capstone
MINING CORP

MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

(Expressed in US Dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
CAPSTONE MINING CORP.
FOR THE YEAR ENDED DECEMBER 31, 2021

Capstone Mining Corp. ("Capstone" or the "Company") has prepared the following management's discussion and analysis (the "MD&A") as of February 15, 2022 and it should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2021. All financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and all dollar amounts presented are United States ("US") dollars unless otherwise stated. "C$" refers to Canadian dollars.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

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 and the impacts of the ongoing and evolving COVID-19 pandemic. 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 construction of the paste backfill and dry stack tailings plant at Cozamin, the timing and results of the PV4 study, timing and success of the Jetti Technology, the successful execution of a port services agreement with Puerto Abierto S.A. and/or rail agreement with Sigdo Kopper's rail business, the expected reduction in capital requirements for the Santo Domingo project, the timing and success of the Cobalt Study for Santo Domingo, the success of the PV3 Optimization project, the realization of Mineral Reserve estimates, the timing and amount of estimated future production, the costs of production and capital expenditures and reclamation, the budgets for exploration at Cozamin, Santo Domingo, Pinto Valley and other exploration projects, the timing and success of the Copper Cities 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 consummation and timing of the transaction with Mantos Copper (Bermuda) Limited ("Mantos") (the "Transaction") and, if consummated, the success of the synergies and catalysts related to the Transaction for the combined entity, Capstone Copper Corp., and the anticipated future production, costs of production, capital expenditures and reclamation of Mantos Copper operations and development projects. The potential effects of the COVID-19 pandemic on our business and operations are unknown at this time, including Capstone's ability to manage challenges and restrictions arising from COVID-19 in the communities in which Capstone operates and our ability to continue to safely operate and to safely return our business to normal operations. The impact of COVID-19 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 the disease, global economic uncertainties and outlook due to the disease, 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 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'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 post divestiture, impact of climate change and changes to climatic conditions at our Pinto Valley and Cozamin operations and Santo Domingo project, 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 outbreak including the COVID-19 pandemic; the impact of COVID-19 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 relating to the unknown duration and impact of the COVID-19 pandemic, uncertainties and risks related to the potential development of the Santo Domingo 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 energy prices, competition in the mining industry including but not limited to competition for skilled labour, risks associated with joint venture partners, our ability to integrate new acquisitions and new technology into our operations, cybersecurity threats, legal proceedings, risks related to the consummation of the Transaction, including failure to receive shareholder and other necessary consents and approvals for the Transaction, 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 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.sedar.com. 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.

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Nature of Business

Capstone Mining Corp. (“Capstone” or the “Company”), a Canadian mining company publicly listed on the Toronto Stock Exchange ("TSX"), is engaged in the production of and exploration for base metals in the United States (“US”), Mexico, and Chile, with a focus on copper. Pinto Valley Mining Corp. ("Pinto Valley"), a wholly owned US subsidiary, owns and operates the copper Pinto Valley Mine located in Arizona, US. Capstone Gold, S.A. de C.V. ("Capstone Gold"), a wholly owned Mexican subsidiary, owns and operates the polymetallic Cozamin Mine located in Zacatecas, Mexico, and has a portfolio of exploration properties in Mexico. Capstone Mining Chile SpA, a wholly owned Chilean subsidiary, is performing exploration for base metal deposits in Chile.

On March 24, 2021, Capstone consolidated a 100% ownership interest in 0908113 B.C. Ltd. (“Acquisition Co.”) by purchasing the remaining 30% ownership interest from Korea Resources Corporation (“KORES”), resulting in the elimination of the non-controlling interest (“NCI”) in Acquisition Co. Minera Santo Domingo SCM, a wholly owned Chilean subsidiary of Acquisition Co, holds the Santo Domingo copper-iron project in Chile.

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The Company continues to evaluate the potential impacts arising from COVID-19 on all aspects of its business. For the year ended December 31, 2021, there were no significant financial impacts on the Company.

2021 Annual and Q4 2021 Highlights and Significant Items

2021 Copper Production and C1 Cash Costs[1] Guidance

Capstone achieved both production and cost guidance in 2021; finishing the year at 187.1 million pounds of copper production, at the upper end of the 175 - 190 million pounds guidance range, and at consolidated C1 cash costs[1] of $1.81 per payable pound of copper, which was at the mid-point of the guidance range of $1.75 to $1.90 per pound.

2021 Annual and Q4 2021 Financial and Operational Highlights

- **Record net income of $252.9 million, or $0.56 per share for 2021 and net income of $41.4 million, or $0.10 per share for Q4 2021.** Adjusted net income[1] of $241.6 million or $0.60 per share for 2021, and $73.2 million or $0.18 per share for Q4 2021, main reconciling item for Q4 2021 was share based compensation expense.
- **Record Adjusted EBITDA[1] of $432.2 million for 2021 and $113.3 million for Q4 2021.** The increase in adjusted EBITDA[1] is reflective of Capstone's 19% growth in production and strong operational performance and financial leverage in a robust copper price environment.
- **Record Operating cash flow before changes in working capital[1] of $556.3 million in 2021** and **$104.9 million in Q4 2021** driven by strong revenue in a plus $4.00 price copper environment. Included in 2021 Operating cash flow is the receipt of the $150.0 million upfront payment for the Cozamin Silver Stream and $30.0 million upfront payment for the Santo Domingo Gold Stream Agreement.
- **Cash and short-term investments grew by $56.2 million** during the three months ending December 31, 2021 ("Q4 2021") and by **$389.3 million** during 2021 **to $264.4 million**. The Company's total available liquidity[1] was $489.4 million with nil long-term debt. The balance sheet was further enhanced by continued strong operating cash flow generation during Q4 2021.
- **Consolidated copper production of 51.6 million pounds at C1 cash costs[1] of $1.72** per payable pound of copper produced for Q4 2021. Full year guidance achieved with **consolidated copper production for 2021 of 187.1 million pounds at C1 cash costs[1] of $1.81** per payable pound of copper produced.
- **Cozamin Mine achieved another record quarterly copper production of 14.5 million pounds at $0.99 per payable pound of copper produced for Q4 2021.** Q4 2021 production was 41% higher than in Q4 2020 following commissioning of the Calicanto one-way haul ramp in Q1 2021.
- **Pinto Valley Mine produced 37.1 million pounds at $2.00 per payable pound of copper for Q4 2021.** The mine's processing plant achieved rates of approximately 58,500 tpd in the fourth quarter following completion of Phase 2 of PV3 Optimization.
- **Capstone announced the Transaction to combine with Mantos to create Capstone Copper Corp.** The Transaction, if consummated, will establish Capstone Copper Corp. as a premier copper producer with a diversified portfolio of high-quality, long-life operating assets focused in the Americas with an extensive pipeline of near-term fully-permitted organic growth opportunities. Completion of the Transaction is expected in March or April 2022.

Mantos Transaction

On November 30, 2021, the Company announced it had entered into a definitive agreement (the "Agreement") with Mantos to combine, pursuant to a plan of arrangement. Mantos is a copper-producing company that, through its subsidiaries, is engaged in the exploration, development, extraction, and processing of sulphide and oxide ores, and the production and sale of London Market Exchange Grade "A" copper cathodes and clean copper concentrates, with gold and silver by-products from its mining assets. Mantos Copper currently operates the open pit copper mines and processing plants of Mantos Blancos, located forty-five kilometres northeast of Antofagasta, and Mantoverde, located fifty kilometres southeast of Chanaral, in the region of Atacama.

The Transaction will require the approval of at least 66 2/3% of the votes cast by the shareholders of Capstone voting at a special meeting of shareholders to be held on February 28th, 2022. Officers and directors of Capstone, along with Capstone's largest shareholder, have entered into support and voting agreements, agreeing to vote their shares in favour of the Transaction (representing approximately 26.5% of the issued and outstanding common shares of Capstone). The management information circular dated January 27th, 2022 has been posted to the Company's website and filed on its profile on SEDAR.

Upon completion of the Transaction, the combined company is expected to be renamed Capstone Copper Corp. ("Capstone Copper"). Capstone Copper will remain headquartered in Vancouver, B.C. and has received

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*

conditional approval to be listed on the TSX. Pursuant to the Agreement, each Capstone shareholder will receive 1 newly issued Capstone Copper share per Capstone share (the "Exchange Ratio") and the existing Mantos shareholders will continue to hold Capstone Copper shares. Upon completion of the Transaction, former Capstone and Mantos shareholders will collectively own approximately 60.75% and 39.25% of Capstone Copper, respectively, on a fully-diluted basis. The Transaction is subject to certain regulatory approvals, consents from certain third parties and other customary closing conditions for a transaction of this nature, including approvals by the security holders, the TSX and the Supreme Court of British Columbia. The Agreement includes a non-solicitation provision, a right to match a superior proposal and a C$75 million termination fee payable in certain circumstances. Completion of the Transaction is expected in March or April 2022.

Subject to shareholder approval and the satisfaction of all other conditions, the Transaction is anticipated to close in March or April 2022.

PV3 Optimization Completed

PV3 Optimization work was completed in Q3 2021. The $31 million two year program involved investments in the fine crushing plant, two new ball mill shells, tailings thickeners, and tailings pumping upgrades. The optimization work has enabled the reliability of higher throughput rates at Pinto Valley from 51,000 tonnes per day ("tpd") average in 2019 to over 58,000 tpd average in Q4 2021.

PV4 Study

During 2021, study work progressed on the pre-feasibility study ("PFS") for PV4 which aims to maximize the conversion of approximately one billion tonnes of mineral resources to mineral reserves, significantly extending Pinto Valley's mine life and increasing the mine's copper production profile. The application of the following new technologies and innovation is being considered:

- Expansion of the use of Jetti Catalytic Leach Technology which has the potential to increase mill cut-off-grades and increase tonnage available for leaching. Column leach testing is ongoing through H1 2022 and results will be included in the PV4 Study.

- Pyrite Agglomeration, with strong positive environmental, social and governance ("ESG") implications as it would divert acid-generating minerals including pyrite and chalcopyrite from tailings to the dump leach operation. Additional copper recovery and lower costs via self–generation of free acid would also be key economic drivers for this project. The project's initiation would be targeted for H2 2022 subject to board approval. Based on preliminary study results, the project is expected to require a low capex with a short payback period.

Higher mill throughput will be considered targeting up to 65,000 to 70,000 tpd. Key areas of investment include upgrades to ball mill motors, grinding circuit cyclones, and to the rougher flotation circuit and evaluation of coarse particle flotation. A low capital strategy is currently under review to improve coarse particle recovery with some modest investment in the current conventional flotation circuit. An expanded dump leach strategy would translate to higher grades sent to the mill for processing and increased copper cathode production by expanding dump leach tonnage.

Capstone Advances Santo Domingo Project

Following consolidation of Capstone's 100% ownership of the Santo Domingo Project ("Santo Domingo" or "the Project") in Region III, Chile during Q1 2021, the Company continued to advance the project on several fronts:

- With respect to the reduced initial capital estimate, the Company and its port partner, Puerto Abierto, S.A., a subsidiary of Puerto Ventanas, S.A., are executing on early works in the framework agreement. In addition, the Company is advancing the analysis of the pipeline versus rail capital trade-off in which the proposals replace the pipeline capital to become a rail customer. This work is now being done in conjunction with the Mantoverde synergies analysis discussed below.
- With respect to the proposed Transaction, scoping level work is being performed by the Santo Domingo and Mantos teams starting in late Q4 2021 to identify and refine potential synergies between the Santo Domingo Project with the Mantoverde mine (owned 70% by Mantos). Santo Domingo is situated ~35 kilometres northeast of the Mantoverde mine. Significant potential opportunities exist for:
    - Infrastructure sharing (including power, water, pipelines, port),
    - Transportation synergies for concentrates,

  - Potential enabling of product lines (additional iron and cobalt production from Mantoverde, processing oxide ore from Santo Domingo),
  - Potential integrated operating approach, and
  - Construction synergies (including project teams and camp).
- With respect to potential increases in the Chilean mining royalty tax, Santo Domingo is expected to be protected given the Company has secured and retains a foreign investment agreement with the state of Chile, which fell under the provisions of DL600. One of the benefits to the Company of this foreign investment agreement is a tax invariability assurance for a period of 15 years post commercial production.
- Cobalt Feasibility Update: The drilling program from Q3 and Q4 of 2021 generated sufficient sample mass for 2022 pilot scale testing of the cobalt recovery process. The first of a total of two stages of the cobalt feasibility engineering work, covering pre-feasibility level activities, started in September 2021 and is expected to be complete in March 2022. The proposed cobalt recovery process takes advantage of a tailings side-stream containing pyrite laden with ~0.6% cobalt, which will be recovered through a conventional flowsheet. The concentrate will be sent to pyrite roasting and solvent extraction followed by crystallization to produce battery grade cobalt sulphate heptahydrate. At an expected 10.4 million pounds of cobalt production per year, this will be one of the largest and lowest cost cobalt producers in the world at C1 cash costs[1] after credits of minus $4 per pound. Additional benefits of this project include the production of by-product sulphuric acid from the pyrite roasting process, which can be used for heap or dump leaching to produce low-cost copper cathodes at Santo Domingo, Mantoverde, and elsewhere in the district.

Corporate Exploration Update

Cozamin exploration: The focus during Q4 2021 was on testing the Mala Noche Footwall Zone and Mala Noche Main Vein West Target with three surface rigs, along with the in-parallel development of the west exploration drift and crosscuts which will allow more efficient testing of the target from underground once completed in early 2022. One additional surface rig tested other brownfield targets on the property.

Copper Cities, Arizona: On January 20, 2022, Capstone 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 ~10 km east of the Pinto Valley Mine. In 2022, Capstone plans to spend $6.7 million in a two-phase drill program aimed at twinning historical drill holes, and to select a portion of these for metallurgical testing.

Planalto, Brazil: Step-out drilling at the Planalto Iron Ore-Copper-Gold prospect in Brazil, under Earn In agreement with Lara Exploration Ltd., commenced in Q4 2021 and will continue into 2022. Lara is conducting the work and will report results when appropriate.

2022 Capstone Copper Catalysts

The following chart demonstrates key catalysts this year and assumes the completion of the Transaction by the end of Q1 2022. Of note, Capstone Copper's ESG Vision and Objectives will be rolled out in Q2 2022. The Mantoverde-Santo Domingo synergies study and integration plan is expected in September and will be followed by a site visit and investor day for institutional investors and analysts. At Pinto Valley, the PV4 prefeasibility study is expected to be released by year end and, at Santo Domingo, the updated feasibility and mine plan including the cobalt feasibility study is also expected to be released in Q4 2022. At Cozamin, the paste backfill and dry stack tailings plant is expected to be commissioning by the end of 2022.

[1] These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

2022 Capstone Copper Catalysts

Q1 2022

- Mantos Blancos + Mantoverde Technical Reports – **Filed Jan 5**
- Copper Cities Access Agreement – **Announced Jan 20**
- Capstone / Mantos Special Shareholder Meeting – Feb 28
- Capstone / Mantos Transaction Completion
- **Capstone Copper launch in March**

Q2 2022

- 2021 Capstone Mining Sustainability Report
- Capstone Copper ESG Vision and Objectives
- Corporate Exploration Update

Q3 2022

- Mantoverde-Santo Domingo Synergies Study & Integration Plan
- Chile site visit + Investor Day

Q4 2022

- Pinto Valley PV4 PFS released
- Santo Domingo Feasibility Study (Cu, Fe, Co, updated R+R and mine plan)
- Cozamin Paste Backfill and Dry Stack Tailings Plant commissioning

Capstone Copper 2022 guidance and catalysts to be announced in April following completion of the business combination of Capstone Mining and Mantos Copper.

2022 Production and cost guidance: Continued strong production growth, cost control measures limit increase to C1 cash costs.

In 2022, Capstone Mining expects to produce between 82,000 and 90,000 tonnes of copper at C1 cash costs[1] of between $1.85 and $2.00 per pound payable copper produced from the Pinto Valley and Cozamin mines.

Our cost control strategy included the following actions. During 2020, financial hedges were executed on foreign exchange rates to protect approximately half of the Company's Mexican Peso exposure from August 2020 through December 2021. The realized gain on the Mexican Peso zero cost collars was $2.6 million for the twelve months ended December 31, 2021. In November 2021, additional financial hedges were executed for approximate 75% of the Mexican Peso and Chilean Peso operating and capital cost exposure at the Cozamin mine and at Santo Domingo, respectively. The Mexican Peso collars have a floor of 20 and a cap of 24.75 Mexican Pesos to the US dollar, and the Chilean Peso collars have a floor of 750 and a cap of 931 and 939 Chilean Pesos to the US dollar. From time to time, the Company enters into foreign exchange hedging arrangements to mitigate the risk of exposure to fluctuating foreign currency exchange rates.

Pinto Valley entered into fixed-price diesel contracts with a supplier for its expected 2021 and 2022 diesel consumption at $1.76/gallon and $2.13/gallon, respectively. The contracted diesel prices have resulted in cost savings of $3.0 million and $6.3 million during the three months and year ended December 31, 2021, respectively. At current prices these contracts are expected to yield additional savings of approximately $4.5 million during 2022.

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*

Operational Overview

	Q4 2021	Q4 2020	2021	2020
Copper production (million pounds)				
Pinto Valley	**37.1**	34.1	**133.3**	119.0
Cozamin	**14.5**	10.3	**53.8**	37.9
Total	**51.6**	44.4	**187.1**	156.9
Copper sales				
Copper sold (million pounds)	**46.8**	39.3	**178.7**	147.4
Realized copper price ($/pound)	**4.61**	3.64	**4.42**	2.99
C1 cash costs[1] ($/pound) produced				
Pinto Valley	**2.00**	2.00	**2.16**	2.21
Cozamin	**0.99**	0.63	**0.96**	0.69
Consolidated	**1.72**	1.68	**1.81**	1.84

Consolidated

Q4 2021 production was 16% higher than Q4 2020 mainly as a result of higher mine grades at both mines plus record copper production at Cozamin driven by the mine expansion related to the completion of the new one-way haul ramp at the end of 2020.

2021 consolidated production of 187.1 million pounds of copper is at the upper end of the full year guidance of 175 to 190 million pounds of copper. The production results reflect a 19% increase compared to prior year, benefiting from Cozamin achieving the higher mill rates (3,800 tpd) and benefits of the PV3 Optimization projects at Pinto Valley. The increase in production was the main driver for the $0.03 per payable pound decrease in C1 cash costs[1] in 2021 compared to 2020, offset by $0.09/lb related to the Cozamin silver stream, thus overall pre-stream the C1 cash costs[1] were $0.12/lb lower than 2020. 2021 YTD C1 cash costs[1] are within annual guidance of $1.75 to $1.90 per payable pound.

Pinto Valley Mine

Q4 2021 production was higher than the same period last year primarily on higher grades for Q4 2021 (0.37% versus 0.31% in Q4 2020) as a result of mine sequencing and an increase in cut off grade to the mill, sending the lower grade ore to leach, partially offset by lower recoveries in Q4 2021 compared to Q4 2020.

2021 production increased by 12% compared to the same period last year due to higher head grades for 2021 (0.35% versus 0.30% in 2020) and improved flotation plant recovery performance (85.7% versus 85.0% in 2020).

C1 cash costs[1] of $2.00 per payable pound in Q4 2021 were consistent with the same period last year. Lower capitalized stripping costs of $0.12 per pound during the quarter ($0.2 million versus $4.1 million in Q4 2020) were fully offset by higher Q4 2021 production compared to Q4 2020.

A decrease in 2021 C1 cash cost[1] by $0.05 per payable pound was primarily attributed to higher production compared to the same period last year.

Cozamin Mine

Production in Q4 2021 was 41% higher than the same period last year and set another record production quarter for Cozamin. Higher copper production was primarily due to the successful utilization of the Calicanto one-way haul ramp which increased mill rates from 3,086 tpd in Q4 2020 to 3,863 tpd in Q4 2021. In addition, with the optimized technical report mine plan, the mine is delivering significantly higher mine grades (1.92% in Q4 2021 versus 1.72% in Q4 2020) from the copper rich San Jose and Calicanto zones.

2021 production increased by 42% compared to the same period last year mainly due to higher mill throughput (3,724 tpd versus 2,949 tpd in 2020 YTD) and head grades (1.86% versus 1.67% in 2020).

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*

C1 cash costs[1] in Q4 2021 were higher than the same period last year due to $0.29 per payable pound impact of the Cozamin silver stream with Wheaton for 50% of the silver sales and higher production costs attributed to higher operating development metres executed.

C1 cash costs[1] in 2021 were higher than the same period last year due to $0.30 per payable pound impact of the Cozamin silver stream with Wheaton for 50% of the silver sales. The cost per payable pound impact of the Cozamin silver stream was partially offset by higher production.

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*

Financial Overview

($ millions, except per share data)	Q4 2021	Q4 2020	2021	2020	2019
Revenue	**215.9**	148.1	**794.8**	453.8	418.7
Net income (loss)	**41.4**	27.6	**252.9**	12.4	(16.2)
Net income (loss) attributable to shareholders	**41.4**	27.6	**226.8**	12.6	(16.0)
Net income (loss) attributable to shareholders per common share - basic ($)	***0.10***	*0.07*	***0.56***	*0.03*	*(0.04)*
Net income (loss) attributable to shareholders per common share - diluted ($)	***0.10***	*0.07*	***0.55***	*0.03*	*(0.04)*
Adjusted net income (loss)[1]	**73.2**	35.6	**241.6**	26.4	(6.0)
Adjusted net income (loss) attributable to shareholders[1]	**73.2**	35.6	**242.1**	26.4	(6.0)
Adjusted net income (loss) attributable to shareholders per common share - basic	***0.18***	*0.09*	***0.60***	*0.07*	*(0.01)*
Adjusted net income (loss) attributable to shareholders per common share - diluted	***0.18***	*0.09*	***0.58***	*0.07*	*(0.01)*
Adjusted EBITDA[1]	**113.3**	63.5	**432.2**	139.2	96.4
Cash flow from operating activities[2]	**94.5**	67.4	**553.3**	147.2	92.9
Cash flow from operating activities per common share[1] - basic ($)	***0.23***	*0.17*	***1.36***	*0.37*	*0.24*
Operating cash flow before changes in working capital[1,2]	**104.9**	65.3	**556.3**	131.2	79.8
Operating cash flow before changes in working capital per common share[1] – basic ($)	***0.26***	*0.16*	***1.37***	*0.33*	*0.20*

[2] *2021 includes $180.0 million silver and gold stream proceeds*

($ millions)	December 31, 2021	December 31, 2020	December 31, 2019
Total assets	**1,728.0**	1,391.6	1,331.4
Long term debt (excluding financing fees)	**—**	184.9	209.9
Total non-current financial liabilities	**38.4**	183.6	207.1
Total non-current liabilities	**481.3**	408.5	404.6
Cash and cash equivalents and short-term investments	**264.4**	60.0	44.4
Net cash/(debt)[1]	**264.4**	(124.9)	(165.5)

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*

Selected Quarterly Financial Information

($ millions, except per share data)	Q4 2021[(i)]	Q3 2021	Q2 2021[(ii)]	Q1 2021[(iii)]	Q4 2020[(iv)]	Q3 2020	Q2 2020[(v)]	Q1 2020[(vi)]
Revenue	**215.9**	165.4	209.4	204.1	148.1	130.5	104.7	70.4
Earnings (loss) from mining operations	**102.5**	62.8	102.8	92.5	57.2	28.6	16.3	(20.0)
Net income (loss) from continuing operations attributable to shareholders	**41.4**	35.0	49.4	101.0	27.6	2.4	4.3	(21.7)
Net income (loss) from continuing operations attributable to shareholders per share - basic	**0.10**	0.09	0.12	0.25	0.07	0.01	0.01	(0.06)
Net income (loss) from continuing operations attributable to shareholders per share - diluted	**0.10**	0.08	0.12	0.24	0.07	0.01	0.01	(0.06)
Net income (loss) attributable to shareholders	**41.4**	35.0	49.4	101.0	27.6	2.4	4.3	(21.7)
Net income (loss) per share attributable to shareholders - basic	**0.10**	0.09	0.12	0.25	0.07	0.01	0.01	(0.06)
Net income (loss) per share attributable to shareholders - diluted	**0.10**	0.08	0.12	0.24	0.07	0.01	0.01	(0.06)
Operating cash flow before changes in non-cash working capital[1]	**104.9**	67.1	140.4	244.5	65.3	44.9	24.0	(3.5)
Capital expenditures (including capitalized stripping)	**42.2**	36.0	50.4	28.4	31.2	32.2	19.3	20.6

(i) Net income in Q4 2021 includes $27 million of share unit expense.
(ii) Net income in Q2 2021 includes $19 million of share unit expense.
(iii) Net income in Q1 2021 includes $92 million of impairment reversal on mineral properties as well as $27 million of share unit expense.
(iv) Net income in Q4 2020 includes $16 million of share unit expense.
(v) Earnings from mining operations and Net income in Q2 2020 includes $14 million of positive non-cash provisional pricing adjustments and $8 million in reversals of inventory write-downs.
(vi) Earnings (loss) from mining operations and Net income (loss) in Q1 2020 includes $10 million of negative non-cash provisional pricing adjustments and $7 million of inventory write-downs.

