Capstone Copper Reports Second Quarter 2023 Results

August 2, 2023

All amounts in US$ unless otherwise indicated

VANCOUVER, British Columbia –
Capstone Copper Corp. ("Capstone" or the "Company") (TSX:CS) today reported financial results for the six months and quarter ended June 30, 2023 ("Q2 2023"). Copper production in Q2 totaled 39.3 thousand tonnes at C1 cash costs[1] of $3.01 per payable pound of copper produced. The Company has provided H2 2023 guidance of 83-93kt of copper at C1 cash costs[1] of $2.55 to $2.75 per payable pound. Link HERE for Capstone's Q2 2023 webcast presentation.

"We are excited to report that construction at our flagship Mantoverde Development Project ("MVDP") remains on-time and on-budget ahead of our ramp-up commencing by year-end. Furthermore, despite a challenging start to the year, we expect our operational performance to improve in H2," commented John MacKenzie, Chief Executive Officer.

"We would also like to note the retirement of Giancarlo Bruno, and thank him for the role he played in the development of Mantos Blancos and Mantoverde, and welcome James Whittaker as our new SVP, Head of Chile. As we continue to execute on our sector leading growth, Mr. Whittaker brings over 30 years of experience in operations and project development, and most recently was with BHP Chile as President of Escondida. This year marks an inflection point for Capstone Copper; with a strong team, a deep organic growth profile, and a solid balance sheet, I believe we are well-positioned to benefit all stakeholders."

Q2 2023 OPERATIONAL AND FINANCIAL HIGHLIGHTS

- Net loss of $33.9 million, or $(0.05) per share for Q2 2023. Adjusted net loss attributable to shareholders[1] of $12.2 million, or $(0.02) per share for Q2 2023. Q2 2023 adjusted net loss attributable to shareholders[1] is lower compared to Q2 2022 adjusted net loss attributable to shareholders[1] of $27.7 million due to lower income taxes.

- Adjusted EBITDA[1] of $43.4 million for Q2 2023 compared to $115.8 million for Q2 2022. The decrease in Adjusted EBITDA[1] is driven by lower copper sold (40.8 thousand tonnes in Q2 2023 versus 45.5 thousand tonnes in Q2 2022) and a lower copper price of $3.76/lb compared to $4.10/lb (prior to unrealized provisional pricing adjustments).

- Operating cash flow before changes in working capital of $22.0 million in Q2 2023 compared to $40.7 million in Q2 2022.

- Consolidated copper production for Q2 2023 of 39.3 thousand tonnes at C1 cash costs[1] of $3.01/lb. Copper production was lower than expected in the second quarter due to unplanned downtime in the crushing circuit at Pinto Valley resulting in approximately twelve lost production days plus mill maintenance downtime at Mantos Blancos. Lower production levels and maintenance expenses were the key drivers related to higher consolidated cash costs, as input costs have largely tracked in-line with expectations.

- The Company has provided H2 guidance of 83kt to 93kt of copper production at C1 cash costs[1] of $2.55/lb to $2.75/lb. H2 2023 is expected to be improving in terms of production and costs, compared to H1. This results in updated consolidated 2023 copper production guidance of 163kt to 173kt at C1 cash costs of ~$2.75/lb to $2.85/lb.

- Mantoverde Development Project ("MVDP") remains on budget and on schedule. Construction is progressing well on all key areas of the project with overall progress at approximately 88% complete. Total project spend inception-to-date was approximately $706 million at the end of June 2023 of a total budget of $825 million.

- Total available liquidity[1] of $419.6 million as at June 30, 2023, composed of $117.6 million of cash and short-term investments, and $302.0 million of undrawn amounts on the corporate revolving credit facility.

[1] These are alternative performance measures. Refer to the section entitled "Alternative Performance Measures" in the Cautionary Notes

OPERATIONAL OVERVIEW

Refer to Capstone's Q2 2023 MD&A and Financial Statements for detailed operating results.

	Q2 2023	Q2 2022	2023 YTD	2022 YTD
Copper production (000s tonnes)				
Sulphide business				
Pinto Valley	**12.6**	13.3	**25.5**	27.7
Cozamin	**6.7**	6.4	**11.9**	12.3
Mantos Blancos	**8.4**	8.7	**19.2**	9.4
Total sulphides	**27.7**	28.4	**56.6**	49.4
Cathode business				
Mantos Blancos	**3.3**	3.7	**6.6**	4.0
Mantoverde[2]	**8.3**	13.1	**16.8**	14.3
Total cathodes	**11.6**	16.8	**23.4**	18.3
Consolidated	**39.3**	45.2	**80.0**	67.7
Copper sales				
Copper sold (000s tonnes)	**40.8**	45.5	**78.2**	71.0
Realized copper price[1] ($/pound)	**3.71**	3.66	**3.93**	4.06
C1 cash costs[1] ($/pound) produced				
Sulphides business				
Pinto Valley	**2.98**	2.82	**3.03**	2.70
Cozamin	**1.63**	1.25	**1.67**	1.19
Mantos Blancos	**3.18**	2.49	**2.77**	2.52
Total sulphides	**2.72**	2.36	**2.66**	2.29
Cathode business				
Mantos Blancos	**3.08**	3.67	**3.22**	3.72
Mantoverde	**3.92**	3.40	**3.97**	3.42
Total cathodes	**3.68**	3.46	**3.76**	3.49
Consolidated	**3.01**	2.78	**2.99**	2.62

[2] Mantoverde production shown on a 100% basis.

