TERMS OF REFERENCE FOR THE BOARD OF DIRECTORS

1. INTRODUCTION

The Board of Directors (the "Board") has the responsibility for the overall stewardship of the conduct of the business of Capstone Copper Corp. ("Capstone") and the activities of management. Management is responsible for the day-to-day conduct of the business. The Board's fundamental objectives are to enhance and preserve long-term shareholder value, and to ensure Capstone meets its obligations on an ongoing basis and that Capstone operates in a reliable, safe and responsible manner. In performing its functions, the Board should also consider the legitimate interests that its other stakeholders, such as employees, customers and communities, may have in Capstone. In overseeing the conduct of the business, the Board, through the Chief Executive Officer ("CEO"), shall set the standards of conduct for Capstone.

In performing its function, the Board will act honestly and in good faith with a view to the best interest of Capstone.

2. COMPOSITION

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs including selecting its Chair, Lead Director (if any), nominating candidates for election to the Board and constituting committees of the Board. Subject to the Articles of Capstone and the British Columbia Business Corporations Act (the "Act"), the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

3. CORE RESPONSIBILITIES

The Board's principal duties and responsibilities fall into a number of categories which are outlined below.

A. Legal Requirements

The Board has the responsibility to direct management to ensure that all legal requirements have been met and documents and records have been properly prepared, approved and maintained.

The Board has the statutory responsibility to:

i. Manage or, to the extent it is entitled to delegate such power, to supervise the management of the business and affairs of Capstone by the senior officers of Capstone;

ii. Exercise the care, diligence and skill that reasonable, prudent people would exercise in comparable circumstances;

iii. Act in accordance with its obligations contained in the Act and the regulations, Capstone's Articles, applicable Canadian securities legislation, and other relevant legislation and regulations; and

iv. Ensure that management has established an effective risk management system.

B. Independence

The Board has the responsibility to ensure that appropriate structures and procedures are in place to permit the Board to function independently of management, including endeavouring to have a majority of independent directors as well as an independent Chair or an independent Lead Director, as the term "independent" is defined in National Instrument 58-101 "Disclosure of Corporate Governance Practices".

C. Strategy Determination

The Board has the responsibility to ensure that long term goals and a strategic planning process for Capstone is put in place and to participate with management through its committees in approving the mission of the business of Capstone and the strategic plan by which it proposes to achieve its goals, which strategic plan takes into account, among other things, the opportunities and risks of Capstone's business.

D. Managing Risk and Insurance

The Board has the responsibility to identify and understand the principal risks of the business in which Capstone is engaged, to achieve a proper balance between risks incurred and the potential return to shareholders, and to ensure management has put in place systems which effectively identify, monitor and manage those risks with a view to the long-term viability of Capstone. The Board's oversight of risk includes assessing the impacts and related risks of sustainability issues such as tailings and waste management, water stewardship, climate change and carbon footprint, nature, human rights, people and culture, and social performance and community investment, on the corporate strategy and operating model as outlined in the Terms of Reference for Board Oversight of Enterprise Risk Management. The Board also has the responsibility to take appropriate steps to minimize material risk exposures by assessing Capstone's risk profile, categories of risk Capstone faces, strategies implemented to mitigate identified risks, and maintaining appropriate insurance programs to transfer risks where appropriate, including Capstone's captive insurance program. Board committees assist the Board in fulfilling its risk oversight responsibilities in certain areas of risk, as outlined in each Board Committee's Terms of Reference document.

E. Crisis Management and Cyber/AI Oversight

The Board shall ensure that Management maintains effective crisis-management and incident-response frameworks addressing safety, environmental, community and reputational events. Oversight of cybersecurity and artificial intelligence governance is delegated to the Audit Committee, which provides regular reports to the Board.