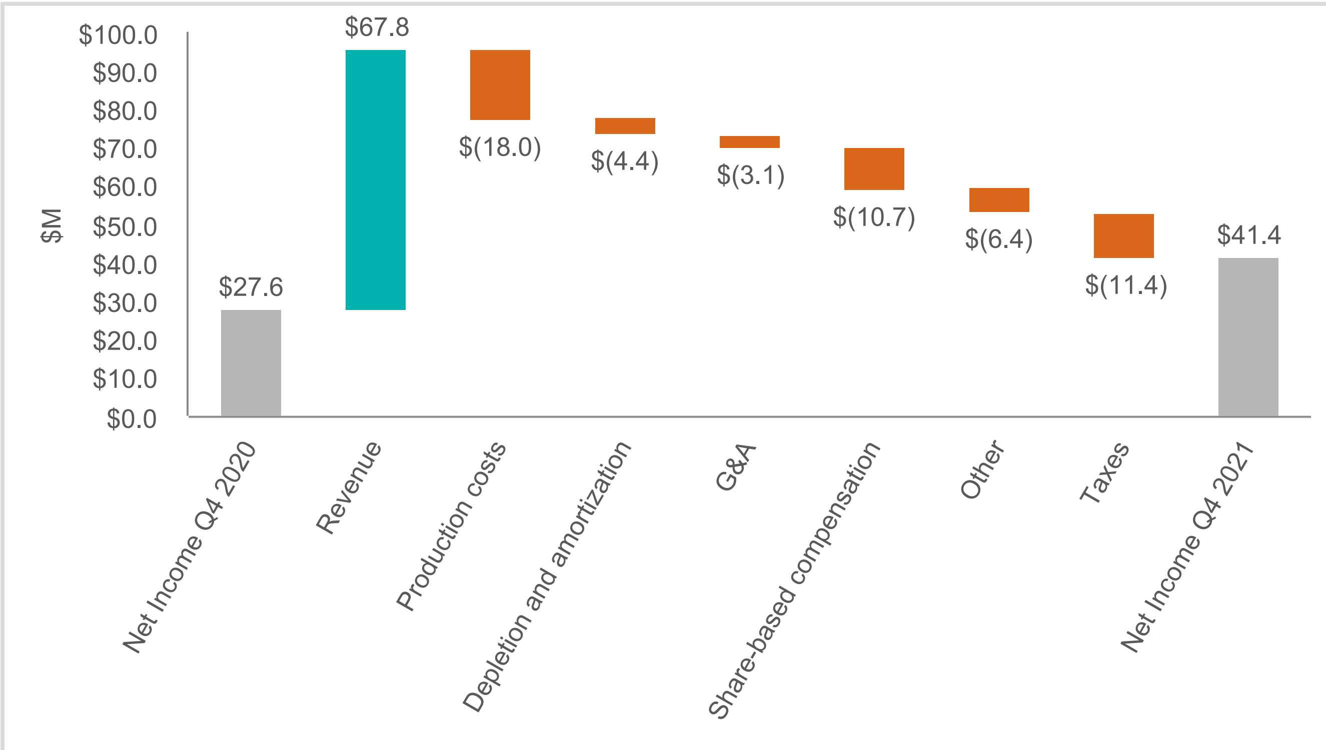
[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*

Consolidated Results

Consolidated Net Income Analysis

Net Income for the Three Months Ended December 31, 2021 and 2020

The Company recorded net income of $41.4 million for the three months ended December 31, 2021 compared with net income of $27.6 million in Q4 2020. The major differences are outlined below:



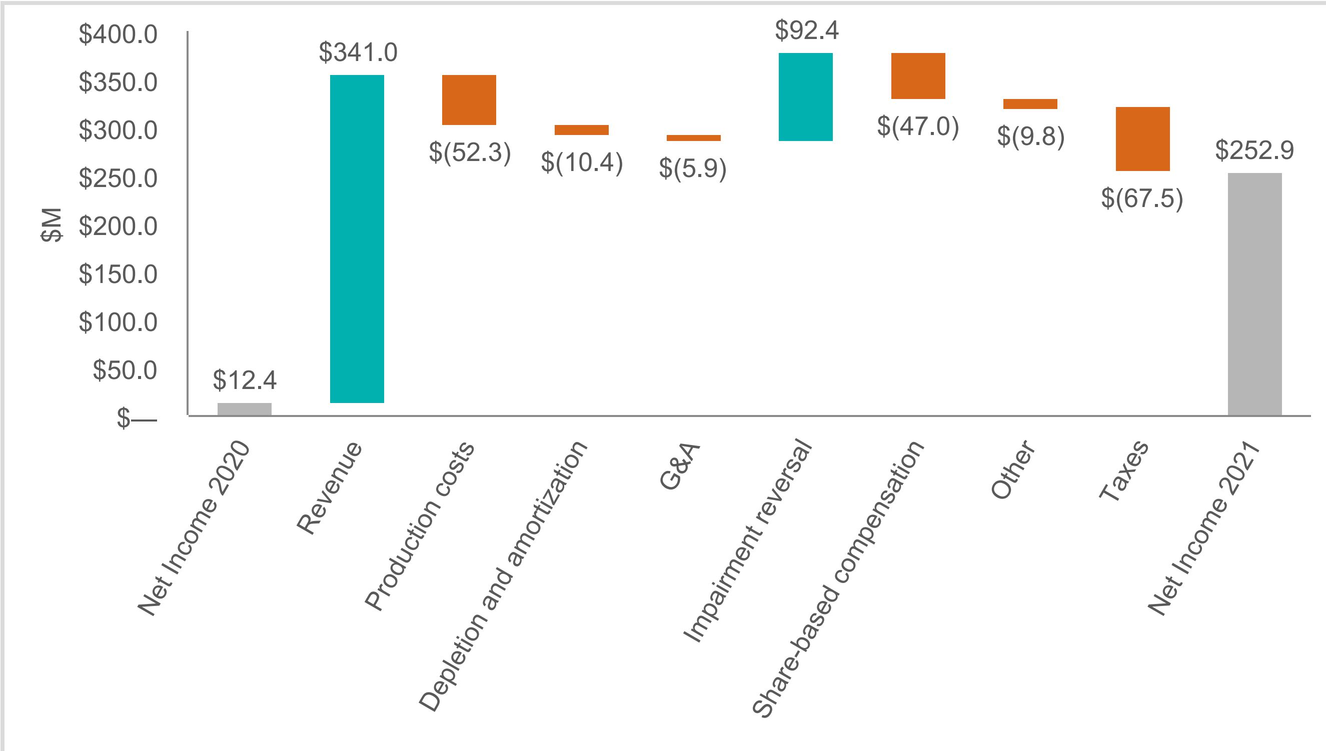
The difference quarter-over-quarter was driven by:

- Revenue: $67.8 million or 46% increase driven by higher realized copper prices (Q4 2021 - $4.61 per pound, Q4 2020 - $3.64 per pound) and higher copper volumes sold (Q4 2021 – 46.8 million pounds, Q4 2020 – 39.3 million pounds).
- Production costs: $18.0 million increase:
  - Pinto Valley recorded $13.5 million higher production costs in Q4 2021 compared to Q4 2020 as a result of higher copper volumes sold (Q4 2021 – 33.0 million pounds, Q4 2020 – 29.7 million pounds).
  - Cozamin recorded $3.8 million higher production costs in Q4 2021 compared to Q4 2020 as a result of higher copper volumes sold (Q4 2021 – 13.9 million pounds, Q4 2020 – 10.0 million pounds).
- Depletion and amortization: $4.4 million increase primarily due to the increase in copper volumes sold.
- Share-based compensation expense: $10.7 million increase as a result of mark to market adjustments on share unit liabilities to reflect the increase in the share price during Q4 2021 (increase from C$4.93 per share at September 30, 2021 to C$5.58 per share at December 31, 2021).
- Income taxes: $11.4 million increase due to higher operating margins during Q4 2021 compared to Q4 2020.

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*

Net Income for the Years Ended December 31, 2021 and 2020

The Company recorded net income of $252.9 million for the year ended December 31, 2021 compared with net income of $12.4 million in 2020. The major differences are outlined below:



The difference year-over-year was driven by:

- Revenue: $341.0 million or 75% increase driven by higher realized copper prices (2021 - $4.42 per pound, 2020 - $2.99 per pound) and higher copper volumes sold (2021 – 178.7 million pounds, 2020 – 147.4 million pounds) on higher production (2021 – 187.1 million pounds, 2020 – 156.9 million pounds). The higher production was underpinned by the capital investments in PV3 Optimization and Cozamin expansion.
- Production costs: $52.3 million increase:
  - Pinto Valley recorded $33.9 million higher production costs in 2021 compared to 2020 as a result of higher copper volumes sold (2021 – 128.0 million pounds, 2020 – 110.9 million pounds).
  - Cozamin recorded $14.6 million higher production costs in 2021 compared to 2020 as a result of higher copper volumes sold (2021 – 50.7 million pounds, 2020 – 36.5 million pounds).
- Depletion and amortization: $10.4 million increase primarily due to the increase in copper volumes sold.
- General and administration: $5.9 million increase primarily due to increases in performance related bonus accruals, salary expenses due to higher headcount, consultant expenses, and ESG reporting.
- Impairment reversal of $92.4 million on mineral properties related to Santo Domingo recorded during Q1 2021.
- Share-based compensation: $47.0 million increase as a result of mark to market adjustments on share unit liabilities to reflect the increase in the share price during 2021 (increase from C$2.38 per share at December 31, 2020 to C$5.58 per share at December 31, 2021) compared to a lower mark to market adjustment recorded in 2020 (C$0.76 per share at December 31, 2019 versus C$2.38 per share at December 31, 2020).
- Net other expenses: $9.8 million increase due to an increase in non-cash interest accretion of $8.4 million driven by the Cozamin Silver Stream and non-cash interest accretion of $3.0 million on the payable to KORES, and partially offset by lower interest on long term debt as a result of full repayment on the Corporate Revolving Credit facility (“RCF”) in Q1 2021.
- Income taxes: $67.5 million change due to higher operating margins during 2021 compared to 2020.

[1] *These are alternative performance measures. Refer to the MD&A section entitled “Alternative Performance Measures”.*

Revenue

Revenue increased quarter-on-quarter ($215.9 million versus $148.1 million in Q4 2020) primarily due to a higher realized copper price ($4.61 per pound versus $3.64 per pound in Q4 2020) on 7.5 million pounds higher copper volumes sold (46.8 million pounds versus 39.3 million pounds in Q4 2020).

YTD revenue increased year-on-year ($794.8 million versus $453.8 million in 2020) primarily due to a higher realized copper price ($4.42 per pound versus $2.99 per pound in 2020) on 31.3 million pounds higher copper volumes sold (178.7 million pounds versus 147.4 million pounds in 2020). Additionally, silver revenue increased at Cozamin due to increased silver prices (average market prices $25/oz versus $21/oz in 2020) and higher ounces sold (1,696k oz versus 1,396k oz in 2020). There is minimal impact to 2021 silver revenue from the Cozamin Silver Stream as the non-cash amortization of deferred revenue to silver revenue and the 10% spot price paid by Wheaton largely offset the 50% of the silver sales delivered to Wheaton.

Realized Copper Prices

($/pound)	2021				2020			
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Pinto Valley	4.15	4.85	4.10	4.66	2.25	2.76	3.15	3.67
Cozamin	4.02	4.62	4.24	4.48	2.40	2.60	3.07	3.54
Consolidated	4.12	4.78	4.15	4.61	2.29	2.72	3.13	3.64
LME Average	3.86	4.40	4.25	4.40	2.56	2.43	2.96	3.25
LME Close	4.01	4.26	4.10	4.40	2.18	2.73	3.00	3.51

Revenue by Mine

($ millions)	**Q4 2021**[2]		Q4 2020[2]		**2021**[2]		2020[2]	
Pinto Valley	**148.1**	**68.6 %**	105.3	71.1 %	**546.8**	**68.8 %**	321.3	70.8 %
Cozamin	**67.8**	**31.4 %**	42.8	28.9 %	**248.0**	**31.2 %**	132.5	29.2 %
Total revenue	**215.9**	**100.0 %**	148.1	100.0 %	**794.8**	**100.0 %**	453.8	100.0 %

[2] *The current and subsequent periods may include final settlement quantity and/or price adjustments from prior shipments.*

Provisionally Priced Copper

Gross revenue for the year ended December 31, 2021 includes 62.5 million pounds of copper sold subject to final settlement. Of this, the prices for 29.3 million pounds are final at a weighted average price of $4.39 per pound. The remaining 33.2 million pounds are subject to price change upon final settlement at the end of the applicable quotational period, as follows:

	(Millions of Pounds of Copper)			($/pound)
Quotational Period	**Pinto Valley**	**Cozamin**	**Total**	**Provisional Price**
Feb-22	10.1	—	10.1	4.41
Mar-22	5.4	—	5.4	4.41
Apr-22	9.9	4.9	14.8	4.41
Not yet declared by customer	2.9	—	2.9	4.41
Total	28.3	4.9	33.2	4.41

Reconciliation of Realized Copper Price

($ millions, except as noted)	Q4 2021	Q4 2020	2021	2020
Gross copper revenue				
Gross copper revenue on new shipments	**207.3**	132.3	**762.1**	426.0
Gross copper revenue on prior shipments	**2.5**	5.6	**31.5**	12.4
Provisional pricing changes to copper revenue	**6.1**	5.2	**(4.6)**	2.4
Gross copper revenue	**215.9**	143.1	**789.0**	440.8
Gross copper revenue on new shipments ($/pound)	**4.43**	3.36	**4.27**	2.89
Gross copper revenue on prior shipments ($/pound)	**0.05**	0.15	**0.18**	0.08
Provisional pricing changes to copper revenue ($/pound)	**0.13**	0.13	**(0.03)**	0.02
Realized copper price ($/pound)	**4.61**	3.64	**4.42**	2.99
Gross copper revenue - reconciliation to financials				
Gross copper revenue	**215.9**	143.1	**789.0**	440.8
Revenue from other metals	**11.6**	15.0	**49.6**	53.1
Treatment and selling	**(11.6)**	(10.0)	**(43.8)**	(40.1)
Revenue per financials	**215.9**	148.1	**794.8**	453.8
Payable copper sold (000s pounds)	**46,835**	39,334	**178,718**	147,437
LME average copper price ($)	**4.40**	3.25	**4.23**	2.80

The realized copper price in Q4 2021 of $4.61 per pound was higher than the LME average of $4.40 per pound due to 27.9 million pounds of copper priced at an average of $4.05 per pound at September 30, 2021 which final settled or second provisionally invoiced at higher average prices during Q4 2021.

The realized copper price in 2021 of $4.42 per pound was higher than the LME average of $4.23 per pound due to prior period shipments which final settled or second provisionally invoiced at higher average prices during 2021.

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*

Consolidated Cash Flow Analysis

($ millions)	Q4 2021	Q4 2020	2021	2020
Operating cash flow before changes in working capital[1,2,3]	**104.9**	65.3	**556.3**	130.3
Changes in non-cash working capital	**(4.8)**	2.4	**21.8**	11.6
Other non-cash changes[3]	**(5.6)**	(0.3)	**(24.8)**	5.3
Total cash flow from operating activities	**94.5**	67.4	**553.3**	147.2
Total cash flow used in investing activities	**(37.5)**	(29.5)	**(143.7)**	(96.4)
Total cash flow used in financing activities	**(1.1)**	(35.6)	**(204.3)**	(34.1)
Effect of foreign exchange rates on cash and cash equivalents	**0.1**	0.8	**0.2**	—
Net change in cash and cash equivalents	**56.0**	3.1	**205.5**	16.7
Opening cash and cash equivalents	**206.1**	53.5	**56.6**	39.9
Closing cash and cash equivalents	**262.1**	56.6	**262.1**	56.6

[2] 2021 includes $180.0 million silver and gold stream proceeds
[3] Certain of prior period comparative figures have been reclassified to conform with the current year's presentation

Changes in Cash Flows for the Three Months Ended December 31, 2021 and 2020

The net change in cash was $56.0 million in Q4 2021 compared to $3.1 million in Q4 2020. The change was primarily due to:

- Cash flow from operating activities before changes in working capital[1] was higher by $39.6 million. Revenue less production costs were significantly higher in Q4 2021 versus Q4 2020 (Q4 2021 revenue of $215.9 million less production costs of $86.6 million compared to Q4 2020 revenue of $148.1 million less production costs of $69.2 million). The increase in revenue is due to higher realized copper prices and higher copper volumes sold (Q4 2021 – 46.8 million pounds, Q4 2020 – 39.3 million pounds).
- Changes in non-cash working capital in Q4 2021 was $(7.2) million lower compared to the same period last year primarily due to an increase in accounts receivable and decrease in accounts payable and accrued liabilities resulting from timing of payments made to vendors, partially offset by a decrease in other short-term assets mainly related to $10 million received related to the sale of Minto and prepaids.
- Cash flows used in investing activities were $8.0 million higher in Q4 2021 mainly due to a ramp up in capital spend on Cozamin projects in Q4 2021.
- Cash flows used in financing activities were $34.5 million lower in Q4 2021 primarily due to $35.0 million repayment on the RCF in Q4 2020.

Changes in Cash Flows for the Years Ended December 31, 2021 and 2020

The net change in cash was $205.5 million in 2021 compared to $16.7 million in 2020. The change was primarily due to:

- Cash flow from operating activities before changes in working capital[1] was higher by $426.0 million due to strong operational performance plus $180.0 million proceeds received in 2021 under Silver and Gold Stream Agreements. Revenue less production costs were significantly higher in 2021 versus 2020 (2021 revenue of $794.8 million less production costs of $334.5 million compared to 2020 revenue of $453.8 million less production costs of $285.8 million). The increase in revenue is due to higher realized copper prices and significantly higher copper production and sales.
- Changes in non-cash working capital was higher by $10.2 million primarily due to a decrease in other short-term assets, partially offset by an increase in accounts receivable and decrease in accounts payable and accrued liabilities.
- Cash flows used in investing activities were $47.3 million higher in 2021 mainly due to increased growth projects including PV3 Optimization and Cozamin's filtered (dry stack) tailings and pastefill facility totalled $31.6 million in 2021 versus $23.9 million in 2020. Santo Domingo project spend increased by $21.0 million year over year.
- Cash flows used in financing activities were $170.2 million higher in 2021 primarily due to $184.9 million of net repayments on the RCF in 2021 and the first tranche payment of KORES' 30% ownership interest in Santo Domingo of $17.1 million (net of taxes) paid compared to a $25.0 million net draw on the RCF in 2020.

[1] These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

Operational Results

Pinto Valley Mine – Miami, Arizona

Operating Statistics

	2021					2020				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Production (contained metal and cathode)[2]										
Copper in Concentrate (000s pounds)	35,248	28,438	29,083	35,706	128,475	25,721	29,058	26,485	32,710	113,974
Cathode (000s pounds)	1,162	1,096	1,187	1,371	4,816	1,067	1,114	1,436	1,377	4,994
Total Copper (000s pounds)	36,410	29,534	30,270	37,077	133,291	26,788	30,172	27,921	34,087	118,968
Mining										
Waste (000s tonnes)	7,169	7,144	6,115	5,411	25,839	5,588	5,677	8,025	8,002	27,292
Ore (000s tonnes)	5,569	4,393	5,545	6,560	22,067	5,399	4,992	4,461	5,030	19,882
Total (000s tonnes)	12,738	11,537	11,660	11,971	47,906	10,987	10,669	12,486	13,032	47,174
Strip Ratio (Waste:Ore)	1.29	1.63	1.10	0.82	1.17	1.04	1.14	1.80	1.59	1.37
Milling										
Milled (000s tonnes)	5,229	4,474	4,517	5,380	19,601	4,996	4,902	4,517	5,259	19,674
Tonnes per day	58,095	49,170	49,100	58,481	53,700	54,899	53,864	49,104	57,168	53,755
Copper grade (%)[3]	0.36	0.33	0.33	0.37	0.35	0.28	0.32	0.31	0.33	0.31
Recoveries										
Copper (%)[3]	85.6	88.6	88.0	81.8	85.7	82.4	85.0	86.3	86.0	85.0
Concentrate Production										
Copper (dmt)	63,587	49,823	50,271	64,661	228,342	46,613	53,793	49,005	62,020	211,431
Copper (%)	25.1	25.1	26.2	25.1	25.5	25.0	24.5	24.5	25.1	25.1
Property costs[1] ($/t milled)	10.92	13.23	13.76	11.14	12.16	10.87	10.86	13.08	10.56	11.29
Payable copper produced (000s pounds)	35,177	28,539	29,252	35,826	128,794	25,888	29,155	26,994	32,942	114,979
Copper C1 cash cost[1] ($/pound payable copper produced)	1.94	2.33	2.44	2.00	2.16	2.41	2.12	2.38	2.00	2.21
Adjusted EBITDA[1] ($ millions)	88.3	82.5	35.9	74.3	281.0	2.9	4.1	30.5	45.0	82.5

[2] Adjustments based on final settlements will be made in future quarters
[3] Grade and recoveries were estimated based on concentrate production and may be impacted by settlements from prior production periods.

Operational and C1 Cash Costs[1] Update

Copper production of 37.1 million pounds in Q4 2021 was higher than Q4 2020 mainly due to higher grades (Q4 2021 – 0.37% versus Q4 2020 - 0.33%) and achieving a milling rate of 58,481 tpd in Q4 2021 post the completion of PV3 Optimization work in the prior quarter. Recoveries were lower in Q4 2021 compared with the same period last year (81.8% versus 86.0% in Q4 2020) due to more tonnes milled which produced larger grind size to the Flotation Plant and higher acid-soluble copper content in the ore, which is not expected to reoccur going forward.

2021 production was 12% higher than the same period last year primarily attributed to higher grades (2021 – 0.35% versus 2020 – 0.31%) and higher recoveries due to improvements on floatation circuit tied to metallurgical practices and finer blasted ore.

C1 cash costs[1] of $2.00 per payable pound in Q4 2021 were in line with Q4 2020. Lower capitalized stripping costs of $0.12 per pound compared to the same period last year ($0.2 million versus $4.1 million in Q4 2020) were offset by higher Q4 2021 production compared to Q4 2020.

[1] These are alternative performance measures. Refer to the MD&A section entitled “Alternative Performance Measures”.

2021 C1 cash costs[1] of $2.16 per payable pound were $0.05 per payable pound lower compared to the same period last year of $2.21 per payable pound primarily due to higher copper production.

Investing Activities

Sustaining capital[1] in Q4 2021 of $11.9 million was spent primarily on mining equipment component replacements, mill infrastructure and water and tailings projects. Expansionary capital[1] in Q4 2021 of $5.1 million primarily related to the booster station upgrade for the Solvent Extraction/Electrowinning ("SX/EW") plant, remaining PV3 Optimization Phase 2 projects and PV4 studies. Deferred stripping decreased in Q4 2021 relative to Q4 2020 as a function of the mine sequence and strip ratio.

($ millions)	**Q4 2021**	**Q4 2020**	**2021**	**2020**
Deferred stripping - cash	**0.2**	4.1	**8.9**	10.3
Deferred stripping - non cash	**—**	1.3	**3.0**	2.8
Deferred stripping (per financials)	**0.2**	5.4	**11.9**	13.1
Sustaining capital[1]	**11.9**	10.2	**43.8**	29.5
Expansionary capital[1]	**5.1**	5.4	**18.5**	17.4
Right of use assets - non cash	**—**	—	**8.7**	6.2
Pinto Valley segment mineral property, plant and equipment ("MPPE") additions (per financials)	**17.2**	21.0	**82.9**	66.2

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*

Cozamin Mine – Zacatecas, Mexico

Operating Statistics

	2021					2020				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Production (contained metal)[2]										
Copper (000s pounds)	11,389	13,778	14,153	14,510	53,830	8,699	8,349	10,595	10,283	37,926
Zinc (000s pounds)	2,715	1,885	710	928	6,238	4,464	2,213	4,305	3,605	14,587
Silver (000s pounds)	343	364	398	426	1,531	298	248	336	322	1,204
Mining										
Ore (000s tonnes)	328	332	345	353	1,358	278	235	283	287	1,083
Milling										
Milled (000s tonnes)	301	348	355	355	1,359	276	235	284	284	1,079
Tonnes per day	3,345	3,828	3,854	3,863	3,724	3,032	2,583	3,090	3,086	2,949
Copper grade (%)[3]	1.79	1.86	1.87	1.92	1.86	1.51	1.68	1.77	1.72	1.67
Zinc grade (%)[3]	0.84	0.53	0.45	0.48	0.56	1.04	0.71	1.03	0.88	0.92
Silver grade (g/t)[3]	43.8	39.6	41.8	45.1	42.5	42.0	39.9	46.5	44.2	43.3
Recoveries[3]										
Copper (%)	96.0	96.3	96.7	96.6	96.4	94.5	95.8	95.6	95.6	95.4
Zinc (%)	48.6	46.7	20.3	24.7	37.0	70.8	60.1	66.5	65.3	66.4
Silver (%)	80.9	82.1	83.6	82.7	82.4	78.7	84.1	78.9	79.7	80.1
Concentrate Production										
Copper (dmt)	19,897	23,583	23,792	24,379	91,651	14,229	13,762	17,495	17,219	62,705
Copper (%)	26.0	26.5	27.0	27.0	26.6	27.7	27.5	27.5	27.1	27.4
Silver (g/t)	505	476	520	541	511	555	549	567	540	553
Zinc (dmt)	2,542	1,777	726	896	5,941	4,168	2,081	3,953	3,346	13,548
Zinc (%)	48.8	48.1	44.4	47.0	47.8	48.6	48.3	49.4	48.9	48.8
Property costs[1] ($/t milled)	46.27	41.65	44.10	43.79	43.87	45.17	43.38	37.74	46.87	42.72
Payable copper produced (000s pounds)	10,928	13,232	13,601	13,945	51,706	8,368	8,029	10,189	9,884	36,470
Copper C1 cash cost[1] ($/pound payable copper produced)	0.91	1.00	0.93	0.99	0.96	0.95	0.98	0.36	0.63	0.69
Adjusted EBITDA[1] ($ millions)	34.7	50.0	41.2	45.8	171.7	11.7	11.7	25.5	25.9	74.8

[2] *Adjustments based on final settlements will be made in the future quarters.*
[3] *Grade and recoveries were estimated based on concentrate production and may be impacted by settlements from prior production periods.*

Operational and C1 Cash Costs[1] Update

Copper production was 41% higher in Q4 2021 than in Q4 2020 as a result of mine expansion with the completion of the one-way haul ramp to increase mining rates, utilize excess mill capacity and achieve throughput of 3,863 tpd, and higher grades (1.92% versus 1.72%). Mining activity increased in the high-grade copper areas, San Jose and Calicanto zones. Q4 2021 was a record copper production quarter, beating the previous record set in Q3 2021.

2021 production was 42% higher than the same period last year primarily attributed to the mine expansion to higher mining rates and higher grades (2021 – 1.86% versus 2020 – 1.67%) and improved recoveries (2021 – 96.4% versus 2020 95.4%). Moreover, 2020 YTD production was slightly impacted by temporary restrictions as result of the COVID-19 government mandated decree.

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*

Q4 2021 C1 cash costs[1] was higher than the same period last year due to Q4 2021 including a $0.29 per payable pound impact of the 50% Silver Stream Agreement and higher production cost attributed to higher contactors' costs for higher operating development metres executed.

2021 C1 cash costs[1] was higher than the same period last year due to 2021 including a $0.30 per payable pound impact of the 50% Silver Stream Agreement. The Silver Stream Agreement impact on 2021 C1 cash costs[1] was partially offset by significantly higher copper production.

Investing Activities

Sustaining capital[1] and expansionary capital[1] spending at Cozamin totalled $13.9 million for Q4 2021. Sustaining capital[1] was related to mine development and mine equipment. Capital spending included $5.4 million of expansionary capital[1] on the filtered (dry stack) tailings and pastefill facility.

Capitalized exploration expenditures totalled $1.5 million for Q4 2021. This was spent primarily on Mineral Resource drilling of the Mala Noche Vein and Mala Noche Footwall Zone, associated with stepping out from regions of Inferred Mineral Resource category of the Mineral Resource estimate with three surface rigs.

($ millions)	Q4 2021	Q4 2020	2021	2020
Sustaining capital[1]	**8.5**	6.8	**25.3**	21.3
Expansionary capital[1]	**5.4**	0.1	**13.1**	1.3
Brownfield exploration	**1.5**	1.1	**5.3**	5.2
Cozamin segment MPPE additions (per financials)	**15.4**	8.0	**43.7**	27.8

Santo Domingo Project – Chile (Copper and Iron)
Investing Activities

The 2020 Technical Report includes a mine life of 18 years, production of ~260 million pounds of copper per year for the first five years plus 3.3 million tonnes of iron with an after-tax net present value ("NPV") (8% discount rate) of approximately $1 billion at $3 copper and an iron price of $80 per tonne (65%, Chile) and Chilean peso foreign exchange ("FX") rate of 600.

During Q1 2021, Capstone entered into a Share Purchase Agreement ("SPA") with Korea Chile Mining Corporation, a wholly owned subsidiary of KORES to purchase KORES' 30% ownership interest in Santo Domingo for $120 million in three cash payments over the next four years. The SPA resulted in the consolidation of 100% ownership in Santo Domingo which provides greater flexibility to Capstone's strategic process and unencumbers the future placement of the concentrate off-take.

