

# PHOENIX COAL INC.

## Charter of the Corporate Governance, Nominating and Compensation

### Committee of the Board of Directors

#### I. PURPOSE

The Corporate Governance, Nominating and Compensation Committee is appointed by the Board of Directors (the “Board”) of Phoenix Coal Inc. (the “Corporation”) to assist the Board in fulfilling its corporate governance responsibilities under applicable law, to promote a culture of integrity throughout the Corporation, to assist the Board in identifying and recommending new nominees for election to the Board, to assist the Board in setting director and senior executive compensation and to develop and submit to the Board recommendations with respect to other employee benefits as they see fit. In the performance of its duties, the Committee will be guided by the following principles:

- offering competitive compensation to attract, retain and motivate the very best qualified executives in order for the Corporation to meet its goals; and
- acting in the interests of the Corporation and its shareholders by being fiscally responsible.

#### II. COMPOSITION AND MEETINGS

1. The Committee and its membership shall meet all applicable legal, regulatory and listing requirements, including, without limitation, those of the Ontario Securities Commission (“OSC”), the *Business Corporations Act* (Ontario), any stock exchange upon which the securities of the Corporation trade and all other all applicable securities regulatory authorities.
2. The Committee shall be composed of three or more directors as shall be designated by the Board from time to time. The members of the Committee shall appoint from among themselves a member who shall serve as Chair.
3. Each member of the Committee shall be “independent” (as defined under National Instrument 52-110 – Audit Committees).
4. Each member of the Committee shall serve at the pleasure of the Board and, in any event, only so long as he or she shall be independent. The Committee shall report to the Board.
5. The Committee shall meet at least annually, at the discretion of the Chair or a majority of its members, as circumstances dictate or as may be required by applicable legal or listing requirements, and a majority of the members of the Committee shall constitute a quorum.

6. If within one hour of the time appointed for a meeting of the Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, such meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the second adjourned meeting a quorum as hereinbefore specified is not present, the quorum for the adjourned meeting shall consist of the members then present.
7. If and whenever a vacancy shall exist, the remaining members of the Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.
8. The time and place at which meetings of the Committee shall be held, and procedures at such meetings, shall be determined from time to time by, the Committee. A meeting of the Committee may be called by letter, telephone, facsimile, email or other communication equipment, by giving at least 48 hours notice, provided that no notice of a meeting shall be necessary if all of the members are present either in person or by means of conference telephone or if those absent have waived notice or otherwise signified their consent to the holding of such meeting.
9. Any member of the Committee may participate in the meeting of the Committee by means of conference telephone or other communication equipment, and the member participating in a meeting pursuant to this paragraph shall be deemed, for purposes hereof, to be present in person at the meeting.
10. The Committee shall keep minutes of its meetings which shall be submitted to the Board. The Committee may, from time to time, appoint any person who need not be a member, to act as a secretary at any meeting.
11. The Committee may invite such officers, directors and employees of the Corporation and its subsidiaries as it may see fit, from time to time, to attend at meetings of the Committee.
12. The Board may at any time amend or rescind any of the provisions hereof, or cancel them entirely, with or without substitution.
13. Any matters to be determined by the Committee shall be decided by a majority of votes cast at a meeting of the Committee called for such purpose; actions of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Committee called for such purpose. The Committee shall report its determinations to the Board at the next scheduled meeting of the Board, or earlier as the Committee deems necessary.

### **III. RESPONSIBILITIES**

The responsibilities of the Committee shall be:

