CAPSTONE COPPER CORP. | CONCISE SUMMARY OF LAWS

1 Introduction

Capstone Copper Corp. (**Capstone**) is a corporation continued under the *Business Corporations Act* (British Columbia) (**BCBCA**), and subject to the laws of the Province of British Columbia and the federal laws of Canada applicable therein. Capstone is also a reporting issuer under the securities laws in each province and territory of Canada. Capstone's common shares (**Shares**) are listed and posted for trading on the Toronto Stock Exchange (**TSX**).

As Capstone is not incorporated in Australia, its general corporate activities (apart from any offering of securities in Australia) are not regulated by the *Corporations Act 2001* (Cth) (**Corporations Act**) or by Australian Securities and Investments Commission (**ASIC**) but instead are regulated by the BCBCA, Canadian common law, applicable Canadian securities laws, Capstone's articles (**Articles**), and the rules and policies of the TSX (**TSX Rules**). Capstone must also comply with certain limited ASX Listing Rules, subject to any specific waivers granted by ASX.

Under the BCBCA, the constituent documents of Capstone consist of the "notice of articles", which includes the name of the corporation and the amount and class of authorised capital, and "articles" which govern the operation of the corporation. The notice of articles is filed with the British Columbia Registrar of Companies and the Articles are filed with the company's registered and records office.

This is a general summary of the laws and regulations concerning shares in a company existing under the BCBCA. The summary is not an exhaustive summary of all relevant laws, rules and regulations and is intended as a general guide only. Further, the summary does not purport to be a comprehensive analysis of all the consequences resulting from acquiring, holding or disposing of such shares or interest in such shares. The laws, regulations, policies and procedures described are subject to change from time to time. References to 'Canadian law' are references to the BCBCA, the TSX Company Manual, Canadian corporate and securities law and Canadian common law, as applicable.

2 A concise summary of the rights and obligations of security holders under Canadian law and the TSX Rules

2.1 What types of transactions require security holder approval

The required authorisation to amend the notice of articles or articles of a corporation under the BCBCA will be specified in the BCBCA or the articles of the company based on the type of resolution, and if none is specified, by special resolution of shareholders. In certain instances, the BCBCA or the articles may provide for approval solely by a resolution of the directors.

The BCBCA provides that a special majority of votes is required for Capstone to pass a special resolution at a meeting of shareholders in certain circumstances, including but not limited to certain amalgamations, reducing stated capital, continuance into another jurisdiction, a sale, lease or disposition of all or substantially all of the company's assets or undertaking, arrangements and voluntary liquidation. A special majority is a majority of votes, as specified by the Articles, that has at least two thirds of the votes cast in favour of the resolution. Unless the BCBCA or Articles require a special resolution, ordinary resolutions of Capstone shareholders are passed by a simple majority of votes cast on the resolution. In addition, under the TSX Rules, the TSX may require Capstone securityholders to approve certain transactions.

For the election of directors, Capstone has a majority voting policy whereby any nominee in an uncontested election who receives a greater number of votes "withheld" than votes "for" shall be considered not to have received the support of shareholders.

The BCBCA provides that, unless the Articles provide otherwise, each Share entitles the holder to one vote at a meeting of shareholders. Furthermore, the BCBCA and the Articles state that voting is to be conducted by a show of hands, unless a poll is demanded or otherwise required by securities law.

Under the BCBCA, on a show of hands, each holder of Shares present in person or by proxy and entitled to vote has one vote. If a poll is called, each holder of Shares present in person or by proxy will have one vote for each Share held.

2.2 Whether security holders have a right to request or requisition a meeting of security holders

(a) Calling a meeting

The BCBCA and the Articles provide that Capstone may call a meeting of shareholders.