Following consolidation of Capstone's 100% ownership of the Santo Domingo Project ("Santo Domingo" or "the Project") in Region III, Chile during Q1 2021, the Company continued to advance the Project on several fronts:

- With respect to the reduced initial capital estimate, the Company and its port partner, Puerto Abierto, S.A., a subsidiary of Puerto Ventanas, are executing on early works in the framework agreement. In addition, the Company is advancing the analysis of the pipeline versus rail capital trade-off in which the proposals replace the pipeline capital to become a rail customer. This work is now being done in conjunction with the Mantoverde synergies analysis discussed below.
- With respect to the proposed Transaction with Mantos Copper, scoping level work was performed by the Santo Domingo and Mantos Copper teams starting in late Q4 2021 to identify and refine potential synergies between the Project and the Mantoverde mine (owned 70% by Mantos Copper). Santo Domingo is situated ~35 kilometres northeast of the Mantoverde mine. Significant potential opportunities exist for:
  - Infrastructure sharing (including power, water, pipelines, port),
  - Transportation synergies for concentrate shipment,
  - Potential enabling of product lines (additional iron or cobalt production from Mantoverde, processing oxide ore from Santo Domingo),
  - Potential integrated operating approach, and
  - Construction synergies (including project teams and camp).
- With respect to potential increases in the Chilean mining royalty tax, Santo Domingo is expected to be protected given the Company retains a foreign investment agreement with the state of Chile, which fell under the provisions of DL600. One of the benefits to the Company of this foreign investment agreement is a tax invariability assurance for a period of 15 years post commercial production.
- Cobalt Feasibility Update: The drilling campaign from Q3 and Q4 of 2021 generated sufficient sample mass for 2022 pilot scale testing of the cobalt recovery process. The first of a total of two stages of the cobalt feasibility engineering work, covering prefeasibility-level activities, started in September and is expected to finalize in March 2022. The scope of work includes parallel execution of different trade-off studies focused on various concentrate oxidation technologies and different options for detailed production scheduling from a geological and mine planning perspective. The engineering work also addresses all relevant ESG aspects early on to assure smooth integration of the selected process route into the more developed copper and iron plant at Minera Santo Domingo. All work is progressing with support of several global and highly qualified consultant and technology providers so that delivery of the overall cobalt feasibility project can stay on track for release in Q4 2022.
- The proposed cobalt recovery process takes advantage of a tailings side-stream containing pyrite laden with ~0.6% cobalt, which will be recovered through conventional processes. The concentrate will be sent to pyrite roasting and solvent extraction followed by crystallization to produce battery grade cobalt sulphate heptahydrate. At an expected 10.4 million pounds of cobalt production per year, this will be one of the largest and lowest cost cobalt producers in the world at C1 cash costs[1] after credits of minus $4 per pound. Additional benefits of this project include the production of by-product sulphuric acid from the pyrite roasting process, which can be used for heap or dump leaching to produce low-cost copper cathodes at Santo Domingo, Mantoverde, and elsewhere in the district.

Q4 2021 project development costs related to Early Works as required by the Environmental Permit (RCA) to include flora and fauna rescue, basic and detailed engineering, land tenure costs, the industrial water pipeline and relocation of Regional Highway C-17. During Q3 2021, the Company commenced major earthworks with respect

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*

to the C17 highway by-pass road which provides site access, and work on the electrical substation connection. Also, Capstone has begun brownfield expansion drilling between the Santo Domingo and Iris Norte Pits.

($ millions)	Q4 2021	Q4 2020	2021	2020
Capitalized project costs (on 100% basis)[2]	**9.1**	2.4	**27.9**	9.2
Brownfield exploration	**0.4**	—	**2.3**	—
Santo Domingo segment MPPE additions (per financials)	**9.5**	2.4	**30.2**	9.2

[2] *$1.4 million was funded by KORES in Q1 2021.*

Exploration

($millions)	Q4 2021	Q4 2020	2021	2020
Greenfield exploration (expensed to income statement)	**1.2**	1.9	**3.1**	3.1
Brownfield exploration (capitalized to mineral properties) – Refer to Cozamin section	**1.5**	1.1	**5.3**	5.2
Brownfield exploration (capitalized to mineral properties) – Refer to Santo Domingo section	**0.4**	—	**2.3**	—
Total exploration	**3.1**	3.0	**10.7**	8.3

Capstone's greenfield exploration is predominantly focused on early-stage project generation in the Americas. Active projects include an option agreement with Kootenay Silver Inc. for the Amapa Prospect (Sonora, Mexico), an option agreement with Lara Exploration Ltd. for the Planalto Prospect (Carajas Region, Brazil), and a portfolio of 100% Capstone claims acquired by staking located in Sonora, Mexico. South American exploration is actively searching for new early-stage projects predominantly in Chile, Peru and Brazil.

Outlook – 2022 Guidance

In 2022, Capstone expects to produce between 82,000 and 90,000 tonnes of copper at C1 cash costs[1] of between $1.85 and $2.00 per pound payable copper produced.

	Pinto Valley	Cozamin	Santo Domingo	Total
Production and Cost				
Copper production (tonnes)	59,000 - 64,000	23,000 - 26,000	—	82,000 - 90,000
C1 cash costs[1] ($/pound)	2.15 - 2.30	1.10 - 1.25	—	1.85 - 2.00
Capital Expenditure ($ millions)				
Sustaining capital[1]	65	27	—	92
Capitalized stripping	5	—	—	5
Expansionary capital[1]	20	30	45	95
Total Capital Expenditure	90	57	45	192
Exploration ($ millions)				
Brownfield (Cozamin and Santo Domingo)	—	3	2	5
Greenfield (Brazil and Chile)	—	—	—	2
Greenfield (Copper Cities, Arizona)	—	—	—	7
Total Exploration	—	3	2	14

2022 production guidance is 4% higher than the 2021 guidance because of higher planned mill throughput at Pinto Valley, supported by the completion of PV3 Optimization phase 1 and 2 projects, and higher planned copper grade at Cozamin. C1 cash costs[1] guidance is 5% higher than the 2021 guidance because of cost inflation and lower by-product credits at Cozamin with focus on copper-rich zones resulting in no zinc production in 2022.

2022 Pinto Valley sustaining capital guidance includes one-off items totalling $25 million related to tailings and water management. Expansionary capital at Pinto Valley includes upgrades to mill motors and grinding circuit cyclones for two of the six grinding lines while Cozamin expansionary capital includes expenditures on the paste backfill and dry stack tailings plant. Santo Domingo capital guidance to be further refined upon closing of the Transaction.

2022 C1 Cash costs[1] guidance assumes $24/oz silver prices and 20:1 Mexican Peso to US dollar foreign exchange rates. Updated guidance for Capstone Copper is expected to be released after the completion of the Transaction.

[1] These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

Liquidity and Financial Position Review

Working Capital

Working capital was $131.4 million at December 31, 2021 compared with $64.0 million at December 31, 2020, as follows:

($ millions)	December 31, 2021	December 31, 2020
Current assets		
Cash and cash equivalents	**262.1**	56.6
Short-term investments	**2.3**	3.4
Receivables	**28.5**	26.7
Inventories	**62.8**	58.3
Other assets	**5.9**	12.9
Total current assets	**361.6**	157.9
Current liabilities		
Accounts payable and accrued liabilities	**97.4**	74.9
Other liabilities	**132.8**	19.0
Total current liabilities	**230.2**	93.9
Working capital	**131.4**	64.0

Cash and cash equivalents increased by $205.5 million from December 31, 2020 to December 31, 2021. Refer to the Statement of Cash Flows within the Company's consolidated financial statements for further details surrounding the movement in the cash balance. The change in the cash balance is driven by cash flow generation from both mines however also includes the receipt of the $150.0 million upfront payment for the Cozamin Silver Stream and $30.0 million upfront payment for the Santo Domingo Gold Stream Agreement, which were used to make net repayments of $184.9 million on the RCF during Q1 2021.

As at December 31, 2021, the Company held $2.3 million of highly liquid short-term investments in exchange traded funds. Given their liquid nature, management liquidates these short-term investments to meet cash demands on an as-needed basis.

Other assets decreased by $7.0 million primarily due to the receipt of the first $5.0 million consideration on sale of Minto during Q1 2021.

Accounts payable and accrued liabilities increased by $22.5 million primarily due to the $12.9 million withholding taxes on the purchase of KORES' non-controlling interest in Acquisition Co. in March 2021, and also due to the timing of payments at Cozamin and Pinto Valley.

Other liabilities increased by $113.8 million primarily driven by a $43.4 million reclassification of the payable on purchase of KORES' non-controlling interest in Acquisition Co. to current, the increase in the current portion of share-based payment obligations of $41.9 million due to an increase in Capstone's share price (increase from C$2.38 opening price to C$5.58 closing price as at December 31, 2021), an increase in income taxes payable of $20.3 million driven by higher income, and $6.1 million related to the current portion of the deferred revenue liability as a result of the Cozamin Silver Stream.

Receivable on Sale of Minto

On June 3, 2019, Capstone completed the sale of its 100% interest in the Minto mine to Pembridge Resources PLC ("Pembridge") for up to $20 million in cash in staged payments ("contingent consideration"), as follows:

- $5 million received on March 30, 2021;

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*

- $5 million, within 90 days following two consecutive quarters in which the average London Metals Exchange Cash Copper Bid Price at close ("Average LME Price") is greater than $3.00 per pound within the three years following April 1, 2021, received on December 23, 2021; and
- $10 million, within 90 days following two consecutive quarters in which the Average LME Price is greater than $3.50 per pound within the three years following April 1, 2021. $5 million was received on December 30, 2021. An agreement was reached with Pembridge, that the remaining $5 million is to be received on or before January 15, 2023.

As at December 31, 2021, the receivable on sale of Minto was $5.0 million (December 31, 2020 - $14.9 million). As the Average LME Price was greater than $3.50 per pound for two consecutive quarters, the consideration had been valued at $15.0 million. The contingent elements have been removed and the balance is now presented as a receivable on sale of Minto. The remaining $5 million receivable has been classified in other assets as a non-current receivable.

Purchase of Non-Controlling Interest

At December 31, 2021, a liability of $81.8 million has been recognized in other liabilities ($43.4 million in current and $38.4 million in non-current) equal to the discounted amount of the remaining $90.0 million to be paid to KORES as part of the agreement to purchase its 30% share of Acquisition Co. The discounted amount of the remaining $90.0 million will be accreted up to its face value at 5% per annum. During the year ended December 31, 2021, $3.0 million of accretion was recorded in other interest expense in the consolidated statements of income.

Credit Facilities

In conjunction with the closing on the Cozamin Silver Stream for $150 million, on February 19, 2021, Capstone amended its RCF to reduce the credit limit from $300 million to $225 million. The maturity date of July 25, 2022 and all other significant terms were unchanged. The facility pricing grid, starting at LIBOR plus 2.5% and increasing to LIBOR plus 3.5% (or an alternative benchmark rate as selected by the administrative agent) based on the total leverage ratio, will remain in effect until maturity.

The interest rate at December 31, 2021 was US LIBOR plus 2.50% (2020 - US LIBOR plus 2.75%) with a standby fee of 0.56% (2020 – 0.62%) payable on the undrawn balance (adjustable in certain circumstances).

As at March 31, 2021, the RCF was fully repaid and Capstone is in a net cash[1] position with nil long-term debt as at December 31, 2021.

The RCF is secured against the present and future real and personal property, assets and undertakings of Capstone (excluding certain assets, which include Acquisition Co., Far West Mining Ltd., Santo Domingo, and Far West Exploration S.A., and subject to certain exclusions for Capstone Mining Chile SpA). The credit facility requires the Company to maintain certain financial ratios relating to debt and interest coverage. Capstone was in compliance with these covenants as at December 31, 2021.

Provisions

Provisions of $161.1 million at December 31, 2021 includes the following:

- $129.2 million for reclamation and closure cost obligations at Capstone's operating mines;
- $3.7 million related to other long-term provisions at the Cozamin mine; and
- $28.1 million for the long-term portion of the share-based payment obligations associated with the Share Unit Plan. The current portion of the share-based payment obligations of $50.1 million is recorded in other liabilities.

Share-based payment obligations increased by $47.8 million during 2021. The increase was primarily driven by the increase in the Company's share price during the year and out performance compared to peers.

Precious Metal Streams

Cozamin Silver Stream

On February 19, 2021, the Company entered into a precious metals purchase arrangement with Wheaton whereby Capstone received upfront cash consideration of $150 million against delivery of 50% of the silver

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*

production from the Company's Cozamin mine until 10 million ounces have been delivered, thereafter dropping to 33% of silver production for the remaining life of the mine.

In addition to the upfront payment of $150 million, as silver is delivered under the terms of the arrangement, Capstone receives cash payments equal to 10% of the spot silver price at the time of delivery for each ounce delivered to Wheaton.

The Company recorded the upfront cash consideration received as deferred revenue and recognizes amounts in revenue as silver is delivered under the arrangement. For the period from February 19, 2021 to December 31, 2021, the amount of the deferred revenue liability recognized as revenue was $16.5 million.

Santo Domingo Gold Stream

On April 21, 2021, the Company received an early deposit of $30 million in relation to the precious metals purchase arrangement with Wheaton effective March 24, 2021. Additional deposits of $260 million are to be received over the Santo Domingo construction period, subject to sufficient financing having been obtained to cover total expected capital expenditures and other customary conditions, for total consideration of $290 million ("Deposit"). Wheaton will receive 100% of the gold production from the Company's Santo Domingo development project until 285,000 ounces have been delivered, thereafter dropping to 67% of the gold production.

In addition to the Deposit of $290 million, as gold is delivered under the terms of the arrangement, Capstone receives cash payments equal to 18% of the spot gold price at the time of delivery for each ounce delivered to Wheaton, until the Deposit has been reduced to zero, thereafter increasing to 22% of the spot gold price upon delivery.

The Company recorded the upfront early deposit of $30 million received as deferred revenue and will recognize amounts in revenue as gold is delivered under the arrangement. For the period from April 21, 2021 to December 31, 2021, there was no amortization of the deferred revenue liability recognized as revenue.

The non-current portion of the deferred revenue liability for both stream arrangements on the balance sheet at December 31, 2021 was $165.7 million.

Financial Capability

The Company's ability to service its ongoing obligations and cover anticipated corporate, exploration and development costs associated with its existing operations is dependent on the Pinto Valley and Cozamin mines generating positive cash flow and available liquidity[1]. Based on reasonable expectations for our operating performance, a net cash[1] balance of $264.4 million, and additional liquidity options available, including the filing of a base shelf prospectus on June 24, 2021 and the undrawn $225 million on the RCF, we believe we have the financial capacity to manage our liquidity for the foreseeable future.

Capital Management

Capstone's capital management objectives are intended to safeguard the Company's ability to support its normal operating requirements on an ongoing basis as well as continue the development and exploration of its mineral properties and support any expansion plans. As part of the Company's treasury policy, the Company will only hold deposits in Canadian Tier 1 banks, International Commercial Banks with a rating of A- or greater, Canadian and US government bonds, or bankruptcy remote treasury market or exchange traded funds of AAA rating.

Hedging

The Company has hedged certain input costs at lower than budget rates:

- Financial hedges were executed on foreign exchange rates to protect approximately half of the Company's Mexican Peso exposure from August 2020 through December 2021, through Mexican Peso to US dollar exchange rate zero cost collars (being purchased puts and sold calls with offsetting values at inception). The realized gain on these Mexican Peso zero cost collars was $2.6 million for the year ended December 31, 2021.

[1] These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

- Pinto Valley contracted for fixed diesel prices with a supplier on its expected 2021 and 2022 diesel consumption at $1.76/gallon and $2.13/gallon, respectively. The contracted diesel prices have resulted in cost savings of $6.3 million during the year ended December 31, 2021.

The Company entered into new hedging contracts during Q4 2021:

- Financial hedges were executed on foreign exchange rates to protect approximately 75% of the Company's budgeted Mexican and Chilean Peso capital and operating cost exposure from January 2022 through December 2022, through Mexican and Chilean Peso to US dollar exchange rate zero cost collars (being purchased puts and sold calls with offsetting values at inception). No realized gains were recognized for the year ended December 31, 2021 on these contracts.

Commitments

Agreements with the Grupo Minera Bacis S.A. de C.V. ("Bacis")
Under the terms of the December 2003 option agreement with Bacis, Capstone assumed a 100% interest in the Cozamin Mine with a 3% net smelter royalty paid to Bacis on all payable metal sold from production on the property covered by the agreement.

Agreement with Jetti Resources, LLC ("Jetti")
Under the terms of the 2019 agreement, the Company is required to make quarterly royalty payments to Jetti based on an additional net profits calculation resulting from cathode production at the Pinto Valley mine. The initial term of the agreement is ten years, renewable for 5-year terms thereafter.

Off-take agreements
The Company has a concentrate off-take agreement with a third party whereby it will purchase 100% of the copper concentrate produced by the Cozamin Mine up to December 31, 2022.

The Company has a number of annual and multi-year concentrate off-take agreements with third parties whereby they will purchase the copper concentrate produced by the Pinto Valley Mine.

Capital expenditure contracted for at the end of the reporting period but not yet incurred was $21.5 million (2020 – $14.8 million).

Risks and Uncertainties

For full details on the risks and uncertainties affecting the Company, please refer to the Company's Annual Information Form ("AIF") (see section entitled "Risk Factors") for the year ended December 31, 2020. This document is available for viewing on the Company's website at www.capstonemining.com or on the Company's profile on the SEDAR website at www.sedar.com.

Mining is inherently dangerous and subject to conditions or events beyond Capstone's control.

Capstone's operations are subject to all the hazards and risks normally encountered in the exploration, development, construction, care and maintenance activities and production of copper and other metals, including, without limitation, workplace accidents, fires, wildfires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides, ground or stope failures, tailings dam failures and other geotechnical instabilities, weather events, seismic events, access to water, equipment failure or structural failure, metallurgical and other processing problems and other conditions involved in the mining and processing of minerals, any of which could result in damage to, or destruction of, our mines, mineral properties, plants and equipment, personal injury or loss of life, environmental damage to surrounding land, vegetation other biological and water resources, delays in mining, increased production costs, asset write-downs, monetary losses, legal liability and governmental action. Our mines have large tailings dams which could fail as a result of extreme weather events, seismic activity, or for other reasons. The occurrence of any of these events could result in a prolonged interruption in Capstone's operations, increased costs for asset protection or care and maintenance activities that would have a material adverse effect on Capstone's business, financial condition, results of operations and prospects.
Wildfires and inclement weather conditions, whether occurring at Capstone's sites, adjacent lands, or supplier and downstream sites, may impact our ability to operate, transport or access and supply sites, and increase overall costs or impact Capstone's financial performance. In severe circumstances, civil authorities may impose

evacuation orders. Our sites in Arizona and Mexico are subject to drought conditions and create a higher exposure to wildfire risk.

Pandemics or other public health crises, including the novel coronavirus (COVID-19), could adversely affect our operations and financial position.

The outbreak of COVID-19, and the future emergence and spread of a similar or other infectious diseases and viruses, could have a material adverse effect on global economic conditions and adversely impact our business and operations as well as the operations of our suppliers and service providers, and impact the demand for copper or base metal prices.

The global effects of the outbreak of the COVID-19 virus are still evolving and could have a material effect on Capstone's overall financial health currently, and in the future, including but not limited to impacts to revenue, earnings and cash flows, increased volatility in financial markets and foreign currency exchange rates. The effects could have a negative impact on copper prices and cause governmental actions to contain the outbreak which may impact our ability to transport or market our concentrate or cause disruptions in our supply chains or interruption of production. Disruptions in the supply chain for critical components for operations or critical equipment and materials for our construction projects may cause operational and project delays which are outside of Capstone's control. A material spread of COVID-19 or other pathogens of infectious diseases in jurisdictions where we operate could impact our ability to staff operations or cause governmental action to order a suspension of production including but not limited to a subsequent Federal or State Decree for the suspension of mining operations in Mexico or Zacatecas, or a suspension of mining or other activities in the United States or Chile. A reduction in production or other COVID-19 related impacts, including but not limited to, low copper prices could cause us to defer strategic projects or operational plans in order to preserve cash flows. An outbreak of the COVID-19 or other infectious diseases at our operations could cause reputational harm and negatively impact our social licence to operate. This could negatively impact our share price. An outbreak in jurisdictions that we operate in could cause governmental agencies to close for prolonged periods of time causing delays in regulatory permitting processes. The overall global effects, indirect or direct, could cause any of our surety providers to cancel our bonds or call for alternative security including the Minto Metals Corp.. for which Capstone is an Indemnitor. During the pandemic, there has been a significant increase in cybersecurity and other information technology risks due to increased fraudulent activity and the increased number of employees working remotely.

A global pandemic could cause temporary closure of businesses in regions that are significantly impacted by health crises, or cause governments to take preventative measures such as the closure of points of entry, including ports and borders. Any government restrictive measures along with market uncertainty could cause an economic slowdown resulting in a decrease in the demand for copper and have a negative impact on base metal prices.

There are risks and uncertainties related to the proposed Transaction, including failure to receive shareholder and other necessary consents and approvals for the Transaction or in certain circumstances, termination of the Transaction.

The completion of the Transaction is subject to a number of conditions precedent, certain of which are outside the control of Capstone, including receipt of the Final Order, the Key Regulatory Approvals and the Key Consents. There can be no certainty, nor can Capstone provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. If the Transaction is not completed, the market price of the Capstone Shares may decline to the extent that the current market price reflects a market assumption that the Transaction will be completed.

Mantos has the right to terminate the Transaction agreement in certain circumstances. Accordingly, there is no certainty, nor can Capstone provide any assurance, that the Transaction Agreement will not be terminated by Mantos before the completion of the Transaction. If the Transaction Agreement is terminated, there is no assurance that an alternative transaction will emerge that is equivalent or superior, to the Transaction. Certain costs related to the Transaction, such as legal, accounting and certain financial advisor fees, must be paid by Capstone even if the Transaction is not completed. Capstone and Mantos are each liable for their own costs incurred in connection with the Transaction. If the Transaction is not completed, Capstone may be required to pay Mantos a Termination Fee. Capstone would be required to pay a Termination Fee of $75 million if the Transaction is terminated in certain circumstances. This Termination Fee may discourage other parties from attempting to

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*

acquire Capstone Shares or otherwise making an Acquisition Proposal to Capstone, even if those parties would otherwise be willing to offer greater value to Securityholders than that offered by Mantos under the Transaction.

The pendency of the Transaction could cause the attention of the Capstone's management to be diverted from the day-to-day operations, and customers or suppliers may seek to modify or terminate their business relationships with Capstone. These disruptions could be exacerbated by a delay in the completion of the Transaction and could have an adverse effect on the business, operating results or prospects of Capstone. Since the Transaction is subject to uncertainty, the employees and officers of Capstone may experience job uncertainty which could adversely impact both companies' ability to attract and retain key management and personnel. Further uncertainty associated with the Transaction may be experienced by Capstone's third party suppliers, customers and business partners. Such uncertainty could have a material and adverse effect on the current and future operations, and financial conditions for Capstone. If the Transaction is not completed for any reason, Capstone's business partners may be negatively affected which can affect the current and future business relationships with Capstone.

We may not realize the currently anticipated benefits of the Transaction due to challenges associated with integrating the operations, technologies and personnel of Capstone and Mantos.

The anticipated success of Mantos with respect to the acquisition of Capstone will depend in large part on the success of management of Capstone Copper in integrating the operations, technologies and personnel of Capstone with those of Mantos after the Effective Date. The failure to successfully achieve such integration could result in the failure of Mantos to realize the anticipated benefits of the Arrangement and could impair the results of operations, profitability and financial results of Mantos and Capstone Copper.

The overall integration of the operations, technologies and personnel of Capstone into Mantos may also result in unanticipated operational problems, expenses, liabilities and diversion of management's time and attention.

We face added risks and uncertainties of operating in foreign jurisdictions, including changes in regulation and policy, and community interest or opposition.

Capstone's business operates in a number of foreign countries where there are added risks and uncertainties due to the different economic, cultural and political environments. Our mineral exploration and mining activities may be adversely affected by political instability and changes to government regulation relating to the mining industry. Changes in governmental leadership in the US, Chile, and Mexico, could impact Capstone's operations and local societal conditions. There may be additional risks and uncertainties following the results of the Chilean Presidential, Chamber and Senate elections that took place on November 21, 2021. Other risks of foreign operations include political or social and civil unrest, labour disputes and unrest, invalidation of governmental orders and permits, corruption, organized crime, theft, war, civil disturbances and terrorist actions, arbitrary changes in law or policies of particular countries including nationalization of mines, government action or inaction on climate change, trade disputes, foreign taxation, royalties, price controls, delays in obtaining or renewing or the inability to obtain or renew necessary environmental permits, opposition to mining from local communities and environmental or other non-governmental organizations, social perception impacting our social licence to operate, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on mineral exports and increased financing costs. Local economic conditions, including higher incidences of criminal activity and violence in areas of Mexico can also adversely affect the security of our people, operations and the availability of supplies. Capstone may encounter social and community issues including but not limited to public expression against our activities, protests, road blockages, work stoppages, or other forms of expression, which may have a negative impact on our reputation and operations or projects. Opposition to our mining activities by local landowners, the ejidos, communities, or activist groups may cause significant delays or increased costs to operations, and the advancement of exploration or development projects, and could require Capstone to enter into agreements with such groups or local governments.

In addition, risks of operations in Mexico include extreme fluctuations in currency exchange rates, high rates of inflation, significant changes in laws and regulations including but not limited to tax and royalty regulations, labor regimes, failures of security, policing and justice systems, corruption, and incidents such as hostage taking and expropriation. There are uncertainties regarding Mexico's recently approved 2022 Economic Package and Tax Reform, that may have an impact on Cozamin's operations and profitability. Additionally, as a response to the civil unrest in Chile, a referendum for a new Constitution is in progress and may result in a change to the Chilean political regime and mining related regulations including, but not limited to, changes to royalty structures and environmental and community protection requirements. If approved, the proposed royalty bill being discussed by the National Congress of Chile may have an impact on Santo Domingo's operations and profitability and would have significant negative implications for future investment in the Chilean copper industry more broadly, reducing the attractiveness of new copper projects. Companies with tax stability agreements in place should be protected from the potential new royalty bill. Capstone retains a tax stability agreement with respect to mining royalties which becomes effective post commercial production for a period of 15 years. Certain investment and other criteria need to be met to maintain the tax stability agreement. These risks in Mexico and Chile may limit or disrupt Capstone's projects, reduce financial viability of local operations, restrict the movement of funds, or result in the deprivation of contract rights or the taking of property by nationalization or expropriation without fair compensation.

Further, there can be no assurance that changes in the government, including but not limited to the recent change in the federal administration of the United States, or laws or changes in the regulatory environment for mining companies or for non-domiciled companies will not be made that would adversely affect Capstone's business, financial condition, results of operation and prospects. There are uncertainties related to President Biden's Made in America Tax Plan which proposes corporate tax reforms that may increase Pinto Valley's future tax obligations.

Differences in interpretation or application of tax laws and regulations or accounting policies and rules and Capstone's application of those tax laws and regulations or accounting policies and rules where the tax impact to the Company is materially different than contemplated may occur and adversely affect Capstone's business, financial condition, results of operation and prospects. Capstone is subject to a multitude of taxation regimes and any changes in law, policy or interpretation of law, policy may be difficult to react to in an efficient manner.

Our operations are subject to geotechnical challenges, which could adversely impact our production and profitability.

No assurances can be given that unanticipated adverse geotechnical and hydrological conditions such as landslides, cave-ins, rock falls, slump, ground or stope failures, tailings storage facility failures or releases and pit wall failures will not occur in the future or that such events will be detected in advance. Due to the age of our mines and more complex deposits, Capstone's Pinto Valley Mine pit is becoming deeper resulting in higher pitwalls and underground environments at Cozamin Mine are becoming more complex, potentially increasing the exposure to geotechnical instabilities and hydrological impacts. Geotechnical instabilities can be difficult to predict and are often affected by risks and hazards outside of Capstone's control, such as seismic activity and severe weather events, which may lead to periodic floods, mudslides, wall instability or an underground collapse.

Capstone's mine sites have multiple active and inactive tailings storage facilities, including upstream raised dams and legacy facilities inherited through acquisition activities. Our tailings storage facilities have been designed by professional engineering firms specializing in this activity. Capstone continues to review and enhance existing practices in line with international best practices; however, no assurance can be given that adverse geotechnical and hydrological events or other adverse events will not occur in the future. There is no guarantee that our existing tailings storage facilities will be sufficient to support operational expansions in which Capstone may have to forgo future operational expansions or invest in new tailings storage facilities in order to safely operate. Tailings storage facilities have the risk of failure due to extreme weather events, seismic activity or for other reasons. The failure of tailings dam facilities or other impoundments could cause severe or catastrophic environmental and property damage or loss of life. Geotechnical or tailings storage facility failures could result in the suspension of our operations, limited or restricted access to sites, government investigations, remediation costs, increased monitoring costs and other impacts, which could result in a material adverse effect on our operational results and financial position.

