

BOARD OF DIRECTORS CORPORATE GOVERNANCE GUIDELINE

ROLE OF THE BOARD AND MANAGEMENT

The Articles of Capstone Mining Corp. (“Capstone”) provide that the business and affairs of Capstone are to be managed under the direction of the Board of Directors (the “Board”). The Board is responsible for the overall stewardship of Capstone and is accountable to its shareholders who elect the Board annually. Management of Capstone’s business is the responsibility of the President and Chief Executive Officer (“CEO”) and Senior Management.

GOALS AND RESPONSIBILITIES

To carry out its responsibilities, the Board will:

BOARD FUNCTION AND OPERATION

1. Approve Directors to be appointed to the Board and recommend to the shareholders candidates to the Board to be elected at the next annual meeting of shareholders, with the assistance of the Corporate Governance and Nominating Committee considering the selection criteria identified by the Corporate Governance and Nominating Committee through a review of the skills, experience and personality, among other attributes, required to provide the appropriate mix to guide the strategy and business operations of Capstone and in accordance with Capstone’s Director Succession and Recruitment Process.
2. Determine whether each Director is “independent” in accordance with criteria established by the Board, including relevant laws and the listing requirements of the Toronto Stock Exchange.
3. Review and determine from time to time with the assistance of the Corporate Governance and Nominating Committee the Corporate Governance Guidelines applicable to the Board.
4. Determine with the assistance of the Human Resources and Compensation Committee reasonable compensation to be received for services as a Director.
5. Periodically evaluate the overall performance of the Board with the assistance of the Corporate Governance and Nominating Committee and review the performance of Board committees, Chairman and individual directors.
6. Regularly hold *in camera* sessions without management present. The Chairman will be responsible for reporting to management regarding any comments or concerns of the Directors.

CAPSTONE OPERATIONS

1. Review and approve the long-term business plan and goals of Capstone.
2. Review and approve the fundamental financial and business strategies of Capstone and its businesses that will be used to meet Capstone's goals, including annual capital and operating targets.
3. Approve major corporate actions and decisions of Capstone and delegate to senior management the responsibility for day-to-day management of Capstone and the authority to enter into certain types of transactions subject to specified limits, as appropriate.
4. Oversee the quality and integrity of the accounting, auditing, and financial reporting practices of Capstone, and Capstone's compliance with legal and regulatory requirements, with the assistance of the Audit Committee. Approve with the assistance and recommendation of the Audit Committee, Capstone's annual report, Capstone's interim financial statements, Capstone's annual audited financial statements and the MD&A for inclusion in the annual report and all relevant portions of the continuous disclosure information filed on SEDAR.
5. Act as advisor and counselor to senior management and monitor its performance. The CEO will assist in establishing contact between the Directors and Senior Management of Capstone.
6. Provide oversight of Capstone's Enterprise Risk Management system.
7. Oversee compliance with all applicable laws as well as significant policies and procedures by which Capstone is operated with the assistance of the Audit Committee and Corporate Governance and Nominating Committee.
8. Annually review, with the assistance of the Corporate Governance and Nominating Committee, Capstone's Our Values and Ethics - Code of Conduct Policy. Monitor compliance and approve any waivers of such principles with regard to Capstone's CEO, finance and accounting officers and for promptly disclosing such waivers.
9. Annually review and approve Capstone's proxy materials for distribution to shareholders in connection with the annual meeting of shareholders.
10. Appoint Capstone's corporate officers.

MANAGEMENT SUCCESSION

1. Approve the selection and appointment of Capstone's CEO.
2. Annually evaluate the performance of the CEO with the assistance of the Human Resources and Compensation Committee, using the evaluation process established by the Corporate Governance and Nominating Committee. Based on the performance evaluation, annually determine the

compensation to be paid to the CEO with the assistance of the Human Resource and Compensation Committee.

3. Provide counsel and oversight with the assistance of the Human Resources and Compensation Committee on the selection, evaluation, and development of senior management.

BOARD ORGANIZATION AND COMPOSITION

SIZE AND COMPOSITION OF THE BOARD

The Articles of Capstone provide that the Board must consist of a number to be set annually at Capstone's Annual General Meeting. The Board will determine from time to time the number and qualification of Directors appropriate for effective operations of the Board. The Board should encompass a mix of skill experience and expertise sufficient to provide sound and prudent guidance with respect to Capstone's operations and interests. At all times a majority of the Board must be "independent directors" as defined from time to time by law, the listing requirements of the Toronto Stock Exchange and any specific requirements established by the Board.

DIRECTOR ELECTIONS

1. The Board with the assistance of the Corporate Governance and Nominating Committee will annually review, identify and recommend to shareholders, candidates for election or re-election to the Board.
2. At the Annual General Meeting ("AGM"), shareholders entitled to vote at the AGM for the election of directors must elect a Board for a term of one year.
3. All directors cease to hold office immediately before the election of directors but are eligible for re-election.
4. Capstone has an Advance Notice Policy which requires any person proposing to nominate a director for election at a meeting of shareholders to provide the company with advance notice of, and prescribed details concerning, any such proposed nominee in accordance with the Advance Notice Policy.