Consolidated Production

Q2 2023 copper production of 39.3 thousand tonnes was 13% lower than Q2 2022 primarily as a result of expected lower oxide production at Mantoverde on lower grade ore related to the mining sequence as we are transitioning to sulphide ore for MVDP. In addition, Pinto Valley had lower overall mill throughput due to unplanned downtime related to the primary crusher conveyor support structure repair resulting in approximately twelve days of downtime.

Q2 2023 C1 cash costs[1] of $3.01/lb were 8% higher than $2.78/lb Q2 2022 mainly impacted by 13% lower production partially offset by lower production costs at Mantoverde related to lower acid prices and diesel prices.

2023 YTD copper production of 80.0 thousand tonnes of copper is higher than the 67.7 thousand tonnes in 2022 YTD, primarily as a result of full quarter of production in Q1 2023 versus nine day production in Q1 2022 at Mantos Blancos and Mantoverde.

2023 YTD C1 cash costs[1] of $2.99/lb were 14% higher than 2022 YTD mainly on lower throughput rates, and operational costs slightly higher than prior year.

Cathode production is from copper oxide ore that requires sulphuric acid leaching, solvent extraction and electrowinning (SX-EW) to produce copper cathodes which are a finished copper product for the market. Sulphide production requires a mill that utilizes a grinding and flotation process to recover sulphide minerals in a copper concentrate saleable as an intermediate product to smelters and refiners. Capstone’s low-cost sulphide production is growing significantly with the MVDP to be completed late in 2023.

Pinto Valley Mine

Copper production of 12.7 thousand tonnes in Q2 2023 was 5% lower than in Q2 2022 mainly on lower mill throughput during the quarter (Q2 2023 – 44,336 tpd versus Q2 2022 – 46,821 tpd) as a result of an unplanned twelve-day down time for conveyor and counterweight structure repair and maintenance. Grade was consistent with the same period prior year (Q2 2023 – 0.34% versus Q2 2022 – 0.34%). Recoveries were slightly lower compared to the same period last year (Q2 2023 – 87.4% versus Q2 2022 – 88.2%).

2023 YTD production was 8% lower than 2022 YTD mainly due to lower mill throughput (48,249 tpd in 2023 YTD versus 52,585 tpd in 2022 YTD) driven by heavy rainfall in Q1 2023, including flooding, which resulted in plugged chutes and screens; in addition, there was unplanned maintenance on the secondary crusher and conveyor belt replacement. Recoveries were higher than 2022 YTD (87.1% 2023 YTD versus 85.0% 2022 YTD) due to lower mill throughput. The mill feed grade was consistent with the same period last year (0.32% in 2023 YTD versus 0.33% in 2022 YTD).

Q2 2023 C1 cash costs[1] of $2.98/lb in Q2 2023 were 6% higher than Q2 2022 of $2.82/lb primarily due to lower production ($0.13/lb), increases in operating costs due to inflation ($0.11/lb) and lower capitalized stripping costs ($0.07/lb), partially offset by stockpile buildup (-$0.07/lb) and lower refining costs (-$0.08/lb).

2023 YTD C1 cash costs[1] of $3.03/lb were $0.33/lb higher compared to the same period last year of $2.70/lb primarily due to lower production ($0.22/lb), increased mining costs due to inflationary pressures on explosives and grinding media, and higher spend on rental equipment, mining equipment tools and contractors ($0.20/lb) and lower capitalized stripping ($0.06/lb), partially offset by higher by-product credits on higher molybdenum production and lower treatment costs (-$0.15/lb). The cash costs are expected to trend down in H2 as result of higher production.

Mantos Blancos Mine

Q2 2023 production was 11.7 thousand tonnes, comprised of 8.4 thousand tonnes from sulphide operations and 3.3 thousand tonnes of cathode from oxide operations, 6% lower than the 12.4 thousand tonnes produced in 2022 YTD. The lower production was driven primarily by lower mill throughput (14,555 tpd in Q2 2023 versus 15,218 in Q2 2022) resulting from mill downtime caused by unplanned repair and maintenance of a mill lubrication system, restricted throughputs caused by tailings dewatering challenges due to presence of clays in the top benches of Phase 20, and other challenges related to the integration of pre-existing and new equipment. Head grades were lower in Q2 2023 compared to the same period last year (0.85% in Q2 2023 versus 0.90% in Q2 2022), due to mine plan sequence, and recoveries were higher in Q2 2023 compared to the same period last year (73.9% in Q2 2023 versus 69.7% in Q2 2022), driven by reagent optimization and operational improvements in the flotation area. A plan to address the plant stability during the second half of 2023 is underway that includes improved maintenance and optimization of the concentrator. We expect Mantos Blancos to be consistently delivering higher throughput rates during Q4.

2023 YTD production of 25.8 thousand tonnes, comprised of 19.2 thousand tonnes from sulphide operations and 6.6

thousand tonnes of cathode from oxide operations, was higher than the same period last year due to full operational Q1 2023 compared to nine-day stub period in Q1 2022.

Combined Q2 2023 C1 cash costs[1] were 3.15/lb (3.18/lb sulphides and 3.08/lb cathodes) compared to combined C1 cash costs[1] of 2.85/lb in Q2 2022, 10% higher than the same period last year mainly due to lower production ($0.12/lb), an increase in contracted services and labour cost mainly driven by unfavourable foreign exchange rate and inflation impact ($0.36/lb), plant maintenance and spare parts spend ($0.10/lb), partially offset by lower main consumables prices (-$0.32/lb) (realized acid prices averaged $156/t in Q2 2023 versus $268/t in Q2 2022 and diesel price averaged $0.68/l in Q2 2023 versus $1.03/l in Q2 2022).

