



**INFORMATION CIRCULAR**

for the

**ANNUAL GENERAL MEETING**

of

**CAPSTONE MINING CORP.**

to be held on

**WEDNESDAY, MAY 9, 2012**

# INFORMATION CIRCULAR

## CAPSTONE MINING CORP.

9<sup>th</sup> Floor - 999 West Hastings Street  
Vancouver, British Columbia V6C 2W2

(all information as at April 4, 2012 unless otherwise noted)

### SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of proxies being made by the management of Capstone Mining Corp. (the "Company") for use at the Annual General Meeting of the Company's shareholders (the "Meeting") to be held on Wednesday, May 9, 2012 at the time and place and for the purposes set forth in the accompanying Notice of Meeting. While it is expected that the solicitation will be made primarily by mail, proxies may be solicited personally or by telephone by directors, officers and employees of the Company. All costs of this solicitation will be borne by the Company.

### COMPLETION AND VOTING OF PROXIES

#### Voting

Voting at the Meeting will be by a show of hands, each registered shareholder and each Proxyholder (representing a registered or non-registered shareholder) having one vote, unless a poll is required or requested, whereupon each such shareholder and Proxyholder is entitled to one vote for each common share held or represented, respectively. To approve a motion proposed at the Meeting a majority of greater than 50% of the votes cast will be required (an "ordinary resolution") unless the motion requires a "special resolution" in which case a majority of 66 $\frac{2}{3}$ % 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 shareholders that are OBOs (as defined below under "Non-registered Shareholders") must deliver their completed**

**Proxies in accordance with the instructions given by their financial institution or other intermediary that forwarded the Proxy to them.**

### **Registered Shareholders**

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

### **Non-registered Shareholders**

**Many Shareholders are "non-registered" shareholders because the shares of the Company they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares.** More particularly, a person is not a registered Shareholder in respect of shares which are held on behalf of that person (the "Non-Registered Holder") but which are registered either: (a) in the name of an intermediary (an "Intermediary") that the Non-Registered Holder deals with in respect of the shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered 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). Subject to the provision of National Instrument 54-101 - *Communication with Beneficial Owners of Securities of Reporting Issuers* ("NI 54-101"), issuers can request and obtain a list of their NOBOs from intermediaries via their transfer agents and use the NOBO list for distribution of proxy-related materials directly (not via Broadridge) to NOBOs.

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

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

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

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

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

#### REVOCATION OF PROXIES

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

#### EXERCISE OF DISCRETION

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

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

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

#### CURRENCY

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

#### VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Company's authorized capital consists of an unlimited number of common shares without par value. As at April 4, 2012, the Company has issued and outstanding 378,983,714 fully paid and non-assessable common shares, each share carrying the right to one vote. **The Company has no other classes of voting securities and does not have any classes of restricted securities.**

Any shareholder of record at the close of business on April 4, 2012 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
Pala Investments Holdings Limited	40,787,307	10.76%

Shareholder Name	Number of Shares	Percentage of Issued Shares
Korea Resources Corporation	40,198,632	10.61%

### NUMBER OF DIRECTORS

The Board of Directors of the Company (the “Board”) consists of seven directors and it is proposed to fix the number of directors for the following year at seven. 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 seven, 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). All of the current nominees, save for Messrs. Shin and Zimmer, were elected as directors by the shareholders at last year’s annual general and special meeting. Messrs. Shin and Zimmer were appointed as directors on June 20, 2011.

At the Meeting, the Company will ask shareholders to vote for the election of the seven 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 Human Resources & Corporate Governance Committee of the Board (the “HR&CG 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 HR&CG Committee will consider all factors deemed relevant by members of the HR&CG Committee. The HR&CG 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 HR&CG Committee at which such resignation is considered.

#### ***Nominees***

The following charts provide information on the seven nominees proposed for election as directors, the jurisdiction in which each is ordinarily resident, the period or periods during which each has served as a director. Included in these charts is information relating to the nominees’ membership on committees of the Board and Board and committee meeting attendance in the 12 months ended December 31, 2011. In that period, the Board held 13 regularly scheduled and special meetings. Special meetings are called on shorter notice than regularly scheduled meetings, which are scheduled over the year in advance. In addition to the attendance listed below, directors from time to time attend other committee meetings by invitation. All nominees attended more than 92% of applicable Board and committee meetings.

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

<b>Lawrence I. Bell</b>		Age: 74
Vernon, British Columbia		Independent Director since November 24, 2008
<p>Mr. Bell served as the non-executive Chairman of British Columbia Hydro and Power Authority until December 2007. He holds a Bachelor of Arts degree and an Honours Ph.D. from the University of British Columbia. He also holds a Masters of Arts degree from San Jose State University. Mr. Bell is a fellow of the Institute of Corporate Directors and a member of the Corporate Governance Committee for Silver Wheaton Corp., member of the Audit and Compensation Committees for Goldcorp Inc., Chair of the Compensation and Governance Committees for Matrix Asset Management Inc. and a member of the Audit and Corporate Governance Committees for International Forest Products Limited.</p>		
<b>Board/Committee Membership</b>		<b>Attendance</b>
Board	13 of 13	100%
Audit Committee	5 of 5	100%
Human Resources and Corporate Governance Committee	7 of 7	100%
Special Committee	1 of 1	100%
<b>Options and Common Shares (as at December 31, 2011)</b>		
<b>Options</b>	<b>Common Shares</b>	<b>Total Value of Common Shares</b>
417,450	Nil	Nil

<b>George L. Brack</b>		Age: 50
North Vancouver, British Columbia		Independent Director since May 19, 2009
<p>Mr. Brack's 27-year career in the mining industry working in investment banking and corporate development has focused on the identification, evaluation and execution of strategic mergers and acquisitions and the provision of equity financing. Mr. Brack was most recently Managing Director and Industry Head, Mining Group of Scotia Capital. Previously, Mr. Brack held the position of Vice President, Corporate Development at Placer Dome Inc., worked for CIBC Wood Gundy, where he was a Vice President of the Investment Banking Group and worked in Rio Algom's corporate development department. Mr. Brack started his career as an exploration geologist with Sherritt-Gordon Mines. Mr. Brack holds an MBA from York University, a BSc in Geological Engineering from the University of Toronto and the CFA designation. Mr. Brack serves as the Chairman of Alexco Resource Corp. and as a director Aurizon Mines Ltd., Geologix Explorations Inc. and Silver Wheaton Corp.</p>		
<b>Board/Committee Membership</b>		<b>Attendance</b>
Board	12 of 13	92%
Audit Committee <sup>(1)</sup>	2 of 2	100%
Human Resources and Corporate Governance Committee	7 of 7	100%
Special Committee	1 of 1	100%
<b>Options and Common Shares (as at December 31, 2011)</b>		
<b>Options</b>	<b>Common Shares</b>	<b>Total Value of Common Shares</b>
250,000	80,000	C\$222,400 <sup>(2)</sup>

(1) Mr. Brack ceased to be a member of the Audit Committee on June 20, 2011.

(2) Calculated using the market price of our shares on the TSX on December 30, 2011, which was C\$2.78.

