

## **TERMS OF REFERENCE FOR THE HUMAN RESOURCES & COMPENSATION COMMITTEE**

### **1. PURPOSE**

The Human Resource & Compensation Committee (the “HR&C Committee”) of Capstone Mining Corp. (“Capstone”) is established by the Board of Directors (the “Board”) to implement and assist the Board in fulfilling its oversight responsibilities in relation to human resources and compensation policies and to establish a plan of continuity for executive officers and other members of the senior management, including the Chief Executive Officer (the “CEO”).

### **2. COMPOSITION**

- A. The HR&C Committee shall consist of a minimum of three members of the Board, majority of who shall be non-management directors, and “independent”, as that term is defined in National Instrument 58-101 “Disclosure of Corporate Governance Practices”.
- B. The Board, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, shall appoint the members of the HR&C Committee for the ensuing year. The Board may at any time remove or replace any member of the HR&C Committee and may fill any vacancy in the HR&C Committee.
- C. The Board shall have appointed the chair of the HR&C Committee on an annual basis.
- D. The secretary of the HR&C Committee shall be designated from time to time from one of the members of the HR&C Committee or, failing that, shall be the Corporate Secretary, unless otherwise determined by the HR&C Committee.
- E. The CEO shall be available to advise the HR&C Committee, shall receive notice of all meetings of the HR&C Committee and may attend meetings of the HR&C Committee as a guest.
- F. The quorum for meetings shall be a majority of the members of the HR&C Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.

### **3. CORE RESPONSIBILITIES**

- A. The duties and responsibilities of the HR&C Committee shall be as follows:
  - i. to recommend to the Board human resources and compensation policies and guidelines for application to Capstone
  - ii. to ensure that Capstone has in place programs to attract and develop management of the highest calibre and a process to provide for the orderly succession of management
- B. Appointment, Performance Evaluation, and Compensation of the CEO:
  - i. to review corporate strategic goals and objectives approved by the Board relevant to the compensation of the CEO 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 CEO and to approve compensation for all other designated officers after considering the recommendations of the CEO, all within the human resources and compensation policies and guidelines approved by the HR&C Committee or the Board
- ii. to ensure human resources and compensation policies approved by the HR&C Committee or the Board concerning the following are being carried out:
    - a) executive compensation, contracts, stock plans or other incentive plans, including making recommendations to the Board regarding equity-based compensation and options
    - b) proposed personnel changes involving officers reporting to the CEO
  - iii. develop and implement a CEO succession plan
- C. Working in conjunction with the CEO with respect to:
- i. annually receive from the CEO recommendations concerning annual compensation policies and budgets, including stock options recommended to the Board by the HR&C Committee, for all employees
  - ii. annually, to review with the CEO the Corporation's broad policies on compensation for all employees and overall labour relations strategy for employees
  - iii. 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
- D. Appointment, Performance Evaluation, and Compensation of named and other Executives:
- i. annually review and approve the evaluation process and compensation structure for other Executive Officers
  - ii. make recommendations to the Board with respect to the compensation of named Executive Officers of Capstone, including, as appropriate, salary, bonus, incentive and equity compensation
  - iii. assess the competitiveness and appropriateness of Capstone's executive compensation plans and policies
  - iv. review shareholdings of all Executive Officers relative to the share ownership guidelines established by the HR&C Committee, including current holdings of share-equivalent units

- v. consider and as appropriate approve any agreements, including those addressing retirement, termination of employment or other special circumstances, including terms and conditions of appointments, between Capstone and such Executive Officers, for execution by the CEO
- vi. review management's succession planning for such Executive Officers

E. General:

- i. to report regularly to the Board on all of the HR&C Committee's activities and findings during that year
- ii. to review and pre-approve the compensation and any other services rendered by the external compensation consultants and review the fee, scope and timing of these services
- iii. from time to time, to review the Corporation's broad policies and programs in relation to benefits
- iv. to develop a calendar of activity to be undertaken by the HR&C Committee for each ensuing year and to submit the calendar in the appropriate format to the Board of Directors within a reasonable period of time following each annual general meeting of shareholders
- v. to review executive compensation disclosure before publicly disclosed
- vi. to layout the agenda for the forthcoming year

**4. RESPONSIBILITIES OF THE COMMITTEE CHAIR**

- A. The fundamental responsibility of the HR&C Committee Chair is to be responsible for the management and effective performance of the HR&C Committee and provide leadership to the HR&C Committee in fulfilling its mandate and any other matters delegated to it by the Board. To that end, the Committee Chair's responsibilities shall include:
  - i. Working with the Chairman of the Board, the Chief Executive Officer and the Secretary to establish the frequency of the HR&C Committee meetings
  - ii. Providing leadership to the HR&C Committee and presiding over HR&C Committee meetings
  - iii. Facilitating the flow of information to and from the HR&C Committee and fostering an environment in which HR&C Committee members may ask questions and express their viewpoints
  - iv. Reporting to the Board with respect to the significant activities of the HR&C Committee and any recommendations of the HR&C Committee
  - v. Leading the HR&C Committee in annually reviewing and assessing the adequacy of its mandate and evaluating its effectiveness in fulfilling its mandate

- vi. Taking such other steps as are reasonably required to ensure that the HR&C Committee carries out its mandate
- B. The Chair shall be responsible to:
  - i. Ensure the HR&C Committee meets regularly and performs its duties as set out herein.
  - ii. Report to the Board of Directors on the activities of the HR&C Committee.

## **5. AUTHORITY**

The HR&C Committee shall have access to such officers and employees and to such information respecting Capstone, and may engage independent consultants and advisors at the expense of Capstone, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

## **6. ACCOUNTABILITY**

- A. The HR&C Committee Chair has the responsibility to make periodic reports to the Board, as requested, on governance and human resource matters relative to Capstone.
- B. The HR&C Committee shall report its discussions to the Board by maintaining minutes of its meetings and providing an oral report at the next Board meeting.

## **7. MEETINGS**

Meetings of the HR&C Committee shall be conducted as follows:

- A. The HR&C Committee shall meet at least three times annually at such times and at such locations as the Chair of the HR&C Committee shall determine and may also meet at any other time or times on the call of the Chair of the HR&C Committee or any two of the other members
- B. Agendas for meetings of the HR&C Committee shall be developed by the Chair of the Committee in consultation with management and the Corporate Secretary, and should be circulated to HR&C Committee members one week prior to Committee meetings.
- C. A member of the Committee may be designated as the liaison member to report on the deliberations of the HR&C Committee to the Board.
- D. All meetings shall include an in-camera session of independent directors without management present.