The BCBCA also provides that holders of not less than 5% of the votes that may be cast at general meetings may requisition the directors to call a general meeting of shareholders for the purposes stated in the requisition. Subject to the requisition complying with the technical requirements in the BCBCA, directors are required to call the requisitioned general meeting within 21 days of receiving the requisition and the meeting must be held within 4 months after the requisition date.

If the directors do not send a notice of general meeting within the specified timeframe outlined above, the requisitioning shareholders, or any shareholder holding more than 2.5% of the voting shares, may send the notice of general meeting for the purposes stated in the requisition.

(b) Shareholder proposal

Under Canadian law, a shareholder proposal is a document setting out a matter that the submitting shareholder proposes to have considered at the next general meeting of Capstone (**Shareholder Proposal**). Under the BCBCA, Shareholder Proposals may generally be submitted by both registered and beneficial shareholders who hold:

(i) at least 1% of the votes that may be cast at a general meeting (either alone or in aggregate with other shareholders); or

(ii) shares with a fair market value of more than C$2,000 if the applicable holder of such shares has been a registered owner or beneficial shareholder for a continuous period of at least 2 years before the execution of the Shareholder Proposal.

If a Shareholder Proposal has been submitted in accordance with the BCBCA, Capstone is required to set out the text of the Shareholder Proposal and the names and mailing addresses of the submitter and the supporters to all persons entitled to receive notice of the annual general meeting to which the Shareholder Proposal refers. Such information must be despatched either in the notice of annual general meeting or in Capstone's management proxy circular (or equivalent) in relation to the annual general meeting unless an exception in the BCBCA applies.

2.3 Whether security holders have a right to appoint proxies to attend and vote at meetings on their behalf

The BCBCA provides that, subject to certain exceptions, a shareholder is entitled to vote at a meeting of Capstone in person or by proxy. According to the Articles, every shareholder who is entitled to vote at a meeting of Capstone may appoint one or more proxy holders to attend and act at the meeting in the manner, to the extent and with the powers conferred by the proxy.

Holders of CHESS depository interests (**CDIs**) can attend but cannot vote in person at a general meeting, and must instead direct CHESS Depositary Nominees Pty Limited (**CDN**) how to vote in advance of the meeting. Any notice of meeting issued to CDI holders will include a form permitting the holder to direct CDN to cast proxy votes in accordance with the holder's written instructions.

CDI holders cannot vote personally at shareholder meetings. The CDI holder must convert their CDIs into certificated shares prior to the relevant meeting in order to vote in person at the meeting.

As CDI holders are not the legal owners of underlying shares, CDN, which holds legal title to the Shares underlying the CDIs, is entitled to vote at shareholder meetings of Capstone on the instruction of the CDI holders.

The ASX Settlement Rules require Capstone to give notices to CDI holders of general meetings of shareholders. The notice of meeting must include a form permitting the CDI holder to direct CDN how to vote on a particular resolution, in accordance with the CDI holder's written directions. CDN is then obliged under the ASX Settlement Rules to lodge proxy votes in accordance with the directions of CDI holders.

CDI holders are entitled to give instructions for one vote for every underlying Share held by CDN.

2.4 How changes in the rights attaching to securities are regulated

The required authorisation to amend the notice of articles or articles of a corporation under the BCBCA will be specified in the BCBCA or the articles of the corporation based on the type of resolution. If the type of resolution is not specified in the BCBCA or the Articles, most amendments will require a special resolution of the shareholders to be approved by not less than two-thirds of the votes cast by the shareholders voting on the resolution.

Amendments to any special rights and restrictions attaching to any issued Shares require, in addition to any resolution provided for by the Articles, consent by a special resolution of the holders of the class or series of Shares affected.

2.5 What rights do security holders have to seek relief for oppressive conduct

In accordance with the BCBCA, a shareholder or other person whom the court considers appropriate may apply to a court for an order on the following grounds:

- the affairs of the company are being or have been conducted, or that the powers of the directors are being or have been exercised, in a manner oppressive to one or more of the shareholders, including the applicant; or
- some act of the company has been done or is threatened, or that some resolution of the shareholders or of the shareholders holding Shares of a class or series of Shares has been passed or is proposed, that is unfairly prejudicial to one or more of the shareholders, including the applicant.