<b>Chantal Gosselin</b>		Age: 42
Toronto, Ontario		Independent Director since July 26, 2010
<p>Ms. Gosselin is a Vice President at Ned Goodman Investment Counsel. She formerly held the position of senior mining analyst, at Sun Valley Gold LLP, a precious metals focused investment fund. From May 2006 to March 2008, Ms. Gosselin was a senior mining analyst and partner of Genuity Capital Markets. Prior to joining Genuity, she held positions as a mining analyst with Haywood Securities Inc. and Dundee Securities Corporation. Between 1992 and 2000, she held various management positions 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 and a BSc. in mining engineering from Laval University.</p>		
<b>Board/Committee Membership</b>		<b>Attendance</b>
Board	13 of 13	100%
Environment, Health, Safety and Sustainability Committee	4 of 4	100%
Human Resources and Corporate Governance Committee <sup>(1)</sup>	3 of 3	100%
<b>Options and Common Shares (as at December 31, 2011)</b>		
<b>Options</b>	<b>Common Shares</b>	<b>Total Value of Common Shares</b>
200,000	Nil	Nil

(1) Ms. Gosselin was appointed to the HR&CG Committee on June 20, 2011.

<b>Dale C. Peniuk</b>		Age: 52
West Vancouver, British Columbia		Independent Director since May 19, 2009
<p>Mr. Peniuk is a chartered accountant that provides financial consulting services to a number of mining companies, and in addition to the Company, currently serves on the Board as Audit Committee Chair of Lundin Mining Corporation, Sprott Resource Lending Corp., Argonaut Gold Inc. and Rainy River Resources Ltd. Mr. Peniuk also served on the Board and as Audit Committee Chair of Corriente Resources Inc., until completion of a takeover bid by CRCC-Tongguan Investment (Canada) Co. Ltd., EuroZinc Mining Corporation, until completion of its merger with Lundin Mining, and Rio Narcea Gold Mines, Ltd., following the acquisition of a controlling interest in the company by Lundin Mining until the takeover of Rio Narcea was completed. Mr. Peniuk also served on the Board as Audit Committee Chair of both Reservoir Capital Corp. and Q2 Gold Resources Inc. until resigning in September 2010. Mr. Peniuk obtained a B.Comm from the University of British Columbia in 1982 and his Chartered Accountant designation from the Institute of Chartered Accountants of British Columbia in 1986, and spent more than 20 years with KPMG LLP, Chartered Accountants and predecessor firms, the last 10 of which as an assurance partner.</p>		
Board/Committee Membership		Attendance
Board	13 of 13	100%
Audit Committee	5 of 5	100%
Options and Common Shares (as at December 31, 2011)		
Options	Common Shares	Total Value of Common Shares
300,000	10,000	C\$27,800 <sup>(1)</sup>

(1) Calculated using the market price of our shares on the TSX on December 30, 2011, which was C\$2.78.

<b>Darren M. Pylot</b>		Age: 44
Vancouver, British Columbia		Non-Independent Director since February 13, 1995
<p>Mr. Pylot is our President and Chief Executive Officer, former Vice Chairman and founder of Capstone Mining Corp. and in 2006 created Silverstone Resources Corp. He formerly served as President and Chief Executive Officer for Silverstone prior to its sale to Silver Wheaton in May 2009. Mr. Pylot also serves as Chairman of the Board of Zena Mining and as a director of Lithium 1 Inc.</p>		
Board/Committee Membership		Attendance
Board	13 of 13	100%
Options and Common Shares (as at December 31, 2011)		
Options	Common Shares	Total Value of Common Shares
1,040,000	626,209	C\$1,740,861.02 <sup>(1)</sup>

(1) Calculated using the market price of our shares on the TSX on December 30, 2011, which was C\$2.78.

<b>Hak-Kyun Shin<sup>(1)</sup></b>		Age: 49
Seoul, Korea		Independent Director since June 20, 2011
<p>As at December 31, 2011, Mr. Shin was the Chief Operating Officer at the Toronto office and has been a Director for KORES Canada Corp. since 1987.</p>		
Board/Committee Membership		Attendance
Board <sup>(2)</sup>	4 of 4	100%
Environment, Health, Safety and Sustainability Committee <sup>(3)</sup>	2 of 2	100%
Options and Common Shares (as at December 31, 2011)		
Options	Common Shares	Total Value of Common Shares
100,000	Nil	Nil

(1) The Company is party to an agreement with Korea Resources Corporation ("KORES") dated April 15, 2011 pursuant to which KORES is entitled to nominate one member of the Board so long as it holds at least 36,178,769 common shares of the Company. KORES's current nominee is Mr. Shin.

(2) Mr. Shin was appointed to the Board on June 20, 2011.

(3) Mr. Shin was appointed to the EHS&S Committee on June 20, 2011.

<b>Richard N. Zimmer</b>		Age: 63
North Vancouver, British Columbia		Independent Director since June 20, 2011
Mr. Zimmer is the former President and Chief Executive Officer of Far West Mining Ltd., which was acquired by Capstone in 2011; Vice President and Project Manager of Teck-Pogo Inc. from 1998 to 2007.		
<b>Board/Committee Membership</b>	<b>Attendance</b>	
Board <sup>(1)</sup>	4 of 4	100%
Environment, Health, Safety and Sustainability Committee <sup>(2)</sup>	2 of 2	100%
<b>Options and Common Shares (as at December 31, 2011)</b>		
<b>Options</b>	<b>Common Shares</b>	<b>Total Value of Common Shares</b>
2,642,980	27,069	C\$75,251.82 <sup>(3)</sup>

(1) Mr. Zimmer was appointed to the Board on June 20, 2011.

(2) Mr. Zimmer was appointed to the EHS&S Committee on June 20, 2011.

(3) Calculated using the market price of our shares on the TSX on December 30, 2011, which was C\$2.78.

### ***Cease Trade Orders, Bankruptcies, Penalties or Sanctions***

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

- (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

To the best of management's knowledge, no proposed director has, within the ten years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

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

## **EXECUTIVE COMPENSATION**

### ***Named Executive Officers***

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

- (a) the Company's chief executive officer ("CEO");
- (b) the Company's chief financial officer ("CFO");
- (c) each of the three most highly compensated executive officers of the company, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than C\$150,000 for that financial year; and
- (d) each individual who would be a Named Executive Officer under paragraph (c) but for the fact

that the individual was neither an executive officer of the company or its subsidiaries, nor acting in a similar capacity at the end of that financial year.

As at December 31, 2011, the end of the most recently completed financial year of the Company, we had five Named Executive Officers, whose names and positions held with us are set out in the summary compensation table below.

### ***Compensation Discussion & Analysis***

The HR&CG Committee is required to consult with and make recommendations to the Board on executive compensation and compensation plan matters. In the course of its deliberations, the HR&CG Committee considered the implications of the risks associated with adopting the compensation program currently in place. The HR&CG Committee does not believe that the compensation program adopted by the Company creates a material risk that the NEOs or any employee would be encouraged to take inappropriate or excessive risks and no such risks have been detected to date. The HR&CG Committee will continue to include this consideration in its deliberations, and believes that it and the Board would detect actions of management or employees of the Company that constitute or would lead to inappropriate or excessive risks.