We may face risks in connection with our Cozamin Silver Stream Agreement with Wheaton.

Our silver stream agreement at Cozamin Mine is subject to pricing risk. Unexpected spikes in silver prices may result in an increase in silver credit payables compared to receivables and the use of hedging mechanisms may not be economical to reduce to such risks. Capstone is required to meet certain completion requirements before December 31, 2023, under the silver stream agreement, namely, Capstone must construct a paste backfill plant where Capstone must produce at least 105,000 cubic metres of suitable paste backfill that is used in the underground operations at Cozamin over a period of 90 consecutive days during which a completion test has been performed. Failure to achieve the foregoing completion requirements will result in a refund from Capstone to Wheaton up to a maximum amount of $13 million.

We may face risks in connection with our Santo Domingo Gold Stream Agreement with Wheaton.

Capstone's ability to access upfront cash deposits under the Gold Stream Agreement for our Santo Domingo project is subject to Capstone meeting certain closing conditions under the Gold Stream Agreement, including but not limited to: (a) obtaining all necessary approvals to achieve completion and to operate the mine in accordance with the development plan; (b) entering into material contracts necessary for the construction and development of the mine; and (c) having obtained project financing on terms and conditions that are not reasonably expected to result in an adverse impact and under which all conditions precedent necessary to draw down on such project financing have been satisfied or waived. There is no guarantee Capstone will be able to meet all of the conditions and draw on the funds from Wheaton pursuant to the Gold Stream Agreement. Further, an initial failure to achieve the completion requirements in the Gold Stream Agreement on or before the third anniversary of the agreement date will result in a delay payment. A continued failure to achieve the completion requirements under the Gold Stream Agreement will result in a refund from Capstone to Wheaton.

Surety bonding risks

Capstone secures its obligations for reclamation and closure costs with surety bonds provided by leading global insurance companies in favour of regulatory authorities in Arizona. The regulators could increase Capstone's bonding obligations for reclamation and closure activities. Further, these surety bonds include the right of the surety bond provider to terminate the relationship with Capstone on providing notice of up to 90 days. The surety bond provider would, however, remain liable to the regulatory authorities for all bonded obligations existing prior to the termination of the bond in the event Capstone failed to deliver alternative security satisfactory to the regulator. Capstone remains an Indemnitor for Minto Metals Corp.'s surety bond obligations in the Yukon and could be liable for the bonded obligations in the event Minto Metals Corp. does not satisfy those obligations or in the event the surety requires additional or alternative security or the regulators require additional bonding amounts and Minto Metals Corp. is unable to satisfy the new requirements.

The sale of our metals is subject to counterparty and market risks.

Capstone enters into concentrate off-take agreements whereby a percentage of planned production of copper concentrate produced from our mines is committed to various external parties throughout the calendar year. If any counterparty to any off-take or forward sales agreement does not honour such arrangement, or experiences an unforeseeable event preventing fulfillment of the contract or should any such counterparty become insolvent, Capstone may incur losses on production already shipped or be forced to sell a greater volume of our production in the spot market, which is subject to market price fluctuations. In addition, there can be no assurance that Capstone will be able to renew any off-take agreement at economic terms, or at all, or that Capstone's production will meet the qualitative and quantitative requirements under such agreements.

Capstone is subject to fluctuations in the cost of ocean vessel freight, which could result in higher costs. The cost of ocean vessel freight is impacted by numerous factors including but not limited to the supply and demand of bulk and container vessels, the supply and demand of commodities or goods that require shipment via vessel, the cost and availability of fuel, global crisis or political events, and environmental regulations. Capstone may elect from time to time to enter into Contracts of Affreightment to maintain certainty of freight prices for a specific period of time.

Mineral rights or surface rights to our properties or third-party royalty entitlement to our properties could be challenged, and, if successful, such challenges could have a material adverse effect on our production and our business, financial condition, results of operations and prospects.

Title to Capstone's properties may be challenged or impugned. Our property interests may be subject to prior unregistered agreements or transfers, and title may be affected by undetected defects. Surveys have not been carried out on the majority of our properties and, therefore, in accordance with the laws of the jurisdiction in which such properties are situated, their existence and area could be in doubt.

A claim by a third party asserting prior unregistered agreements on or transfer of any of Capstone's properties, especially where Mineral Reserves have been located, could result in Capstone losing a commercially viable property. Even if a claim is unsuccessful, it may potentially affect Capstone's current operations, projects or development properties due to the high costs of defending against the claim and its impact on Capstone's resources. Title insurance is generally not available for mineral properties and Capstone's ability to ensure that

Capstone has obtained a secure claim to individual mineral properties or mining concessions or related royalty rights may be severely constrained. We rely on title information and/or representations and warranties provided by our grantors. If we lose a commercially viable property, such a loss could lower our future revenues or cause Capstone to cease operations if the property represented all or a significant portion of our Mineral Reserves at the time of the loss.

A claim by a third party asserting royalty rights, including, but not limited to claims by royalty holders asserting increased royalty rights on any of Capstone's properties, could result in Capstone incurring high costs of defending against the claim, and if such claims were successful, such a loss could lower our future revenues or cause Capstone to cease operations if the property represented all or a significant portion of our Mineral Reserves at the time of the loss.

Changes in climate change regulatory regime could adversely affect our business.

Climate change is an international and societal concern. The countries where we operate are signatories of the Paris Agreement, a legally binding international treaty on climate change, and have agreed to reduce Greenhouse Gas (GHG) emissions as indicated in Nationally Determined Contributions (NDC). Capstone's operations produce GHG emissions, through the direct combustion of fossil fuels and indirectly through electricity consumption. Changes in government policies and regulations aimed at mitigating or adapting to climate change could result in increased costs, and therefore, decreased profitability at some of our operations or projects.

Changes in government policies and regulations aimed at mitigating climate change might include limiting the amount of GHG emissions we can produce, requiring us to look for alternative energy sources. Some risks related to this are, increased competition for renewable energy, which could impact costs of acquiring it or reduce the availability. Our ability to shift our energy mix toward renewables depends in part on our countries of operation investing in renewable power generation. Regulation specific to GHG emissions and energy efficiency is evolving and varies by jurisdiction. Carbon-pricing mechanisms may be introduced in the jurisdictions we operate or conduct business. Other changes in government regulation aimed at adapting to climate change such as water scarcity in our regions of operation may result in limited access to water sources due to increased regulation, impacting our ability to acquire the water needed for our operations. New legislation and increased regulation could impose costs on our operations, customers, and suppliers, including increased energy, capital equipment, environmental monitoring and reporting and other costs to comply with such regulations. Capstone monitors the evolving regulation landscape and engages its local legal counsel to provide updates on regulatory developments. The implementation of regulations and carbon-pricing mechanisms aimed at reducing the effects of climate change could impact our ability to pursue future opportunities, or maintain our existing operations, which could have an adverse effect on our business. The Company may decide to pursue carbon reduction strategies which could result in higher operational costs or increased capital outlays.

Our operations will be adversely affected if we fail to maintain satisfactory labour relations.

The majority of our workforce is not unionized with the exception of approximately 399 of the hourly employees at the Pinto Valley Mine which are represented by six unions, governed by one collective bargaining agreement negotiated by the United Steelworkers Union which is in effect until May 29, 2022. Additional groups of non-union employees may seek union representation in the future. Further, relations with employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in jurisdictions where Capstone conducts business. Changes in such legislation or otherwise in our relationship with our employees may result in higher ongoing labour costs, employee turnover, strikes, lockouts or other work stoppages, any of which could have a material adverse effect on our business, results of operations and financial condition.

The price of Common Shares is volatile.

Publicly quoted securities are subject to a relatively high degree of price volatility. It should be expected that continued fluctuations in price will occur, and no assurances can be made as to whether the share prices will increase or decrease in the future. In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of many companies, particularly those considered exploration or development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. The factors influencing such volatility include macroeconomic developments in North America and globally, and

[1] These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

market perceptions of the attractiveness of particular industries. The price of the Common Shares is also likely to be significantly affected by short-term changes in precious metal prices or other mineral prices, the results of further exploration activities, currency exchange fluctuations and Capstone's financial condition or results of operations as reflected in its earnings reports. Other factors unrelated to the performance of Capstone that may have an effect on the price of the Common Shares include the following:, the extent of analyst coverage available to investors concerning the business of Capstone may be limited if investment banks with research capabilities do not follow Capstone's securities; lessening in trading volume and general market interest in Capstone's securities may affect an investor's ability to trade significant numbers of securities of Capstone; and a substantial decline in the price of the securities of Capstone that persists for a significant period of time could cause Capstone's securities to be delisted from an exchange, further reducing market liquidity.

Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. Capstone may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

There is no assurance of a sufficient liquid trading market for Common Shares in the future.

Shareholders of Capstone may be unable to sell significant quantities of Common Shares into the public trading markets without a significant reduction in the price of their Common Shares, or at all. There can be no assurance that there will be sufficient liquidity of Common Shares on the trading market, and that Capstone will continue to meet the listing requirements of the exchange on which Common Shares are listed.

Capstone has outstanding Common Share equivalents which, if exercised, could cause dilution to existing shareholders.

The exercise of any of stock options, other share-based compensation and share purchase warrants and the subsequent resale of such Common Shares in the public market could adversely affect the prevailing market price and Capstone's ability to raise equity capital in the future at a time and price which it deems appropriate. Capstone may also enter into commitments in the future which would require the issuance of additional Common Shares and Capstone may grant additional share purchase warrants and stock options. Any share issuances from Capstone's treasury will result in immediate dilution to existing shareholders' percentage interest in Capstone.

Capstone has not paid dividends and may not pay dividends in the foreseeable future.

Payment of dividends on Common Shares is within the discretion of the Capstone board and will depend upon Capstone's future earnings if any, its capital requirements and financial condition, and other relevant factors. Capstone anticipates that all available funds will be invested to finance the growth of its business for the foreseeable future.

Sales by existing shareholders can reduce share prices.

Sales of a substantial number of Common Shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of Common Shares intend to sell Common Shares, could reduce the market price of the Common Shares. If this occurs and continues, it could impair the Company's ability to raise additional capital through the sale of securities

Concentration of Share Ownership of Capstone Copper

As at the date hereof, Orion Fund JV Limited, Orion Mine Finance (Master) Fund I-A LP, Orion Mine Finance Fund II LP (collectively, "**Orion Mine Finance**") collectively own approximately **[32.35%]** of the outstanding common shares in the capital of Capstone Copper ("**Common Shares**") and Hadrian Capital Partners Inc. owns approximately **[14.65%]** of the outstanding Common Shares. As long as these shareholders maintain their significant positions in Capstone Copper, they will have the ability to exercise influence with respect to the affairs of Capstone Copper and significantly affect the outcome of matters upon which shareholders are entitled to vote. Furthermore, there is a risk that Capstone Copper's securities are less liquid and trade at a relative discount compared to circumstances where these persons did not have the ability to influence or determine matters affecting Capstone Copper. Moreover, there is a risk that their significant interests in Capstone Copper discourages transactions involving a change of control of Capstone Copper, including transaction in which an investor, as a holder of Capstone Copper's securities, would otherwise receive a premium for its Capstone Copper's securities over the then-current market price.

Transactions with Related Parties

As described in the Nature of Business section, Capstone has related party relationships, as defined by IFRS, with its key management personnel. On March 24, 2021, Capstone purchased the 30% ownership interest in Santo Domingo that had been held by KORES. During Q2 2021, KORES sold all its previously held Capstone common shares.

Related party transactions and balances are disclosed in the consolidated financial statements for the year ended December 31, 2021.

Off Balance Sheet Arrangements

As at December 31, 2021, the Company had no off-balance-sheet arrangements other than the following:

- those disclosed under Commitments in the consolidated financial statements for the year ended December 31, 2021;
- capital expenditure commitments totalling $21.5 million;
- the indemnification for Minto as disclosed under Other Assets in the consolidated financial statements for the year ended December 31, 2021;
- five surety bonds totalling $168.8 million; and
- the guarantee provided to the Chilean Internal Revenue Service for the value-added taxes claimed during the year ended December 31, 2021.

Accounting Changes

On August 27, 2020, an amendment to IFRS 9, IBOR Reform and its Effect on Financial Reporting, was issued and became effective January 1, 2021. The Company has assessed the impact of the amendment on its adoption effective January 1, 2021 and determined it does not currently have a significant effect on the Company's financial statements.

In May 2020, the International Accounting Standards Board ("IASB") issued an amendment to IAS 16, Property, Plant and Equipment - Proceeds before Intended Use. The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, a company will recognize such sale proceeds and related cost in the consolidated statements of income (loss). The amendment will become effective January 1, 2022. The Company is assessing the impact of the amendment and does not expect it to have a significant effect on the Company's financial statements.

In May 2021, the International Accounting Standards Board issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amended IAS 12 Income Taxes. The amendments will become effective January 1, 2023. The Company is assessing the impact of the amendment and does not expect it to have a significant effect on the Company's financial statements.

Alternative Performance Measures

Alternative performance measures are furnished to provide additional information. These non-GAAP performance measures are included in this MD&A 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 MD&A. 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 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 Corporate general and administrative costs.

Net debt / Net cash
Net debt / Net cash is a performance measure used by the Company to assess its financial position and is composed of Long-term debt (excluding deferred financing costs), Cash and cash equivalents and Short-term investments.

Available Liquidity
Available liquidity is a performance measure used by the Company to assess its financial position and is composed of RCF credit capacity, Long term debt (excluding deferred financing costs), Cash and cash equivalents and Short-term investments.

Operating Cash Flow before Changes in Working Capital per Common Share
Operating Cash Flow before changes in working capital per common share is a performance measure used by the Company to assess its ability to generate cash from its operations, while also taking into consideration changes in the number of outstanding shares of the Company.

Adjusted Net Income
Adjusted net income is net 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 net income attributable to shareholders before net finance expense, tax expense, and depletion and amortization.

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

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

Property Cost per Tonne Milled
Property cost per tonne milled 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 monitor costs and assess overall efficiency and effectiveness of the mining operations.

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

Breakdown of C1 Cash Costs and All-in Sustaining Cost Per Pound of Payable Copper Produced

Three Months Ended December 31, 2021 and 2020

	Q4 2021			Q4 2020		
	Pinto Valley	**Cozamin**	**Total**	**Pinto Valley**	**Cozamin**	**Total**
Payable copper produced (000s pounds)	**35,826**	**13,945**	**49,771**	32,942	9,884	42,826
($ millions)						
Production costs of metal produced (per financials)	**69.1**	**17.5**	**86.6**	55.6	13.7	69.3
Transportation cost to point of sale	**(9.7)**	**(1.3)**	**(11.0)**	(5.1)	(1.0)	(6.1)
Inventory reversal (write-down)	**0.3**	**—**	**0.3**	(0.3)	—	(0.3)
Realized gain on Mexican Peso derivatives	**—**	**(0.6)**	**(0.6)**	—	—	—
Inventory working capital adjustments	**2.1**	**(0.5)**	**1.6**	4.2	0.3	4.5
Cash production costs of metal produced	**61.8**	**15.1**	**76.9**	54.4	13.0	67.4
($/pound)						
Production costs						
Mining	**0.56**	**0.64**	**0.58**	0.51	0.77	0.57
Milling/Processing	**0.96**	**0.26**	**0.76**	0.95	0.32	0.80
G&A	**0.21**	**0.19**	**0.21**	0.19	0.22	0.20
C1P sub-total	**1.73**	**1.09**	**1.55**	1.65	1.31	1.57
By-product credits	**(0.12)**	**(0.39)**	**(0.20)**	(0.09)	(0.97)	(0.29)
Treatment and selling costs	**0.39**	**0.29**	**0.37**	0.44	0.29	0.40
C1 cash cost ($/pound)	**2.00**	**0.99**	**1.72**	2.00	0.63	1.68
($/pound)						
Royalties	**0.02**	**0.13**	**0.05**	0.01	0.13	0.04
Production-phase capitalized stripping / Mineralized drift	**—**	**0.03**	**0.01**	0.13	—	0.10
Sustaining capital	**0.33**	**0.58**	**0.39**	0.31	0.66	0.39
Sustaining leases	**0.02**	**—**	**0.02**	0.01	—	0.01
Accretion of reclamation obligation	**—**	**0.01**	**—**	0.01	0.01	0.01
Amortization of reclamation asset	**0.01**	**0.01**	**0.01**	0.01	0.03	0.01
Corporate G&A, excluding depreciation			**0.13**			0.08
All-in sustaining cost adjustments	**0.38**	**0.76**	**0.61**	0.48	0.85	0.64
All-in sustaining cost ($/pound)	**2.38**	**1.75**	**2.33**	2.48	1.48	2.32

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*

Twelve Months Ended December 31, 2021 and 2020

	2021			2020		
	Pinto Valley	**Cozamin**	**Total**	**Pinto Valley**	**Cozamin**	**Total**
Payable copper produced (000s pounds)	**128,794**	**51,706**	**180,500**	114,978	36,471	151,449
($ millions)						
Production costs of metal produced (per financials)	**269.4**	**65.0**	**334.4**	235.5	50.4	285.9
Transportation cost to point of sale	**(28.1)**	**(4.3)**	**(32.4)**	(21.1)	(3.1)	(24.2)
Inventory (write-down) reversal	**—**	**—**	**—**	0.6	—	0.6
Realized gain on Mexican Peso derivatives	**—**	**(2.6)**	**(2.6)**	—	—	—
Inventory working capital adjustments	**(0.9)**	**(0.4)**	**(1.3)**	5.4	(1.6)	3.8
Cash production costs of metal produced	**240.4**	**57.7**	**298.1**	220.4	45.7	266.1
($/pound)						
Production costs						
Mining	**0.57**	**0.66**	**0.60**	0.59	0.75	0.63
Milling/Processing	**1.07**	**0.27**	**0.84**	1.12	0.30	0.92
G&A	**0.23**	**0.19**	**0.22**	0.21	0.21	0.21
C1P sub-total	**1.87**	**1.12**	**1.66**	1.92	1.26	1.76
By-product credits	**(0.10)**	**(0.45)**	**(0.20)**	(0.14)	(0.85)	(0.31)
Treatment and selling costs	**0.39**	**0.29**	**0.35**	0.43	0.28	0.39
C1 cash cost ($/pound PRODUCED)	**2.16**	**0.96**	**1.81**	2.21	0.69	1.84
($/pound)						
Royalties	**0.01**	**0.13**	**0.05**	0.01	0.10	0.03
Production-phase capitalized stripping / Mineralized drift	**0.05**	**0.04**	**0.04**	0.09	—	0.07
Sustaining capital	**0.33**	**0.45**	**0.38**	0.26	0.58	0.33
Sustaining leases	**0.02**	**—**	**0.01**	0.01	—	0.01
Accretion of reclamation obligation	**—**	**0.01**	**0.01**	0.01	0.01	0.01
Amortization of reclamation asset	**0.01**	**0.01**	**0.01**	0.01	0.03	0.03
Corporate G&A, excluding depreciation			**0.10**			0.08
All-in sustaining cost adjustments	**0.42**	**0.64**	**0.60**	0.39	0.73	0.56
All-in sustaining cost ($/pound PRODUCED)	**2.58**	**1.60**	**2.41**	2.60	1.42	2.40

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*

Reconciliation of Net debt / Net cash

($ millions)	December 31, 2021	December 31, 2020
Long term debt (per financials), excluding deferred financing costs of nil and $1.7 million	—	(184.9)
Less:		
Cash and cash equivalents (per financials)	**262.1**	56.6
Short term investments (per financials)	**2.3**	3.4
Net cash/(debt)	**264.4**	(124.9)

Reconciliation of Available Liquidity

($ millions)	December 31, 2021	December 31, 2020
Revolving credit facility capacity	**225.0**	300.0
Long term debt (per financials), excluding deferred financing costs of nil and $1.7 million	—	(184.9)
	225.0	115.1
Cash and cash equivalents (per financials)	**262.1**	56.6
Short term investments (per financials)	**2.3**	3.4
Available liquidity	**489.4**	175.1

Reconciliation of Cash Flow from Operating Activities per Common Share

($ millions, except share and per share amounts)	Q4 2021	Q4 2020	2021	2020
Cash flow from operating activities (per financials)	**94.5**	67.4	**553.3**	147.2
Weighted average common shares - basic (per financials)	**407,588,618**	396,658,829	**405,800,210**	393,857,183
Cash flow from operating activities per share	**0.23**	0.17	**1.36**	0.37

Reconciliation of Operating Cash Flow before Changes in Working Capital per Common Share

($ millions, except share and per share amounts)	Q4 2021	Q4 2020	2021	2020
Operating cash flow (per financials)	**94.5**	67.4	**553.3**	147.2
Adjustment for changes in working capital (per financials)	**4.8**	(2.4)	**(21.8)**	(11.6)
Other non-cash changes[2]	**5.6**	0.3	**24.8**	(5.3)
Operating cash flow before changes in working capital[1,2]	**104.9**	65.3	**556.3**	130.3
Weighted average common shares - basic (per financials)	**407,588,618**	396,658,829	**405,800,210**	393,857,183
Operating cash flow before changes in working capital[1] per share ($)	**0.26**	0.16	**1.37**	0.33

[2] *Certain of prior period comparative figures have been reclassified to conform with the current year's presentation*

Reconciliation of Adjusted Net Income

($ millions, except share and per share amounts)	Q4 2021	Q4 2020	2021	2020
Net income (per financials)	**41.4**	27.6	**252.9**	12.4
Inventory write-down - production costs	**1.7**	0.3	**2.0**	(0.7)
Unrealized loss (gain) on derivative contracts	**0.3**	(2.9)	**2.5**	(2.5)
Share-based compensation expense	**27.0**	16.3	**74.0**	27.0
Unrealized foreign exchange loss (gain)	**0.1**	3.2	**0.6**	(0.2)
Other expense - non-recurring fees	**3.6**	—	**3.8**	—
Change in fair value of contingent receivable (RE:Minto)	**—**	(3.4)	**(5.1)**	(5.3)
(Gain) loss on disposal of assets	**—**	0.3	**—**	0.3
Reversal of impairment on mineral properties (RE: Santo Domingo)	**—**	—	**(92.4)**	—
Non-recurring fees on streaming transactions	**0.1**	—	**1.1**	—
G&A - care and maintenance	**0.1**	0.2	**0.4**	0.6
Insurance proceeds received	**—**	—	**—**	(0.8)
Tax effect on the above adjustments	**(1.1)**	(6.0)	**1.8**	(4.4)
Adjusted net income	**73.2**	35.6	**241.6**	26.4
Adjusted net income attributable to:				
Shareholders of Capstone Mining Corp.	**73.2**	35.6	**242.1**	26.4
Non-controlling interests	**—**	—	**(0.5)**	—
	73.2	35.6	**241.6**	26.4
Weighted average common shares - basic (per financials)	**407,588,618**	396,658,829	**405,800,210**	393,857,183
Adjusted net income attributable to shareholders of Capstone Mining Corp. per common share - basic ($)	**0.18**	0.09	**0.60**	0.07
Weighted average common shares - diluted (per financials)	**416,178,876**	396,658,829	**414,093,484**	398,657,026
Adjusted net income attributable to shareholders of Capstone Mining Corp. per common share - diluted ($)	**0.18**	0.09	**0.58**	0.07

Reconciliation of Adjusted EBITDA

($ millions)	Q4 2021	Q4 2020	2021	2020
Net income(per financials)	**41.4**	27.6	**252.9**	12.4
Net finance costs	**6.3**	3.2	**18.7**	14.8
Taxes	**15.7**	4.3	**80.9**	13.4
Depletion and amortization	**24.7**	20.4	**93.2**	83.2
EBITDA	**88.1**	55.5	**445.7**	123.8
Share-based compensation expense	**27.0**	16.3	**74.0**	27.0
Inventory write-down - production costs	**1.7**	0.3	**2.0**	(0.7)
Unrealized loss (gain) on derivative contracts	**0.3**	(2.9)	**2.5**	(2.5)
(Gain) loss on disposal of assets	**—**	0.3	**—**	0.3
Unrealized foreign exchange loss (gain)	**0.1**	3.2	**0.6**	(0.2)
Other expense - non-recurring fees	**3.6**		**3.8**	
Unrealized revenue adjustment	**(6.5)**	(5.8)	**4.9**	(2.4)
Insurance proceeds received	**—**	—	**—**	(0.8)
Reversal of impairment on mineral properties (RE: Santo Domingo)	**—**	—	**(92.4)**	—
Amortization of deferred revenue - non-cash financing component	**(1.1)**	—	**(4.9)**	—
Non-recurring financing fees on streaming transactions	**0.1**	—	**1.1**	—
Change in fair value of contingent receivable (RE: Minto)	**—**	(3.4)	**(5.1)**	(5.3)
Adjusted EBITDA	**113.3**	63.5	**432.2**	139.2
Adjusted EBITDA by mine				
Pinto Valley	**74.3**	45.0	**281.0**	82.5
Cozamin	**45.8**	25.9	**171.7**	74.8
Other	**(6.8)**	(7.4)	**(20.5)**	(18.1)
Adjusted EBITDA	**113.3**	63.5	**432.2**	139.2

Amortization of deferred revenue – non-cash financing component has been adjusted for, starting Q2 2021, to align with how EBITDA is determined for Capstone's RCF covenant calculations. Non-cash financing for deferred revenue is a non-cash interest component on the amortization of deferred revenue. No comparative amounts are required to be restated as the streams are 2021 transactions only .