Combined 2023 YTD C1 cash costs[1] of 2.89/lb (2.77/lb sulphides and 3.22/lb cathodes) were consistent with $2.89/lb in 2022 YTD. For the second half of 2023, we expect a reduction in combined C1 cash costs[1] as the production mix is expected to have a higher ratio of concentrates to cathodes and lower acid prices (average 2023 YTD $184/t and estimated remaining $152/t).

Mantoverde Mine

Q2 2023 copper production of 8.3 thousand tonnes was 37% lower compared to 13.1 thousand tonnes in Q2 2022. Heap operations grade was lower as a result of mine sequence (0.31% in Q2 2023 versus 0.49% in Q2 2022), and recoveries were slightly lower (73.4% in Q2 2023 versus 75.7% in Q2 2022). Heap throughput was slightly lower as well (2.7 million tonnes in Q2 2023 versus 2.8 million tonnes in Q2 2022). Dump operations grades were consistent with the same period last year. Production for the remainder of the year should be positively impacted by higher irrigation rates as a result of higher availability of water following a planned shutdown on the desalination plant that impacted water availability and the electrical tie-ins that have been completed year to date.

2023 YTD production of 16.8 thousand tonnes was higher than the same period last year due to full operational Q1 2023 compared to nine-day stub period in Q1 2022.

Q2 2023 C1 cash costs[1] were 3.92/lb, 15% higher than 3.40/lb in Q2 2022 due to lower production ($1.90/lb) partially offset by lower sulphuric acid prices (-$0.88/lb) ($155/t in Q2 2023 versus $251/t in Q2 2022) and lower mine cost mainly driven by lower diesel prices (-$0.63/lb) ($0.69/l in Q2 2023 versus $1.04/l in Q2 2022).

2023 YTD C1 cash costs[1] were 3.97/lb, 16% higher than $3.42/lb in 2022 YTD. For the second half of 2023, we expect a reduction in C1 cash costs[1] due to lower energy prices (average YTD $0.24/kWh and estimated remaining $0.19/kWh).

Cozamin Mine

Q2 2023 copper production of 6.6 thousand tonnes was higher than the same period prior year mainly on higher grades (1.98% in Q2 2023 versus 1.88% in Q2 2022) as a result of mining higher grade areas. Recoveries and mill throughput were consistent quarter over quarter.

2023 YTD production was 4% lower than 2022 YTD due to lower throughput as a result of change in mining method (cut-and-fill) (3,602 tpd in 2023 YTD versus 3,789 tpd in 2022 YTD), partially offset by higher grades (1.88% in 2023 YTD versus 1.86% in 2022 YTD). Recoveries were consistent with the same period last year.

Q2 2023 C1 cash costs[1] were 30% higher than the same period last year mainly due to inflationary price increases on the main consumables, unfavourable foreign exchange rate, start of paste plant operations, which resulted in an increase in labour, contractor and cement costs, and changes in mining method ($0.44/lb), partially offset by higher copper production (-$0.06/lb).

2023 YTD C1 cash costs[1] were 40% higher than the same period last year primarily due to the change in mining method which resulted in an increase in contractor utilization, unfavourable foreign exchange rate and higher spend on mechanical parts to increase equipment availability and reliability ($0.34/lb). In addition, cash costs were impacted by lower production ($0.05/lb), lower zinc by-product credits due to planned lower zinc production ($0.05/lb).

Mantoverde Development Project

Construction of the MVDP located at the existing Mantoverde (oxide) operation continues to progress well. The MVDP is expected to enable the mine to process 231 million tonnes of copper sulphide reserves over a 20-year expected mine life, in addition to existing oxide reserves. The MVDP involves the addition of a sulphide concentrator (12.3 million tonnes per year) and tailings storage facility, and the expansion of the existing desalination plant.

Upon completion, the Company expects the MVDP to increase production from approximately 34,000 to 36,000 tonnes of copper (cathodes only) in our full year guidance for 2023 to approximately 110,000 to 120,000 tonnes of copper (copper concentrate and cathodes) post project completion. In parallel, C1 cash costs[1] are expected to decrease from a range of ~$3.70/lb to ~$3.80/lb in the full year guidance for 2023 to blended costs of below $2.00/lb after project completion and ramp up. The decline in expected costs will be driven by the mine's transition to becoming a primary producer of copper concentrate. Upon completion of the MVDP, approximately 75% of Mantoverde's production will come from the lower-cost sulphide copper. The mine will also benefit from the production of approximately 31,000 ounces of gold per year that will generate by-product credits.

MVDP is progressing under a lump-sum turn-key engineering, procurement, and construction (EPC) contract with Ausenco Limited, a multi-national EPC management company, with broad international experience in the design and construction of copper concentrator projects of this scale in the international market. The execution plan includes a Capstone Copper owner's team working with the contractors during the execution phase.

The Mantoverde Development Project is progressing well at approximately 88% complete and remains on track for commissioning and feeding first ore to the mill in late 2023. Areas of focus in Q2 2023 were:

- Stockpile dome was completed in May;
- Stockpiled approximately 4.4 million tonnes of sulphide ore grading ~0.63% copper and 0.11 g/t gold to date;
- The primary crusher's mechanical and electrical tie-in was completed;
- Mechanical installation of all flotation cells was completed according to plan; and
- Critical equipment assembly is in progress according to the planned schedule: the SAG mill´s internal rubber lining was completed and the ball mill´s liners were installed.

As of June 30, 2023, the cost of the different components of the project, including the lump-sum turnkey EPC, continue on track and on target. The total project capital remains at $825 million and inception-to-date project spend, excluding finance costs, totals $706 million.