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

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

Within the context of the overall objectives of the Company's compensation practices, the Company determined the specific amounts of compensation to be paid to each of its executives in 2011 based on a number of factors, including: the Company's understanding of the amount of compensation generally paid by a group of peer companies listed herein to their executives with similar roles and responsibilities as provided by an independent study by Towers Watson initiated by the Company; the Company's executives' performance during the fiscal year in general and as measured against predetermined corporate and individual performance goals; the roles and responsibilities of the Company's executives; the individual experience and skills of, and expected contributions from, the Company's executives; the amounts of compensation being paid to the Company's other executives; and any contractual commitments the Company has made to its executives regarding compensation.

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

### ***Base Salary***

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

To the extent that the Company has entered into employment agreements with its executives, the base salaries of such individuals reflect the initial base salaries that the Company negotiated with them. The NEOs entered into employment agreements with the Company which were negotiated and executed at the time of their hiring. The base salaries that the Company negotiated with its executives were based on its understanding of base salaries for comparable positions at similarly situated companies at the time, the individual experience and skills of, and expected contribution from, each executive, the roles and

responsibilities of the executive, the base salaries of the Company's existing executives and other factors. The terms and conditions of such employment agreements were recommended by the HR&CG Committee and approved by the Board.

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

### ***Executive Performance Bonus***

The executive officers of the Company have an opportunity to earn an annual bonus based on corporate and individual performance in the context of the overall performance of the Company. Individual target bonuses, which are established by the HR&CG Committee, are aligned with our market peer group and the strategic objectives of the Company. Bonuses granted to each executive officer are recommended by the HR&CG Committee to the Board which ultimately approves the award of such bonuses.

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

### ***Options and Bonus Shares***

The Company's granting of options to purchase Common Shares and the issuance of bonus shares to its executive officers is a method of compensation which is used to attract and retain personnel and to provide an incentive to participate in the long-term development of the Company and to increase shareholder value. The relative emphasis of options for remunerating executive officers and employees will generally vary depending on the number of options to purchase Common Shares that are outstanding at the time. The NEOs currently employed by the Company held a total of 3,748,530 stock options as at April 4, 2012. These options have exercise prices between C\$1.30 and C\$4.48 per share.

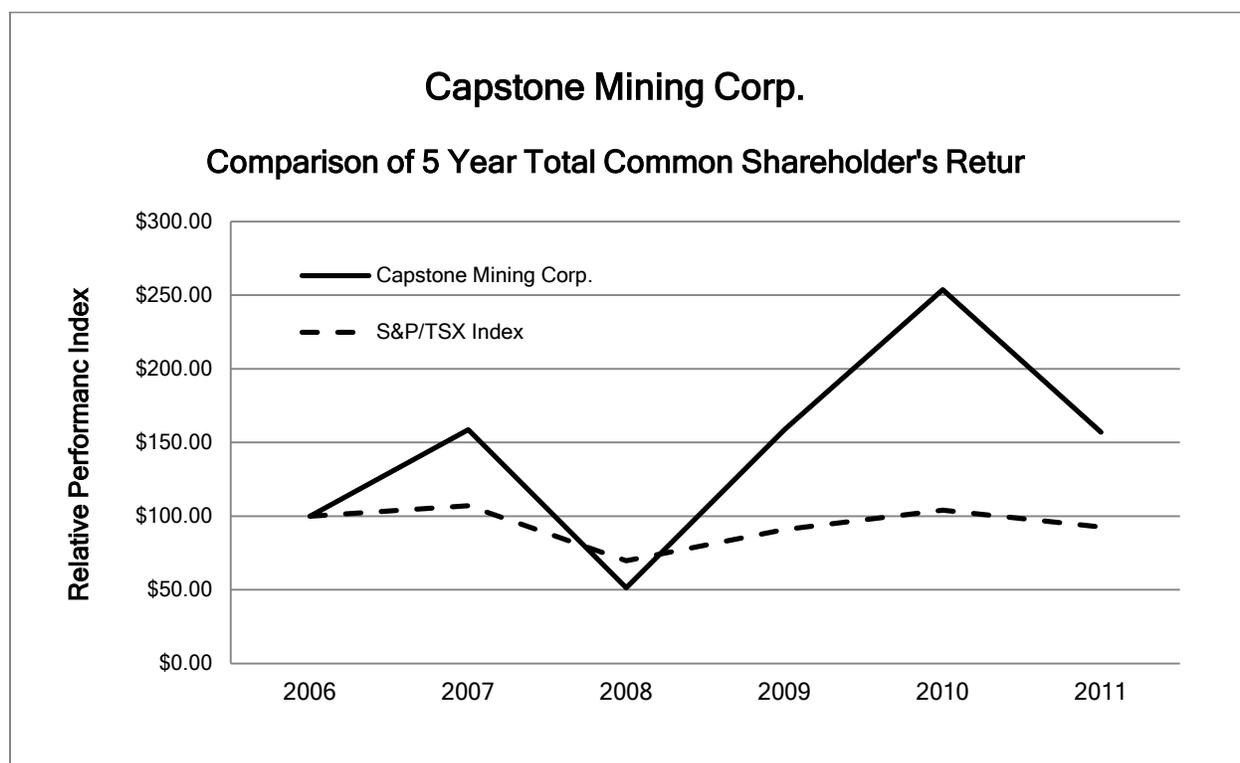
The Company may issue up to 500,000 Common Shares for bonus compensation in lieu of cash for annual or long term bonus plans. These bonus shares allow for more ownership in the Company by management and provide additional incentive for employees to remain with the Company. Any bonus shares issued are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

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

### Performance Graph

The following chart compares the total cumulative shareholder return for \$100 invested in common shares of the Company since December 31, 2006, with the cumulative total return of the S&P/TSX Composite Index for the five most recently completed fiscal years of the Company.

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



For the financial years ended	2006	2007	2008	2009	2010	2011
Common Shares of Capstone Mining Corp.	100.00	158.76	51.41	158.76	253.67	157.06
S&P/TSX Composite Total Return Index	100.00	107.16	69.63	91.00	104.14	92.61

Our executive compensation programs are designed to align the financial, operating and market performance of the Company with the value that the NEOs ultimately receive from the programs. Executive compensation has generally corresponded to the trends shown by the graph over the period from 2006 to 2011, although industry-specific factors have influenced compensation over the same period. Base salaries are reviewed annually and increases are based on financial and operational performance objectives that are within Management's control and may not align with total shareholder returns. The value of long-term incentives at a time of grant will also vary based on corporate performance.

### Share-Based and Option-Based Awards

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

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

## Compensation Governance

The HR&CG Committee is required to consult with and make recommendations to the Board on executive compensation and compensation plan matters. For the year ended December 31, 2011, the members of the HR&CG Committee were Lawrence I. Bell, Chair, George L. Brack and Chantal Gosselin, each of whom are independent directors within the meaning of Section 1.4 of National Instrument 52-110 - *Audit Committees* ("NI 52-110"). All of the members of the HR&CG Committee have experience setting compensation for executives in companies of similar size to the Company.