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*

Property Cost per Tonne Milled

	Q4 2021		Q4 2020		2021		2020	
($ millions, except as noted)	Pinto Valley	Cozamin	Pinto Valley	Cozamin	Pinto Valley	Cozamin	Pinto Valley	Cozamin
Tonnes of mill feed (000s)	**5,381**	**355**	5,259	284	**19,601**	**1,359**	19,674	1,079
Production costs of metal produced (per financials)	**69.1**	**17.5**	55.6	13.7	**269.4**	**65.0**	235.5	50.4
Transportation cost to point of sale	**(9.7)**	**(1.3)**	(5.1)	(1.0)	**(28.1)**	**(4.3)**	(21.1)	(3.1)
Inventory reversal (write-down)	**0.3**	**—**	(0.3)	—	**—**	**—**	0.6	—
Realized gain on derivative contract	**—**	**(0.6)**	—	—	**—**	**(2.6)**	—	—
Inventory working capital adjustments	**2.1**	**(0.5)**	4.2	0.3	**(0.9)**	**(0.4)**	5.4	(1.6)
Cash production costs of metal produced	**61.8**	**15.1**	54.4	13.0	**240.4**	**57.7**	220.4	45.7
Deferred Stripping/ Mineralized Drift costs	**0.2**	**0.4**	4.1	0.2	**8.9**	**1.9**	10.3	0.2
Cathode costs	**(2.7)**	**—**	(2.7)	—	**(11.8)**	**—**	(8.7)	—
Stockpile movement	**0.5**	**(0.1)**	(0.3)	0.1	**0.8**	**(0.1)**	0.1	0.2
Total property costs	**59.8**	**15.4**	55.5	13.3	**238.3**	**59.5**	222.1	46.1
Property cost per tonne milled ($)	**11.14**	**43.79**	10.56	46.87	**12.16**	**43.87**	11.29	42.72

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*

Additional Information and Reconciliations

Sales from Operations

	2021					2020				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Copper (000 pounds)										
Pinto Valley	38,584	30,101	26,367	32,976	128,028	21,407	29,884	29,859	29,737	110,887
Cozamin	10,581	13,048	13,203	13,858	50,690	8,978	7,987	9,986	9,597	36,548
Total	49,165	43,149	39,570	46,834	178,718	30,385	37,871	39,845	39,334	147,435
Zinc (000 pounds)										
Cozamin	2,110	1,789	505	386	4,790	3,013	2,318	3,400	3,198	11,929
Lead (000 pounds)										
Cozamin	302	82	—	(1)	383	1,193	74	326	468	2,061
Molybdenum (tonnes)										
Pinto Valley	—	—	—	—	—	16	12	—	—	28
Silver (000s ounces)										
Cozamin	309	355	363	399	1,426	291	248	302	296	1,137
Pinto Valley	86	55	57	72	270	56	74	67	62	259
Total	395	410	420	471	1,696	347	322	369	358	1,396
Gold (ounces)										
Pinto Valley	630	156	369	537	1,692	1,001	1,942	1,575	462	4,980
Cozamin	1	—	—	—	1	4	—	2	—	6
Total	631	156	369	537	1,693	1,005	1,942	1,577	462	4,986

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*

Continuity Schedule of Concentrate and Cathode Inventories

	Pinto Valley*			Cozamin		
	Copper (dmt)	**Cathode** (tonnes)	**Molybdenum** (dmt)	**Copper** (dmt)	**Zinc** (dmt)	**Lead** (dmt)
Dec. 31, 2019	3,682	205	9	2,315	172	325
Production	45,526	484	16	14,229	4,168	545
Sales	(39,362)	(342)	(15)	(15,407)	(3,407)	(869)
Mar. 31, 2020	9,846	347	10	1,137	933	1
Production	57,232	505	2	13,761	2,081	86
Sales	(54,815)	(644)	(12)	(14,148)	(2,717)	(82)
Jun. 30, 2020	12,263	208	—	750	297	5
Production	49,402	652	—	17,495	3,954	262
Sales	(54,881)	(646)	—	(17,326)	(3,919)	(258)
Sep. 30, 2020	6,784	214	—	919	332	9
Production	61,900	624	—	17,219	3,344	377
Sales	(54,170)	(804)	—	(16,939)	(3,662)	(338)
Dec. 31, 2020	14,514	34	—	1,199	14	48
Production	63,935	527	—	19,897	2,526	213
Sales	(71,056)	(485)	—	(19,779)	(2,306)	(236)
Mar. 31, 2021	7,393	76	—	1,317	234	25
Production	49,738	497	—	23,583	1,777	55
Sales	(53,236)	(502)	—	(23,761)	(2,000)	(67)
Jun. 30, 2021	3,895	71	—	1,139	11	13
Production	46,553	538	—	23,792	727	—
Sales	(46,071)	(443)	—	(23,491)	(644)	—
Sep. 30, 2021	4,377	166	—	1,440	94	13
Production	64,133	621	33	24,379	892	27
Sales	(59,016)	(666)	—	(25,054)	(478)	—
Dec. 31, 2021	9,494	121	33	765	508	40

* *Reported copper concentrate production at Pinto Valley noted in the "Pinto Valley Mine" section of this document includes copper produced in concentrate and in circuit and therefore differs from the copper concentrate production amount noted above.*

Capstone's mining operations at Pinto Valley and Cozamin are not subject to any seasonality with respect to shipping and copper production does not vary significantly from quarter to quarter. As a result, the reported sales volumes are not expected to vary significantly from production levels in each quarter.

Outstanding Share Data and Dilution Calculation

The Company is authorized to issue an unlimited number of common shares, without par value. The table below summarizes the Company's common shares and securities convertible into common shares as at February 15, 2022:

Issued and outstanding	413,766,310
Share options outstanding at a weighted average exercise price of $1.17	10,253,690
Treasury share units outstanding at a weighted average exercise price of $4.13	1,093,283
Fully diluted	425,113,283

Under the Treasury Share Unit Plan, the Company has the ability to settle the units in shares up to 3.5% of the total issued and outstanding common shares of Capstone.

Management's Report on Internal Controls

Disclosure Controls and Procedures ("DC&P")

Capstone's management, with the participation of its President & Chief Executive Officer and Senior Vice President & Chief Financial Officer, has designed DC&P which provide reasonable assurance that material information related to Capstone is identified and communicated in a timely manner. Management concluded the Company's DC&P were effective as at December 31, 2021.

Internal Control Over Financial Reporting ("ICFR")

Capstone's management, with the participation of its President & Chief Executive Officer and Senior Vice President & Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR"). Any system of ICFR, no matter how well designed, has inherent limitations and cannot provide absolute assurance that all misstatements and instances of fraud, if any, within the Company have been prevented or detected. Capstone's ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company uses the 2013 Internal Control – Integrated Framework published by The Committee of Sponsoring Organizations of the Treadway Commission ("2013 COSO framework") as the basis for assessing its ICFR.

Management performed an evaluation of Capstone's ICFR and concluded that, as at December 31, 2021, ICFR were designed and operating effectively so as to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS").

In March 2020, as a result of the COVID-19 pandemic, the Company supported working from home for the majority of the finance workforce, with working from the office or mine site where necessary and in accordance with the Company's strict COVID-19 safety measures. Although this continued through the financial close period, there were no changes in the Company's ICFR that materially affected, or are reasonably likely to materially affect, ICFR during the three-months ended December 31, 2021.

Other Information

Approval

The Board of Directors of Capstone approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it from the Company. A copy of this MDA is also available for viewing at the Company's website at www.capstonemining.com or on the Company's profile on the SEDAR website at www.sedar.com.

Additional Information

Additional information is available for viewing at the Company's website at www.capstonemining.com or on the Company's profile on the SEDAR website at www.sedar.com.

National Instrument 43-101 Compliance

Unless otherwise indicated, Capstone has prepared the technical information in this MD&A ("Technical Information") based on information contained in the technical reports, Annual Information Form and news releases (collectively the "Disclosure Documents") available under Capstone Mining Corp.'s company profile on SEDAR at www.sedar.com. 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 October 31, 2020, "NI 43-101 Technical Report on the Pinto Valley Mine, Arizona, USA" effective March 31, 2021 and "Santo Domingo Project, Region III, Chile, NI 43-101 Technical Report" effective February 19, 2020.

The disclosure of Scientific and Technical Information in this MD&A was reviewed and approved by Brad Mercer, P. Geol., Senior Vice President and Chief Operating Officer (technical information related to mineral exploration activities and to Mineral Resources at Cozamin), Clay Craig, P.Eng, Manager, Mining & Evaluations (technical information related to Mineral Reserves at Pinto Valley and Cozamin), and Albert Garcia III, Ph.D., PE, Vice President, Projects (technical information related to project updates at Santo Domingo) all Qualified Persons under NI 43-101.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

(Expressed in United States ("US") Dollars)

Management's Report

The accompanying consolidated financial statements of Capstone Mining Corp. (the "Company" or "Capstone") and other information contained in the management's discussion and analysis are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards and include some amounts that are based on management's estimates and judgment.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee, which is composed solely of independent directors. The Audit Committee reviews the Company's annual consolidated financial statements and recommends its approval to the Board of Directors. The Company's auditors have full access to the Audit Committee, with and without management being present. These consolidated financial statements have been audited by Deloitte LLP.

(Signed) Darren M. Pylot
President & Chief Executive Officer

(Signed) Raman Randhawa
Senior Vice President & Chief Financial Officer

Vancouver, British Columbia, Canada
February 15, 2022

Independent Auditor's Report

To the Shareholders and the Board of Directors of Capstone Mining Corp.

Opinion
We have audited the consolidated financial statements of Capstone Mining Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter
A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Impairment reversal of the Santo Domingo cash generating unit ("CGU") — Refer to Notes 2 and 8 to the financial statements

Key Audit Matter Description

The Company's assets that have been previously impaired are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment may have reversed. If any such indications exist, the recoverable amount of the relevant CGU is estimated based on the higher of its fair value less cost of disposal and value in use, to determine the extent of the impairment loss reversal. The Company identified indicators of impairment reversal at March 31, 2021 and recorded an impairment reversal of $92.4 million related to the Santo Domingo CGU.

While there are several inputs and management judgment required to determine the recoverable amount for the Santo Domingo CGU, those with the highest degree of subjectivity and judgment uncertainty are the identification of comparable companies and transactions used to determine the in-situ multiples. Performing procedures to evaluate the reasonableness of such judgments and inputs required a high degree of auditor judgment and an increased extent of audit effort, including the involvement of a fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

With the assistance of fair value specialists, our audit procedures relating to the identification of comparable companies and transactions used to determine the in-situ multiples included the following, among others:

- Obtained third party information surrounding comparable companies and transactions, evaluated their comparability, including the consideration of contradictory evidence obtained in other areas of the audit.
- Developed a range of independent estimates of in-situ multiples using multiple valuation techniques and compare those to the in-situ multiples selected by management.

Other Information
Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

- The information, other than the financial statements and our auditor's report thereon, in the Management's Discussion and Analysis and Consolidated Financial Statements ("Annual Report").

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is David Macdonald.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, British Columbia
February 15, 2022

Capstone Mining Corp.
Consolidated Statements of Financial Position
expressed in thousands of US dollars

	As at December 31,			
ASSETS		**2021**		2020
Current				
Cash and cash equivalents	**$**	**262,094**	$	56,580
Short-term investments *(Note 5)*		**2,259**		3,425
Receivables *(Note 6)*		**28,489**		26,691
Inventories *(Note 7)*		**62,825**		58,238
Other assets *(Note 9)*		**5,993**		12,937
		361,660		157,871
Mineral properties, plant and equipment *(Note 8)*		**1,310,870**		1,147,784
Promissory note receivable *(Note 11)*		**—**		27,080
Deferred income tax assets *(Note 15)*		**30,593**		28,841
Other assets *(Note 9)*		**24,839**		30,008
Total assets	**$**	**1,727,962**	$	1,391,584
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**97,384**	$	74,866
Other liabilities *(Note 10)*		**132,843**		19,004
		230,227		93,870
Long-term debt *(Note 13)*		**—**		183,226
Deferred revenue *(Note 14)*		**165,740**		—
Lease liabilities *(Note 12)*		**12,631**		8,307
Provisions *(Note 16)*		**161,088**		141,780
Deferred income tax liabilities *(Note 15)*		**95,786**		65,135
Other liabilities *(Note 10)*		**46,063**		10,099
Total liabilities	**$**	**711,535**	$	502,417
EQUITY				
Share capital	**$**	**849,409**	$	842,789
Other reserves		**39,008**		33,783
Retained earnings (accumulated deficit)		**128,010**		(97,514)
Total equity attributable to equity holders of the Company		**1,016,427**		779,058
Non-controlling interest *(Note 11)*		**—**		110,109
Total equity		**1,016,427**		889,167
Total liabilities and equity	**$**	**1,727,962**	$	1,391,584

Commitments *(Note 23)*

ON BEHALF OF THE BOARD:
(Signed) Darren M. Pylot, Director   *(Signed) Dale C. Peniuk,* Director

See accompanying notes to these consolidated financial statements.

Capstone Mining Corp.
Consolidated Statements of Income
Years Ended December 31, 2021 and 2020
expressed in thousands of US dollars, except share and per share amounts

	2021	2020
Revenue *(Note 18)*	**$ 794,769**	$ 453,763
Operating costs		
Production costs	**(334,454)**	(285,843)
Royalties	**(7,946)**	(4,259)
Depletion and amortization	**(91,925)**	(81,482)
Earnings from mining operations	**360,444**	82,179
General and administrative expenses *(Note 24)*	**(19,531)**	(13,657)
Exploration expenses *(Note 8)*	**(3,061)**	(3,094)
Impairment reversal on mineral properties *(Note 8)*	**92,392**	—
Care and maintenance expense *(Note 8)*	**(983)**	(1,087)
Share-based compensation expense *(Note 17)*	**(74,011)**	(27,030)
Income from operations	**355,250**	37,311
Other (expense) income		
Foreign exchange loss	**(1,794)**	(574)
Other (expense) income *(Note 25)*	**(962)**	3,793
Income before finance costs and income taxes	**352,494**	40,530
Interest on long-term debt and surety bonds *(Note 26)*	**(4,872)**	(12,382)
Other interest expense *(Note 26)*	**(13,841)**	(2,380)
Income before income taxes	**333,781**	25,768
Income tax expense *(Note 15)*	**(80,916)**	(13,387)
Net income	**$ 252,865**	$ 12,381
Net income attributable to:		
Shareholders of Capstone Mining Corp.	**$ 226,829**	$ 12,557
Non-controlling interest *(Note 11)*	**26,036**	(176)
	$ 252,865	$ 12,381
Net earnings per share		
Earnings per share - basic *(Note 19)*	**$ 0.56**	$ 0.03
Weighted average number of shares - basic *(Note 19)*	**405,800,210**	393,857,183
Earnings per share - diluted *(Note 19)*	**$ 0.55**	$ 0.03
Weighted average number of shares - diluted *(Note 19)*	**414,093,484**	398,657,026

See accompanying notes to these consolidated financial statements.

Capstone Mining Corp.
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2021 and 2020
expressed in thousands of US dollars

		2021		2020
Net income	**$**	**252,865**	$	12,381
Other comprehensive income ("OCI")				
Items that will not be reclassified subsequently to profit or loss				
Change in fair value of marketable securities, net of tax of $(441) (2020 - $nil)		**2,823**		1,194
Remeasurement for retirement benefit plans, net of tax of $(423) (2020 - $73)		**1,177**		(243)
		4,000		951
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation adjustment		**37**		170
		37		170
Total other comprehensive income for the year		**4,037**		1,121
Total comprehensive income	**$**	**256,902**	$	13,502
Total comprehensive income attributable to:				
Shareholders of Capstone Mining Corp.	**$**	**230,866**	$	13,678
Non-controlling interest *(Note 11)*		**26,036**		(176)
	$	**256,902**	$	13,502

See accompanying notes to these consolidated financial statements.

Capstone Mining Corp.
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020
expressed in thousands of US dollars

	2021	2020
Cash provided by (used in):		
Operating activities		
Net income	**$ 252,865**	$ 12,381
Adjustments for:		
Depletion and amortization	**93,245**	83,069
Deferred income and mining tax expense	**80,916**	13,387
Impairment reversal on mineral properties *(Note 8)*	**(92,392)**	—
Inventory write-down (reversal of write-down)	**2,029**	(691)
Share-based compensation expense	**74,011**	27,030
Net finance costs	**18,713**	14,763
Unrealized loss (gain) on foreign exchange	**1,093**	(7,555)
Loss (gain) on derivatives	**766**	(1,929)
Loss on disposal of assets and other	**—**	342
Changes in contingent consideration *(Note 25)*	**(5,067)**	(5,322)
Amortization of deferred revenue and variable consideration adjustments *(Note 14)*	**(16,490)**	—
Precious metal stream deposits received *(Note 14)*	**180,000**	—
Income taxes paid	**(34,366)**	(8,893)
Income taxes received	**1,097**	3,651
Other (receipts) payments	**(82)**	68
Changes in non-cash working capital *(Note 21)*	**21,782**	11,554
Other non-cash changes *(Note 21)*	**(24,775)**	5,316
	553,345	147,171
Investing activities		
Mineral properties, plant and equipment additions	**(133,425)**	(97,525)
Proceeds from short-term investments	**1,166**	1,124
Other assets	**(11,435)**	27
	(143,694)	(96,374)
Financing activities		
Proceeds from bank borrowings *(Note 13)*	**32,000**	45,000
Repayment of bank borrowings *(Note 13)*	**(216,925)**	(70,000)
Payment on purchase of non-controlling interest *(Note 11)*	**(17,141)**	—
KORES payment against promissory note *(Note 11)*	**1,423**	1,540
Repayment of lease obligations	**(3,291)**	(1,599)
Proceeds from the exercise of options	**4,358**	2,869
Payments for settlement of financial derivatives	**(3,690)**	(1,042)
Proceeds from settlement of financial derivatives	**2,509**	501
Interest paid on long-term debt and surety bonds	**(3,521)**	(11,403)
	(204,278)	(34,134)
Effect of exchange rate changes on cash and cash equivalents	**141**	(22)
Increase in cash and cash equivalents	**205,514**	16,641
Cash and cash equivalents - beginning of year	**56,580**	39,939
Cash and cash equivalents - end of year	**$ 262,094**	$ 56,580

Supplemental cash flow information ***(Note 21)***

See accompanying notes to these consolidated financial statements.

Capstone Mining Corp.
Consolidated Statements of Changes in Equity
Years Ended December 31, 2021 and 2020
expressed in thousands of US dollars, except share amounts

	Attributable to equity holders of the Company									
	Number of shares	**Share capital**	**Reserve for equity settled share based transactions**	**Revaluation reserve**	**Foreign currency translation reserve**	**Share purchase reserve**	**Retained earnings (accumulated deficit)**	**Total - attributable to equity holders**	**Non-controlling interest**	**Total equity**
January 1, 2021	**408,884,120**	**$ 842,789**	**$ 53,578**	**$ 3,429**	**$ (16,588)**	**$ (6,636)**	**$ (97,514)**	**$ 779,058**	**$ 110,109**	**$ 889,167**
Shares issued on exercise of options *(Note 17)*	**4,705,334**	**6,620**	**(2,262)**	**—**	**—**	**—**	**—**	**4,358**	**—**	**4,358**
Share-based compensation *(Note 17)*	**—**	**—**	**1,948**	**—**	**—**	**—**	**—**	**1,948**	**—**	**1,948**
Settlement of share units	**—**	**—**	**—**	**—**	**—**	**1,502**	**3,850**	**5,352**	**—**	**5,352**
Change in fair value of marketable securities	**—**	**—**	**—**	**2,823**	**—**	**—**	**—**	**2,823**	**—**	**2,823**
Remeasurements for retirement benefit plans	**—**	**—**	**—**	**1,177**	**—**	**—**	**—**	**1,177**	**—**	**1,177**
Purchase of non-controlling interest in Acquisition Co. *(Note 11)*	**—**	**—**	**—**	**—**	**—**	**—**	**(5,155)**	**(5,155)**	**(136,145)**	**(141,300)**
Shares returned and cancelled from prior acquisitions	**(107,099)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Net income	**—**	**—**	**—**	**—**	**—**	**—**	**226,829**	**226,829**	**26,036**	**252,865**
Foreign currency translation	**—**	**—**	**—**	**—**	**37**	**—**	**—**	**37**	**—**	**37**
December 31, 2021	**413,482,355**	**$ 849,409**	**$ 53,264**	**$ 7,429**	**$ (16,551)**	**$ (5,134)**	**$ 128,010**	**$ 1,016,427**	**$ —**	**$ 1,016,427**
January 1, 2020	400,045,604	$ 838,523	$ 53,971	$ 2,478	$ (16,758)	$ (7,305)	$ (109,806)	$ 761,103	$ 110,285	$ 871,388
Shares issued on exercise of options *(Note 17)*	8,701,320	4,226	(1,357)	—	—	—	—	2,869	—	2,869
Share-based compensation *(Note 17)*	—	—	964	—	—	—	—	964	—	964
Settlement of share units	—	—	—	—	—	669	(265)	404	—	404
Shares issued as compensation	137,196	40	—	—	—	—	—	40	—	40
Change in fair value of marketable securities	—	—	—	1,194	—	—	—	1,194	—	1,194
Remeasurements for retirement benefit plans	—	—	—	(243)	—	—	—	(243)	—	(243)
Net income (loss)	—	—	—	—	—	—	12,557	12,557	(176)	12,381
Foreign currency translation	—	—	—	—	170	—	—	170	—	170
December 31, 2020	408,884,120	$ 842,789	$ 53,578	$ 3,429	$ (16,588)	$ (6,636)	$ (97,514)	$ 779,058	$ 110,109	$ 889,167

See accompanying notes to these consolidated financial statements.

1. Nature of Operations

Capstone Mining Corp. (“Capstone” or the “Company”), a Canadian mining company publicly listed on the Toronto Stock Exchange, is engaged in the production of and exploration for base metals in the United States (“US”), Mexico, and Chile, with a focus on copper. Pinto Valley Mining Corp. ("Pinto Valley"), a wholly owned US subsidiary, owns and operates the copper Pinto Valley Mine located in Arizona, US. Capstone Gold, S.A. de C.V. ("Capstone Gold"), a wholly owned Mexican subsidiary, owns and operates the polymetallic Cozamin Mine located in Zacatecas, Mexico, and has a portfolio of exploration properties in Mexico. Capstone Mining Chile SpA, a wholly owned Chilean subsidiary, is performing exploration for base metal deposits in Chile.

On March 24, 2021, Capstone consolidated a 100% ownership interest in 0908113 B.C. Ltd. (“Acquisition Co.”) by purchasing the remaining 30% ownership interest from Korea Resources Corporation (“KORES”), resulting in the elimination of the non-controlling interest (“NCI”) in Acquisition Co. (*Note 11*). Minera Santo Domingo SCM, a wholly owned Chilean subsidiary of Acquisition Co, holds the Santo Domingo copper-iron development project in Chile.

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The Company continues to evaluate the potential impacts arising from COVID-19 on all aspects of its business. For the year ended December 31, 2021, there were no significant financial impacts on the Company.

The head office, registered and records office and principal address of the Company are located at 2100 - 510 West Georgia Street, Vancouver, British Columbia, Canada and the Company is incorporated in British Columbia.

The consolidated financial statements were approved by the Board of Directors and authorized for issuance on February 15, 2022.

2. Basis of Presentation, Significant Accounting Judgements and Estimates, and Significant Accounting Policies

a) Basis of preparation and consolidation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments which are measured at fair value.

These consolidated financial statements have been prepared in accordance with the accounting policies presented below and are based on IFRS and IFRS Interpretations Committee (“IFRIC”) interpretations issued and effective as of December 31, 2021. The policies set out below were consistently applied to all the periods presented unless otherwise noted.

Certain comparative figures have been reclassified to conform with changes in the presentation of the current year.

b) Use of estimates and judgments

The preparation of the consolidated financial statements requires management to select accounting policies and make estimates and judgments that may have a significant impact on the consolidated financial statements. Estimates are continuously evaluated, and are based on management’s experience and expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Critical judgments exercised in applying accounting policies, apart from those involving estimates, that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

i. *Economic recoverability and probability of future economic benefits of mineral exploration, evaluation and development costs*
The Company has determined that exploratory drilling, evaluation, development, and related costs incurred, which were capitalized, have future economic benefits and are economically recoverable. In making this judgment, the Company has assessed various sources of information including, but not limited to, the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, proximity to existing ore bodies, existing permits, and life of mine plans.

ii. *Assessment of impairment and impairment reversal indicators*
Management applies significant judgement in assessing whether indicators of impairment or impairment reversal exist for a cash generating unit ("CGU") which would necessitate impairment testing. Internal and external factors such as significant changes in the use of the asset, commodity prices, foreign exchange rates, capital and production forecasts, mineral reserves and resource estimates and discount rates are used by management in determining whether there are any indicators of impairment or impairment reversal.

iii. *Functional currency*
The functional currency of each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates *(Note 2(c)(i))*.

Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment. The US dollar is Capstone's functional currency.

iv. *Financial instruments*
Financial assets and liabilities are designated upon inception to various classifications. The designation determines the method by which the financial instruments are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. The designation may require the Company to make certain judgments, taking into account management's intention of the use of the financial instruments.

Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are:

i. *Estimated reclamation and closure costs*
The Company's provision for reclamation and closure cost obligations represents management's best estimate of the present value of the future cash outflows required to settle the liability. The provision reflects estimates of future costs directly attributable to remediating the liability, inflation, movements in foreign exchange rates and assumptions of risks associated with the future cash outflows, and the applicable risk-free interest rates for discounting future cash outflows. Changes in the factors above can result in a change to the provision recognized by the Company. To the extent the carrying value of the related mining property is not increased above its recoverable amount, changes to reclamation and closure cost obligations are recorded with a corresponding change to the carrying amounts of related mining properties.

ii. Share-based compensation

The Company uses the fair value method of accounting for all share-based payments. The fair value method of accounting includes the use of the Black-Scholes Option Pricing Model. Option pricing models require the input of subjective assumptions including the volatility, expected life, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate, the Company's earnings, and equity reserves. The portion of share-based compensation recorded is based on the vesting schedule of the options and units.

The Performance Share Units ("PSUs") include the use of a performance factor that can range from 0% to 200% and is determined by comparing the Company's total shareholder return to those achieved by a peer group of companies, which can affect the fair value estimate.

iii. Income taxes

Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward.

The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is probable that the Company will benefit from these prior losses and other deferred tax assets. The tax rates expected to be in effect when temporary differences reverse are 21% for US, 27% for Canada and 30% for Mexico. The Company is subject to certain mining royalties which are referenced in Note 15. The tax rate on the mining royalties in Mexico is 7.5%. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

iv. Mineral reserve and resource estimates

Mineral reserves and mineral resources referenced in these financial statements are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions in estimating mineral reserves and mineral resources, including economic assumptions such as metal prices, and the market conditions could have a material effect in the future on the Company's financial position and results of operation.

v. Estimated mineral reserves and resources

The carrying amounts of the Company's producing mining properties are depleted based on recoverable tonnes contained in permitted proven and probable mineral reserves and a portion of mineral resources. The Company includes a portion of permitted mineral resources where it is considered highly probable that those resources will be economically extracted over the life of mine. Changes to estimates of recoverable tonnes of permitted reserves and resources and depletable costs including changes resulting from revisions to the Company's mine plans and changes in metal price forecasts can result in a change to future depletion rates.

vi. Amortization rate for property, plant and equipment and depletion rates for mining interests

Depletion and amortization expenses are allocated based on estimated asset lives. Should the asset life, depletion rates, or amortization rates differ from the initial estimate, an adjustment would be made in the consolidated statement of income on a prospective basis.

vii. Impairment of mineral properties, plant and equipment

Management considers both external and internal sources of information in assessing whether there are any indications that the Company's mineral properties, plant and equipment are impaired and whether previously recorded impairments should be reversed. External sources of information management considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of its mineral properties, plant and equipment. Internal sources of information that management considers include the manner in which mineral properties, plant and equipment are being used or are expected to be used and indications of economic performance of the assets. Management concluded that there were no indicators of impairment for the years ended December 31, 2021 and 2020.

In determining the recoverable amounts of the Company's mineral properties, plant and equipment, management makes estimates of the future operating results and discounted net cash flows expected to be derived from the Company's mining properties, costs to sell the mining properties and the appropriate discount rate. Changes in metal price forecasts, estimated future costs of production, estimated future non-expansionary capital expenditures, fair value due to strategic processes, the amount of recoverable mineral reserves, mineral resources, and exploration potential, and/or changes in current economics, regulatory or legal requirements and comparable market transactions can result in a write-down or a reversal of a previous write-down of the carrying amounts of the Company's mineral properties, plant and equipment.

viii. Deferred stripping costs

In determining whether stripping costs incurred during the production phase of a mining property relate to mineral reserves that will be mined in a future period and therefore should be capitalized, the Company makes estimates of the proportion of stripping activity which relates to extracting ore in the current period versus the proportion which relates to obtaining access to ore reserves which will be mined in the future. The Company includes a portion of permitted mineral resources where it is considered highly probable that those resources will be economically extracted over the life of mine.

ix. Inventory valuation

Consumable parts and supplies, ore stockpiles and concentrates, are valued at the lower of cost and net realizable value. Estimates in the carrying values of inventories arise due to the nature of the valuation of ore stockpiles and concentrates based on an appropriate allocation of direct mining costs, direct labour and material costs, mine site overhead, and depletion and amortization.

x. Valuation of financial instruments, including estimates used in provisional pricing calculations

Financial instrument estimates are based on either unadjusted quoted prices in active markets or direct or indirect observable inputs in accordance with the definitions of the financial instruments. Provisional pricing calculations are determined based on the change in the value of forward commodity prices of metals. To account for the change in metal prices from the total contract value to the 90% of the provisional value amount that has been received, estimates of the value of concentrates are used to determine the provisionally priced concentrate receivables at each period.

c) The significant accounting policies of the Company are as follows:

i. Translation of foreign currencies

The functional currency and presentation currency of the Company is the US dollar. The functional currency of each entity is determined after consideration of the primary economic environment of the entity. The functional currencies of the Company's material subsidiaries are listed in Note 20.

Financial statements of subsidiaries are maintained in their functional currencies and converted to US dollars for consolidation of the Company's results.