F. Division of Responsibilities

The Board has the responsibility to:

i. Appoint directors to committees, and to delegate responsibilities to committees where appropriate to do so;

ii. Have in place position descriptions for:

   a) The Lead Director of the Board;

   b) The Chair of the Board;

   c) The Chair of each Board Committee;

d) The President and Chief Executive Officer;

e) The Chief Operating Officer; and

f) The Chief Financial Officer.

To assist it in exercising its responsibilities, the Board has established four standing committees of the Board: the Audit Committee, the Human Resources & Compensation Committee, the Governance, Nominating & Sustainability Committee and the Technical and Operational Performance Committee. The Board may also establish other standing or special committees from time to time.

Each committee shall have written Terms of Reference that clearly establish its purpose, composition, responsibilities, authority, accountability and meetings.

G. Appointment, Training and Monitoring Senior Management

The Board has the responsibility:

i. to appoint the CEO, to monitor and assess the CEO's performance, ensures the CEO's integrity, and to provide advice and counsel in the execution of the CEO's duties;

ii. to approve the corporate goals or objectives that the CEO is responsible for;

iii. to approve the appointment of all corporate officers, acting upon the advice of the CEO and to satisfy itself as to the integrity of such corporate officers;

iv. to ensure that adequate provision has been made to train and develop management and for the orderly succession of management;

v. to ensure that all new directors receive a comprehensive orientation, to fully understand the role of the Board and its committees, the nature and operation of Capstone's business and the contribution that individual directors are required to make;

vi. to ensure a culture of integrity throughout Capstone;

vii. to set out expectations and responsibilities of directors including attendance at meetings and review of meeting materials.

viii. to ensure that management is aware of the Board's expectations of management;

ix. to ensure that succession plans have been made for corporate officers; and

x. to foster a culture of continuous learning and development across the Board and all levels of employees, including encouraging ongoing education and training so that directors and employees remain informed, effective and aligned with Capstone's evolving strategy, risks and stakeholder expectations.

H. Policies, Procedures and Compliance, Conduct

The Board has the responsibility:

i. to ensure that Capstone has in place a corporate policy framework that enables Capstone to operate at all times within applicable laws, regulations and its ethical standards;

ii. to approve and monitor compliance with significant policies and procedures by which Capstone is operated; and

iii. to have in place a code of conduct and ensure effective systems are in place such that all directors, officers and employees comply with the code.

I. Reporting and Communication

The Board has the responsibility:

i. to ensure Capstone has in place policies and programs to enable Capstone to communicate effectively with its shareholders, stakeholders and the public generally;

ii. to ensure that the financial performance of Capstone is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;

iii. to ensure that the financial results are reported fairly and in accordance with international financial reporting standards ("IFRS")

iv. to ensure the timely reporting of developments that have a material impact on the value of Capstone;

v. to report annually to shareholders on its stewardship of the affairs of Capstone for the preceding year;

vi. to develop appropriate measures for receiving shareholder feedback; and

vii. to develop Capstone's approach to corporate governance and to develop a corporate governance guideline.

J. Monitoring and Acting

The Board has the responsibility:

i. to monitor Capstone's progress towards it goals and objectives and to revise and alter its direction through management in response to changing circumstances;

ii. to take action when performance falls short of its goals and objectives or when other special circumstances warrant;

iii. to ensure that Capstone has implemented adequate control and information systems which ensure the effective discharge of its responsibilities; and

iv. to conduct annual assessments of the Board, committee and director effectiveness.

K. Non-Delegation

The following are responsibilities of the Board that cannot be delegated to management or any committee of the Board.

i. Declare dividends;

ii. On behalf of Capstone, purchase, redeem, or otherwise acquire shares issued by the Company

iii. Approve a management proxy circular

iv. Approve a take-over bid circular

v. Approve any financial statements or other statutory disclosure documents

4. REVIEW AND REVISION OF THE TERMS OF REFERENCE

Annual Review: The Board shall annually review these Terms of Reference and make such changes as it deems advisable.