

Part II Organizational Action *(continued)*

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ Please see attachment

Horizontal lines for listing applicable Internal Revenue Code sections.

18 Can any resulting loss be recognized? ▶ Please see attachment

Horizontal lines for providing information regarding loss recognition.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ Please see attachment

Horizontal lines for providing other necessary information.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here
Signature ▶ Brock Wlad Date ▶ May 7, 2022

Paid Preparer Use Only	Print your name ▶ <u>Brock Wlad</u>	Preparer's signature	Title ▶ <u>Corporate Controller</u>	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Print/Type preparer's name				Firm's EIN ▶	
	Firm's name ▶				Phone no.	
	Firm's address ▶					

CAPSTONE COPPER CORP.
(formerly, MANTOS COPPER (BERMUDA) LIMITED)

ATTACHMENT TO FORM 8937
REPORT OF ORGANIZATIONAL ACTIONS AFFECTING BASIS OF SECURITIES

CONSULT YOUR TAX ADVISOR

The information contained herein is provided pursuant to the requirements of section 6045B of the Internal Revenue Code of 1986, as amended (the **IRC**), and includes a general summary of certain U.S. federal income tax laws and regulations that are relevant for purposes of determining the effect of the Arrangement (as defined below) on the tax basis of the common shares of Capstone Copper Corp. (**Capstone Copper; Capstone Copper Shares**) received by shareholders of Capstone Mining Corp. (**Old Capstone**) in exchange for their Old Capstone common shares (**Old Capstone Shares**) in connection with the Arrangement.

The information contained herein does not constitute tax advice, nor does it purport to be complete or to describe the consequences of the Arrangement to particular categories of stockholders. In this regard, and to the best of our knowledge, Old Capstone had no U.S. shareholders who owned ten percent or more of its stock (taking into account constructive ownership rules) immediately before the Arrangement. Accordingly, the discussion herein does not consider the potential effect of the Arrangement on such U.S. shareholders. The discussion herein also does not address any U.S. federal income tax consequences to holders of options, deferred share units, performance share units, or restricted share units of Old Capstone. Such holders should consult with their own tax advisors.

Capstone Copper does not provide tax advice to its stockholders. The information provided below is illustrative only, and is being provided pursuant to IRC section 6045B and as a convenience to stockholders and their tax advisors for purposes of establishing their specific tax positions.

You are urged to consult your own tax advisors regarding the particular consequences of the Arrangement to you, including the applicability and effect of all U.S. federal, state, local and foreign tax laws. We also urge you to read Capstone Copper's *Notice and Management Information Circular for the Special Meeting of Securityholders of Capstone Mining Corp.* (the **Information Circular**), dated January 27, 2022, prepared in connection with the Arrangement. You may access the Information Circular under Old Capstone's SEDAR profile at www.sedar.com (posted February 2, 2022).

PART I: REPORTING ISSUER

Item 2 – Issuer's employer identification number (EIN)

As a Canadian corporation, Capstone Copper does not have an EIN.

PART II: ORGANIZATIONAL ACTION

Item 14 – Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action

On March 23, 2022 (date of the action), Capstone Copper, a corporation continued under the laws of the province of British Columbia, became the parent corporation of Old Capstone in a transaction intended to qualify as a corporate reorganization for U.S. federal income tax purposes under IRC section 368(a)(1)(B) (a **Reorganization**). Specifically, pursuant to a plan of arrangement under the *Business Corporations Act* (British Columbia), each issued and outstanding Old Capstone Share was exchanged for one newly issued Capstone Copper Share (the **Arrangement**). As a result of the Arrangement, Old Capstone became a wholly owned subsidiary of Capstone Copper and, as such, ceased to be publicly listed.