A virtual tour of the project can be viewed at https://vrify.com/decks/12698-mantoverde-development-project

Chilean Tax Reform

In May 2023, the Chilean Congress finalized the discussion surrounding the proposed Mining Royalty Bill, which was reviewed and approved by the Constitutional Court of Chile on July 15, 2023. The Mining Royalty Bill, which is expected to be passed into law once signed by the President of Chile and published in the Official Gazette, is anticipated to be effective on January 1, 2024.

The Mining Royalty Bill contains two components, an ad-valorem component and a mine operating margin component. The ad-valorem component is applicable to companies with annual sales of copper that are higher than the equivalent of 50,000 metric tonnes of fine copper ("MTFC"). If the company's "Adjusted Mining Operational Taxable Income", or "RIOMA" as it is referred to in Chile, is negative, the ad-valorem component to be paid will be calculated by subtracting the negative amount of the RIOMA from the ad-valorem component. The ad-valorem component of the Mining Royalty will be deductible when determining First Category income taxes, however, not for purposes of determining RIOMA. The ad-valorem component is capped at 1% of gross copper revenues.

The mine operating margin ("MOM") component will vary depending on the sales volume of the company, along with whether more than 50% of its annual production is copper. Mining companies which derive more than 50% of their income from copper sales and exceed 50,000 MTFC will pay a tax rate that fluctuates between 8% and 26% based on the following table:

MOM	Maximum effective rate
Less than 20%	8%
greater than 20% but less than 45%	the rate increases linearly to 12%
greater than 45% but less than 60%	the rate increases linearly to 26%
Greater than 60%	26%

The MOM component will not be applicable in cases where the RIOMA is negative and is calculated based on total mine operating margin, which includes silver and gold by-products. The final Mining Royalty Bill includes depreciation as a fully deductible operational expense, however, unlike the First Category deduction, it is on a non-accelerated basis.

The Mining Royalty includes a maximum limit to the total tax burden, consisting of (1) the corporate income tax paid in the respective year, (2) the Mining Royalty (both ad-valorem and MOM components) and (3) withholding taxes to which owners would be subject to upon distribution of dividends. The calculation of withholding taxes assumes a 100% distribution, and is calculated considering a tax burden of 35% of net taxable income, i.e. an additional 8% to the First Category rate of 27%. The Mining Royalty establishes that when the sum of three component exceeds 46.5% of RIOMA, then the Mining Royalty would be adjusted in such a way that it does not exceed the limit.

As a change in tax law is accounted for in the period of enactment, we expect the effect of the change to be recognized in our results for the three and nine months ended September 30, 2023. The Company is in the process of reviewing the expected impact, however, upon enactment we expect to record a deferred income tax expense in the range of $45 million to $55 million and a corresponding increase to deferred income tax liabilities. The Mining Royalty is not expected to have an impact on Santo Domingo which has 15 years of tax stability post commencement of commercial production as a result of Decree Law No. 600 ("DL 600") during which time it will remain subject to the current Specific Tax on Mining. Furthermore, given the Company's growth projects in Chile, we do not expect to incur cash withholding taxes for many years.

Surety Bond Utilization

In May 2023, Minto Metals Corp. ("Minto") announced that they had ceased all operations at the Minto Mine located within the Selkirk First Nation's territory in the Yukon and that the Yukon Government had assumed care and control of the site.

In conjunction with Capstone's sale of the Minto Mine in 2019, Minto posted a surety bond of C$72 million to cover potential future reclamation liabilities. While this surety bond is outstanding, the Company remains an indemnitor to the surety bond provider. As Minto has defaulted on the surety bond during the quarter, Capstone recognized a liability of approximately US$54 million (C$72 million) related to our obligations to the issuer of the surety bond.

Mantoverde – Santo Domingo District Integration Plan

The Company is focused on creating a world-class mining district in the Atacama region of Chile, targeting over 200,000 tonnes per year of low-cost copper production with the potential to also become one of the largest and lowest cost battery grade cobalt producers in the world outside of China and the DRC. Capstone Copper has the opportunity to unlock a total of $80-100 million per year in operating cost synergies, while also enabling additional copper and cobalt production, infrastructure capital savings, and the potential for significant tax synergies.

Santo Domingo FS Update

Santo Domingo has started the flowsheet optimization process previously announced by awarding Ausenco a Prefeasibility Study ("PFS") subsequently followed by a Feasibility Study ("FS") scope. Most improvements identified through the development of several technical assessments conducted by subject matter experts before this work have been confirmed and integrated into the PFS design. Taking into consideration the previous feasibility study and recently produced metallurgical testwork data and optimized mine plan, Ausenco will put together a new Technical Report that will be used to update the market with the Santo Domingo current business case, which is expected to be completed by year-end. Also, project debottlenecking activities have continued to maintain Capstone Copper's "shovel ready" position by advancing permitting and formalizing agreements with third parties.

The Feasibility Study will incorporate some of the synergies previously identified by Capstone in the Mantoverde-Santo Domingo district, namely related to water and power initiatives. This includes a plan to expand the existing Mantoverde desalination plant to 840 litres per second, utilization of existing water pipelines, and upgraded energy transmission capacity to Santo Domingo.

Mantoverde Optimized FS and Phase II

The Company is currently analyzing the next expansion of the sulphide concentrator. Capstone has identified that the desalination plant capacity and major components of the comminution and flotation circuits of the Mantoverde Development Project are capable of sustaining average annual throughput of between 40,000 and 45,000 tonnes per day with no major capital equipment upgrades. Capstone continues to work with Ausenco's engineering team to develop the Optimized Mantoverde Development Project (MVDP Optimized FS), including evaluating the costs and timelines of debottlenecking the minor components of the plant to meet the potential throughput target. The conceptual engineering study was completed in Q2 and the Feasibility Study is on track for completion in Q1 2024.