In September 2011, the HR&CG Committee of the Board retained Towers Watson, an independent executive compensation consulting firm, to provide market information on executive and outside director compensation pay levels and practices. Specifically, Towers Watson assisted the Company with the following activities:

- Peer group review.
- Executive compensation review.
- Long-term incentive plan review and redesign for senior executives and outside directors.

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

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

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

Using information sourced from the information circulars of the above peers, in conjunction with information obtained from Towers Watson and Coopers Consulting captive compensation surveys, Towers Watson conducted a compensation study of the Company's top 11 executive and management positions (which included all of our Named Executive Officers). Based on Towers Watson's study, the Company's executives overall were positioned around the 75<sup>th</sup> percentile of the competitive market on target total direct compensation (base salary + bonus target + long-term incentives).

In addition to providing analyses on executive pay levels, Towers Watson also assisted the Company with a review of competitive market long-term incentive practices for both senior executives and outside directors. Based on the results of the review, for 2012 the Company has made the following changes to its senior executive and outside director long-term incentive programs:

- Senior Executives: moved from granting 100% stock options to granting a mix of stock options, restricted stock units ("RSUs") and performance share units ("PSUs"). The Company is contemplating 50% options, 25% RSUs and 25% PSUs with a 50-150% of target performance range.
- Outside Directors: moved from granting 100% stock options to granting a 50/50 mix of stock options and RSUs.

The long-term incentive changes have been implemented to increase the alignment of management and shareholder interest and to address retention concerns in a highly competitive market:

- The value of PSUs and RSUs tracks the underlying value of the Company's shares.
- The number of PSUs that vest is contingent on the Company's total shareholder return achieved over the performance period relative to performance peers.

### **Executive Compensation-Related Fees**

As noted above, the HR&CG Committee retained Towers Watson in connection with its deliberations and paid a total of C\$36,948 in 2011. Coopers Consulting was retained in 2010 and was paid C\$18,000 in connection with such services. No other consultants or advisors were retained.

### **Summary Compensation Table**

The following table is a summary of compensation paid to our Named Executive Officers for our most recently completed financial year.

Name and principal position	Year	Salary (\$)	Share Based Awards (\$) <sup>(1)</sup>	Option-based awards (\$) <sup>(2)</sup>	Non-equity incentive plan compensation (\$)		All other compensation (\$)	Total compensation (\$)
					Annual incentive plans <sup>(3)</sup>	Long-term incentive plans		
Darren M. Pylot President and CEO	2011	530,786	Nil	665,484	456,649	Nil	15,606	1,668,525
	2010	397,942	Nil	389,268	178,994	Nil	15,170	981,374
	2009	305,166	Nil	172,672	164,989	Nil	8,266	651,093
Richard R. Godfrey Sr. VP & CFO	2011	330,452	Nil	443,656	111,528	Nil	12,894	898,530
	2010	287,133	Nil	278,048	91,391	Nil	12,550	669,122
	2009	240,806	Nil	98,670	82,452	Nil	6,335	428,263
Gregg B. Bush Sr. VP & COO	2011	336,195	Nil	443,656	110,104	Nil	8,463	898,418
	2010 <sup>(4)</sup>	190,833	126,915	300,238	Nil	Nil	8,456	626,442
Brad J. Mercer Vice President, Exploration	2011	249,545	Nil	332,742	143,799	Nil	11,164	737,250
	2010	211,912	Nil	208,536	84,591	Nil	11,476	516,515
	2009	161,996	13,266	80,169	17,029	Nil	5,180	277,640
Peter T. Hemstead VP, Marketing & Treasurer	2011	222,424	Nil	332,742	57,969	Nil	15,955	629,090
	2010	174,706	14,704	329,115	41,930	Nil	16,085	576,540
	2009	131,349	Nil	220,590	23,538	Nil	8,016	383,493

(1) These share based awards earned were paid during the subsequent financial year.

(2) Option-based compensation is valued using the Black-Scholes option pricing model, assuming a risk-free interest rate of 2.2% per annum, no expected dividends, an expected volatility of 71% and an expected life of options of 3.5 years. We selected the Black-Scholes model because it is widely used in estimating option based compensation values by Canadian public companies. Awards vest one-third per year commencing on the grant of the award and have a five year term.

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

(4) Mr. Bush was appointed the Company's Chief Operating Officer on May 26, 2010.

### **Incentive Plan Awards**

#### **Outstanding Share-Based Awards and Option Based Awards**

The following table sets out all option-based awards outstanding for each Named Executive Officer at December 31, 2011.

Option-based Awards				
Name	Number of securities underlying unexercised options (#)	Option exercise price (C\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)
Darren M. Pylot	100,000	1.88	March 14, 2012	91,528.53
	200,000	3.16	March 20, 2013	-
	160,000	1.30	February 9, 2014	240,821.72
	280,000	2.99	March 26, 2015	- <sup>(2)</sup>
	300,000	4.48	January 5, 2016	- <sup>(4)</sup>

Option-based Awards				
Name	Number of securities underlying unexercised options (#)	Option exercise price (C\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)
Richard R. Godfrey	518,100	2.98212	February 22, 2012	-
	39,150	3.35249	May 9, 2012	-
	156,600	3.55683	February 28, 2013	-
	55,000	1.30	February 9, 2014	82,782.47
	200,000	2.99	March 26, 2015	-( <sup>(2)</sup> )
	200,000	4.48	January 5, 2016	-( <sup>(4)</sup> )
Gregg B. Bush	300,000	2.13	May 20, 2015	198,311.81 <sup>(3)</sup>
	200,000	4.48	January 5, 2016	-( <sup>(4)</sup> )
Brad J. Mercer	15,660	3.35249	May 9, 2012	-
	43,500	1.30	February 9, 2014	65,473.41
	150,000	2.99	March 26, 2015	-( <sup>(2)</sup> )
	150,000	4.48	January 5, 2016	-( <sup>(4)</sup> )
Peter T. Hemstead	109,620	3.55683	February 28, 2013	-
	130,000	1.30	February 9, 2014	195,667.65
	150,000	2.99	March 26, 2015	-( <sup>(2)</sup> )
	150,000	4.48	January 5, 2016	-( <sup>(4)</sup> )

(1) Calculated based on the difference between the market price of our shares on the TSX on December 30, 2011, which was C\$2.78 and the exercise price of the option. Converted to US dollars using the Canadian dollar/US dollar exchange rate of 0.9833 on December 30, 2011.

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

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

(4) Options awarded January 5, 2011 vest one-third per year commencing on March 17, 2011 and have a five year term.

#### 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, 2011.

Name	Option-based awards - Value vested during the year (\$)	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
Darren M. Pylot	325,616.08 <sup>(1)</sup> 143,857.07 <sup>(2)</sup>	-	-
Richard R. Godfrey	186,067.33 <sup>(1)</sup> 102,755.93 <sup>(2)</sup>	-	-
Gregg B. Bush	123,576.92 <sup>(3)</sup>	-	-
Brad J. Mercer	151,180.14 <sup>(1)</sup> 77,066.56 <sup>(2)</sup>	-	-
Peter T. Hemstead	151,180.14 <sup>(1)</sup> 77,066.56 <sup>(2)</sup>	-	-

(1) Calculated based on the difference between the market price of our shares on the TSX on February 9, 2011 (C\$4.81) and the exercise price of the option (C\$1.30). Converted to US dollars using the Canadian dollar/US dollar exchange rate of 1.0061 on February 9, 2011.