BOARD TENURE

The Board currently believes it is not necessary to institute mandatory retirement or term limits for Directors.

DIRECTOR SUCCESSION AND RECRUITMENT PROCESS

The Board has adopted a process with respect to the recruitment of Directors.

DIVERSITY

The Board has adopted a Diversity Policy with respect to the recruitment process for Directors and Senior Management.

OUTSIDE BOARD MEMBERSHIPS

1. Multiple Board Memberships

- a) No directors shall sit on more than four public company boards in total and no directors, who also serve as an executive of a public company shall sit on more than two public company boards in total, without the approval of the Board.
- b) If any director does sit on more than four public company boards or any director who also serves as an executive of a public company does sit on more than two public company boards, the Corporate Governance and Nominating Committee shall annually review the appropriateness of that director's continued membership on the Capstone Board and make a recommendation to the Board.
- c) Directors should advise the Corporate Governance & Nominating Committee of any invitations to join the board of any other public company prior to accepting another directorship so that any potential conflicts or other issues may be carefully considered in advance.

2. Interlocking Boards

- a) No more than two directors shall sit together on other public company boards without the approval of the Board.
- b) If such a situation does exist on the Board, the Corporate Governance and Nominating Committee shall annually review the continued appropriateness of the situation and make a recommendation to the Board.

3. Multiple Audit Committees

- a) No member of the Audit Committee of the Board shall serve on the audit committee of more than three (3) public companies without the approval of the Board.

CHAIRMAN OF THE BOARD

The Chairman will be appointed by the Board in the shareholders' best interest. The Board periodically will review the Chairman's performance as provided in "Goals and Responsibilities – Board Function and Operation" above.

COMMITTEES

The Board may establish committees to assist in the execution of the Board's responsibilities and, with the assistance of the Corporate Governance and Nominating Committee, approve the mandate, terms of reference and scope of responsibilities delegated to each committee and appoint the members of each committee. Committees may be standing committees or ad hoc. Standing committees of the Board will include an Audit Committee, Human Resource and Compensation Committee, Corporate Governance and Nominating Committee, Environmental, Health, Safety and Sustainability Committee, Technical Committee and such other committees as the Board determines are necessary and appropriate from time to time. Committee composition must be in compliance with all laws and listing requirements of the Toronto Stock Exchange as well as requirements established by the Board in the

committee terms of reference. Each committee will report to the Board with respect to its activities. Committees will have the power and authority to retain the services of advisers, consultants and experts as necessary or appropriate with respect to matters within the scope of responsibility of the committee and such authority will be provided for in each committee's terms of reference.

BOARD MEETINGS

The Board has a number of scheduled meetings a year at which it reviews and discusses reports by management on the performance of Capstone, its plans and prospects, as well as immediate issues facing Capstone. In addition to regularly scheduled meetings, unscheduled Board meetings may be called upon appropriate notice at any time to address specific needs of Capstone.

MEETING AGENDAS

The Chairman will establish the agenda for each Board meeting. Directors are encouraged to suggest items for inclusion on the agenda or request the presence of or a report by members of Capstone's senior management and may at any Board meeting, raise subjects that are not on the agenda for consideration at that meeting.

BOARD CONDUCT

GENERAL STANDARD

Each Director is expected to exhibit high standards of integrity, commitment and independence of thought and judgment; to use his or her skills and experiences to provide independent oversight to the business of Capstone; and to represent the long-term interests of all the shareholders of Capstone. Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively. Directors must be committed to devoting the time and effort necessary to learn the business of Capstone and the Board.

ORIENTATION AND TRAINING

Capstone will assist the Board by providing appropriate orientation programs for new Directors as outlined in Capstone's Director Orientation and Education Guideline. Capstone will also help Directors to develop and maintain skills necessary or appropriate for the performance of their responsibilities and will provide periodic visits to Company facilities to assist the Directors in understanding Capstone's businesses. Directors are expected to participate in training programs and visits to facilities.

MEETING MATERIALS

Directors will receive routine reports as well as background information and summaries with regard to major presentations in advance of each Board meeting to facilitate informed discussion of Board decisions. Directors are expected to attend, be prepared for and actively participate in Board and committee meetings.

ETHICS AND CONFLICTS OF INTEREST

The Board expects Directors, as well as Capstone's officers and employees, to act ethically at all times and to adhere to the policies and principles set out in Capstone's Code of Conduct and Ethical Values

Policy. If any actual or potential conflict of interest arises for a Director, the Director should promptly inform the Chairman. If a significant conflict exists and cannot be resolved, the Director should resign from the Board. All Directors will recuse themselves from any decision affecting their personal, business or professional interests and may participate in discussions of such matters where appropriate only after fully informing the other Directors of the nature of the interest in the matter.

BOARD INTERACTION WITH INSTITUTIONAL INVESTORS, CUSTOMERS AND THE PRESS

The CEO is responsible for establishing communications with Capstone’s stakeholder groups such as shareholders, customers, communities, suppliers, governments and the media. The Board endorses the current practice that Directors not communicate with outside constituencies unless requested to do so by the Chairman or the CEO in accordance with Capstone’s Disclosure and Confidentiality Policy.

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Board of Directors