On such an application, the court may make such order as it sees fit, including an order to prohibit any act proposed by the company.

2.6 What rights do security holders have to bring or intervene in legal proceedings on behalf of the entity

A complainant may, with judicial leave, bring an action (**Derivative Action**) in the name and on behalf of the company or any of its subsidiaries, or intervene in an action to which such company is a party, for the purpose of prosecuting, defending or discontinuing the action on behalf of the company.

Leave may not be granted for a Derivative Action unless the court is satisfied that:

- the complainant has made reasonable efforts to cause the directors of the company to prosecute or defend the legal proceeding;
- notice of the application for leave has been given to the company and to any other person the court may order;
- the complainant is acting in good faith; and
- it appears to be in the best interests of the company for the legal proceeding to be prosecuted or defended.

2.7 Whether there is any equivalent to the "two strikes" rule in relation to remuneration reports in Part 2G.2 Division 9 of the Corporations Act

Under applicable Canadian securities law, a report on executive compensation is required to be included in the management proxy circular in connection with the annual general meeting each year.

3 A concise summary of the obligations of Capstone Copper Corp. under Canadian law and the TSX Listing Rules

3.1 The disclosure of material information

When a material change occurs in the affairs of Capstone, Capstone is required to immediately issue a press release describing the change and, as soon as practicable (but no later than 10 days after the change), file with the securities commissions a material change report. A "material change" means a change in the business, operations or capital of the company that would reasonably be expected to have a significant effect on the market price or value of any of the securities of the company and includes a decision to implement such a change made by the board of directors of the company or by senior management of the company who believe that confirmation of the decision by the board of directors is probable.

The TSX has timely disclosure requirements that are in addition to applicable statutory requirements. The TSX requires timely disclosure of "material information" of a listed company, which it defines as any information relating to the business and affairs of a company that results in or would reasonably be expected to result in a significant change in the market price or value of the company's listed securities. Material information is a broader concept that includes both matters that are a material fact or a material change.

3.2 The disclosure of periodic financial information and the accounting and auditing standards that apply

Generally, a company that is listed on the TSX must file its interim financial report on the System for Electronic Document Analysis + (**SEDAR+**), on or before the earlier of the 45th day after the end of the interim period and the date of filing an interim financial report in a foreign jurisdiction for a period ending on the last day of the interim period. Interim financial reports are not required to be audited but may be reviewed. Interim financial reports must be accompanied by a notice indicating that they have not been reviewed by an auditor if that is the case.

A company must file comparative annual financial statements on or before the earlier of 90 days from the end of its last financial year and the date of filing an interim financial report in a foreign jurisdiction. The annual financial statements must be audited and approved by the board of directors of the company, and must be accompanied by a report of the auditor of the company.

All financial statements, filed by a company that is subject to disclosure obligations under Canadian securities laws, must comply with National Instrument 52-107 – *Acceptable Accounting Principles and Auditing Standards*. Subject to certain exceptions, financial statements must be prepared in accordance with IFRS (International Financial Reporting Standards) and Canadian generally accepted auditing standards.

3.3 Requirements for information to be sent to security holders

An information circular will be required to be sent to each of the shareholders of Capstone in relation to any circumstances in which Capstone must seek shareholder approval (see paragraph 2.1 above).

National Instrument 51-102 further sets out the circumstances in which a company is required to prepare and file an information circular. It also contains the disclosure requirements for information circulars.

3.4 Regulation of dealings with directors and controlling holders of equity securities

Under applicable Canadian securities law, a person or company in a special relationship with a company is prohibited from purchasing or selling securities of the company, or from advising another person to purchase or sell securities of the company, with knowledge of a material fact or material change with respect to the company that has not been generally disclosed.

