



TERMS OF REFERENCE FOR THE CORPORATE GOVERNANCE AND NOMINATING COMMITTEE

1. PURPOSE

The main purpose of the Corporate Governance and Nominating Committee (the “CG&N Committee”) of Capstone Mining Corp. (“Capstone”) is to assist the Board in carrying out its responsibilities with respect to: developing and implementing principles and systems for the management of corporate governance; establishing and leading the process for identifying and recruiting qualified individuals for Board and Board committee membership, as well as committee chairs; evaluating Board, Board committee, and individual-director performance; and establishing the process for ongoing development for directors.

2. COMPOSITION

- A. The CG&N Committee shall be composed of not fewer than three directors and not more than five directors, all of whom shall qualify as independent directors pursuant to applicable securities regulatory requirements.
- B. The Board, at its annual organizational meeting held in conjunction with each annual general meeting of the shareholders, shall appoint the members of the Corporate Governance and Nominating Committee for the ensuing year. The Board may at any time remove or replace any member of the CG&N Committee and may fill any vacancy in the CG&N Committee.
- C. The Board shall appoint the chair of the CG&N Committee on an annual basis.
- D. The secretary of the Corporate Governance and Nominating Committee shall be designated from time to time from one of the members of the CG&N Committee or, failing that, shall be the Corporate Secretary, unless otherwise determined by the CG&N Committee.
- E. The quorum for meetings shall be a majority of the members of the CG&N 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

Board Composition and Nominations

Subject to the powers and duties of the Board, the CG&N Committee will:

- A. Review annually the Board’s relationship with management to ensure the Board is able to, and in fact does, function independently of management;
- B. Develop, and update annually and recommend to the Board for approval, a long term plan for Board composition that takes into consideration:
 - i. the independence of each director;

- ii. the competencies and skills the Board, as a whole, should possess;
 - iii. the current strengths, skills and experience represented by each director, as well as each director's personality and other qualities as they affect Board dynamics;
 - iv. the diversity represented on the Board;
 - v. the appropriate size of the Board, with a view to facilitating effective decision-making;
 - vi. the strategic direction of Capstone;
- C. Develop recommendations regarding the essential and desired experiences and skills for potential directors, taking into consideration the Board's short-term needs and long-term succession plans;
- D. Develop and implement a process to handle any nominees for director who are recommended by security holders;
- E. In conjunction with the Board Chair and the CEO, recommend to the Board nominees for election to the Capstone Board of directors, considering what competencies and skills each nominee will bring to the Board as well as whether or not each new nominee can devote sufficient time and resources to his or her duties as a Board member; and
- F. To assist the Board in the fulfilment of its enterprise risk management oversight specifically relating to Board structure, membership and corporate governance compliance.

Corporate Governance

Subject to the powers and duties of the Board, the CG&N Committee will:

- G. Review annually the corporate governance practices of Capstone in the context of its global business affairs and compare Capstone's corporate governance practices against those recommended or required by any applicable regulator or stock exchange;
- H. Ensure that the responsibilities of the Board are well understood by both the Board and management;
- I. Review periodically, for Board approval, a Board Manual outlining the policies and procedures by which the Board will operate and the terms of reference for the Board, the Board Chair and the CEO, and committees of the Board;
- J. In conjunction with the Board Chair and the CEO, assess the needs of the Board in terms of the frequency and location of Board and committee meetings, meeting agendas, discussion papers, reports and information, and the conduct of meetings and make recommendations to the Board as required;
- K. In conjunction with the Board Chair and the CEO, recommend committee members and committee chair appointments to the Board for approval and review the need for, and