Given the above, the Mantoverde Phase II study will evaluate the addition of an entire second processing line, possibly a duplication of the first line, to process some of the additional 77% of resources not utilized by the optimized MVDP. Current activities are focused on understanding the optimum concentrator capacity and mine plan, along with the implications to the timing and permitting for the project.

Mantoverde – Santo Domingo Cobalt Feasibility Study Update

A district cobalt plant for Mantoverde – Santo Domingo may also unlock cobalt production from Mantoverde while producing a by-product of sulphuric acid which can then be consumed internally to further significantly lower operating costs in the cathode leaching process at Mantoverde.

The cobalt recovery process consists of a concentration step, an oxidation step, and a cobalt recovery step. The concentration step considers a conventional froth flotation circuit treating copper flotation tails to produce a cobaltiferous pyrite concentrate which is expected to contain between 0.5% and 0.7% Co. Two proven cobalt processes are under evaluation, Heap Leaching-Ion Exchange and Roasting. The roasting case requires higher capital and would need a longer timeline for permitting and construction, while the heap leaching-ion exchange process is expected to have moderately lower cobalt and acid production but lower capital requirement, a quicker timeline to production and lower risk due to the use of heap leach infrastructure already in place at Mantoverde. We anticipate the heap leaching-ion exchange approach to be the preferred methodology, and is where most of the work today is focused.

At a combined MV-SD target of 4.5 to 6.0 thousand tonnes of cobalt production per year, this would be one of the largest and lowest cost cobalt producers in the world outside of China and the DRC.

Mantos Blancos Phase II

Mantos Blancos is currently evaluating the potential to increase throughput of the Mantos Blancos sulphide concentrator plant from 7.3 million tonnes per year to 10.0 million tonnes per year using existing underutilized ball mills and other process equipment. As part of the Mantos Blancos Phase II Project, we are also evaluating the potential to extend the life of copper cathode production. The Mantos Blancos Phase II Feasibility Study is expected to be released in 2024, and the environmental DIA application was submitted in August 2022.

PV District Growth Study

The company continues to review and evaluate the consolidation potential of the Pinto Valley district. Opportunities under evaluation include a potential mill expansion and increased leaching capacity supported by optimized water, heap and dump leach, and tailings infrastructure. This could unlock significant ESG opportunities and may transform our approach to create value for all stakeholders in the Globe-Miami District. Constructive discussions with key district stakeholders advanced during the quarter. A district growth study at Pinto Valley is anticipated in 2024.

Management Additions

Effective August 1, 2023, James (“Jim”) Whittaker was appointed as Senior Vice President, Head of Chile. Jim’s most recent role was with BHP Chile as President of the Escondida copper mine. Prior to that he was Executive General Manager at OceanaGold where he led the operations and project development of the Haile Gold Mine in the southeastern U.S. He has also held the role of Executive General Manager with Barrick Gold where he led mining operations and project development in Peru and Argentina. Giancarlo Bruno, former SVP, Head of Chile, will be retiring effective August 11, 2023 after a long and successful career that has included executive positions with several large Chilean mining companies. Jim and Giancarlo are working closely together to ensure a smooth transfer of responsibilities and knowledge.

Also effective August 1, 2023, Hayden Halsted was appointed Vice President, Mining & Maintenance. Hayden brings over 30 years of experience in the mining and civil construction industries, primarily in South America, where he held several senior leadership roles at STRACON.

In May 2023, Edgar Rocha joined the Chile team as Project Director, Santo Domingo Project. Edgar has more than 18 years of experience in project management and engineering for projects in the U.S., Portugal, and Chile, and has previously held senior project roles at Freeport-McMoRan and Lundin Mining.

Corporate Exploration Update

Cozamin: Q2 2023 exploration focused on infilling the Mala Noche Main Vein West Target with one underground rig from the west exploration crosscut station. Development of the proposed lower elevation mine cross-cut will allow for additional infill drilling starting in late Q3 2023 to develop an updated mineral resource estimate in 2024.

Copper Cities, Arizona: On January 20, 2022, Capstone Mining announced that it had entered into an 18-month access agreement with BHP Copper Inc. (“BHP”) to conduct drill and metallurgical test-work at BHP’s Copper Cities project (“Copper Cities”), located approximately 10 km east of the Pinto Valley mine. An amendment to the agreement was completed in March 2023 extending the term by another six months. Drilling with two surface rigs twinning historical drill holes was completed in 2022 with metallurgical testing continuing in 2023. As explained in the PV District Growth Study section, district consolidation opportunities are being evaluated.

Planalto, Brazil: Step-out drilling at the Planalto Iron Ore-Copper-Gold prospect in Brazil, under an earn-in agreement with Lara Exploration Ltd. (“Lara”), continued in Q2 2023. During Q1 Capstone and Lara amended the Planalto Option Agreement extending the timeframe to complete the feasibility study until 2026 and Capstone now plans to complete 10,000 metres of exploration drilling during 2023, and a metallurgical test program has been initiated with results expected in 2024. Capstone currently has a 51% interest in the Planalto Project and can increase its interest to 61% by delivering a feasibility study before 2026.

2023 Outlook

The results in H1 were impacted by unfavourable weather and unplanned maintenance downtime. H2 2023 is expected to have an improved operating performance at Pinto Valley and reduced downtime at Mantos Blancos leading to more consistent throughput. We expect to produce 83,000 to 93,000 tonnes of copper on a consolidated basis during H2 2023 at C1 cash costs[1] of $2.55 to $2.75 per payable pound of copper produced.

Full year capital guidance (including capitalized stripping) of $620 million and exploration guidance (brownfield and greenfield) of $10 million remains unchanged. In addition, MVDP remains on track and on budget.

