

## **GRANDE CACHE COAL CORPORATION**

### **COMPENSATION COMMITTEE**

#### **MANDATE AND TERMS OF REFERENCE**

##### **Role and Objective**

The purpose of the Compensation Committee (the "Committee") is to assist the board of directors (the "Board") of the Corporation in fulfilling its responsibility by reviewing matters relating to the human resource policies and compensation of the directors, officers and employees of the Corporation and its subsidiaries in the context of the budget and business plan of the Corporation.

##### **Membership of the Committee**

1. The Committee shall be comprised of three members or such greater number as the Board may from time to time determine, of whom the majority shall be outside directors and unrelated to the Corporation (as such terms are used in the Report of the Toronto Stock Exchange and Corporate Governance in Canada).
2. Unless otherwise designated by the Board, the members of the Committee shall elect a Chairman from among the members and the Chair shall preside at all meetings of the Committee.

##### **Mandate and Responsibilities of the Committee**

1. The Compensation Committee shall formulate and make recommendations to the Board in respect of compensation issues relating to directors and employees of the Corporation. Without limiting the generality of the foregoing, the Committee shall have the following duties:
  - (a) to review the compensation philosophy and remuneration policy for employees of the Corporation and to recommend to the Board changes to improve the Corporation's ability to recruit, retain and motivate employees;
  - (b) to review and recommend to the Board the retainer and fees to be paid to members of the Board;
  - (c) to review and recommend to the Board performance objectives and the compensation package for the Chief Executive Officer;
  - (d) to recommend to the Board, on the direction of the Chief Executive Officer, the compensation and benefits package for senior management positions within the Corporation;
  - (e) to review management's recommendations for proposed stock option or share purchase plans and make recommendations in respect thereof to the Board;
  - (f) to administer the stock option plan approved by the Board in accordance with its terms including the grant of stock options in accordance with the terms thereof;
  - (g) to determine and recommend for approval of the Board bonuses to be paid to officers and employees of the Corporation and to establish targets or criteria for the payment of such bonuses, if appropriate; and

- (h) to prepare and submit a report of the Committee for inclusion of annual disclosure required by applicable securities laws to be made by the Corporation including the Compensation Committee Report required to be included in the information circular – proxy statement of the Corporation.

### **Meetings and Administrative Matters**

1. At all meetings of the Committee every question shall be decided by a majority of the votes cast. In case of an equality of votes, the Chairman of the meeting shall not be entitled to a second or casting vote.
2. The Chair shall preside at all meetings of the Committee, unless the Chair is not present, in which case the members of the Committee present shall designate from among the members present the Chair for purposes of the meeting.
3. A quorum for meetings of the Committee shall be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing the Board unless otherwise determined by the Committee or the Board.
4. Meetings of the Committee should be scheduled to take place at least one time per year and at such other times as the Chair of the Committee may determine.
5. Agendas, approved by the Chair, shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings;
6. The Committee may invite such officers, directors and employees of the Corporation as it may see fit from time to time to attend at meetings of the Committee and assist thereat in the discussion and consideration of the matters being considered by the Committee.
7. Minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board.
8. The Committee may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling its responsibilities at the expense of the Corporation.
9. Any members of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, each member of the Committee shall hold such office until the close of the next annual meeting of shareholders following appointment as a member of the Committee.