Transactions denominated in foreign currencies (currencies other than the functional currency of an entity) are translated at the exchange rates on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at reporting date exchange rates and any gain or loss on translation is recorded in the consolidated statement of income as a foreign exchange gain (loss).

On translation of entities with functional currencies other than the US dollar, consolidated statement of income items are translated at average rates of exchange where this is a reasonable approximation of the exchange rate at the dates of the transactions. Consolidated statement of financial position items are translated at closing exchange rates as at the reporting date. Exchange differences on the translation of the foreign currency entities at closing rates, together with differences between consolidated statement of income translated at average and closing rates, are recorded in the foreign currency translation reserve in equity.

ii. *Cash, and cash equivalents*

Cash and cash equivalents is comprised of cash on hand, demand deposits and short-term investments with a maturity less than 90 days on acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

iii. *Inventories*

Inventories for consumable parts and supplies, ore stockpiles and concentrates, are valued at the lower of cost and net realizable value. Costs allocated to consumable parts and supplies are based on average costs and include all costs of purchase, conversion and other costs in bringing these inventories to their existing location and condition. Costs allocated to ore stockpiles and concentrates are based on average costs, which include an appropriate share of direct mining costs, direct labour and material costs, mine site overhead, depletion and amortization. If carrying value exceeds net realizable amount, a write down is recognized. The write down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

iv. *Investments*

Investments in shares of companies over which the Company exercises neither control, joint control nor significant influence are designated as fair value through OCI and recorded at fair value. Fair values are determined by reference to quoted market prices at the reporting date. Unrealized gains and losses on investments in marketable securities are recognized in the revaluation reserve. When investments in marketable securities are sold, derecognized, or determined to be impaired, the cumulative fair value adjustments remain within equity.

Investments in warrants of companies over which the Company exercises neither control, joint control nor significant influence are designated as fair value through profit or loss (“FVTPL”) and recorded at fair value. Fair values are determined by reference to quoted market prices at the reporting date and subsequent changes in fair values are recognized in the consolidated statement of income. When investments in warrants are sold, derecognized, or determined to be impaired, the cumulative fair value adjustments are recognized in the consolidated statement of income.

v. *Mineral properties, plant and equipment*

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing historical characteristic of many properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

vi. Producing mineral properties

Producing mineral properties are recorded at cost less accumulated depletion and impairment charges. The costs associated with producing mineral properties include acquired interests in production stage properties representing the fair value at the time they were acquired. Producing mineral properties also include additional capitalized costs after initial acquisition. Upon sale or abandonment of producing mineral properties, the carrying value is derecognized and any gains or losses thereon are included in the consolidated statement of income.

Non-depletable mineral interests are recorded at their fair value on acquisition date, either as part of a business combination or as an individual asset purchase. The value of such assets is primarily driven by the nature and amount of mineralized material believed to be contained in such properties.

Commercial production is deemed to have commenced when management determines that the operational commissioning of major mine and plant components is complete, operating results are being achieved consistently for a period of time and that there are indicators that these operating results will continue. At the date commercial production is reached, the Company ceases capitalization of any applicable borrowing costs and commences amortization of the associated assets. The Company determines commencement of commercial production based on several factors, which indicate that planned principal operations have commenced. These include the following:

- a significant portion of plant capacity is achieved;
- a significant portion of available funding is directed towards operating activities;
- a pre-determined, reasonable period of time has passed; and
- a development project significant to the primary business objectives of the enterprise has been completed as to significant milestones being achieved.

vii. Deferred stripping

Stripping costs during the production phase are accounted for as variable production costs and included in the costs of inventory produced during the period that the stripping costs are incurred. However, stripping costs are capitalized and recorded on the consolidated statement of financial position as a component of mineral properties, plant and equipment when the stripping activity provides access to sources of mineral reserves that will be produced in future periods that would not have otherwise been accessible in the absence of this activity. The capitalized deferred stripping assets are amortized on a units of production basis over the mineral reserves and a portion of mineral resources that directly benefited from the stripping activity as those mineral reserves and resources are actually mined.

viii. Mineral exploration and development properties

The carrying amount of mineral exploration and development properties comprise costs that are directly attributable to:

- researching and analysing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and
- activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

The costs associated with mineral exploration and development properties include acquired interests in development and exploration stage properties representing the fair value at the time they were acquired. Mineral exploration and development properties related to greenfield properties, which are prospective in nature and not yet supported by an internal economic assessment, are expensed in the consolidated statement of income, except for acquisition costs and mining interest rights. Exploration and development expenses related to brownfield mineral properties are capitalized provided that one of the following conditions is met:

- Such costs are expected to be recouped in full through successful development and exploitation of the area of interest or alternatively, by its sale; or
- Exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves, however active and significant operations in relation to the area are continuing, or planned for the future.

The carrying values of capitalized amounts of mineral exploration and development properties are reviewed when there are indicators of impairment at each reporting date. In the case of undeveloped projects, there may be only inferred mineral resources to allow management to form a basis for the impairment review. The review is based on the Company's intentions for development of such a project. If a project does not prove viable, all unrecoverable costs associated with the project are charged to the consolidated statement of income at the time the determination is made.

Once management has determined that the development potential of the property is economically viable and the necessary permits are in place for its development, and the criteria in Note 2(c)(vi) are met, the costs of the exploration asset are reclassified to producing mineral properties.

ix. Plant and equipment

Plant and equipment are recorded at cost less accumulated amortization and impairment losses and includes amounts representing the fair value of plant and equipment at the time they were acquired. Plant and equipment includes in its purchase price, any costs directly attributable to bringing plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated close down and restoration costs associated with dismantling and removing the asset. Upon sale or abandonment of any plant and/or equipment, the cost and related accumulated amortization and impairment losses, are written off and any gains or losses thereon are included in the consolidated statement of income.

x. Construction in progress

Mineral property development and plant and equipment construction commences when approved by management and/or the Board and the Company has obtained all regulatory permissions to proceed. Development and construction expenditures are capitalized and classified as construction in progress. Once completed, the costs associated with all applicable assets related to the development and construction are reclassified to the appropriate category within mineral properties or plant and equipment.

xi. Depletion and amortization of mineral properties, plant and equipment

The carrying amounts of mineral properties, plant and equipment are depleted or amortized to their estimated residual value over the estimated economic life of the specific assets to which they relate, using the depletion or amortization methods and rates as indicated below. Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of the remaining amortization rate. Amortization commences on the date the asset is available for its use as intended by management.

Depletion and amortization is computed using the following rates:

Item	Methods	Rates
Producing mineral properties	Units of production	Proven and probable mineral reserves and a portion of mineral resources considered highly probable to be economically extracted
Deferred stripping costs	Units of production	Proven and probable mineral reserves and a portion of mineral resources accessible due to stripping activity which are considered highly probable to be economically extracted
Plant & equipment	Straight line, units of production	4 – 10 years, Proven and probable mineral reserves and a portion of mineral resources considered highly probable to be economically extracted

xii. *Borrowing costs*

Interest and other financing costs directly related to the acquisition, development and construction, and production of qualifying assets are capitalized as construction in progress or in mineral properties until they are complete and available for use, at which time they are transferred to the appropriate category within mineral properties, plant and equipment. Borrowing costs incurred after the asset has been placed into service as well as all other borrowing costs are charged to the consolidated statement of income when incurred.

xiii. *Impairment of long-lived assets*

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there are any indicators of impairment. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset or CGU's value in use. In assessing recoverable amount, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable mineral reserves and mineral resources, estimated future commodity prices and the expected future operating, capital and reclamation costs. The projected cash flows are affected by changes in assumptions about metal selling prices, future capital expenditures, production cost estimates, discount rates, and exchange rates. The discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Determining the discount rate includes appropriate adjustments for the risk profile of the country in which the individual asset or CGU operates.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount and an impairment loss is recognized in the consolidated statement of income. Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. Where an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortization or depletion) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized in the consolidated statement of income.

xiv. Income taxes

Current tax
Current tax for each taxable entity in the Company is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the reporting date, and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred tax
Deferred tax is accounted for using the liability method, providing for the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred income tax liabilities are recognized for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax losses and unused tax credits can be utilized, and except where the deferred income tax asset related to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each reporting date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilized. To the extent that an asset not previously recognized fulfils the criteria for recognition, a deferred income tax asset is recorded.

Deferred tax is measured on an undiscounted basis using the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates and tax laws enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis. Current and deferred taxes relating to items recognized directly in equity are recognized in equity and not in the consolidated statement of income.

Mining taxes and royalties are treated and disclosed as current and deferred taxes if they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is calculated by reference to revenue derived (net of any allowable deductions) after adjustment for items comprising temporary differences.

xv. Taxes receivable
Taxes receivable are composed of recoverable value added taxes in Canada, Mexico and Chile.

xvi. Embedded derivatives
Derivatives may be embedded in other financial instruments (the “host instrument”). Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is designated as held for trading or at fair value, as appropriate. These embedded derivatives are measured at fair value with subsequent changes recognized in gains or losses on derivative instruments in the consolidated statement of income

xvii. Compound instruments

The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual agreement, where the convertible component qualifies as equity. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar debt instruments. This amount is recorded as a liability on an amortized cost basis until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. Where the convertible component does not qualify as equity, and is considered to be an embedded derivative, the convertible component is included as a financial liability and is measured at FVTPL.

xviii. Financial instruments

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI.

The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Accounts receivable are measured at amortized cost with subsequent impairments recognized in the consolidated statement of income. Short-term investments, concentrate receivables, promissory note receivables, derivative assets and the contingent consideration on sale of the Minto mine ("Minto") are measured at FVTPL with subsequent changes recognized in the consolidated statement of income.

Short-term investments include investments in bankruptcy-remote, AAA rated money market funds, and exchange traded funds. The mark-to-market adjustments for provisional pricing changes on concentrate receivables are based on forward commodity prices of metals and are included in revenues until final settlement. Investments in marketable securities are measured at FVOCI with subsequent changes recognized in OCI. Derivative assets include zero cost collar foreign currency contracts and warrants.

Financial liabilities are designated as either: (i) FVTPL; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities and long-term debt are classified as amortized cost and carried on the consolidated statement of financial position at amortized cost. Derivative liabilities consist of interest rate swaps and are measured at FVTPL.

xix. Impairment and uncollectibility of financial assets

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the consolidated statement of income for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through the consolidated statement of income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

xx. Deferred revenue

Deferred revenue consists of payments received by the Company in consideration for future commitments to deliver payable gold and silver contained in concentrate at contracted prices. In addition, it includes the fair value of such commitments acquired by way of business combination. As deliveries are made, the Company records a portion of the deferred revenue as sales, based on a proportionate share of deliveries made compared with the total estimated contractual commitment.

Interest expense on deferred revenue is recognized in finance costs when the Company identifies significant financing components related to its streaming arrangements, resulting from a difference in the timing of the up-front consideration received and delivery of the promised goods. The interest rate is determined based on the rate implicit in each streaming agreement at the date of inception or acquisition.

The initial consideration received from streaming arrangements is considered variable, subject to changes in the total gold and silver ounces to be delivered. Changes to variable consideration are reflected in revenue in the consolidated statement of income.

xxi. Leases

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use asset (“ROU asset”) and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the following exceptions: (i) the Company has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or (ii) for leases of low value. The payments for such leases are recognized in the consolidated statement of income on a straight-line basis over the lease term.

The ROU asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement day, and any initial direct costs. They are subsequently measured at cost less accumulated amortization and impairment losses. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate.

When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

ROU assets are included in mineral properties, plant and equipment, and the lease liability is presented separately in the consolidated statement of financial position.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in the consolidated statement of income.

xxii. Reclamation and closure cost obligations

A reclamation and closure cost obligation is recognized for close down, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the financial period when the related environmental disturbance occurs, based on the estimated future costs using information available at the consolidated statement of financial position date. At the time of establishing the provision, a corresponding asset is capitalized, where it gives rise to a future benefit, and amortized over the estimated economic life of the specific assets to which they relate. The provision is discounted using a current market-based pre-tax discount rate and the unwinding of the discount is included in the consolidated statement of income as interest expense from discounting reclamation and closure cost obligations.

The obligation is reviewed each reporting period for changes to obligations, legislation or discount rates that impact estimated costs or lives of operations. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is amortized prospectively.

xxiii. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where the effect is material, the provision is discounted to net present value using an appropriate current market-based pre-tax discount rate and the unwinding of the discount is included in the consolidated statement of income as interest expense from discounting obligations.

xxiv. Share capital

The proceeds from the exercise of stock options or warrants together with amounts previously recorded over the vesting periods are recorded as share capital.

Share capital issued for non-monetary consideration is recorded at an amount based on fair market value of the shares on the date of issue.

The proceeds from the issue of units are allocated between common shares and common share purchase warrants on a pro-rata basis based on relative fair values as follows: the fair value of the common shares is based on the market close on the date the units are issued and the fair value of the common share purchase warrants is determined using the Black-Scholes Option Pricing Model.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

xxv. Share-based payments

The Company makes periodic grants of share-based awards to selected directors, officers, employees and others providing similar service under the Company's share-based compensation plans.

Contributions to the Company's employee share purchase plan ("ESPP") are recorded on a payroll cycle basis as the Company's obligation to contribute is incurred.

Pursuant to the Company's stock option plan and Treasury Share Unit Plan ("TSUP"), the fair value of the equity-settled awards is determined at the date of the grant by using the Black-Scholes Option Pricing Model. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the consolidated statement of income with a corresponding entry within equity, against the reserve for equity settled share-based transactions. No expense is recognized for awards that do not ultimately vest.

The Company has other share-based compensation plans in the form of Deferred Share Units ("DSUs"), Restricted Share Units ("RSUs") and Performance Share Units ("PSUs"). Units granted under these share-based compensation plans are recorded at fair value on the grant date and are adjusted for changes in fair value each reporting period until settled. The expense, and any changes which arise from fluctuations in the fair value of the grants, is recognized in share-based compensation in the consolidated statement of income with the corresponding liability recorded on the consolidated statement of financial position in provisions.

xxvi. Revenue recognition

Sales of metal concentrates and cathode are recognized and revenue is recorded at market prices following the transfer of control to the customer, provided that the Company has a present right to payment, has transferred physical possession of the asset to the customer, and the customer has the significant risks and rewards of ownership. Capstone satisfies its performance obligations upon delivery of the metal concentrates and cathode. The Company's metal concentrates are sold under a pricing arrangement where final prices are determined by quoted market prices in a period subsequent to the date of sale. Until prices are final, revenues are recorded based on forward commodity prices of metals for the expected period of final settlement. Subsequent variations in the final determination of the metal concentrate weight, assay and price are recognized as revenue adjustments as they occur until finalized.

xxvii. Earnings per share

Basic earnings per share is computed by dividing net income available (attributable) to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share.

The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

3. Adoption of New and Revised IFRS and IFRS Not Yet Effective

The accounting policies adopted in the preparation of these consolidated financial statements have been prepared on the basis of all IFRS and interpretations effective as at December 31, 2021.

On August 27, 2020, an amendment to IFRS 9 and certain other standards, *IBOR Reform and its Effect on Financial Reporting*, was issued by the IASB and became effective January 1, 2021. The Company has assessed the impact of the amendment on its adoption effective January 1, 2021 and determined it does not currently have a significant effect on the Company's financial statements.

The Company has not applied the following revised IFRS that have been issued but were not yet effective at December 31, 2021.

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

In May 2020, the International Accounting Standards Board ("IASB") issued an amendment to IAS 16, *Property, Plant and Equipment - Proceeds before Intended Use*. The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, a company will recognize such sale proceeds and related cost in the consolidated statements of income. The amendment will become effective January 1, 2022. The Company is assessing the impact of the amendment and does not expect it to have a significant effect on the Company's financial statements.

In May 2021, the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, which amended IAS 12 *Income Taxes*. The amendments will become effective January 1, 2023. The Company is assessing the impact of the amendment and does not expect it to have a significant effect on the Company's financial statements.

4. Financial Instruments

Fair value of financial instruments

IFRS 13 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – Fair values measured using unadjusted quoted prices in active markets for identical instruments
Level 2 – Fair values measured using directly or indirectly observable inputs, other than those included in level 1
Level 3 – Fair values measured using inputs that are not based on observable market data

As of December 31, 2021 the Company's classification of financial instruments within the fair value hierarchy are summarized below:

	Level 1	Level 2	Level 3	Total
Short-term investments *(Note 5)*	**$ —**	**$ 2,259**	**$ —**	**$ 2,259**
Concentrate receivables *(Note 6)*	**—**	**24,686**	**—**	**24,686**
Derivative assets - current *(Note 9)*	**—**	**543**	**—**	**543**
Investment in marketable securities *(Note 9)*	**6,079**	**—**	**—**	**6,079**
	$ 6,079	**$ 27,488**	**$ —**	**$ 33,567**

As of December 31, 2020 the Company's classification of financial instruments within the fair value hierarchy is summarized below:

	Level 1	Level 2	Level 3	Total
Short-term investments *(Note 5)*	$ —	$ 3,425	$ —	$ 3,425
Concentrate receivables *(Note 6)*	—	18,189	—	18,189
Promissory note receivable *(Note 11)*	—	—	33,847	33,847
Derivative assets - current *(Note 9)*	—	2,992	—	2,992
Investment in marketable securities *(Note 9)*	2,856	—	—	2,856
Contingent consideration on sale of Minto *(Note 9)*	—	—	14,933	14,933
	$ 2,856	$ 24,606	$ 48,780	$ 76,242
Interest rate swap derivative liabilities *(Note 10)*	$ —	$ 380	$ —	$ 380
	$ —	$ 380	$ —	$ 380

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between Level 1, Level 2 and Level 3 during the year ended December 31, 2021.

Set out below are the Company's financial assets by category:

	December 31, 2021			
	Fair value through profit or loss	**Fair value through OCI**	**Amortized cost**	**Total**
Cash and cash equivalents	**$ —**	**$ —**	**$ 262,094**	**$ 262,094**
Short-term investments *(Note 5)*	**2,259**	**—**	**—**	**2,259**
Concentrate receivables *(Note 6)*	**24,686**	**—**	**—**	**24,686**
Other receivables *(Note 6)*	**—**	**—**	**1,292**	**1,292**
Derivative assets - current *(Note 9)*	**543**	**—**	**—**	**543**
Investment in marketable securities *(Note 9)*	**—**	**6,079**	**—**	**6,079**
Receivable on sale of Minto *(Note 9)*	**—**	**—**	**5,000**	**5,000**
	$ 27,488	**$ 6,079**	**$ 268,386**	**$ 301,953**

	December 31, 2020			
	Fair value through profit or loss	Fair value through OCI	Amortized cost	Total
Cash and cash equivalents	$ —	$ —	$ 56,580	$ 56,580
Short-term investments *(Note 5)*	3,425	—	—	3,425
Concentrate receivables *(Note 6)*	18,189	—	—	18,189
Other receivables *(Note 6)*	—	—	843	843
Promissory note receivable *(Note 11)*	33,847	—	—	33,847
Derivative assets - current *(Note 9)*	2,992	—	—	2,992
Investment in marketable securities *(Note 9)*	—	2,856	—	2,856
Contingent consideration on sale of Minto *(Note 9)*	14,933	—	—	14,933
	$ 73,386	$ 2,856	$ 57,423	$ 133,665

Set out below are the Company's financial liabilities by category:

	December 31, 2021		
	Fair value through profit or loss	**Amortized cost**	**Total**
Accounts payable and accrued liabilities	**$ —**	**$ 97,384**	**$ 97,384**
Payable on purchase of non-controlling interest *(Note 11)*	**—**	**81,829**	**81,829**
Foreign currency derivative liabilities *(Note 10)*	**387**	**—**	**387**
	$ 387	**$ 179,213**	**$ 179,600**

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

	December 31, 2020		
	Fair value through profit or loss	Amortized cost	Total
Accounts payable and accrued liabilities	$ —	$ 74,866	$ 74,866
Long-term debt *(Note 13)*	—	183,226	183,226
Interest rate swap derivative liabilities *(Note 13)*	380	—	380
	$ 380	$ 258,092	$ 258,472

There have been no changes during the year ended December 31, 2021 as to how the Company categorizes its financial assets and liabilities by fair value through profit or loss, fair value through OCI, and amortized cost. The Company has reclassified the contingent consideration on the sale of Minto, which was categorized as FVTPL, to receivable on the sale of Minto, which has been categorized as amortized cost as the settlement terms have been met and the contingent elements removed. As described in Note 9, the settlement amount is known and is no longer required to be marked-to-market each reporting period.

At December 31, 2021 and 2020, the carrying amounts of accounts receivable not arising from sales of metal concentrates, accounts payable and accrued liabilities, and other current assets and current liabilities are considered to be reasonable approximations of their fair values due to the short-term nature of these instruments. The fair value of the Company's long-term debt is approximated by its carrying value since the contractual interest rates are comparable to current market interest rates.

Observable and unobservable inputs that would have been impacted by the COVID-19 pandemic have been appropriately considered into the fair value measurements of the Company's financial instruments for the year ended December 31, 2021.

Derivative instruments

As at December 31, 2021, the Company's derivative financial instruments are composed of zero cost collar ("ZCC") foreign currency contracts and share purchase warrants.

In 2020, the Company entered into zero cost collars Mexican Peso ("MXN") to US dollar foreign exchange option contracts whereby it sold a series of call option contracts and purchased a series of put option contracts with equal and offsetting values at inception. The contracts were for a total of 500 million Mexican Pesos ($24.3 million) covering the period from August 2020 through December 2021, representing approximately 50% of the expected Mexican Peso costs of the Cozamin mine during this period. The contracts matured as of December 31, 2021.

In 2021, the Company entered into MXN zero cost collars to US dollar foreign exchange option contracts whereby it sold a series of call option contracts and purchased a series of put option contracts with equal and offsetting values at inception. The contracts were for a total of 504 million MXN ($24.5 million) covering the period from January through December 2022, representing approximately 75% of the expected MXN costs of the Cozamin mine during this period. All contracts remain outstanding as of December 31, 2021.

At December 31, 2021, the fair value of outstanding MXN contracts is $0.1 million (2020 - $2.8 million).

The details of the Mexican Peso contracts outstanding at December 31, 2021 are as follows:

Quantity	Remaining term	Put strike (floor)	Call strike (ceiling)
504 million MXN	January - December 2022	20.0	24.75

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

In 2021, the Company entered into zero cost collars Chilean Peso ("CLP") to US dollar foreign exchange option contracts whereby it sold a series of call option contracts and purchased a series of put option contracts with equal and offsetting values at inception. The contracts were for a total of 28 billion CLP ($32 million) covering the period from January through December 2022, representing approximately 75% of Santo Domingo's expected CLP capital costs during this period.

At December 31, 2021, contracts remain outstanding for 28 billion CLP ($32 million) and the fair value of these derivatives is $(0.4) million (2020 - $nil).

The details of the Chilean Peso contracts outstanding at December 31, 2021 are as follows:

Quantity	Remaining term	Put strike (floor)	Call strike (ceiling)
14 billion CLP	January - December 2022	750.0	939.0
14 billion CLP	January - December 2022	750.0	931.0

In April 2020, the Company entered into interest rate swap contracts, exchanging floating for fixed London Inter-bank Offered Rate (“LIBOR”) on approximately half of the revolving credit facility balance ("RCF") balance at 0.355% plus 2.5%, to 0.355% plus 3.5%, based on the total leverage ratio, through to July 2022. The interest rate swap contracts were early settled on February 10, 2021 in connection with the repayment of the balance drawn on the RCF *(Note 13)*.

In 2020, the Company entered into copper commodity swap contracts. The floating copper price was exchanged for fixed copper prices at an average of $2.93 per pound on 26.0 million pounds. All contracts matured and settled during 2020.

Set out below are the Company’s realized and unrealized gains and losses on derivative financial instruments:

	Year ended December 31, **2021**	2020
Unrealized gain (loss) on derivative financial instruments:		
Foreign currency swap contracts	**$ (3,104)**	$ 2,792
Interest rate swap contracts	**380**	(380)
Realized gain (loss) on derivative financial instruments:		
Foreign currency swap contracts	**2,585**	407
Commodity swap contracts	**(12)**	(3,948)
Interest rate swap contracts	**(429)**	(130)
	$ (580)	$ (1,259)
Unrealized gain on warrants	**$ 271**	$ 58
Total unrealized and realized loss on derivative financial instruments *(Note 25)*:	**$ (309)**	$ (1,201)

Valuation methodologies for Level 2 financial instruments

The short-term investments in money market funds are valued using direct observable inputs of the underlying investments within the funds.

The key inputs to the valuation of the concentrate receivable balance are payable metal and future metal prices. The Company’s metal concentrate sales contracts are subject to provisional pricing with the selling price adjusted at the end of the quotational period based on final settlement weights and assays. At each reporting date, the Company’s accounts receivable on these contracts are marked-to-market based on a quoted forward price for which there exists an active commodity market.

Derivative assets and liabilities consist of the mark-to-market adjustments to record the fair values of the outstanding zero cost collar foreign currency contracts, commodity swaps and interest rate swaps. At December 31, 2021 derivative assets consist of MXN zero cost collar foreign currency contracts and warrants. Derivative liabilities consist of CLP zero cost collar foreign currency contracts. All of the Company's derivative assets and liabilities are marked-to-market based on a valuation model which uses quoted observable inputs.

Valuation methodologies for Level 3 financial instruments

The promissory note receivable is valued based on its carrying value, as given its demand nature, the carrying value approximates its fair value (*Note 11*). The contingent consideration on sale of Minto was marked-to-market based on a valuation model which uses inputs including copper forward curves, interest rate curves, credit ratings, and timing of the start of commercial production (*Note 9*).

Commodity price risk

The Company is exposed to commodity price risk since its revenues are derived from the sale of metals, the prices for which have been historically volatile. The Company sometimes manages this risk by entering into forward sale or commodity swap derivative agreements with various counterparties to mitigate price risk when management believes it a prudent decision.

Credit risk

The Company is exposed to credit risk through its trade receivables on concentrate sales with various counterparties under the terms of off-take agreements. The Company manages this risk by requiring provisional payments of at least 90 percent of the value of the concentrate shipped. Value added taxes receivable are not considered to be subject to significant credit risk as these balances are receivable from government authorities.

The credit risk on cash and cash equivalents is limited because the funds are held with banks with high credit ratings as assigned by international credit rating agencies. Similarly, the credit risk on the short-term investments is limited as the investments are in highly liquid, bankruptcy-remote, AAA rated money market funds, and exchange traded funds.

The Company monitors the exposure to the credit risk on the receivable on the sale of Minto by assessing Minto's financial and operational performance.

As at December 31, 2021, the Company's maximum exposure to credit risk is the carrying value of its cash and cash equivalents, short-term investments, receivables, derivative assets, receivable on sale of Minto and investment in marketable securities.

Foreign exchange risk

The Company is exposed to foreign exchange risk as the Company's operating costs will be primarily in US dollars, Canadian dollars ("C$"), Mexican pesos and Chilean pesos, while revenues are received in US dollars. Hence, any fluctuation of the US dollar in relation to these currencies may affect the profitability of the Company and the value of the Company's assets and liabilities. From time to time, the Company enters into foreign exchange hedging arrangements to mitigate the risk of exposure to fluctuating foreign currency exchange rates.

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

As at December 31, 2021, the Company is exposed to foreign exchange risk through the following financial assets and liabilities denominated in currencies other than the functional currency of the applicable subsidiary:

	Canadian dollar	Mexico peso	Chilean peso
Cash	$ 1,220	$ 2,065	$ 7,759
Receivables and other current assets	165	512	1,970
Deposits and other long-term assets	102	100	14
Total assets	1,487	2,677	9,743
Accounts payable and accrued liabilities	4,919	8,952	1,968
Total liabilities	4,919	8,952	1,968
Net (liabilities) assets	**$ (3,432)**	**$ (6,275)**	**$ 7,775**

Based on the above net exposures at December 31, 2021, a 10% appreciation in the Canadian dollar against the US dollar would result in a $0.3 million decrease in the Company's income before taxes. A 10% appreciation of the Mexican peso against the US dollar would result in a $0.6 million decrease in the Company's income before taxes. A 10% appreciation of the Chilean peso against the US dollar would result in a $0.8 million increase in the Company's income before taxes.

