman Elliott.

Board Performance Assessments

The Board conducts annual assessments of the Board's effectiveness, the individual directors and each of its committees. To assist in its review, the Board may conduct informal surveys of its directors, may receive an annual report from the Corporate Governance and Nominating 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 its respective terms of reference and conduct reviews of applicable corporate policies

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 "Our Values and Ethics - 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 management and employees to abide by the Code and to bring any breaches of the Code to the attention of the Board. Any non-compliance with the Code is to be reported in accordance with the Code and the Company's Whistleblower policy. 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.

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 Corporate Governance and Nominating Committee has responsibility for identifying and recruiting potential board candidates for nomination to the Board. The members of the Corporate Governance and Nominating Committee are George L. Brack, Chair, Lawrence I. Bell, Chantal Gosselin and Dale C. Peniuk, each of whom is independent. The Corporate Governance and Nominating Committee assess potential candidates to fill the needs of the Board based on an analysis of the skills matrix and the long term plan for board composition. An assessment of a candidate's skills, expertise, experience, independence, diversity and personality are some of the key factors considered. Members of the Board, as well as representatives of the mining industry and other industries are consulted for possible candidates. The Board seeks candidates to fill identified gaps in skills to ensure the appropriate industry, market, technical and professional skills are represented to enable good governance. The Board has adopted Terms of Reference that set forth the responsibilities, powers and operations of the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee Term of Reference may be accessed on the Company's website at www.capstonemining.com.

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

Skills Matrix

The matrix below shows the Board's mix of skills and experience in areas that are important for oversight of the Company's business. The Company's skills matrix review is a critical part of director recruitment when changes are made to the Board.

The skills matrix and gap analysis are also used to identify when a change in board composition is required. The skills matrix is reviewed and updated at least annually to ensure it meets the needs of the Company.

Industry Skills	**# of Directors**
Mining Industry Experience	7
Environmental, Safety & Sustainability	4
Mining Operations	3
Metallurgy	2
Exploration/Geology	3
General Business Skills	**# of Directors**
Risk Management	5
Banking/Finance	4
M&A	5
Accounting	4
Legal/Governance & Compliance	3
Government Relations/Social, Economic, Foreign Policy	4
Information Technology	2
Human Resource Management/Labour Relations/Compensation	6
Strategic Planning	6
Project Management	3
Media Relations – Issues Management	3

Board Committees

Audit Committee

The Audit Committee, comprised of Dale C. Peniuk, Chair, Chantal Gosselin and Kalidas Madhavpeddi, has the responsibility of, among other things, recommending the independent auditor to the Board; 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's discussion and analysis; and overseeing the establishment of a "whistle-blower policy" and related procedures. Each member of the Audit Committee is an independent director. NI 52-110 requires the Company's Audit Committee to meet certain requirements. It also requires the Company to disclose certain information regarding the Audit Committee. That information has been disclosed in the Company's Annual Information Form dated March 14, 2014, which has been filed on SEDAR (see "Additional Information" at the end of this Information Circular). The text of the Audit Committee's Terms of Reference is located on our website, www.capstonemining.com.

Human Resources & Compensation Committee ("HR&CC")

The Human Resources & Compensation Committee is responsible for implementing and assisting the Board in fulfilling its oversight responsibilities in relation to human resources activities pertaining to succession planning, executive compensation and general compensation and human resources policies and guidelines. ; For the year ended December 31, 2013, the members of the HR&CC were Lawrence I. Bell, Chair, George L. Brack and Dale C. Peniuk, each of whom is an independent director within the meaning of Section 1.4 of NI 52-110. All the members of the HR&CC have previous industry experience in setting executive salaries and have served on compensation committees of other issuers of similar size. The text of the HR&CC's Terms of Reference is located on our website, www.capstonemining.com.

Corporate Governance and Nominating ("CG&N") Committee

The Corporate Governance and Nominating Committee monitors the Company's governance performance and assesses and makes recommendations regarding the Board of Directors effectiveness. In addition, the CG&N Committee establishes and leads the process for identifying, recruiting, appointing and re-appointing directors and providing for their ongoing professional development. For the year ended December 31, 2013, the members of the CG&N Committee were George L. Brack, Chair, Lawrence I. Bell, Chantal Gosselin and Dale C. Peniuk (appointed November 25, 2013). The text of the CG&N Committee's Terms of Reference is located on our website, www.capstonemining.com.