Capstone's H2 2023 (6 month period) operating guidance:

	Copper Production ('000s tonnes)	C1 Cash Costs[1] (US$ per payable lb Cu Produced)
Sulphides Business		
Pinto Valley	28.0 – 31.0	$2.40 – $2.60
Cozamin	11.5 – 12.5	$1.70 – $1.80
Mantos Blancos	21.0 – 24.5	$2.35 – $2.55
Total Sulphides	**60.5 – 68.0**	**$2.25 – $2.45**
Cathode Business		
Mantos Blancos	5.0 – 6.0	$2.85 – $3.00
Mantoverde[2]	17.5 – 19.0	$3.50 – $3.70
Total Cathodes	**22.5 – 25.0**	**$3.35 – $3.55**
Consolidated Cu Production	**83.0 – 93.0**	**$2.55 – $2.75**

[2] *Mantoverde production shown on a 100% basis*

Key C1 Cash costs[1] input assumptions:

CLP/USD: 800:1 MXN/USD: 17:1 Silver: $25/oz Molybdenum: $20/lb Gold: $1,850/oz

FINANCIAL OVERVIEW

Please refer to Capstone's Q2 2023 MD&A and Financial Statements for detailed financial results.

($ millions, except per share data)	Q2 2023	Q2 2022	2023 YTD	2022 YTD
Revenue	**333.9**	356.6	**669.5**	624.7
Net (loss) income	**(33.9)**	92.0	**(62.9)**	127.1
Net (loss) income attributable to shareholders	**(36.5)**	75.1	**(56.5)**	109.1
Net (loss) income attributable to shareholders per common share – basic and diluted ($)	***(0.05)***	*0.11*	***(0.08)***	*0.19*
Adjusted net (loss) income[1]	**(12.2)**	(27.7)	**5.2**	32.5
Adjusted net (loss) income attributable to shareholders per common share – basic and diluted	***(0.02)***	*(0.04)*	***0.01***	*0.06*
Operating cash flow before changes in working capital	**22.0**	40.7	**65.1**	111.1
Adjusted EBITDA[1]	**43.4**	115.8	**109.3**	240.2
Realized copper price[1] ($/pound)	**3.71**	3.66	**3.93**	4.06

($ millions)	June 30, 2023	December 31, 2022

Total assets	**5,642.4**	5,380.9
Total non-current financial liabilities	**993.9**	709.5
Net debt[1]	**(760.4)**	(483.1)
Attributable net (debt)/cash[1]	**(608.9)**	(483.1)

CONFERENCE CALL AND WEBCAST DETAILS

Capstone will host a conference call and webcast on Wednesday, August 2, 2023 at 08:00 am PT/11:00 am ET. Link to the audio webcast: https://app.webinar.net/MROlAWvjvz8

Dial-in numbers for the audio-only portion of the conference call are below. Due to an increase in call volume, please dial-in at least five minutes prior to the call to ensure placement into the conference line on time.

Toronto: (+1) 416-764-8650

Vancouver: (+1) 778-383-7413

North America toll free: 888-664-6383

A replay of the conference call will be available until August 9. 2023. Dial-in numbers for Toronto: (+1) 416-764-8677 and North American toll free: 888-390-0541. The replay code is 998635#. Following the replay, an audio file will be available on Capstone's website at https://capstonecopper.com/investors/events-and-presentations/.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document may contain "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking statements"). These forward-looking statements are made as of the date of this document and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation.

Forward-looking statements relate to future events or future performance and reflect our expectations or beliefs regarding future events. Our Sustainable Development Strategy goals and strategies are based on a number of assumptions, including regarding the biodiversity and climate-change consequences; availability and effectiveness of technologies needed to achieve our sustainability goals and priorities; availability of land or other opportunities for conservation, rehabilitation or capacity building on commercially reasonable terms and our ability to obtain any required external approvals or consensus for such opportunities; the availability of clean energy sources and zero-emissions alternatives for transportation on reasonable terms; our ability to successfully implement new technology; and the performance of new technologies in accordance with our expectations.

Forward-looking statements include, but are not limited to, statements with respect to the estimation of Mineral Resources and Mineral Reserves, the success of the underground paste backfill and tailings filtration projects at Cozamin, the timing and cost of the Mantoverde Development Project ("MVDP"), the timing and results of the Optimized Mantoverde Development Project ("MVDP Optimized FS") and Mantoverde Phase II study, the timing and results of PV District Growth Study (as defined below), the timing and results of Mantos Blancos Phase II Feasibility Study, the expected reduction in capital requirements for the Santo Domingo project, the timing and success of the Mantoverde – Santo Domingo Cobalt Feasibility Study, the timing and results of the Santo Domingo FS Update and success of incorporating synergies previously identified in the Mantoverde – Santo Domingo District Integration Plan, the realization of Mineral Reserve estimates, the timing and amount of estimated future production, the costs of production and capital expenditures and reclamation, the timing and costs of the Minto surety bond obligations, the budgets for exploration at Cozamin, Santo Domingo, Pinto Valley, Mantos Blancos, Mantoverde, and other exploration projects, the timing and success of the Copper Cities project, the timing and success of the Planalto project, the success of our mining operations, the continuing success of mineral exploration, the estimations for potential quantities and grade of inferred resources and exploration targets, our ability to fund future exploration activities, our ability to finance the Santo Domingo project, environmental risks, unanticipated reclamation expenses and title disputes, the success of the synergies and catalysts related to prior transactions, in particular the potential synergies with Mantoverde and Santo Domingo, the anticipated future production, costs of production, including the cost of sulphuric acid and oil and other fuel, capital expenditures and reclamation of Company's operations and development projects and the risks included in our continuous disclosure filings on SEDAR+ at www.sedarplus.ca. The impact of global events such as pandemics, geopolitical conflict, or other events, to Capstone is dependent on a number of factors outside of our control and knowledge, including the effectiveness of the measures taken by public health and governmental authorities to combat the spread of diseases, global economic uncertainties and outlook due to widespread diseases or geopolitical events or conflicts, supply chain delays resulting in lack of availability of supplies, goods and equipment, and evolving restrictions relating to mining activities and to travel in certain jurisdictions in which we operate. In certain cases, forward-looking statements can be identified by the use of words such as "anticipates", "approximately", "believes", "budget", "estimates", "expects", "forecasts", "guidance", "intends", "plans", "scheduled", "target", or variations of such words and phrases, or statements that certain actions, events or results "be achieved", "could", "may", "might", "occur", "should", "will be taken" or "would" or the negative of these terms or comparable terminology.