(2) Calculated based on the difference between the market price of our shares on the TSX on March 25, 2011 (C\$4.56) and the exercise price of the option (C\$2.99). Converted to US dollars using the Canadian dollar/US dollar exchange rate of 1.0186 on March 25, 2011.

(3) Calculated based on the difference between the market price of our shares on the TSX on May 20, 2011 (C\$3.40) and the exercise price of the option (C\$2.13). Converted to US dollars using the Canadian dollar/US dollar exchange rate of 1.0277 on May 20, 2011.

#### Pension Plan Benefits

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

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

### **Named Executive Officer Termination and Change of Control Benefits**

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

In the event of termination without cause, each of Darren M. Pylot, President and CEO, Richard R. Godfrey, Senior Vice President and CFO, Gregg B. Bush, Senior Vice President and Chief Operating Officer, Brad J. Mercer, Vice President Exploration and Peter T. Hemstead, Vice President Marketing and Treasurer, 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.

The table below sets out the estimated incremental payments, payables and benefits due to each of the Named Executive Officers on termination without cause assuming termination on December 31, 2011.

<b>Name</b>	<b>Base Salary (\$)</b>	<b>Bonus (\$)</b>	<b>Option-Based Awards (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Darren M. Pylot	1,067,833	406,793	-	-	1,474,626
Richard R. Godfrey	665,107	189,159	-	-	854,266
Gregg B. Bush	672,000	86,000	-	-	758,000
Brad J. Mercer	502,390	174,325	-	-	676,715
Peter T. Hemstead	447,473	87,461	-	-	534,934

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

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

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

The table below sets out the estimated incremental payments, payables and benefits due to each of the Named Executive Officers on termination on a change of control or resignation for good cause following a change of control assuming termination or resignation on December 31, 2011.

Name	Base Salary (\$)	Bonus (\$)	Option-Based Awards (\$) <sup>(1)</sup>	All Other Compensation (\$)	Total (\$)
Darren M. Pylot	1,334,791	508,492	512,967	-	2,356,250
Richard R. Godfrey	665,107	189,159	82,782	-	937,048
Gregg B. Bush	672,000	86,000	198,312	-	956,312
Brad J. Mercer	502,390	174,325	65,473	-	742,188
Peter T. Hemstead	447,473	87,461	195,668	-	730,602

(1) Assumes no exchange of options held by Named Executive Officers for acquiring company's stock options and the vesting of all outstanding options. Calculated based on the difference between the market price of our shares on the TSX on December 30, 2011, which was C\$2.78 and the exercise price of the option. Converted to US dollars using the Canadian dollar/US dollar exchange rate of 0.9833 on December 30, 2011.

### Director Compensation

#### 2011 Director Compensation Table

The following table sets out all amounts of compensation provided to our directors, other than Mr. Darren M. Pylot, our President and CEO, for the year ended December 31, 2011.

Name	Fees earned (\$) <sup>(1)</sup>	Share-based awards (\$)	Option-based awards (\$) <sup>(1)</sup>	All other compensation (\$)	Total (\$) <sup>(1)</sup>
Lawrence I. Bell	74,978.06	-	221,850.35 <sup>(2)</sup>	-	296,828.41
Colin K. Benner <sup>(4)</sup>	55,707.00	-	221,850.35 <sup>(2)</sup>	-	277,557.35
George L. Brack	95,069.02	-	221,850.35 <sup>(2)</sup>	-	316,919.37
Jan A. Castro <sup>(6)</sup>	34,847.61	-	160,798.79 <sup>(3)</sup>	-	195,646.40
Chantal Gosselin	71,084.12	-	221,850.35 <sup>(2)</sup>	-	292,934.47
D. Bruce McLeod <sup>(5)</sup>	21,458.60	-	221,850.35 <sup>(2)</sup>	-	243,308.95
Dale C. Peniuk	85,945.40	-	221,850.35 <sup>(2)</sup>	-	307,795.75
Stephen P. Quin <sup>(4)</sup>	30,333.67	-	221,850.35 <sup>(2)</sup>	-	252,184.02
Hak-Kyun Shin <sup>(6)</sup>	34,847.61 <sup>(7)</sup>	-	160,798.79 <sup>(3)</sup>	-	195,646.40
Richard N. Zimmer <sup>(6)</sup>	34,847.61	-	160,798.79 <sup>(3)</sup>	-	195,646.40

(1) Directors are remunerated in Canadian dollars and amounts contained in this table were converted to US dollars using the average Canadian dollar/US dollar exchange rate of 0.989 for 2011.

(2) Option-based compensation is valued using the Black-Scholes option pricing model, assuming a risk-free interest rate of 2.2% per annum, no expected dividends, an expected volatility of 71% and an expected life of options of 3.5 years. We selected the Black-Scholes model because it is widely used in estimating option based compensation values by Canadian public companies. Awards vest one-third per year commencing on the grant of the award and have a five year term.

(3) Option-based compensation is valued using the Black-Scholes option pricing model, assuming a risk-free interest rate of 2.1% per annum, no expected dividends, an expected volatility of 69% and an expected life of options of 3.5 years. We selected the Black-Scholes model because it is widely used in estimating option based compensation values by Canadian public companies. Awards vest one-third per year commencing on the grant of the award and have a five year term.

(4) Messrs. Benner and Quin resigned as directors on June 16, 2011.

(5) Mr. McLeod resigned as a director on April 12, 2011.

(6) Messrs. Castro, Shin and Zimmer were appointed as directors on June 20, 2011.

(7) Mr. Shin's fees earned are paid directly to Kores Canada Corp.

The following table provides a breakdown of fees earned by our directors, other than Mr. Darren M. Pylot, our President and CEO, for the year ended December 31, 2011.

Name	Annual Retainer (\$) <sup>(1)</sup>	Chairman Retainer (\$) <sup>(1)</sup>	Audit Committee Chair Retainer (\$) <sup>(1)</sup>	HR&CG Committee Chair Retainer (\$) <sup>(1)</sup>	EHS&S Committee Chair Retainer (\$) <sup>(1)</sup>	Board Meeting Attendance Fee (\$) <sup>(1)(2)</sup>	Committee Fees (\$) <sup>(1)(3)</sup>	Total Fees Earned (\$) <sup>(1)</sup>
Lawrence I. Bell	57,229.52	-	-	8,041.76	-	4,853.39	4,853.39	74,978.06
Colin K. Benner <sup>(4)</sup>	14,206.26	31,111.46	-	1,895.85	-	4,853.39	3,640.04	55,707.00