- the performance and suitability of, those committees and make recommendations as required;
- L. Review, monitor and make recommendations to the Board regarding the orientation and education of directors;
 - M. Review annually Capstone's directors' and officers' third-party liability insurance to consider adequacy of coverage;
 - N. Review annually the terms of reference, position descriptions and policies relating to corporate governance matters;
 - O. Review the Board's needs for formal Board, committee and individual director evaluation processes; and develop and implement appropriate processes;
 - P. Conduct annual Board assessment and report to Board;
 - Q. Review and approve the request of an individual director to engage independent counsel in appropriate circumstances, at Capstone's expense;
 - R. With regard to Capstone's Our Values and Ethics, Code of Conduct (the "Code"):
 - i. Review and update periodically the Code and ensure that management has established a system to enforce the Code;
 - ii. Review actions taken to ensure compliance with the Code and the results of confirmations and violations of such Code;
 - iii. Ensure the Code, any revisions to the Code and any waivers to the Code granted by the Board are disclosed in a manner that meets regulatory guidelines;
 - iv. Ensure that any departures from the Code by a director or senior officer that constitute a "material change" within the meaning of National Instrument 51-201 Disclosure Standards, are reported in a manner that fully meets regulatory requirements;
 - S. Review and recommend for Board approval any annual and/or interim reports of Capstone's governance practices. This report shall include adequate detail to meet or exceed any regulatory or legal governance disclosure requirements, in addition to any additional disclosure the Board deems important. Disclosure should include, but not be limited to the items in the governance disclosure checklist in the appendix to these Terms of Reference. The CG&N Committee shall communicate with other Board committees as necessary regarding disclosure of items under their respective terms of reference;
 - T. Implement and oversee measures for security holders to contact the independent directors, and ensure these measures are communicated to shareholders;

- U. Review independence, interlocking Board, multiple Board memberships and multiple appointments to Audit Committees of directors and recommend for approval to the Board if required pursuant to Board policies;
- V. Review any potential conflicts of interest involving a director for the purpose of determining independence and whether such conflict limits or impairs the role of the director;

4. RESPONSIBILITIES OF THE COMMITTEE CHAIR

The fundamental responsibility of the CG&N Committee Chair is to be responsible for the management and effective performance of the CG&N Committee and provide leadership to the CG&N 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:

- A. Working with the Chairman of the Board, the Chief Executive Officer and the Secretary to establish the frequency of the CG&N Committee meetings;
- B. Providing leadership to the CG&N Committee and presiding over CG&N Committee meetings;
- C. Facilitating the flow of information to and from the CG&N Committee and fostering an environment in which CG&N Committee members may ask questions and express their viewpoints;
- D. Reporting to the Board with respect to the significant activities of the CG&N Committee and any recommendations of the CG&N Committee;
- E. Leading the CG&N Committee in annually reviewing and assessing the adequacy of its mandate and evaluating its effectiveness in fulfilling its mandate;
- F. Taking such other steps as are reasonably required to ensure that the CG&N Committee carries out its mandate.

5. AUTHORITY

The Corporate Governance and Nominating 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

The CG&N Committee Chair has the responsibility to make periodic reports to the Board, as requested, on corporate governance matters. The CG&N 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 CG&N Committee shall be conducted as follows:

- A. The CG&N Committee shall meet at least two times annually at such times and at such locations as may be requested by the Chair of the CG&N Committee.
- B. Agendas for meetings of the CG&N Committee shall be developed by the Chair of the Committee in consultation with management and the Corporate Secretary, and should be circulated to CG&N 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 CG&N Committee to the Board.
- D. All regular meetings shall include an in-camera session of independent directors without management present.

8. ANNUAL BOARD APPRAISAL PROCESS

<u>Step</u>	<u>Date</u>	<u>Description</u>
1.		<ul style="list-style-type: none"> a) Review skills matrix and determine long term Board requirements and retirements b) Review Board and committee questionnaire and amend or append as needed c) Discuss appropriate form of individual director evaluations: paper and/or personal interviews by the Board Chair d) Establish methodology for appraising the performance of the Board Chair
2.		Send out board/committee questionnaire and initiate the individual director evaluation process
3.		Initiate Peer to Peer review with the Board Chair
4.		Review the questionnaire and interview results
5.		Report conclusions of the review to the Board
6.		Initiate actions to improve Board, committee and individual performance.