In certain cases, forward-looking statements can be identified by the use of words such as "anticipates", "approximately", "believes", "budget", "estimates", expects", "forecasts", "guidance", intends", "plans", "scheduled", "target", or variations of such words and phrases, or statements that certain actions, events or results "be achieved", "could", "may", "might", "occur", "should", "will be taken" or "would" or the negative of these terms or comparable terminology. In this document certain forward-looking statements are identified by words including "anticipated", "expected", "guidance" and "plan". By their very nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, amongst others, risks related to inherent hazards associated with mining operations and closure of mining projects, future prices of copper and other metals, compliance with financial covenants, surety bonding, our ability to raise capital, Capstone Copper's ability to acquire properties for growth, counterparty risks associated with sales of our metals, use of financial derivative instruments and associated counterparty risks, foreign currency exchange rate fluctuations, market access restrictions or tariffs, changes in general economic conditions, availability and quality of water, accuracy of Mineral Resource and Mineral Reserve estimates, operating in foreign jurisdictions with risk of changes to governmental regulation, compliance with governmental regulations, compliance with environmental laws and regulations, reliance on approvals, licences and permits from governmental authorities and potential legal challenges to permit applications, contractual risks including but not limited to, our ability to meet the completion test requirements under the Cozamin Silver Stream Agreement with Wheaton Precious Metals Corp. ("Wheaton"), our ability to meet certain closing conditions under the Santo Domingo Gold Stream Agreement with Wheaton, acting as Indemnitor for Minto Metals Corp.'s surety bond obligations, impact of climate change and changes to climatic conditions at our operations and projects, changes in regulatory requirements and policy related to climate change and greenhouse gas ("GHG") emissions, land reclamation and mine closure obligations, aboriginal title claims and rights to consultation and accommodation, risks relating to widespread epidemics or pandemic outbreaks; the impact of communicable disease outbreaks on our workforce, risks related to construction activities at our operations and development projects, suppliers and other essential resources and what effect those impacts, if they occur, would have on our business, including our ability to access goods and supplies, the ability to transport our products and impacts on employee productivity, the risks in connection with the operations, cash flow and results of Capstone Copper relating to the unknown duration and impact of the epidemics or pandemics, impacts of inflation, geopolitical events and the effects of global supply chain disruptions, uncertainties and risks related to the potential development of the Santo Domingo project, risks related to the Mantoverde Development Project, increased operating and capital costs, increased cost of reclamation, challenges to title to our mineral properties, increased taxes in jurisdictions the Company operates or is subject to tax, changes in tax regimes we are subject to and any changes in law or interpretation of law may be difficult to react to in an efficient manner, maintaining ongoing social licence to operate, seismicity and its effects on our operations and communities in which we operate, dependence on key management personnel, potential conflicts of interest involving our directors and officers, corruption and bribery, limitations inherent in our insurance coverage, labour relations, increasing input costs such as those related to sulphuric acid, electricity, fuel and supplies, increasing inflation rates, competition in the mining industry including but not limited to competition for skilled labour, risks associated with joint venture partners and non-controlling shareholders or associates, our ability to integrate new acquisitions and new technology into our operations, cybersecurity threats, legal proceedings, the volatility of the price of the common shares, the uncertainty of maintaining a liquid trading market for the common shares, risks related to dilution to existing shareholders if stock options or other convertible securities are exercised, the history of Capstone Copper with respect to not paying dividends and anticipation of not paying dividends in the foreseeable future and sales of common shares by existing shareholders can reduce trading prices, and other risks of the mining industry as well as those factors detailed from time to time in the Company's interim and annual financial statements and MD&A of those statements and Annual Information Form, all of which are filed and available for review under the Company's profile on SEDAR+ at www.sedarplus.ca. Although the Company has attempted to identify important factors that could cause our actual results, performance or achievements to differ materially from those described in our forward-looking statements, there may be other factors that cause our results, performance or achievements not to be as anticipated, estimated or intended. There can be no assurance that our forward-looking statements will prove to be accurate, as our actual results, performance or achievements could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on our forward-looking statements.

COMPLIANCE WITH NI 43-101

Unless otherwise indicated, Capstone Copper has prepared the technical information in this document ("Technical Information") based on information contained in the technical reports, Annual Information Form and news releases (collectively the "Disclosure Documents") available under Capstone Copper's company profile on SEDAR+ at www.sedarplus.ca. Each Disclosure Document was prepared by or under the supervision of a qualified person (a "Qualified Person") as defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators ("NI 43-101"). Readers are encouraged to review the full text of the Disclosure Documents which qualifies the Technical Information. Readers are advised that Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The Disclosure Documents are each intended to be read as a whole, and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

Disclosure Documents include the National Instrument 43-101 compliant technical reports titled "NI 43-101 Technical Report on the Cozamin Mine, Zacatecas, Mexico" effective January 1, 2023, "NI 43-101 Technical Report on the Pinto Valley Mine, Arizona, USA" effective March 31, 2021, "Santo Domingo Project, Region III, Chile, NI 43-101 Technical Report" effective February 19, 2020, and "Mantos Blancos Mine NI 43-101 Technical Report Antofagasta / Región de Antofagasta, Chile" and "Mantoverde Mine and Mantoverde Development Project NI 43-101 Technical Report Chañaral / Región de Atacama, Chile", both effective November 29, 2021.