Name	Annual Retainer (\$) <sup>(1)</sup>	Chairman Retainer (\$) <sup>(1)</sup>	Audit Committee Chair Retainer (\$) <sup>(1)</sup>	HR&CG Committee Chair Retainer (\$) <sup>(1)</sup>	EHS&S Committee Chair Retainer (\$) <sup>(1)</sup>	Board Meeting Attendance Fee (\$) <sup>(1)(2)</sup>	Committee Fees (\$) <sup>(1)(3)</sup>	Total Fees Earned (\$) <sup>(1)</sup>
George L. Brack	24,269.34	58,972.88	-	3,333.37	-	3,640.04	4,853.39	95,069.02
Jan A. Castro <sup>(6)</sup>	34,847.61	-	-	-	-	-	-	34,847.61
Chantal Gosselin	58,442.87	-	-	-	5,361.18	4,853.39	2,426.69	71,084.12
D. Bruce McLeod <sup>(5)</sup>	15,058.50	-	-	-	333.37	3,640.04	2,426.69	21,458.60
Dale C. Peniuk	60,920.12	-	18,958.54	-	-	4,853.39	1,213.35	85,945.40
Stephen P. Quin <sup>(4)</sup>	24,266.94	-	-	-	-	3,640.04	2,426.69	30,333.67
Hak-Kyun Shin <sup>(6)</sup>	34,847.61 <sup>(7)</sup>	-	-	-	-	-	-	34,847.61 <sup>(7)</sup>
Richard N. Zimmer <sup>(6)</sup>	34,847.61	-	-	-	-	-	-	34,847.61

(1) Directors are remunerated in Canadian dollars and amounts contained in this table were converted to US dollars using the average Canadian dollar/US dollar exchange rate of 0.989 for 2011.

(2) Directors were paid a Board meeting fee of C\$1,200 per Board meeting for Q1 only.

(3) Directors were paid a committee meeting fee of C\$1,200 per committee meeting for Q1 only.

(4) Messrs. Benner and Quin resigned as directors on June 16, 2011.

(5) Mr. McLeod resigned as a director on April 12, 2011.

(6) Messrs. Castro, Shin and Zimmer were appointed as directors on June 20, 2011.

(7) Mr. Shin's fees earned are paid directly to Kores Canada Corp.

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

#### Outstanding Option Based Awards

The following table sets out all option-based awards outstanding for each of our directors other than, Mr. Darren M. Pylot, our President and CEO, for the year ended December 31, 2011.

Option-based Awards				
Name	Number of securities underlying unexercised options (#)	Option exercise price (C\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)
Lawrence I. Bell	117,450	3.57599	April 17, 2013	-
	100,000	1.30	February 9, 2014	150,513.58
	100,000	2.99	March 20, 2015	- <sup>(2)</sup>
	100,000	4.48	January 5, 2016	- <sup>(4)</sup>
George L. Brack	50,000	1.49	March 16, 2014	65,595.44
	100,000	2.99	March 20, 2015	- <sup>(2)</sup>
	100,000	4.48	January 5, 2016	- <sup>(4)</sup>
Jan A. Castro	100,000	3.19	June 20, 2016	- <sup>(5)</sup>
Chantal Gosselin	100,000	2.34	July 26, 2015	44,747.28 <sup>(3)</sup>
	100,000	4.48	January 5, 2016	- <sup>(4)</sup>
Dale C. Peniuk	100,000	1.49	March 16, 2014	131,190.89
	100,000	2.99	March 20, 2015	- <sup>(2)</sup>
	100,000	4.48	January 5, 2016	- <sup>(4)</sup>
Hak-Kyun Shin	100,000	3.19	June 20, 2016	- <sup>(5)</sup>
Richard N. Zimmer	491,280	2.4475	November 18, 2015	166,124.89
	100,000	3.19	June 20, 2016	- <sup>(5)</sup>
	614,100	1.7342	March 7, 2017	653,133.10
	307,050	1.7196	April 30, 2018	331,125.62
	102,350	1.4656	September 25, 2018	136,813.63
	414,100	0.6742	January 22, 2019	886,821.70
614,100	2.5892	March 22, 2020	119,160.26	

- (1) Calculated based on the difference between the market price of our shares on the TSX on December 30, 2011, which was C\$2.78 and the exercise price of the option. Converted to US dollars using the Canadian dollar/US dollar exchange rate of 0.9833 on December 30, 2011.
- (2) Options awarded May 20, 2010 vest one-third per year commencing on May 20, 2010 and have a five year term.
- (3) Options awarded July 26, 2010 vest one-third per year commencing on July 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 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 directors, other than Darren M. Pylot, our President and CEO (who received no additional compensation for his services as a director), vested or earned during the year ended December 31, 2011.

Name	Option-based awards - Value vested during the year (\$)	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
Lawrence I. Bell	116,292.95 <sup>(1)</sup> 51,377.19 <sup>(2)</sup>	-	-
George L. Brack	90,252.72 <sup>(3)</sup> 51,377.19 <sup>(2)</sup>	-	-
Jan A. Castro	-(5)	-	-
Chantal Gosselin	45,566.94 <sup>(4)</sup>	-	-
Dale C. Peniuk	90,252.72 <sup>(3)</sup> 51,377.19 <sup>(2)</sup>	-	-
Hak-Kyun Shin	-(5)	-	-
Richard N. Zimmer	-(5)	-	-

- (1) Calculated based on the difference between the market price of our shares on the TSX on February 9, 2011 (C\$4.81) and the exercise price of the option (C\$1.30). Converted to US dollars using the Canadian dollar/US dollar exchange rate of 1.0061 on February 9, 2011.
- (2) Calculated based on the difference between the market price of our shares on the TSX on March 25, 2011 (C\$4.56) and the exercise price of the option (C\$2.99). Converted to US dollars using the Canadian dollar/US dollar exchange rate of 1.0186 on March 25, 2011.
- (3) Calculated based on the difference between the market price of our shares on the TSX on March 16, 2011 (C\$4.22) and the exercise price of the option (C\$1.49). Converted to US dollars using the Canadian dollar/US dollar exchange rate of 1.0083 on March 16, 2011.
- (4) Calculated based on the difference between the market price of our shares on the TSX on July 26, 2011 (C\$3.79) and the exercise price of the option (C\$2.34). Converted to US dollars using the Canadian dollar/US dollar exchange rate of 1.0607 on July 26, 2011.
- (5) Messrs. Castro, Shin and Zimmer were appointed as directors on June 20, 2011. The market price of our shares on the TSX on June 20, 2011 was C\$3.17 and the exercise price of the option was C\$3.19.

### 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	22,075,755	\$2.72	15,547,666
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
<b>Total</b>	<b>22,075,755</b>	<b>\$2.72</b>	<b>15,547,666</b>

Stock options to purchase securities of the Company are granted to its directors, officers, employees and consultants on terms and conditions acceptable to the regulatory authorities in Canada. At the

Company's annual general and special meeting held on May 17, 2010, the shareholders of the Company approved an amendment to the Incentive Share Option and Bonus Share Plan (the "Plan") that reserved 10% of the issued and outstanding shares of the Company for issuance on exercise of stock options, including previously granted stock options.

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

## CORPORATE GOVERNANCE DISCLOSURE

The Board, as a whole, is responsible for reviewing the overall governance principles of the Company and governance issues that arise during the course of 2011. National Instrument 58-101 - *Disclosure of Corporate Governance Practices* requires each reporting issuer to disclose its corporate governance practices on an annual basis. The following describes the Company's corporate governance practices.