Liquidity risk

The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company maintains adequate cash balances and credit facilities to meet short and long-term business requirements, after taking into account cash flows from operations and believes that these sources will be sufficient to cover the likely short and long-term cash requirements. The Company's cash is held in business accounts with US and Canadian Tier 1 banks with a Standard & Poor's rating of A or better, and with banks in Mexico and Chile with investment grade deposit ratings. The cash is available on demand for the Company's programs. In addition, the Company's short-term investments are highly liquid and are readily convertible to cash.

As of December 31, 2021, the Company's liabilities that have contractual maturities are as follows:

	Total	2022	2023	2024	2025	After 2025
Accounts payable and accrued liabilities*	$ 97,384	$ 97,384	$ —	$ —	$ —	$ —
Leases and other contracts	$ 11,887	3,843	3,843	3,396	805	—
	$ 109,271	$ 101,227	$ 3,843	$ 3,396	$ 805	$ —

** Amounts above do not include payments related to the Company's reclamation and closure cost obligations and other long-term provisions (Note 16).*

Interest rate risk

The Company's long-term debt is based on variable interest rates. Variable interest rates are currently based on US dollar LIBOR plus a fixed margin. From time to time, the Company has entered into derivative contracts to manage this risk. Based on the utilized credit facility balance of $nil at December 31, 2021, changes in the LIBOR rate would have no impact on annual net income before taxes, however the Company will continue to assess this impact based on the expected changes under the IFRS 9 amendment, *IBOR Reform and its Effect on Financial Reporting.* The Company is also exposed to interest rate risk with respect to the interest it earns on its cash balances and short-term investments. A 10% change in interest rates would have a nominal effect on the Company's interest income.

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

5. Short-Term Investments

Details are as follows:

		December 31, 2021		December 31, 2020
Exchange traded funds	**$**	**2,259**	$	3,425
Total short-term investments	**$**	**2,259**	$	3,425

6. Receivables

Details are as follows:

		December 31, 2021		December 31, 2020
Concentrates	**$**	**24,686**	$	18,189
Value added taxes and other taxes receivable		**2,135**		400
Other		**1,292**		843
Current portion of finance lease receivable		**376**		352
Income taxes receivable		**—**		140
Current portion of KORES promissory note *(Note 11)*		**—**		6,767
Total receivables	**$**	**28,489**	$	26,691

7. Inventories

Details are as follows:

		December 31, 2021		December 31, 2020
Consumable parts and supplies	**$**	**37,356**	$	35,291
Ore stockpiles		**3,934**		2,507
Concentrate		**20,900**		20,282
Cathode		**635**		158
Total inventories	**$**	**62,825**	$	58,238

During the year ended December 31, 2021, concentrate and cathode inventories recognized as production costs, including depletion and amortization, amounted to $426.4 million (2020 – $367.3 million).

During the year ended December 31, 2021, the Company recorded net write-downs of $2.0 million as production costs related to obsolesce on Pinto Valley's supplies inventories.

During the year ended December 31, 2020, the Company recorded a reversal of previous net write-downs of $(0.7) million as production costs. Of the $(0.7) million reversal, $(1.0) million relates to Pinto Valley's concentrate and ore-stockpile inventories, and $0.3 million to Pinto Valley's supplies inventories.

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

8. Mineral Properties, Plant and Equipment

Details are as follows:

	Mineral properties			Plant and equipment			
	Depletable		Non-depletable	Subject to amortization		Not subject to amortization	
	Producing mineral properties	Deferred stripping	Mineral exploration and development properties	Plant & equipment	Right of use assets	Construction in progress	Total
At January 1, 2021, net	$ 405,396	$ 103,578	$ 288,039	$ 306,100	$ 8,292	$ 36,379	$ 1,147,784
Additions	—	11,916	52,086	248	10,078	82,687	157,015
Rehabilitation provision adjustments *(Note 16)*	11,714	—	—	—	—	—	11,714
Reclassifications	21,325	—	(21,363)	30,766	—	(30,728)	—
Impairment reversal	—	—	92,392	—	—	—	92,392
Depletion and amortization	(24,862)	(26,249)	—	(43,176)	(3,748)	—	(98,035)
At December 31, 2021, net	$ 413,573	$ 89,245	$ 411,154	$ 293,938	$ 14,622	$ 88,338	$ 1,310,870
At December 31, 2021:							
Cost	$ 734,940	$ 167,085	$ 620,630	$ 602,778	$ 20,101	$ 88,338	$ 2,233,872
Accumulated amortization and impairment	(321,367)	(77,840)	(209,476)	(308,840)	(5,479)	—	(923,002)
Net carrying amount	$ 413,573	$ 89,245	$ 411,154	$ 293,938	$ 14,622	$ 88,338	$ 1,310,870

	Mineral properties			Plant and equipment			
	Depletable		Non-depletable	Subject to amortization		Not subject to amortization	
	Producing mineral properties	Deferred stripping	Mineral exploration and development properties	Plant & equipment	Right of use assets	Construction in progress	Total
At January 1, 2020, net	$ 399,769	$ 112,644	$ 289,486	$ 290,479	$ 3,521	$ 36,265	$ 1,132,164
Additions	—	13,131	28,694	193	6,186	55,133	103,337
Rehabilitation provision adjustments *(Note 16)*	2,541	—	—	—	—	—	2,541
Reclassifications	30,356	—	(30,141)	54,804	—	(55,019)	—
Depletion and amortization	(27,270)	(22,197)	—	(39,376)	(1,415)	—	(90,258)
At December 31, 2020, net	$ 405,396	$ 103,578	$ 288,039	$ 306,100	$ 8,292	$ 36,379	$ 1,147,784
At December 31, 2020:							
Cost	$ 701,900	$ 155,168	$ 589,907	$ 573,540	$ 10,321	$ 36,379	$ 2,067,215
Accumulated amortization and impairment	(296,504)	(51,590)	(301,868)	(267,440)	(2,029)	—	(919,431)
Net carrying amount	$ 405,396	$ 103,578	$ 288,039	$ 306,100	$ 8,292	$ 36,379	$ 1,147,784

The Company's exploration costs were as follows:

	Year ended December 31,	
	2021	2020
Exploration capitalized to mineral properties	**$ 7,620**	$ 5,244
Greenfield exploration expensed to the statement of income	**3,061**	3,094
	$ 10,681	$ 8,338

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

Exploration capitalized to mineral properties in 2021 relates primarily to brownfield exploration at the Cozamin mine and the Santo Domingo development project. Exploration capitalized to mineral properties in 2020 relates primarily to brownfield exploration at the Cozamin mine. Greenfield exploration expenses in 2021 and 2020 relate primarily to exploration efforts in Mexico and Brazil.

The Company's care and maintenance costs incurred during the year ended December 31, 2021 related to San Manuel Arizona Railroad Company and totalled $1.0 million (2020 - $1.1 million).

As at December 31, 2021 and 2020, construction in progress primarily relates to capital costs incurred in connection with sustaining capital at the Pinto Valley and Cozamin mines and the exploration and the Santo Domingo development project.

As at December 31, 2021, the RCF *(Note 13)* was secured by mineral properties, plant and equipment with a net carrying value of $920.1 million (December 31, 2020 – $880.2 million).

Mineral property impairment reversal

On March 31, 2021, the Company identified indicators of impairment reversal related to the Santo Domingo cash generating unit ("CGU"). The Company had recorded impairments of the Santo Domingo CGU in 2015 and 2016 totalling $302.0 million based on discounted cash flow models due to declining long-term copper and iron ore prices, which negatively impacted future estimated cash flows.

Indicators of impairment reversal included improvements in the long-term outlook for copper and iron ore prices and improved project economics, including the announcement of the $290 million gold stream ("Gold PMPA") with Wheaton Precious Metals Corp. ("Wheaton"), were considered to be indicators of impairment reversal related to Santo Domingo.

The recoverable amount of $368.0 million for the Santo Domingo CGU, based on the fair value of the CGU, was determined to be higher than the carrying value by $92.4 million. The amount of the impairment reversal was determined using management's best estimates, including pricing parameters implied by the market value of selected comparable transactions involving the sale of similar companies and mineral properties. Valuation methodology differs from the previous discounted cash flow model to reflect trading multiples applied by market participants in valuing development stage projects. Due to the combination of observable and unobservable inputs used in the cash flow models, the valuation falls within Level 3 of the fair value hierarchy. As a result, $92.4 million of the previously recorded impairment was reversed during the three months ended March 31, 2021 and the year ended December 31, 2021.

Long-term copper and iron prices used in the impairment reversal tests were as follows:

		March 31, 2021
Iron ore price (62% China) - $/t	$	70
Premiums for 65% iron grade - $/t	$	31
Shipping - iron cape sized - $/t	$	(20)
Final iron price to model - $/t	$	81
Copper price ($/lb)	$	3.00

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

9. Other Assets

Details are as follows:

	December 31, 2021	December 31, 2020
Current:		
Prepaids and other	**$ 5,450**	$ 4,945
Derivative assets *(Note 4)*	**543**	2,992
Receivable on sale of Minto	**—**	5,000
Total other assets - current	**$ 5,993**	$ 12,937
Non-current:		
Receivable on sale of Minto	**$ 5,000**	$ 9,933
Prepayments	**12,046**	7,817
Value added taxes and other taxes receivable *(i)*	**—**	7,273
Investments in marketable securities	**6,079**	2,856
Finance lease receivable	**861**	1,232
Capitalized finance fees *(Note 13) (ii)*	**566**	—
Deposits	**287**	897
Total other assets - non-current	**$ 24,839**	$ 30,008

i. Value added taxes related to Minera Santo Domingo have been reclassified to receivables *(Note 6)*.
ii. As the RCF was fully repaid during the three month period ended March 31, 2021, the Company reclassified the unamortized balance of $1.4 million of fees associated with previous amendments of the RCF which were capitalized and are being amortized to the consolidated statements of income over the term of the facility *(Note 13)*. During the year ended December 31, 2021, a total of $1.1 million (2020 - $1.1 million) was amortized and recorded in interest on long-term debt *(Note 26).*

Receivable on sale of Minto

On June 3, 2019, Capstone completed the sale of its 100% interest in the Minto Mine to Pembridge Resources PLC (“Pembridge”) by way of a share purchase agreement. Under the terms of the agreement, Capstone was to receive up to $20 million in cash in staged payments (“contingent consideration”), as follows:

- $5 million, received on March 30, 2021;
- $5 million, within 90 days following two consecutive quarters in which the average London Metals Exchange Cash Copper Bid Price ("Average LME Price") is greater than $3.00 per pound within the three years following April 1, 2021, received on December 23, 2021; and
- $10 million, within 90 days following two consecutive quarters in which the Average LME Price is greater than $3.50 per pound within the three years following April 1, 2021. Of this amount, $5 million was received on December 30, 2021. An agreement was reached with Pembridge, that the remaining $5 million is to be received on or before January 15, 2023.

The contingent consideration was marked-to-market at each reporting period *(Note 25)* and was presented in the Company's financial statements as contingent consideration on the sale of Minto until September 2021. As the Average LME Price was greater than $3.50 per pound for two consecutive quarters, the consideration had been valued at $15 million. The contingent elements have been removed and the balance is now presented as receivable on the sale of Minto. The remaining $5 million receivable has been classified in other assets as a non-current receivable.

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

In conjunction with completion of the sale, Pembridge has posted a surety bond to cover potential future reclamation liabilities. The surety bond is subject to change as annual assessments are performed on the future reclamation liabilities. While this surety bond is outstanding, Capstone will act as an indemnitor to the surety bond provider and for certain other obligations. If Pembridge defaults on the surety bond, Capstone may be required to recognize a liability related to Minto's asset retirement obligation. As at December 31, 2021, no liability has been recorded.

10. Other Liabilities

Details are as follows:

		December 31, 2021		December 31, 2020
Current:				
Income taxes payable	**$**	**29,375**	$	9,120
Foreign currency derivative liabilities *(Note 4)*		**387**		—
Current portion of lease liabilities *(Note 12)*		**3,410**		1,596
Current portion of share-based payment obligations *(Note 16)*		**50,140**		8,288
Current portion of payable on purchase of NCI *(Note 11)*		**43,401**		—
Current portion of deferred revenue *(Note 14)*		**6,130**		—
Total other liabilities - current	**$**	**132,843**	$	19,004
Non-current:				
Interest rate swap derivative liabilities *(Note 13)*	**$**	**—**	$	380
Retirement benefit liabilities		**5,105**		5,587
Non-current portion of payable on purchase of NCI *(Note 11)*		**38,428**		—
Other		**2,530**		4,132
Total other liabilities - non-current	**$**	**46,063**	$	10,099

11. Purchase of Non-Controlling Interest

On March 24, 2021, Capstone completed a Share Purchase Agreement (the "SPA") with KORES to purchase KORES' 30% ownership interest in Acquisition Co. for cash consideration of $120 million and non-cash consideration of $32.4 million, enabling Capstone's consolidation of 100% ownership in Santo Domingo *(Note 1)*.

The cash consideration of $120 million consists of three payments, payable as follows and subject to withholding taxes:

a. $30 million paid on closing (paid $17.1 million to KORES net of withholding taxes of $12.9 million on March 24, 2021)
b. $45 million payable 18 months following closing; *(Note 10) and*
c. $45 million payable 48 months following closing *(Note 10)*

The non-cash consideration consisted of Capstone assuming the KORES promissory note of $32.4 million.

The net income (loss) attributable to the NCI during the year ended December 31, 2021 was $26.0 million (2020 – $(0.2) million), which resulted from the 30% interest owned by KORES in Acquisition Co. prior to this transaction. During the year ended December 31, 2021, Acquisition Co.'s net income (loss) was $86.7 million (2020 - $(0.6) million).

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

Details of the purchase price allocation are as follows:

Cash consideration	$	120,000
Discount rate		5 %
Fair value of cash consideration		108,846
Non-cash consideration		32,424
Purchase price		141,270
Accumulated KORES NCI		(136,145)
Portion of purchase price allocated to equity		5,125
Transaction costs		30
Total allocation to equity	$	5,155

Details of changes in the balance of the KORES promissory note are as follows:

Balance, December 31, 2020	$	33,847
Cash calls against the promissory note		(1,423)
KORES promissory note assumed by Capstone		(32,424)
Balance, December 31, 2021	$	—

If Capstone subsequently sells Santo Domingo within 18 months of the purchase of the NCI, and the sale meets any of the triggering events set out in the SPA, then the second deferred payment to KORES of $45 million shall be accelerated. As at December 31, 2021, an unsecured liability of $81.8 million has been recognized in the consolidated statement of financial position equal to the discounted amount of the remaining $90 million to be paid (current portion of payable on purchase of NCI - $43.4 million, non-current portion of payable on purchase of NCI - $38.4 million) *(Note 10)*. The discounted amount of the remaining $90 million will be accreted up to its face value at 5% per annum. During the year ended December 31, 2021, $3.0 million of accretion was recorded in other interest expense in the consolidated statements of income.

12. Lease Liabilities

Details are as follows:

		December 31, 2021		December 31, 2020
Lease liabilities	**$**	**16,041**	$	9,903
Less: current portion *(Note 10)*		**(3,410)**		(1,596)
Non-current portion	**$**	**12,631**	$	8,307

Undiscounted lease payments:

		December 31, 2021
Not later than 1 year	**$**	**4,028**
Later than 1 year and not later than 5 years		**8,904**
Later than 5 years		**3,606**
	$	**16,538**

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

13. Long-Term Debt

Details are as follows:

Balance, December 31, 2019	$	207,093
Drawdowns		45,000
Repayments		(70,000)
Amortization of financing fees		1,133
Balance, December 31, 2020		183,226
Drawdowns		32,000
Repayments		(216,925)
Amortization of financing fees		283
Reclassification of financing fees to other assets *(Note 9)*		1,416
Balance, December 31, 2021	$	—

On February 19, 2021, Capstone amended its corporate RCF to reduce the credit limit from $300 million to $225 million. The maturity date of July 25, 2022 and all other significant terms were unchanged. The facility pricing grid, starting at LIBOR plus 2.5% and increasing to LIBOR plus 3.5% (or an alternative benchmark rate as selected by the administrative agent) based on the total leverage ratio, will remain in effect until maturity.

The interest rate at December 31, 2021 was US LIBOR plus 2.50% (2020 - US LIBOR plus 2.75%) with a standby fee of 0.56% (2020 – 0.62%) payable on the undrawn balance (adjustable in certain circumstances) *(Note 26)*.

The RCF is secured against the present and future real and personal property, assets and undertakings of Capstone (excluding certain assets, which include Acquisition Co., Far West Mining Ltd., Minera Santo Domingo SCM, and Far West Exploration S.A., and subject to certain exclusions for Capstone Mining Chile SpA). The credit facility requires the Company to maintain certain financial ratios relating to debt and interest coverage. Capstone was in compliance with these covenants as at December 31, 2021.

As at December 31, 2021, there were five Surety Bonds totaling $168.8 million to support various reclamation obligation bonding requirements. This comprises $163.3 million securing reclamation obligations at Pinto Valley, $4.0 million provided as security as part of a power supply agreement at Pinto Valley, and $1.5 million related to the construction of a port for the Santo Domingo development project in Chile.

14. Deferred Revenue

Silver Precious Metals Purchase Arrangement ("Silver PMPA")

On February 19, 2021, the Company closed Silver PMPA with Wheaton whereby Capstone received an upfront cash consideration of $150 million against delivery of 50% of the silver production from the Company's Cozamin mine until 10 million ounces have been delivered, thereafter dropping to 33% of silver production for the remaining life of mine. In addition to the upfront cash consideration of $150 million, as silver is delivered under the terms of the Silver PMPA, Capstone receives cash payments equal to 10% of the spot silver price at the time of delivery for each ounce delivered to Wheaton. The Silver PMPA is effective December 1, 2020. Wheaton has been provided certain security in support of the Company's obligations under the Silver PMPA.

The Company recorded the upfront cash consideration received of $150 million as deferred revenue and recognizes amounts in revenue as silver is delivered under the Silver PMPA. Capstone determines the amortization of deferred revenue to the consolidated statements of income on a per unit basis using the estimated total number of silver ounces expected to be delivered over the life of the Cozamin mine. The amortization rate requires the use of proven and probable mineral reserves and certain mineral resources which management is reasonably confident will be transferred to mineral reserves. The Company estimates the current portion of deferred revenue based on deliveries anticipated over the next twelve months. During the year ended December 31, 2021, the Company delivered 755,699 ounces of silver to Wheaton under the Silver PMPA, which included 42,205 ounces related to production during December 2020.

The Company has determined that the Silver PMPA is subject to variable consideration and contains a significant financing component. As such, the Company recognizes a non-cash financing charge of 5.6% per annum on the Silver PMPA. The non-cash financing charges on the Silver PMPA are included in other interest expense in the consolidated statements of income, and will accrete the deferred revenue balance to recognize the significant financing element that is part of this contract. During the year ended December 31, 2021, the Company recognized $7.0 million of interest expense in the consolidated statements of income *(Note 26)*.

Gold Precious Metals Purchase Arrangement ("Gold PMPA")

On April 21, 2021, the Company received an early deposit of $30 million ("the Early Deposit") in relation to the Gold PMPA with Wheaton effective March 24, 2021. Additional deposits of $260 million are to be received under the Gold PMPA over the Santo Domingo construction period, subject to sufficient financing having been obtained to cover total expected capital expenditures and other customary conditions, for total consideration of $290 million (collectively "the Deposit"). Wheaton will receive 100% of the gold production from the Company's Santo Domingo development project until 285,000 ounces have been delivered, thereafter dropping to 67% of the gold production for the remaining life of mine.

In addition to the deposits of $290 million, as gold is delivered under the terms of the Gold PMPA, Capstone receives cash payments equal to 18% of the spot gold price at the time of delivery for each ounce delivered to Wheaton, until the Deposit has been reduced to zero, thereafter increasing to 22% of the spot gold price upon delivery. Wheaton has been provided certain security in support of the Company’s obligations under the Gold PMPA. The initial term of the Gold PMPA is 20 years.

The Company recorded the Early Deposit as deferred revenue and will recognize amounts in revenue as gold is delivered under the Gold PMPA. Capstone determines the amortization of deferred revenue to the consolidated statements of income on a per unit basis, using the estimated total number of gold ounces expected to be delivered from the Santo Domingo development project, with the amortization rate requiring the use of proven and probable mineral reserves.

The Company estimates the current portion of deferred revenue based on deliveries anticipated over the next twelve months. The Company does not expect to make any deliveries of ounces of gold to Wheaton under the Gold PMPA during the next twelve months.

The Company has determined that the Gold PMPA is subject to variable consideration and contains a significant financing component. As such, the Company recognizes a non-cash financing charge of 6.8% per annum on the Gold PMPA. The non-cash financing charge on the Gold PMPA is included in other interest expense in the consolidated statements of income, and will accrete to the deferred revenue balance to recognize the significant financing element that is part of this contract. During the year ended December 31, 2021, the Company recognized $1.4 million of interest expense in the consolidated statements of income *(Note 26)*.

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

Details of changes in the balance of deferred revenue are as follows:

	Silver PMPA	Gold PMPA	**Total**
Balance, December 31, 2020	$ —	$ —	**$ —**
Additions	150,000	30,000	**180,000**
Non-cash finance costs	7,000	1,360	**8,360**
Recognized as revenue on delivery of silver and gold	(17,456)	—	**(17,456)**
Variable consideration adjustment	966	—	**966**
Balance, December 31, 2021	$ 140,510	$ 31,360	**$ 171,870**

Consideration from the PMPAs is considered variable, as silver and gold stream revenues can be subject to cumulative adjustments when the number of ounces to be delivered under the contracts change, when there is an increase in the Company's mineral reserve and resource estimates or when there are changes to the mine plans.

As a result of changes in the Cozamin mine's projected production, the amortization rate by which deferred revenue is drawn down into income was adjusted and, as required, a current period catch up adjustment is made for all prior period stream revenues since the stream agreement inception date. This variable consideration adjustment resulted in a decrease in revenue of $1.0 million for the year ended December 31, 2021 (2020 - $nil).

Details of the deferred revenue balance are as follows:

	December 31, 2021	December 31, 2020
Deferred revenue	**$ 171,870**	$ —
Less: current portion *(Note 10)*	**(6,130)**	—
Non-current portion	**$ 165,740**	$ —

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

15. Income Taxes

Details of the income tax (recovery) expense are as follows:

	Year ended December 31, 2021				
	Canada	**US**	**Mexico**	**Other**	**Total**
Current income and mining tax expense	**$ —**	**$ 3,556**	**$ 49,319**	**$ 6**	**$ 52,881**
Deferred income tax (recovery) expense	**(3,641)**	**32,375**	**(699)**	**—**	**28,035**
Income tax (recovery) expense	**$ (3,641)**	**$ 35,931**	**$ 48,620**	**$ 6**	**$ 80,916**

	Year ended December 31, 2020				
	Canada	US	Mexico	Other	Total
Current income and mining tax expense	$ —	$ 23	$ 16,363	$ —	$ 16,386
Deferred income tax (recovery) expense	(4,210)	(1,254)	2,465	—	(2,999)
Income tax (recovery) expense	$ (4,210)	$ (1,231)	$ 18,828	$ —	$ 13,387

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	Year ended December 31,	
	2021	2020
Income before income taxes	**$ 333,781**	$ 25,768
Canadian federal and provincial income tax rates	**27.00 %**	27.00 %
Income tax expense based on the above rates	**90,121**	6,957
Increase (decrease) due to:		
Non-deductible expenditures	**1,700**	767
Effects of different statutory tax rates on (income) losses of subsidiaries	**(4,331)**	2,499
Mexican mining royalty tax	**7,120**	2,809
Current period losses for which deferred tax assets were not recognized	**10,414**	317
Non-recognition of tax liabilities related to impairment reversal	**(24,699)**	—
Non-taxable portion of capital gains	**—**	(703)
Withholding taxes	**1,211**	1,828
Adjustments to tax estimates in prior years	**(1,772)**	(934)
Foreign exchange and other translation adjustments	**425**	(414)
Other	**727**	261
Income tax expense	**$ 80,916**	$ 13,387

Current income and mining tax expense	**$ 52,881**	$ 16,386
Deferred income tax expense (recovery)	**28,035**	(2,999)
Income tax expense	**$ 80,916**	$ 13,387

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

Continuity of the changes in the Company's net deferred tax position is as follows:

		2021		2020
Net deferred tax liability, January 1	**$**	**36,294**	$	39,366
Deferred income tax expense (recovery) for the year		**28,035**		(2,999)
Deferred income tax charged (recovered) against other comprehensive income		**864**		(73)
Net deferred tax liability, December 31	**$**	**65,193**	$	36,294

The composition of the deferred tax assets and liabilities are as follows:

		December 31, 2021		December 31, 2020
Deferred income tax assets:				
Non-capital losses	**$**	**30,931**	$	40,133
Receivables and other current items		**24,108**		15,299
Share issue costs and other		**729**		2,604
Mineral properties, plant and equipment		**1,730**		1,467
Deferred revenue		**1,980**		—
Deferred income tax assets		**59,478**		59,503
Deferred income tax liabilities:				
Mineral properties, plant and equipment		**123,477**		91,899
Inventories and other		**1,194**		1,796
Derivative instruments		**—**		651
Unrealized foreign exchange gains		**—**		1,451
Deferred income tax liabilities		**124,671**		95,797
Net deferred income tax liability	**$**	**65,193**	$	36,294
Breakdown of net deferred income tax liability:				
Asset	**$**	**(30,593)**	$	(28,841)
Liability		**95,786**		65,135
	$	**65,193**	$	36,294

Deferred taxes are recorded on a net basis by legal entity where the right of offset exists (as shown in the table below) while the above table discloses the consolidated assets and liabilities on a gross basis.

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

The composition of the deferred tax expense (recovery) is as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Deferred income tax assets:		
Non-capital losses	**$ 9,202**	$ (427)
Receivables and other current items	**(9,673)**	(6,778)
Share issue costs and other	**1,875**	(1,739)
Mineral properties, plant and equipment	**(263)**	112
Capital leases and long-term debt	**(1,980)**	—
Deferred income tax liabilities:		
Mineral properties, plant and equipment	**31,578**	4,144
Inventories and other	**(603)**	1,038
Derivative instruments	**(651)**	651
Unrealized foreign exchange gains	**(1,450)**	—
Deferred tax expense (recovery)	**$ 28,035**	$ (2,999)

At December 31, 2021, $30.6 million (2020 – $28.8 million) was recognized as a deferred tax asset based on management's forecasts of future income in certain entities.

As at December 31, 2021, the Company had tax losses of $60.5 million (2020 – $56.7 million) with a tax benefit of $16.3 million (2020 – $15.3 million) that are not recognized as deferred tax assets. The Company recognizes the benefit of tax losses only to the extent that it anticipates future taxable income that can be reduced by the tax losses. The $10.6 million (2020 – $8.2 million) of the tax losses for which a tax benefit has not been recorded expire from 2031 to 2041 while the remaining $49.9 million (2020 – $48.5 million) of the tax losses have no expiry date.

The summary of unrecognized deductible temporary differences is as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Accounts payable and other	**$ 39,967**	$ 10,482
Mineral properties, plant and equipment	**44,370**	68,059
Unrealized foreign exchange losses	**5,062**	11,409
Investments	**—**	1,372
Reclamation and closure cost obligations	**129,249**	115,996
	$ 218,648	$ 207,318

As at December 31, 2021, the Company has $218.6 million (2020 – $207.3 million) of deductible temporary differences with a tax benefit of $52.3 million (2020 – $49.4 million) that are not recognized as deferred tax assets. It is not probable that future taxable income will be available against which the Company can utilize these benefits. The majority of these benefits do not have an expiry date.

