

# Mountain Province Diamonds Inc.

Terms of Reference

Compensation Committee of the Board of Directors

May 29, 2006

Revised September 7, 2010

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## **Mandate**

### **A. Role and Objective**

The Compensation Committee (the "Committee") is a committee of the Board of Directors (the "Board") of Mountain Province Diamonds Inc. ("MPV" or the "Company"). Its primary function is to assist the Board in fulfilling its oversight responsibilities with respect to: (i) human resources policies; and (ii) executive compensation.

### **B. Composition**

1. The Committee shall comprise at least 3 directors each of whom shall be an independent director.
2. Members of the Committee shall be appointed by the Board. Each member shall serve until his/her successor is appointed unless he/she shall resign or be removed by the Board or he/she shall otherwise cease to be a director of MPV. The Board shall fill any vacancy if the membership of the Committee is less than three directors.
3. The Chair of the Committee may be designated by the Board or, if it does not do so, the members of the Committee may elect a Chair by vote of a majority of the full Committee membership. The Chair shall be an independent director.
4. The Committee shall have access to such officers and employees of MPV or any other subsidiaries and to such information respecting MPV and the subsidiaries as it considers necessary or advisable in order to perform its duties and responsibilities.

### **C. Meetings**

1. The Committee shall meet at least twice annually at such times and at such locations as the Chair of the Committee shall determine provided that one of the meetings shall be scheduled following preparation of the annual financial statements and reserves evaluation for the purpose of determining bonuses in respect of the immediately preceding financial year, if such bonuses form part of the compensation arrangements with management, and/or such bonuses are not

easily quantifiable. At its discretion, the Committee can decide to defer matters to the full board if time is of the essence, or the matter is of critical importance to the Company as a whole. Any two members of the Committee may request a meeting of the Committee.

2. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or by other telecommunication device that permits all persons participating in the meeting to hear each other.
3. The Chair shall, in consultation with management, establish the agenda for the meetings and instruct management to ensure that properly prepared agenda materials are circulated to the Committee with sufficient time for study prior to the meeting.
4. Every question at a Committee meeting shall be decided by a majority of the votes cast.
5. Each of the CEO and CFO of MPV shall be available to advise the Committee, shall receive notice of all meetings of the Committee and may attend meetings at the invitation of the Chair of the Committee. The Chair of the Committee shall hold *in camera* sessions of the Committee, without management present, at each meeting, as determined necessary.
6. A Committee member, or any other person selected by the Committee, shall be appointed at each meeting to act as secretary for the purpose of recording the minutes of each meeting.
7. The Committee shall provide the Board with a summary of all meetings together with a copy of the minutes from such meetings. All information reviewed and discussed by the Committee at any meeting shall be retained and made available for examination by the Board upon request to the Chair.

#### **D. Responsibilities**

To carry out its oversight responsibilities, the Committee shall undertake the following:

1. Review and recommend for approval to the Board, MPV's key human resources policies.
2. Review and recommend for approval to the Board the compensation and benefits policy and plans, including incentive compensation plans.
3. Review and recommend to the Board the employment agreements of the executive officers of MPV.
4. Together with the Chairman of the Board, evaluate annually the performance of the CEO and recommend to the Board his/her annual compensation package and performance objectives.
5. Together with the Chairman of the Board, review annually and recommend to the Board the annual compensation package and performance objectives of the other executive officers of MPV.

6. Review annually and recommend to the Board the adequacy and form of the compensation of Directors of MPV, and be satisfied the compensation realistically reflects the responsibilities and risk involved in being such a director.
7. Review annually and recommend for approval to the Board the executive compensation disclosure of MPV in its information circular, and be satisfied that the overall compensation philosophy and policy for executive officers is adequately disclosed and describes in sufficient detail the rationale for salary levels, incentive payments, share grants, share options, pensions and all other components of executive compensation as prescribed by applicable securities laws.
8. Determine grants of options to purchase shares of MPV under MPV's share option plan and recommend same to the Board for approval.
9. Engage, at the expense of MPV, any external professional or other advisors which it determines necessary in order to carry out its duties hereunder.
10. Perform any other activities consistent with this mandate as the Committee or the Board deems necessary or appropriate.