

Executive Compensation Philosophy

The corporation's philosophy is to provide executive compensation which will:

- Attract and retain a competent management team;
- Focus management's attention on building an asset based with a long-term view of maximizing returns to shareholders; and
- Reward successful completion of performance objectives.

The corporation's executive compensation program has three components: base salary, an executive cash bonus program and a stock option plan.

Executive Compensation Guidelines

(i) Base Salary

The salaries of executives are reviewed annually by the committee. To some extent, comparisons are made with salaries for similar positions in the Canadian mining industry as reported by independent national salary surveys.

(ii) Executive Cash Bonus Program

The committee administers an executive cash bonus program which may offer short-term performance incentives to the executives of the corporation, as part of Eagle Plains's overall executive compensation package.

Under the executive cash bonus program, awards are calculated based on corporate performance and on individual performance for each participant. The corporate performance rating is determined by reference to annual objectives, including operational achievements, strategic initiatives, financial results, shareholder return and other results. Individual performance assessments are determined for meeting annual goals set at the beginning of the year and by subjective evaluation of performance.

Bonuses are sensitive to the achievement by the corporation of a target level of profitability.

More weight is given to corporate performance than individual performance in the calculation of bonus awards.

(iii) Stock Option Plan

Executives and other specified individuals participate in the stock option plan. The committee recommends annually to the board which employees will be granted options and the number of options to be granted. The number of options to be allocated annually among directors, officers,

executives and other employees is based on guidelines amounts. Stock options granted to employees below the executive level are within established ranges depending upon the employee's level in the organization and the employee's performance. The committee believes that the granting of stock options is an effective way of ensuring executive and employee commitment to the longer-term interest of the corporation and its shareholders.