Persons or companies in a "special relationship" with a company include, but are not limited to, directors, officers or employees of the company and other insiders, affiliates or associates of the company. Within 5 days of a change in such person's or company's holdings in a company, the person or company must file an insider report detailing such change on the System for Electronic Disclosure by Insiders (**SEDI**), a publicly accessible reporting website.

Capstone is subject to *Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions of the CSA* (**MI 61-101**) which regulates transactions that raise the potential for conflicts of interest, including issuer bids, insider bids, related party transactions and business combinations. MI 61-101 regulates certain types of transactions to ensure equality of treatment among securityholders when, in relation to a transaction, there are persons in a position that could cause them to have an actual or reasonably perceived conflict of interest or informational advantage over other security holders. The securityholder protections provided by MI 61-101 go substantially beyond the requirements of corporate law.

A related party transaction includes a transaction between an issuer and a person that is a "related party" (as defined in MI 61-101) to the issuer at the time that the transaction is agreed to, whether or not there are also other parties to the transaction, as a consequence of which, either through the transaction itself or together with a connected transaction, the issuer directly or indirectly, among other things:

a) purchases or acquires an asset from the related party for valuable consideration;

a) sells, transfers or disposes of an asset to the related party;

b) leases property to or from the related party;

c) acquires the related party or combines with the related party through an amalgamation, arrangement or otherwise;

d) issues a security to, or subscribes for a security of the related party;

e) materially amends the terms of an outstanding debt or liability owed by or to the related party, or the terms of an outstanding credit facility with the related party;

f) provides a guarantee or collateral security for a debt or liability of the related party, or materially amends the terms of the guarantee or security; or

g) borrows money from, lends money to the related party, or enters into a credit facility with the related party.

Unless an exemption is available, MI 61-101 requires that in respect of a related party transaction:

a) the issuer obtain a formal valuation in respect of the equity securities being acquired, prepared by an independent and qualified valuator; and

b) the issuer obtain "majority of the minority" approval of the transaction (ie, approval by a majority of the affected securityholders, excluding the votes attached to affected securities held by the issuer, "interested parties" (as defined in MI 61-101), related parties of an interested party, and a joint actor of an "interested parties" or a related party of an "interested parties"); and

c) the issuer includes certain detailed disclosure regarding the related party transactions in a material change report or management information circular that is required to be filed under applicable Canadian securities laws, if any.

4 A concise summary of how the disclosure of substantial shareholdings and regulation of takeovers under Canadian law and the TSX Listing Rules

4.1 Regulation of takeovers

Under applicable Canadian securities laws, a "takeover bid" occurs when there is an "offer to acquire" outstanding voting or equity securities made to any person in any province or territory of Canada where the securities subject to the offer, together with the securities beneficially owned or directly or indirectly controlled or directed by the offeror and its joint actors, constitute 20% or more of the outstanding securities of such class of securities, calculated on a partially diluted basis to include deemed beneficial ownership of certain convertible securities.

Unless an exemption is available, a takeover bid must be extended to all securityholders located in Canada, at the same price per security as the offer to acquire. These provisions require, among other things, the production, filing and mailing of a takeover bid circular to shareholders of the target company.

Takeover bids must treat all security holders alike and must not involve any collateral agreements, with certain exceptions for employment compensation arrangements. A bid must remain open for at least 105 days from the date of the bid (subject to a reduction of the minimum deposit period to a minimum of 35 days with the consent of the target's board of directors or where certain competing take-over bids or alternative change of control transactions are outstanding), after which time all securities deposited under the offer may be taken up.

For the protection of target security holders, the takeover bid rules contain various additional requirements, such as restrictions applicable to conditional offers and the withdrawal, amendment or suspension of offers. Securities regulators also retain a general "public interest jurisdiction" to regulate takeovers and may intervene to halt or prevent activity that is abusive. Issuer bids are regulated similarly to takeover bids.