### ***Board of Directors***

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

Applying the definition set out in NI 52-110, in 2011, six of the seven members of the Board were independent. The members who were independent in 2011 were Lawrence I. Bell, George L. Brack, Chantal Gosselin, Dale C. Peniuk, Hak-Kyun Shin and Richard N. Zimmer. Mr. Pylot is not independent by virtue of the fact that he is an executive officer of the Company. Accordingly, the majority of the directors were independent in 2011. On April 12, 2011, Mr. D. Bruce McLeod resigned as a director and on June 16, 2011, Messrs. Colin K. Benner and Stephen P. Quin resigned as directors. On June 20, 2011, Messrs. Jan A. Castro, Hak-Kyun Shin and Richard N. Zimmer were appointed as directors.

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

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

Name of Director	Reporting Issuer(s) or Equivalent(s)
Lawrence I. Bell	Goldcorp Inc., International Forest Products Limited, Matrix Asset Management Inc., Silver Wheaton Corp.
George L. Brack	Alexco Resource Corp., Aurizon Mines Ltd., Geologix Explorations Inc., Newstrike Capital Inc. and Silver Wheaton Corp.
Chantal Gosselin	Avala Resources Ltd.
Dale C. Peniuk	Argonaut Gold Inc., Lundin Mining Corporation, Rainy River Resources Ltd. and Sprott Resource Lending Corp.
Darren M. Pylot	Lithium 1 Inc. and Zena Mining Corp.
Richard N. Zimmer	Magellan Minerals Ltd.

### ***Interlocking Boards***

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

<b>Directors serving on Interlocking Boards</b>	<b>Name of other company</b>
Larry I. Bell and George L. Brack	Silver Wheaton Corp.

### ***Attendance of Directors at Board and Committee Meetings***

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

<b>Summary of Attendance of Directors at Meetings</b>						
<b>Directors</b>	<b>Board Meetings (13 Meetings)</b>	<b>Independent Director Meetings (12 Meetings)</b>	<b>Audit Committee Meetings (5 Meetings)</b>	<b>Human Resources and Corporate Governance Committee Meetings (7 Meetings)</b>	<b>Environmental, Health, Safety and Sustainability Committee Meetings (4 Meetings)</b>	<b>Special Committee Meetings (1 Meeting)</b>
Lawrence I. Bell	13 of 13 100%	12 of 12 100%	5 of 5 100%	7 of 7 100%	-	1 of 1 100%
Colin K. Benner	9 of 9 <sup>(1)</sup> 100%	8 of 8 <sup>(1)</sup> 100%	-	3 of 4 <sup>(1)</sup> 75%	-	1 of 1 <sup>(1)</sup> 100%
George L. Brack	12 of 13 92%	12 of 12 100%	2 of 2 <sup>(4)</sup> 100%	7 of 7 100%	-	1 of 1 100%
Jan A. Castro	4 of 4 100%	4 of 4 100%	3 of 3 <sup>(4)</sup> 100%	-	-	-
Chantal Gosselin	13 of 13 100%	12 of 12 100%	-	3 of 3 <sup>(5)</sup> 100%	4 of 4 100%	-
D. Bruce McLeod	2 of 3 <sup>(2)</sup> 89%	2 of 3 <sup>(2)</sup> 89%	-	-	1 of 1 <sup>(2)</sup> 100%	-
Dale C. Peniuk	13 of 13 100%	12 of 12 100%	5 of 5 100%	-	-	-
Darren M. Pylot	13 of 13 100%	-	4 of 4 <sup>(6)</sup> 100%	7 of 7 <sup>(6)</sup> 100%	-	1 of 1 <sup>(6)</sup> 100%
Stephen P. Quin	9 of 9 <sup>(1)</sup> 100%	8 of 8 <sup>(1)</sup> 100%	-	-	2 of 2 <sup>(1)</sup> 100%	-
Hak-Kyun Shin	4 of 4 100%	4 of 4 100%	-	-	2 of 2 <sup>(7)</sup> 100%	-
Richard N. Zimmer	4 of 4 100%	4 of 4 100%	-	-	2 of 2 <sup>(7)</sup> 100%	-
<b>Overall Attendance Rate</b>	<b>98%</b>	<b>99%</b>	<b>100%</b>	<b>96%</b>	<b>100%</b>	<b>100%</b>

(1) Messrs. Benner and Quin resigned as directors on June 16, 2011.

(2) Mr. McLeod resigned as a director on April 12, 2011.

(3) Messrs. Castro, Shin and Zimmer were appointed as directors on June 20, 2011.

(4) Mr. Brack stepped down and Mr. Castro was appointed to the Audit Committee on June 20, 2011.

(5) Ms. Gosselin was appointed to the HR&CG Committee on June 20, 2011.

(6) As Chief Executive Officer and President, Mr. Pylot attended certain committee meetings *ex officio*.

(7) Messrs. Shin and Zimmer were appointed to the EHS&S Committee on June 20, 2011.

### ***Board Mandate***

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

### ***Position Descriptions***

The Board has developed written position descriptions for the Chair of the Board, the CEO and for the

Chairs of each of its Committees. Management is responsible for the day-to-day operations of the Company, reviewing and implementing strategies, budgeting and monitoring performance against budget and identifying opportunities and risks.

### ***Orientation and Continuing Education***

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

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

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

### ***Ethical Business Conduct***

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

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

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

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

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

- (b) to develop and monitor the overall approach to remuneration for the directors of the Company and, subject to approval by the Board, to implement a remuneration program for the directors and the roles within the Board committees;
- (c) to report annually to the shareholders, through the annual management proxy circular or annual report to shareholders, on the Company's system of corporate governance and the operation of its system of governance, having reference to National Policy 58-201- *Corporate Governance Guidelines*;
- (d) to analyze and report annually to the Board the relationship of each director to the Company as to whether such director is a related director or an (unrelated) independent director;
- (e) to advise the Board or any of the committees of the Board of any corporate governance issues which the HR&CG Committee determines ought to be considered by the Board or any such committee;
- (f) to review with the Board, on a regular basis but not less than annually, the role of the Board, the terms of reference of each of the committees of the Board and the methods and processes by which the Board fulfills its duties and responsibilities;
- (g) to recommend to the Board a system which enables a committee or an individual director to engage separate independent counsel and advisors at the expense of the Company in appropriate circumstances and, upon the approval by the Board of such a process, to be responsible for the management and administration thereof;
- (h) be responsible for identifying individuals qualified to become new Board members and recommending to the Board the new director nominees for the next annual meeting of the shareholders, and in so doing consider:
  - (i) the competencies and skills that the Board considers to be necessary for the board, as a whole, to possess;
  - (ii) the competencies and skills that the Board considers each existing director to possess; and
  - (iii) the competencies and skills each new nominee will bring to the boardroom;
- (i) whenever the Chairman of the Board is also the Chief Executive Officer of the Company, to establish practices and procedures to permit the Board to act independently, and to act as a forum for concerns of individual directors regarding matters not readily or easily brought to a full Board meeting for discussion.