Item 15 – Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis

Subject to the discussion below regarding IRC section 367(a), and subject to the potential application of the passive foreign investment company (**PFIC**) rules in IRC sections 1291 to 1298, if the exchange of Old Capstone Shares for Capstone Copper Shares qualifies as a Reorganization, a holder of Old Capstone Shares will not recognize any gain or loss on the exchange. The aggregate tax basis of the Capstone Copper Shares received in the exchange will be the same as the aggregate tax basis of the Old Capstone Shares for which they are exchanged. The holding period of the Capstone Copper Shares received in the exchange will include the holding period of the Old Capstone Shares for which they are exchanged. If an Old Capstone shareholder holds different blocks of Old Capstone Shares (generally as a result of having acquired different blocks of shares at different times or at different costs), such holder's tax basis and holding period in the Capstone Copper Shares may be determined by reference to each block of Old Capstone Shares for which they are exchanged.

If the exchange of Old Capstone Shares for Capstone Copper Shares does not qualify as a Reorganization, a holder of Old Capstone Shares will recognize gain or loss on the exchange of its shares for Capstone Copper Shares equal to the difference between the fair market value of the Capstone Copper Shares received and the adjusted basis of the Old Capstone Shares surrendered. The tax basis of each of the Capstone Copper Shares received in the exchange will equal its fair market value, and the holding period for the Capstone Copper Shares will begin on the day after the exchange.

Based on their projected income, assets and activities, we believe that neither Old Capstone nor Capstone Copper is a PFIC during its current taxable year. We also believe that neither entity was a PFIC during its prior taxable year. However, PFIC classification is factual in nature, and generally cannot be determined until the close of the taxable year in question. Additionally, the analysis depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. Consequently, there can be no assurances regarding the PFIC status of Old Capstone or Capstone Copper during the current taxable year or during prior taxable years. The PFIC rules are extremely complex, and relevant stockholders are urged to consult with their own tax advisors regarding the substantive effect such rules may have on the U.S. tax consequences to such holders of the Arrangement.

Subject to the foregoing caveat, if Old Capstone and/or Capstone Copper is classified as a PFIC prior to the Arrangement, and the Arrangement would otherwise qualify as a Reorganization, Old Capstone Shareholders may nevertheless recognize gain (but not loss) on the exchange of Old Capstone Shares for Capstone Copper Shares. If any gain is recognized by an Old Capstone shareholder as a result of the

application of the PFIC rules, the basis of the Capstone Copper Shares received in exchange for Old Capstone Shares should be increased by the amount of that gain.

The Arrangement is not intended to result in gain recognition to the holders of the Old Capstone Shares under IRC section 367(a) (i.e., this provision and related Treasury Regulations (**Regulations**) can override nonrecognition provisions on certain outbound transfers of property). However, this assumes that any “five-percent transferee shareholder” of Capstone Copper (within the meaning of Regulations section 1.367(a)-3(c)(5)(ii)) enters into a five-year gain recognition agreement (as described in Regulations section 1.367(a)-8(c)) and complies with associated requirements under the Regulations.

Neither Old Capstone nor Capstone Copper has requested, or intends to request, a ruling from the Internal Revenue Service or an opinion of tax counsel with respect to whether the Arrangement will qualify as a Reorganization. Accordingly, no assurance can be given as to whether the Arrangement would so qualify.

Item 16 – Describe the calculation of the change in basis and the data that support the calculation, such as the market values of securities and the valuation dates

To the extent that any Old Capstone shareholders recognize gain on the exchange of their Old Capstone Shares for Capstone Copper Shares under the Arrangement, the fair market value basis of the Capstone Copper Shares is determined using the trading price of those shares on the date of the Arrangement.

Item 17 – List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based

IRC sections 354(a)(1); 358(a)(1) and (b)(1); 367(a)(1) and (2) and (b)(1) and (2); 368(a)(1)(B); 951(b); 1221; 1223; and 1291 to 1298.

Item 18 – Can any resulting loss be recognized?

If the exchange of Old Capstone Shares for Capstone Copper Shares under the Arrangement qualifies as a Reorganization, Old Capstone shareholders will not recognize a loss on such exchange. Instead, the tax basis of their Old Capstone Shares is preserved in the tax basis of the Capstone Copper Shares received in the exchange.

Item 19 – Provide any other information necessary to implement the adjustment, such as the reportable tax year

Refer to Old Capstone’s Information Circular for further information.