The disclosure of Scientific and Technical Information in this document was reviewed and approved by Clay Craig, P.Eng., Director, Mining & Strategic Planning (technical information related to Mineral Reserves at Pinto Valley and Cozamin), and Cashel Meagher, P.Geo., President and Chief Operating Officer (technical information related to project updates at Santo Domingo and Mineral Reserves and Resources at Mantos Blancos and Mantoverde) all Qualified Persons under NI 43-101.

Alternative Performance Measures

Alternative performance measures are furnished to provide additional information. These non-GAAP performance measures are included in this document because these statistics are key performance measures that management uses to monitor performance, to assess how the Company is performing, and to plan and assess the overall effectiveness and efficiency of mining operations. These performance measures do not have a standard meaning within IFRS and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. These performance measures should not be considered in isolation as a substitute for measures of performance in accordance with IFRS.

Some of these alternative performance measures are presented in Highlights and discussed further in other sections of the document. These measures provide meaningful supplemental information regarding operating results because they exclude certain significant items that are not considered indicative of future financial trends either by nature or amount. As a result, these items are excluded for management assessment of operational performance and preparation of annual budgets. These significant items may include, but are not limited to, restructuring and asset impairment charges, individually significant gains and losses from sales of assets, share based compensation, unrealized gains or losses, and certain items outside the control of management. These items may not be non-recurring. However, excluding these items from GAAP or Non-GAAP results allows for a consistent understanding of the Company's consolidated financial performance when performing a multi-period assessment including assessing the likelihood of future results. Accordingly, these Non-GAAP financial measures may provide insight to investors and other external users of the Company's consolidated financial information.

C1 Cash Costs Per Payable Pound of Copper Produced

C1 cash costs per payable pound of copper produced is a measure reflective of operating costs per unit. C1 cash costs is calculated as cash production costs of metal produced net of by-product credits and is a key performance measure that management uses to monitor performance. Management uses this measure to assess how well the Company's producing mines are performing and to assess overall efficiency and effectiveness of the mining operations and assumes that realized by-product prices are consistent with those prevailing during the reporting period.

All-in Sustaining Costs Per Payable Pound of Copper Produced

All-in sustaining costs per payable pound of copper produced is an extension of the C1 cash costs measure discussed above and is also a non-GAAP key performance measure that management uses to monitor performance. Management uses this measure to analyze margins achieved on existing assets while sustaining and maintaining production at current levels. Consolidated All-in sustaining costs includes sustaining capital and corporate general and administrative costs.

Net debt / Net cash

Net debt / Net cash is a non-GAAP performance measure used by the Company to assess its financial position and is composed of Long-term debt (excluding deferred financing costs and purchase price accounting ("PPA") fair value adjustments), Working capital facility, Cost overrun facility from MMC, Cash and cash equivalents and Short-term investments.

Attributable Net debt / Net cash

Attributable net debt / net cash is a non-GAAP performance measure used by the Company to assess its financial position and is calculated as net debt / net cash excluding amounts attributable to non-controlling interests.

Available Liquidity

Available liquidity is a non-GAAP performance measure used by the Company to assess its financial position and is composed of RCF credit capacity, the $520 million Mantoverde DP facility capacity, Cash and cash equivalents and Short-term investments. For clarity, Available liquidity does not include the Mantoverde $60 million cost overrun facility from MMC nor the $260 million undrawn portion of the Gold stream from Wheaton related to the Santo Domingo project as they are not available for general purposes.

Adjusted net (loss) income attributable to shareholders

Adjusted net (loss) income attributable to shareholders is a non-GAAP measure of Net (loss) income attributable to shareholders as reported, adjusted for certain types of transactions that in our judgment are not indicative of our normal operating activities or do not necessarily occur on a regular basis.

EBITDA

EBITDA is a non-GAAP measure of net (loss) income before net finance expense, tax expense, and depletion and amortization.

Adjusted EBITDA

Adjusted EBITDA is non-GAAP measure of EBITDA before the pre-tax effect of the adjustments made to net (loss) income (above) as well as certain other adjustments required under the RCF agreement in the determination of EBITDA for covenant calculation purposes.

The adjustments made to Adjusted net (loss) income attributable to shareholders and Adjusted EBITDA allow management and readers to analyze our results more clearly and understand the cash generating potential of the Company.

Sustaining Capital

Sustaining capital is expenditures to maintain existing operations and sustain production levels. A reconciliation of this non-GAAP measure to GAAP segment MPPE additions is included within the mine site sections of this document.

Expansionary Capital

Expansionary capital is expenditures to increase current or future production capacity, cash flow or earnings potential. A reconciliation of this non-GAAP measure to GAAP segment MPPE additions is included within the mine site sections of this document.

Realized copper price (per pound)

Realized price per pound is a non-GAAP ratio that is calculated using the non-GAAP measures of revenue on new shipments, revenue on prior shipments, and pricing and volume adjustments. Realized prices exclude the effects of the stream cash effects as well as TC/RCs. Management believes that measuring these prices enables investors to better understand performance based on the realized copper sales in the current and prior period.

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