There are extensive disclosure requirements associated with takeover bids, beginning with "early warning" disclosure required when an acquirer, together with any persons acting jointly or in concert with such acquirer, acquires beneficial ownership of, or direct or indirect control or direction over 10% or more of the outstanding voting securities of the issuer, calculated on a partially diluted basis to include beneficial ownership of certain convertible securities. Generally, further disclosure is required for additional purchases of 2% or more of the outstanding securities for which such early warning disclosure is required. Purchases of securities of the target company outside the bid, before, during, and after the bid, are also generally restricted or regulated.

The BCBCA contains compulsory acquisition provisions, which allow a person who acquired not less than 90% of a company's Shares to acquire the remaining 10% of Shares on issue, within 5 months after the date of a takeover bid, provided the bid was accepted by holders of not less than 90% of the company's Shares within 4 months of making the offer.

Canadian securities laws allow certain exemptions to the formal bid requirements, on specified conditions. For example, private agreements to purchase securities from up to five persons are permitted if the purchase price does not exceed 115% of the market price. Under the normal course purchase exception, the offeror (together with any joint offerors) may acquire up to 5% of a class of securities within a 12-month period if there is a published market for the relevant class and the consideration paid does not exceed the market price at the date of acquisition. A de minimis exemption also exists in circumstances where less than 50 beneficial shareholders are subject to the bid, and those shareholders collectively represent less than 2% of a class of securities.

The Canadian Securities Administrators (**CSA**) have recognised that takeover bids play an important role in the economy by acting as a discipline on corporate management and as a means of

reallocating economic resources to their best uses. In considering the merits of a takeover bid, the CSA recognises that there is a possibility that the interests of management of the target company will differ from those of its shareholders. The CSA considers the primary objective of the takeover bid provisions of the Canadian securities legislation to be the protection of the bona fide interest of the shareholders of the target company and shareholders should have an opportunity to determine the outcome of a take-over bid. As certain defensive measures taken by management of a target company may have the effect of denying shareholders the ability to make a fully formed decision and frustrating an open takeover bid process (for example, these include granting an option on securities representing a significant percentage of the target company's outstanding securities, introducing a shareholders rights plan or entering into an agreement to sell or acquire material assets or other corporate actions other than in the normal course of business), the CSA will examine target company defensive tactics in specific cases to determine whether they are abusive of shareholder rights.

If a takeover bid or similar transaction is made in relation to the Shares of which CDN is the registered holder, the ASX Settlement Rules require that CDN must not accept the offer made under the takeover bid except to the extent that acceptance is authorised by the relevant CDI holder. In these circumstances, CDN must ensure that the offeror, pursuant to the takeover bid, processes the takeover acceptance.

4.2 Substantial shareholder reporting

Under applicable Canadian securities law, a person who acquired beneficial ownership of or control or direction, directly or indirectly, of more than 10% of the outstanding Shares will be required to publicly disclose their holdings, and to file an early warning report with the applicable Canadian securities regulatory authorities. The early warning report discloses the person's name, address, and certain details of surrounding their ownership of Shares and securities of Capstone convertible into Shares. Once an early warning report has been filed by a person, they are required to file a news release and early warning report for every 2% (or more) change in the voting or equity securities that the person acquires, or, when the person ceases to hold at least 10% of the voting or equity shares in the company.

Certain Capstone insiders who qualify as "reporting insiders" as defined under National Instrument 55-104 - *Insider Reporting Requirements and Exemptions* are required to file an insider report in the prescribed form which discloses the number and percentage of the securities that the "reporting insider" holds or exercises direction or control over. The insider reports are publicly available on the System for Electronic Disclosure by Insiders (http://www.sedi.ca) and must be filed within 10 days of a person becoming a "reporting insider" of Capstone and within 5 days of any changes to that person's security holdings in Capstone.

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