Environmental, Health, Safety and Sustainability ("EHS&S") Committee

The Environmental, Health, Safety and Sustainability Committee monitors compliance with environmental and safety standards and sets environmental and safety policy. For the year ended December 31, 2013, the members of the EHS&S Committee were Kalidas Madhavpeddi, Chair, Lawrence I. Bell and Richard N. Zimmer.

Technical Committee

The Technical Committee monitors the adequacy, integrity and compliance of the Company's technical work, especially its geological, geotechnical and engineering work. For the year ended December 31, 2013, the members of the Technical Committee were Richard N. Zimmer, Chair, GookHo Lee and Kalidas Madhavpeddi. The text of the Technical Committee's Terms of Reference is located on our website, www.capstonemining.com.

Interest of Informed Persons in Material Transactions

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

Interest of Certain Persons in Matters to be Acted Upon

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

Indebtedness of Directors

As of 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.

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.

Additional Information

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

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

Approval and Signature

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

On Behalf of the Board

"Darren M. Pylot"

Darren M. Pylot, President and CEO

SCHEDULE "A"

BOARD'S TERMS OF REFERENCE

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 five standing committees of the Board: the Audit Committee, the Human Resources & Compensation Committee, the Corporate Governance & Nominating Committee, the Environment, Health, Safety & Sustainability Committee and the Technical Committee. The Board may also establish other standing committees from time to time.

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

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

The Board has the responsibility:

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

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

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

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

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

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

(g) to provide for succession of management; and

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

7. **Policies, Procedures and Compliance**

The Board has the responsibility:

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

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

8. **Reporting and Communication**

The Board has the responsibility:

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

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

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

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

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

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

9. **Monitoring and Acting**

The Board has the responsibility:

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

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

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

(d) to make regular assessments of the Board.

SCHEDULE "B"

AMENDMENT TO ARTICLES

Current Provisions

Section 24.1 of the Articles currently states:

"24.1 Method of Giving Notice.

Unless the *Business Corporations Act* or these Articles provides otherwise, a notice, statement, report or other record required or permitted by the *Business Corporations Act* or these Articles to be sent by or to a person may be sent by any one of the following methods:

(1) mail addressed to the person at the applicable address for that person as follows:

(a) for a record mailed to a shareholder, the shareholder's registered address;

(b) for a record mailed to a director or officer, the prescribed address for mailing shown for the director or officer in the records kept by the Company or the mailing address provided by the recipient for the sending of that record or records of that class;

(c) in any other case, the mailing address of the intended recipient;

(2) delivery at the applicable address for that person as follows, addressed to the person:

(a) for a record delivered to a shareholder, the shareholder's registered address;

(b) for a record delivered to a director or officer, the prescribed address for delivery shown for the director or officer in the records kept by the Company or the delivery address provided by the recipient for the sending of that record or records of that class;

(c) in any other case, the delivery address of the intended recipient;

(3) sending the record by fax to the fax number provided by the intended recipient for the sending of that record or records of that class;

(4) sending the record by email to the email address provided by the intended recipient for the sending of that record or records of that class;

(5) physical delivery to the intended recipient."

Section 11.3 of the Articles currently states:

"**11.3 Quorum**

The quorum for the transaction of business at a general meeting is two individuals present at the commencement of the meeting holding or representing by proxy the holder or holder of shares carrying not less than one-twentieth of the eligible to be cast at the meeting."

Amendments

Section 24.1 of the Articles is amended by adding a new subsection (6) as follows:

"(6) as otherwise permitted by any securities legislation (together with all regulations and rules made and promulgated thereunder and all administrative policy statements, blanket orders, and rulings, notices, and other administrative directions issued by securities commissions or similar authorities appointed thereunder) in any province or territory of Canada or in the federal jurisdiction of the United States or in any state of the United States that is applicable to the Company."

Section 11.3 of the Articles is hereby replaced with the following:

“**11.3 Quorum**

The quorum for the transaction of business at a general meeting is two individuals present at the commencement of the meeting holding or representing by proxy the holder or holder of shares carrying not less than one-quarter of the votes eligible to be cast at the meeting.”

QUESTIONS MAY BE DIRECTED TO THE PROXY SOLICITOR

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