- (a) to approve all transactions involving the Corporation and “related parties” as that term is defined in Multilateral Instrument 61-101 as it exists at the date hereof (collectively, “Related Party Transactions”);
- (b) to monitor any Related Party Transactions and report to the Board on a regular basis regarding the nature and extent of the Related Party Transactions;
- (c) to establish guidelines and parameters within which the Corporation and its subsidiaries shall be entitled to engage in Related Party Transactions without specific prior approval of the Committee;
- (d) to implement structures from time to time to ensure that the directors can function independently of management;
- (e) to provide a comprehensive orientation and education program for new directors which fully sets: (i) the role of the Board and its committees; (ii) the nature and operation of the business of the Corporation; and (iii) the contribution which individual directors are expected to make to the Board in terms of both time and resource commitments;
- (f) to provide continuing education opportunities to existing directors so that individual directors can maintain and enhance their abilities and ensure that their knowledge of the business of the Corporation remains current;
- (g) to respond to, and if appropriate, to authorize requests by, individual directors to engage outside advisors at the expense of the Corporation;
- (h) to implement a process for assessing the effectiveness of the Board as a whole, the committees of the directors and individual directors based upon: (i) for directors and committee members, the mandate of the Board and charters of the appropriate committees, respectively; and (ii) for individual directors, their respective position descriptions (if any) as well as the skills and competencies which directors are expected to bring to the Board;
- (i) to consider on a regular basis the number of directors of the Corporation;
- (j) to identify and recommend to the Corporation and the directors from time to time new nominees as directors of the Corporation, based upon the following considerations:
  - (i) the competencies and skills necessary for the Board as a whole to possess;
  - (ii) the competencies and skills necessary for each individual director to possess;

- (iii) competencies and skills which each new nominee to the Board is expected to bring; and
- (iv) whether the proposed nominees to the Board will be able to devote sufficient time and resources to the Corporation;
- (k) to oversee and monitor any litigation, claim, or regulatory investigation or proceeding involving the Corporation;
- (l) to oversee the Disclosure Committee, including without limitation, the implementation of a General and Specific Blackout (as such term is defined in the Corporate Disclosure and Insider Trading Policy);
- (m) having regard to competitive position and individual performance, annually review, approve and recommend to the Board for approval the remuneration of the senior executives of the Corporation, namely, any executives in the offices of Chief Executive Officer, President, Vice-Presidents, Chief Financial Officer and any senior executives of the Corporation having comparable positions as may be specified by the Board (collectively, the “Senior Executives”), the remuneration of the Senior Executives other than the Chief Executive Officer shall be subject to review by the Committee in consultation with the Chief Executive Officer;
- (n) to review the Chief Executive Officer's goals and objectives for the upcoming year and to provide an appraisal of the Chief Executive Officer's performance at the end of the year;
- (o) to meet with the Chief Executive Officer to discuss goals and objectives of other Senior Executives, their compensation and performance;
- (p) to review and recommend to the Board for approval any special employment contracts including employment offers, retiring allowance agreements or any agreement to take effect in the event of termination or change in control affecting any Senior Executives;
- (q) to review and recommend to the Board for its approval the remuneration of directors and senior executives, and to develop and submit to the Board recommendations with regard to other employee benefits and bonus plans;
- (r) to compare on an annual basis the total remuneration (including benefits) and the main components thereof for the Senior Executives with the remuneration practices of peers in the same industry;
- (s) to periodically review bonus plans and the stock option plan and consider these in light of new trends and practices of peers in the same industry;
- (t) to review and recommend to the Board for its approval the disclosure required in any management information circular of the Corporation relating to annual and/or special meetings of the shareholders of the Corporation relating to executive

compensation as may be required pursuant to any applicable securities regulations, rules and policies and to review and finalize the report on executive compensation required in any management information circular of the Corporation;

- (u) subject to the powers of the Board, shareholder approval of all stock option plans and receipt of all necessary regulatory approvals, to determine those directors, officers, employees and consultants of the Corporation who will participate in long term incentive plans; to determine the number of shares of the Corporation allocated to each participant under such plan; to determine the time or times when ownership of such shares will vest for each participant; and to administer all matters relating to any long term incentive plan and any employee bonus plan to which the Committee has been delegated authority pursuant to the terms of such plans or any resolutions passed by the Board;
- (v) to determine annually each Senior Executive's entitlement to be paid a bonus under any employee bonus plan; and
- (w) to adopt such policies and procedures as it deems appropriate to operate effectively.