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

### ***Compensation***

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

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

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

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

- (b) to ensure that the Company has in place programs to attract and develop management of the highest calibre and a process to provide for the orderly succession of management;
- (c) to review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer and, in light of those goals and objectives, to recommend to the Board the annual salary, bonus and other benefits, direct and indirect, of the Chief Executive Officer and to approve compensation for all other designated officers after considering the recommendations of the Chief Executive Officer, all within the human resources and compensation policies and guidelines approved by the Board;
- (d) to implement and administer human resources and compensation policies approved by the Board concerning the following:
  - (i) executive compensation, contracts, stock plans or other incentive plans, including making recommendations to the Board regarding equity-based compensation and options; and
  - (ii) proposed personnel changes involving officers reporting to the Chief Executive Officer;
- (e) from time to time, to review the Company's broad policies and programs in relation to benefits;
- (f) to annually receive from the Chief Executive Officer recommendations concerning annual compensation policies and budgets, including stock options, for all employees;
- (g) from time to time, to review with the Chief Executive Officer the Company's broad policies on compensation for all employees and overall labour relations strategy for employees;
- (h) to periodically review the adequacy and form of the compensation of directors and to ensure that the compensation realistically reflects the responsibilities and risks involved in being an effective director, and to report and make recommendations to the Board accordingly;
- (i) to report regularly to the Board on all of the Committee's activities and findings during that year;
- (j) to develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board within a reasonable period of time following each annual general meeting of shareholders; and
- (k) to review executive compensation disclosure before publically disclosed.

The HR&CG Committee engaged Towers Watson to provide compensation analysis for directors and the CEO of the Company.

#### ***Other Board Committees***

In addition to the Audit Committee and the HR&CG Committee, the Company has an Environmental, Health and Safety Committee which monitors compliance with environmental and safety standards and sets environmental and safety policy.

#### ***Audit Committee***

The Audit Committee, comprised of Dale C. Peniuk, Chair, Lawrence I. Bell and Chantal Gosselin, has the responsibility of, among other things, recommending to the Board the independent auditor; determining the extent of involvement of the independent auditor in reviewing unaudited quarterly financial results; evaluating the qualifications, performance and independence of the independent auditor; reviewing and recommending approval to the board of our annual and quarterly financial results and management discussion and analysis; overseeing the establishment of "whistle-blower" and related procedures. Each member of the Audit Committee is an independent director. NI 52-110 requires the Company's Audit Committee to meet certain requirements. It also requires the Company to disclose certain information regarding the Audit Committee. That information has been disclosed in the Company's Annual Information Form dated March 30, 2012, which has been filed on SEDAR (see "Additional Information" at the end of this Information Circular). The text of the Audit Committee's Charter is attached as Schedule "B" to this Information Circular.

#### ***Assessments***

The Board conducts 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 HR&CG Committee on its assessment of the functioning of the Board

and may receive reports from each committee respecting its own effectiveness. As part of the assessments, the Board or the individual committee may review their respective mandate or charter and conduct reviews of applicable corporate policies.

#### **APPOINTMENT AND REMUNERATION OF AUDITOR**

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

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

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

#### **OTHER BUSINESS**

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

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

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

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

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

#### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

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

#### **ADDITIONAL INFORMATION**

Additional information relating to the Company is on the SEDAR website at [www.sedar.com](http://www.sedar.com) under "Capstone Mining Corp."

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

## APPROVAL AND SIGNATURE

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

ON BEHALF OF THE BOARD

*"Darren M. Pylot"*

Darren M. Pylot, President and CEO

## SCHEDULE "A"



# CAPSTONE MINING CORP.

## BOARD MANDATE

### A. INTRODUCTION

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

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

### B. PROCEDURES AND ORGANIZATION

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

### C. DUTIES AND RESPONSIBILITIES

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

#### 1. Legal Requirements

- (a) The Board has the responsibility to ensure that legal requirements have been met and documents and records have been properly prepared, approved and maintained;
- (b) The Board has the statutory responsibility to:
  - (i) manage or, to the extent it is entitled to delegate such power, to supervise the management of the business and affairs of the Corporation by the senior officers of the Corporation;

- (ii) act honestly and in good faith with a view to the best interests of the Corporation;
- (iii) exercise the care, diligence and skill that reasonable, prudent people would exercise in comparable circumstances; and
- (iv) act in accordance with its obligations contained in the Act and the regulations thereto, the Corporation's Articles, securities legislation of each province and territory of Canada, and other relevant legislation and regulations.

## 2. **Independence**

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

## 3. **Strategy Determination**

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

## 4. **Managing Risk**

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

## 5. **Division of Responsibilities**

The Board has the responsibility to:

- (a) appoint and delegate responsibilities to committees where appropriate to do so; and
- (b) develop position descriptions for:
  - (i) the Board;
  - (ii) the Chairman and Vice-Chairman of the Board;
  - (iii) the Chair of each Board Committee;
  - (iv) the Chief Executive Officer;
  - (v) the Chief Financial Officer;
  - (vi) the Chief Operating Officer; and
  - (vii) the President.

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

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

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

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

The Board has the responsibility:

- (a) to appoint the Chief Executive Officer, to monitor and assess the Chief Executive Officer's performance, to satisfy itself as to the integrity of the Chief Executive Officer, and to provide advice and counsel in the execution of the Chief Executive Officer's duties;
- (b) to develop or approve the corporate goals or objectives that the Chief Executive Officer is responsible for;
- (c) to approve the appointment of all corporate officers, acting upon the advice of the Chief Executive Officer and to satisfy itself as to the integrity of such corporate officers;
- (d) to ensure that adequate provision has been made to train and develop management and for the orderly succession of management and to ensure that all new directors receive a comprehensive orientation, fully understand the role of the Board and its committees, the nature and operation of the Corporation's business and the contribution that individual directors are required to make;
- (e) to create a culture of integrity throughout the Corporation;
- (f) to ensure that management is aware of the Board's expectations of management;
- (g) to provide for succession of management; and
- (h) to set out expectations and responsibilities of directors including attendance at meetings and review of meeting materials.

## 7. **Policies, Procedures and Compliance**

The Board has the responsibility:

- (a) to ensure that the Corporation has in place policies and structures that lead the Corporation to operate at all times within applicable laws, regulations and our ethical standards; and
- (b) to approve and monitor compliance with significant policies and procedures by which the Corporation is operated.

## 8. **Reporting and Communication**

The Board has the responsibility:

- (a) to ensure the Corporation has in place policies and programs to enable the Corporation to communicate effectively with its shareholders, other stakeholders and the public generally;
- (b) to ensure that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;
- (c) to ensure the timely reporting of developments that have a significant and material impact on the value of the Corporation;
- (d) to report annually to shareholders on its stewardship of the affairs of the Corporation for the preceding year;
- (e) to develop appropriate measures for receiving shareholder feedback; and
- (f) to develop the Corporation's approach to corporate governance and to develop a set of corporate governance principles and guidelines.

## 9. **Monitoring and Acting**

The Board has the responsibility:

- (a) to monitor the Corporation's progress towards its goals and objectives and to revise and alter its direction through management in response to changing circumstances;
- (b) to take action when performance falls short of its goals and objectives or when other special circumstances warrant;
- (c) to ensure that the Corporation has implemented adequate control and information systems which ensure the effective discharge of its responsibilities; and
- (d) to make regular assessments of the Board.

## **SCHEDULE "B"**

### **CAPSTONE MINING CORP. (the "Company")**

#### **AUDIT COMMITTEE CHARTER**

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

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