As at December 31, 2021, the Company has not recognized deferred taxes on approximately $371.0 million (2020 – $175.7 million) of retained earnings of its foreign subsidiaries, as it is the Company's intention to invest these earnings to maintain and expand the business of these subsidiaries.

As at December 31, 2021, the Company has $190.7 million (2020 – $189.2 million) of capital losses, primarily located in Canada, that are unrecognized and available to be utilized against future capital gains.

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

16. Provisions

The reclamation and closure cost obligations relate to the operations of the Pinto Valley and Cozamin mines, and other exploration and development properties.

Details of changes in the balances are as follows:

		Reclamation & closure cost obligations		Other long-term provisions		Share-based payment obligations		Total
Balance, January 1, 2021	**$**	**115,996**	**$**	**3,565**	**$**	**30,507**	**$**	**150,068**
Share-based payment expense *(Note 17)*		**—**		**—**		**72,063**		**72,063**
Change in estimates		**13,148**		**652**		**—**		**13,800**
Interest expense from discounting obligations		**670**		**—**		**—**		**670**
Payments during the year		**(112)**		**(28)**		**(23,912)**		**(24,052)**
Currency translation adjustments		**(453)**		**(475)**		**(393)**		**(1,321)**
Balance, December 31, 2021	**$**	**129,249**	**$**	**3,714**	**$**	**78,265**	**$**	**211,228**
Less: Current portion of share-based payment obligations included within other liabilities *(Note 10)*		**—**		**—**		**(50,140)**		**(50,140)**
Total provisions - non-current	**$**	**129,249**	**$**	**3,714**	**$**	**28,125**	**$**	**161,088**
Balance, January 1, 2020	$	112,576	$	3,185	$	5,292	$	121,053
Share-based payment expense *(Note 17)*		—		—		26,066		26,066
Change in estimates		2,621		500		—		3,121
Interest expense from discounting obligations		2,053		—		—		2,053
Payments during the year		(14)		(27)		(1,347)		(1,388)
Currency translation adjustments		(1,240)		(93)		496		(837)
Balance, December 31, 2020	$	115,996	$	3,565	$	30,507	$	150,068
Less: Current portion of share-based payment obligations included within other liabilities *(Note 10)*		—		—		(8,288)		(8,288)
Total provisions - non-current	$	115,996	$	3,565	$	22,219	$	141,780

The change in estimates during the year ended December 31, 2021 related to reclamation and closure cost obligations of $13.1 million (2020 – $2.6 million). The change in estimates were recorded as an increase to mineral properties of $11.7 million (2020 – $2.5 million) *(Note 8)* and to the consolidated statement of income of $1.4 million (2020 – $0.1 million).

A reclamation and closure cost obligation has been recognized in respect of the mining operations of the Pinto Valley Mine, including associated infrastructure and buildings as well as the rail operations of the San Manuel Arizona Railroad Company. The estimated undiscounted cash flows required to satisfy the Pinto Valley reclamation and closure cost obligation as at December 31, 2021 were $105.0 million (2020 – $91.5 million), which have been adjusted for inflation and uncertainty of the cash flows. No discounting factor was applied in 2021 or 2020 to the estimated cash flows as the US real bond yield rates remain negative, which would have resulted in negative discounting, resulting in the carrying value of the provision being greater than the expected cash outflows. The resulting reclamation and closure cost obligation for the Pinto Valley Mine at December 31, 2021 totalled $115.5 million (2020 – $100.9 million). The Company has $163.3 million in surety bonds outstanding at December 31, 2021 (2020 - 118.6 million) to support current and future reclamation obligations.

A reclamation and closure cost obligation has been recognized in respect of the mining operations of the Cozamin Mine, including associated infrastructure and buildings. The estimated undiscounted cash flows required to satisfy the Cozamin reclamation and closure cost obligation as at December 31, 2021 were 351.6 million Mexican pesos (2020 – 336.6 million Mexican pesos), which were adjusted for inflation and uncertainty of the cash flows and then discounted using current market-based pre-tax discount rates ranging from 7.06% to 7.79% (2020 – 4.52% to 6.55%). The resulting reclamation and closure cost obligation for Cozamin at December 31, 2021 totalled $13.8 million (2020 – $15.2 million), with an additional $3.2 million (2020 – $3.2 million) of other mine closure costs related primarily to a defined benefit obligation.

The Company expects that the cash outflows in respect to the balances accrued as at the financial statement dates will occur proximate to the dates these long-term assets are retired.

In view of uncertainties concerning reclamation and closure cost obligations, the ultimate costs could be materially different from the amounts estimated. The estimate of future reclamation and closure cost obligations is also subject to change based on amendments to applicable laws and legislation. Future changes in reclamation and closure cost obligations, if any, could have a significant impact.

17. Share Capital

Authorized
An unlimited number of common voting shares without par value.

Stock options
Pursuant to the Company's amended stock option plan, directors may authorize the granting of options to directors, officers and employees of the Company to a maximum of 10% of the issued and outstanding common shares at the time of grant, with a maximum of 5% of the Company's issued and outstanding shares reserved for any one person annually. Options granted under the plan have a term not to exceed 5 years, with the vesting term at the discretion of the Board. The exercise price of options granted are denominated in Canadian dollars ("C$").

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

The continuity of stock options issued and outstanding is as follows:

	Options outstanding	Weighted average exercise price (C$)
Outstanding, December 31, 2019	23,309,912	$ 0.93
Granted	5,325,528	0.70
Exercised	(8,701,320)	0.43
Expired	(5,709,973)	1.51
Forfeited	(125,421)	1.44
Outstanding, December 31, 2020	14,098,726	$ 0.91
Granted	1,201,345	3.93
Exercised	(4,705,334)	1.15
Forfeited	(150,850)	1.38
Outstanding, December 31, 2021	10,443,887	$ 1.14

As at December 31, 2021, the following options were outstanding and outstanding and exercisable:

	Outstanding			Outstanding & exercisable		
Exercise prices (C$)	Number of options	Weighted average exercise price (C$)	Weighted average remaining life (years)	Number of options	Weighted average exercise price (C$)	Weighted average remaining life (years)
$0.54 - $0.91	7,760,470	$ 0.65	2.8	2,709,574	$ 0.63	2.6
$1.44 - $1.68	1,517,389	1.46	1.1	1,517,389	1.46	1.1
$3.90	1,147,663	3.90	4.2	—	—	—
$5.45 - $5.79	18,365	5.63	4.4	—	—	—
	10,443,887	$ 1.14	2.7	4,226,963	$ 0.93	2.0

During the year ended December 31, 2021, the total fair value of options granted was $1.4 million (2020 – $1.0 million) and had a weighted average grant-date fair value of C$1.65 (2020 – C$0.29) per option. During the year ended December 31, 2021, the weighted average share price of the 4.7 million options exercised during the year was C$5.04 (2020 - 8.7 million and C$1.79, respectively).

The fair values of the stock options granted were estimated on the respective grant dates using the Black-Scholes Option Pricing Model. Volatility was determined using the Company's historical daily volatility over the expected life of the options.

Weighted average assumptions used in calculating the fair values of options granted during the year were as follows:

	Year ended December 31, **2021**	2020
Risk-free interest rate	**0.34 %**	1.38 %
Expected dividend yield	**nil**	nil
Expected share price volatility	**59 %**	58 %
Expected forfeiture rate	**6.14 %**	6.42 %
Expected life	**3.7 years**	3.8 years

Option pricing models require the input of subjective assumptions including the expected price volatility. Changes in the assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

Other share-based compensation plans

Deferred Share Units
The Company has established a Deferred Share Unit Plan (the "DSU Plan") whereby DSUs are issued to directors as long-term incentive compensation. DSUs issued under the DSU Plan are fully vested upon issuance and entitle the holder to a cash payment only following cessation of service on the Board of Directors. The value of the DSUs when converted to cash will be equal to the number of DSUs granted multiplied by the quoted market value of a Capstone common share at the time the conversion takes place.

Compensation expense related to DSUs is recorded immediately and is adjusted at each reporting period to reflect the change in quoted market value of the Company's common shares. DSU obligations, under the DSU Plan, are redeemed in cash.

Restricted Share Units and Performance Share Units
The Company has established a Share Unit Plan (the "Plan") whereby RSUs and PSUs are issued as long-term incentive compensation. RSUs are issued to employees and executives. PSUs are issued to executives.

RSUs issued under the Plan entitle the holder to a cash payment, shares delivered from a Share Purchase Trust or a combination thereof, at the end of the vesting period equal to the number of RSUs granted, multiplied by the quoted market value of a Capstone common share on the completion of the vesting period. RSUs granted to employees and executives prior to 2020 vest after three years, and RSUs granted in 2020 and onwards vest 1/3 per year over their three-year term.

PSUs issued under the Plan entitle the holder to a cash payment, shares delivered from a Share Purchase Trust or a combination thereof, at the end of a three-year performance period equal to the number of PSUs granted, adjusted for a performance factor and multiplied by the quoted market value of a Capstone common share on the completion of the performance period. The performance factor can range from 0% to 200% and is determined by comparing the Company's total shareholder return to those achieved by a peer group of companies.

Compensation expense related to RSUs and PSUs is recorded over the three-year vesting period. The amount of compensation expense is adjusted at each reporting period to reflect the change in quoted market value of the Company's common shares, the number of RSUs and PSUs expected to vest, and in the case of PSUs, the expected performance factor. RSU and PSU obligations, under the Share Unit Plan, can be settled in cash, shares delivered from a Share Purchase Trust or a combination thereof, as determined by and at the discretion of the Human Resources and Compensation Committee of the Company's Board of Directors.

Beginning in 2021, PSUs and RSU's awarded to executives have been granted under a new TSUP. Treasury PSUs granted to executives vest after three years and are subject to a performance measure and Treasury RSUs granted to executives vest 1/3 per year starting on the first anniversary of the grant date. Canadian based executives are able to retain the PSUs and RSUs after vesting and elect when to redeem the units within 10 years of the grant date. Under the TSUP, PSU and RSU obligations can be settled in shares from treasury or cash.

Weighted average assumptions used in calculating the fair values of units granted under the TSUP during the period were as follows:

	Year ended December 31,	
	2021	2020
Risk-free interest rate	**0.67 %**	N/A
Expected dividend yield	**nil**	N/A
Expected share price volatility	**60 %**	N/A
Expected forfeiture rate	**nil**	N/A
Expected life	**10 years**	N/A

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

No Capstone shares were purchased by the Share Purchase Trust during the years ended December 31, 2021 and 2020.

The continuity of DSUs, RSUs, and PSUs issued and outstanding is as follows:

	Share Unit Plan			Treasury Share Unit Plan	
	DSUs	RSUs	PSUs	RSUs	PSUs
Outstanding, December 31, 2020	3,892,828	11,638,350	7,583,510	—	—
Granted	181,226	842,432	—	347,033	694,063
Forfeited	—	(412,082)	—	—	—
Settled	(957,713)	(3,774,294)	(1,481,143)	—	—
Outstanding, December 31, 2021	3,116,341	8,294,406	6,102,367	347,033	694,063

During the year ended December 31, 2021, the total fair value of DSUs, RSUs, and PSUs granted during the year was $3.2 million (2020 – $5.1 million) and had a weighted average grant-date fair value of C$3.95 (2020 – C$0.70) per unit.

The Company uses the fair value method of accounting for all share-based payments to directors, officers, employees and consultants. The portion of share-based compensation recorded is based on the vesting schedule of the options and units.

Share-based compensation expense

	Year ended December 31,	
	2021	2020
Share-based compensation expense related to stock options	**$ 1,149**	$ 964
Share-based compensation expense related to RSUs and PSUs (TSUP)	**799**	—
Share-based compensation expense related to DSUs, RSUs and PSUs (SUP)	**72,063**	26,066
Total share-based compensation expense	**$ 74,011**	$ 27,030

18. Revenue

The Company's revenue breakdown by metal is as follows:

	Year ended December 31,	
	2021	2020
Copper	**$ 789,046**	$ 440,779
Silver	**39,317**	30,068
Zinc	**6,785**	12,233
Gold	**3,050**	8,752
Lead	**368**	1,657
Molybdenum	**—**	418
Total gross revenue	**838,566**	493,907
Less: treatment and selling costs	**(43,797)**	(40,144)
Revenue	**$ 794,769**	$ 453,763

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

Revenue recognized in the reporting period for provisional pricing changes recorded in the above table:

	Year ended December 31, **2021**	Year ended December 31, 2020
Copper	**$ (4,573)**	$ 2,427
Silver	**(291)**	321
Zinc	**(1)**	260
Gold	**(50)**	(677)
Lead	**(7)**	45
Molybdenum	**—**	4
Revenue adjustments from provisional pricing arrangements	**$ (4,922)**	$ 2,380

Customer details are as follows:

	2021			2020		
	Pinto Valley USA	**Cozamin Mexico**	**Total**	Pinto Valley USA	Cozamin Mexico	Total
Customer #1	**$ 127,867**	**$ 235,423**	**$ 363,290**	$ —	$ 142,220	$ 142,220
Customer #2	**93,240**	**—**	**93,240**	35,718	—	35,718
Customer #3	**91,175**	**925**	**92,100**	99,435	3,059	102,494
Customer #4	**87,532**	**—**	**87,532**	50,904	—	50,904
Other	**178,036**	**24,368**	**202,404**	162,571	—	162,571
Total gross revenue	**$ 577,850**	**$ 260,716**	**$ 838,566**	$ 348,628	$ 145,279	$ 493,907

19. Earnings Per Share

Earnings per share, calculated on a basic and diluted basis, is as follows:

	Year ended December 31, **2021**	Year ended December 31, 2020
Earnings per share		
Basic	**$ 0.56**	$ 0.03
Diluted	**0.55**	0.03
Net earnings		
Net earnings attributable to common shareholders - basic and diluted	**$ 226,829**	$ 12,557
Weighted average shares outstanding - basic	**405,800,210**	393,857,183
Dilutive securities		
Stock options	**8,066,105**	4,799,843
TSUP units	**227,169**	—
Weighted average shares outstanding - diluted	**414,093,484**	398,657,026
Potentially dilutive securities excluded (as anti-dilutive)		
Stock options	**2,377,782**	9,298,883

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

20. Related Party Balances and Transactions

The immediate parent and ultimate controlling party of the group is Capstone Mining Corp. (incorporated in British Columbia, Canada).

The details of the Company's material entities, ownership interests, and functional currency are as follows:

Name	Location	Ownership	Status	Functional Currency
Pinto Valley	US	100.0%	Consolidated	US dollar
Capstone Gold	Mexico	100.0%	Consolidated	US dollar
Minera Santo Domingo SCM	Chile	100.0%	Consolidated	US dollar

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Any transactions with other related parties in the normal course of operations are measured at the fair value amount of consideration established and agreed to by the related parties. Any amounts due to/receivable from related parties are unsecured, non-interest bearing and have no specific repayment terms.

The details of the Company's subsidiaries with material non-controlling interests are as follows:

On March 24, 2021, Capstone consolidated a 100% ownership interest in Acquisition Co by purchasing the remaining 30% ownership interest from KORES, resulting in the elimination of the NCI in Acquisition Co (Note 11). Through Acquisition Co.'s wholly-owned Canadian subsidiary, Far West, the Company is engaged in the exploration for base and precious metals in Chile, and the country of incorporation is Canada. For the year ended December 31, 2021, income (loss) of $26.0 million (2020 – $(0.2) million) has been allocated to non-controlling interests of Acquisition Co. As at December 31, 2021, Acquisition Co. has accumulated losses of $285.5 million (2020 – $372.2 million).

Summarized financial information about Acquisition Co. is as follows:

	As at and for the year ended December 31, 2020
Current assets	$ 27,018
Non-current assets	365,795
Current liabilities	10,062
Non-current liabilities	3,453
Net loss	(589)
Total comprehensive loss	(589)
Mineral properties, plant and equipment additions	9,249
Repayment of KORES promissory note	1,540
Repayment of Capstone promissory note *	8,114

**The Capstone promissory note is eliminated on consolidation in the Company's consolidated financial statements*

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

Compensation of Key Management Personnel

During the year, compensation of key management personnel was as follows:

	Year ended December 31,	
	2021	2020
Salaries and short-term benefits	**$ 4,691**	$ 3,369
Share-based payments	**47,396**	16,562
	$ 52,087	$ 19,931

Capstone's key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and consist of its directors and senior officers.

The total salaries and benefits incurred by the Company during 2021 were $90.6 million (2020 – $79.5 million).

21. Supplemental Cash Flow Information

The changes in non-cash working capital items are composed as follows:

	Year ended December 31,	
	2021	2020
Receivables	**$ (8,695)**	$ 5,928
Inventories	**(5,003)**	(6,130)
Other assets	**4,538**	(7,661)
Accounts payable and accrued liabilities	**2,346**	19,417
Other liabilities*	**28,596**	—
Net change in non-cash working capital	**$ 21,782**	$ 11,554

**The change in other liabilities is due to the increase in the current portion of share-based payment obligations*

The changes in other non-cash items are composed as follows:

	Year ended December 31,	
	2021	2020
VAT receivable	**$ 6,155**	$ (930)
Other non-current assets	**10,391**	5,343
Other non-current liabilities*	**(41,321)**	903
Net change in other non-cash items	**$ (24,775)**	$ 5,316

**The change in other non-current liabilities is due to the first payment of $45 million on the purchase of NCI now being classified as current*

The significant non-cash financing and investing transactions during the year are as follows:

	Year ended December 31,	
	2021	2020
Mineral properties, plant and equipment addition for change in estimate of reclamation and closure cost obligations *(Note 8)*	**$ (11,714)**	$ (2,541)
Increase in accounts payable and accrued liabilities related to mineral properties, plant and equipment	**$ (1,580)**	$ (6,232)
Amortization of mining equipment capitalized to deferred stripping assets	**$ (3,058)**	$ (2,865)
Fair value of stock options allocated to share capital upon exercise	**$ (2,262)**	$ 1,357

As at December 31, 2021, cash on hand was $260.6 million (2020 – $56.4 million), and cash equivalents was $1.5 million (2020 – $0.2 million).

22. Capital Management

The Company's capital consists of the items included in shareholders' equity, long-term debt net of cash and cash equivalents, short-term investments, and investments in marketable securities. The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets.

To effectively manage its capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there are sufficient committed loan facilities to meet its short-term business requirements, taking into account its anticipated operational cash flows and its cash and cash equivalents, short-term deposits and investments in marketable securities.

The RCF contains various financial covenants, including: a) an interest coverage ratio and b) leverage ratios. As at December 31, 2021, the Company was in compliance with these covenants.

23. Commitments

Agreements with the Grupo Minera Bacis S.A. de C.V. ("Bacis")

Under the terms of the December 2003 option agreement with Bacis, Capstone assumed a 100% interest in the Cozamin Mine with a 3% net smelter royalty paid to Bacis on all payable metal sold from production on the property covered by the agreement.

Agreement with Jetti Resources, LLC ("Jetti")

Under the terms of the 2019 agreement, the Company is required to make quarterly royalty payments to Jetti based on an additional net profits calculation resulting from cathode production at the Pinto Valley mine. The initial term of the agreement is ten years, renewable for 5-year terms thereafter.

Off-take agreements

The Company has a concentrate off-take agreement with a third party whereby the third party will purchase 100% of the copper concentrate produced by the Cozamin Mine up to the end of December 2022.

The Company has a number of annual and multi-year concentrate off-take agreements with third parties whereby they will purchase the copper concentrate produced by the Pinto Valley Mine.

Included in value added taxes ("VAT") and other taxes receivable is $2.0 million of VAT related to Minera Santo Domingo which has been reclassified from non-current other assets (Note 6). The Company has provided a guarantee to the Chilean Internal Revenue Service that all VAT amounts refunded, plus interest, will be repaid if construction of the Santo Domingo development project is not completed by August 31, 2026.

Capital expenditure contracted for at the end of the reporting period but not yet incurred was $21.5 million (2020 – $14.8 million).

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

24. General & Administrative Expenses

Details are as follows:

	Year ended December 31,	
	2021	2020
General & administrative	**$ 18,565**	$ 12,509
Tax restructure costs	**300**	219
Corporate depreciation	**666**	929
	$ 19,531	$ 13,657

25. Other (Expense) Income

Details are as follows:

	Year ended December 31,	
	2021	2020
Mark-to-market gain on contingent consideration *(Note 9)*	**$ 5,067**	$ 5,322
Unrealized and realized loss on derivative financial instruments *(Note 4)*	**(309)**	(1,201)
Streaming arrangement transaction costs	**(1,101)**	—
Loss on disposal of mineral properties, plant and equipment	**—**	(302)
Mantos merger costs *(Note 29)*	**(3,259)**	—
Business development costs	**(1,454)**	—
Other income (expense)	**94**	(26)
	$ (962)	$ 3,793

26. Finance Costs

Details of interest on long-term debt and surety bonds are as follows:

	Year ended December 31,	
	2021	2020
Interest on surety bonds	**$ 1,643**	$ 1,947
Interest on RCF	**946**	8,829
Standby fees on RCF *(Note 13)*	**1,150**	473
Amortization of financing fees *(Note 9)*	**1,133**	1,133
	$ 4,872	$ 12,382

Details of other interest are as follows:

	Year ended December 31,	
	2021	2020
Interest accretion on deferred revenue *(Note 13) (i)*	**$ 8,360**	$ —
Accretion on payable on purchase of NCI *(Note 10) (ii)*	**2,962**	—
Accretion on asset retirement obligations	**2,101**	2,132
Other interest expense	**418**	248
	$ 13,841	$ 2,380

i. The Company recognizes a non-cash financing fee in the consolidated statements of income on the Silver PMPA and the Gold PMPA, as it was determined that the agreements are subject to variable consideration and contain a significant financing component *(Note 13)*.

ii. The Company records the remaining $90 million payable on purchase of NCI at a discounted amount on the consolidated statement of financial position. The balance is accreted over time, with the non-cash charge being recorded in other interest expense in the consolidated statements of income (*Note 10)*.

27. Segmented Information

The Company is engaged in mining, exploration and development of mineral properties, and has operating mines in the US and Mexico. The Company has four reportable segments as identified by the individual mining operations of Pinto Valley (US), Cozamin (Mexico), as well as the Santo Domingo development project (Chile) and Other. Early stage exploration, other and corporate operations are reported in the Other segment. Intercompany revenue and expense amounts have been eliminated within each segment in order to report on the basis that management uses internally for evaluating segment performance. Total assets and liabilities do not reflect intercompany balances, which have been eliminated on consolidation. Segments are operations reviewed by the CEO, who is considered to be the chief operating decision maker.

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

Operating segment details are as follows:

	Year ended December 31, 2021				
	Pinto Valley	Cozamin	Santo Domingo	Other	Total
Revenue					
Copper	568,143	220,903	—	—	789,046
Silver	6,659	32,658	—	—	39,317
Zinc	—	6,785	—	—	6,785
Gold	3,048	2	—	—	3,050
Lead	—	368	—	—	368
Treatment and selling costs	(31,009)	(12,788)	—	—	(43,797)
Net revenue	546,841	247,928	—	—	794,769
Production costs	(269,441)	(65,013)	—	—	(334,454)
Royalties	(1,534)	(6,412)	—	—	(7,946)
Depletion and amortization	(76,657)	(15,268)	—	—	(91,925)
Earnings from mining operations	199,209	161,235	—	—	360,444
General and administrative expenses	(1,312)	(491)	(86)	(17,642)	(19,531)
Exploration expenses	—	(1,076)	(28)	(1,957)	(3,061)
Impairment reversal on mineral properties	—	—	92,392	—	92,392
Care and maintenance	(983)	—	—	—	(983)
Share-based compensation expense	—	—	—	(74,011)	(74,011)
Earnings (loss) from operations	196,914	159,668	92,278	(93,610)	355,250
Other income (expense)	70	1,562	(851)	(3,537)	(2,756)
Earnings (loss) before finance costs and income taxes	196,984	161,230	91,427	(97,147)	352,494
Net finance costs	(3,419)	(7,806)	(1,360)	(6,128)	(18,713)
Earnings (loss) before income taxes	193,565	153,424	90,067	(103,275)	333,781
Income tax (expense) recovery	(35,931)	(47,409)	—	2,424	(80,916)
Total net income (loss)	$ 157,634	$ 106,015	$ 90,067	$ (100,851)	$ 252,865
Mineral properties, plant & equipment additions	$ 82,908	$ 43,698	$ 30,203	$ 206	$ 157,015

i. Intersegment sales and transfers are eliminated in the table above. For the year ended December 31, 2021, intersegment revenue for Cozamin and the Other segment was $14.6 million and $1.9 million, respectively (2020 - $nil and $nil).

(tabular amounts expressed in thousands of US dollars, except share and per share amounts)

	Year ended December 31, 2020				
	Pinto Valley	Cozamin	Santo Domingo	Other	Total
Revenue					
Copper	333,734	107,045	—	—	440,779
Silver	5,734	24,334	—	—	30,068
Zinc	—	12,233	—	—	12,233
Gold	8,741	11	—	—	8,752
Lead	—	1,657	—	—	1,657
Molybdenum	418	—	—	—	418
Treatment and selling costs	(27,389)	(12,755)	—	—	(40,144)
Net revenue	321,238	132,525	—	—	453,763
Production costs	(235,478)	(50,365)	—	—	(285,843)
Royalties	(519)	(3,740)	—	—	(4,259)
Depletion and amortization	(63,989)	(17,493)	—	—	(81,482)
Earnings from mining operations	21,252	60,927	—	—	82,179
General and administrative expenses	(196)	(333)	(16)	(13,112)	(13,657)
Exploration expenses	—	(1,769)	(58)	(1,267)	(3,094)
Care and maintenance	(1,087)	—	—	—	(1,087)
Share-based compensation expense	—	—	—	(27,030)	(27,030)
Earnings (loss) from operations	19,969	58,825	(74)	(41,409)	37,311
Other (expense) income	(405)	(177)	163	3,638	3,219
Earnings (loss) before finance costs and income taxes	19,564	58,648	89	(37,771)	40,530
Net finance costs	(3,807)	(409)	(5)	(10,541)	(14,762)
Earnings (loss) before income taxes	15,757	58,239	84	(48,312)	25,768
Income tax recovery (expense)	1,231	(16,995)	—	2,377	(13,387)
Total net income (loss)	$ 16,988	$ 41,244	$ 84	$ (45,935)	$ 12,381
Mineral properties, plant & equipment additions	$ 66,169	$ 27,805	$ 9,249	$ 114	$ 103,337

	As at December 31, 2021				
	Pinto Valley	**Cozamin**	**Santo Domingo**	**Other**	**Total**
Mineral properties, plant and equipment	**$ 737,878**	**$ 180,873**	**$ 390,721**	**$ 1,398**	**$ 1,310,870**
Total assets	**$ 912,132**	**$ 281,718**	**$ 434,797**	**$ 99,315**	**$ 1,727,962**
Total liabilities	**$ 243,704**	**$ 247,379**	**$ 36,585**	**$ 183,867**	**$ 711,535**

	As at December 31, 2020				
	Pinto Valley	Cozamin	Santo Domingo	Other	Total
Mineral properties, plant and equipment	$ 722,368	$ 155,366	$ 268,164	$ 1,886	$ 1,147,784
Total assets	$ 827,387	$ 187,923	$ 277,763	$ 98,511	$ 1,391,584
Total liabilities	$ 188,437	$ 84,489	$ 4,933	$ 224,558	$ 502,417

28. Contingencies

In the normal course of business, the Company is aware of certain claims and potential claims. The outcome of these claims and potential claims is not determinable at this time, although the Company does not believe these claims and potential claims will have a material adverse effect on the Company's results of operations or financial position.

29. Transaction with Mantos Copper (Bermuda) Limited

On November 30, 2021, the Company announced it had entered into a definitive agreement (the "Agreement") with Mantos Copper (Bermuda) Limited ("Mantos") to combine, pursuant to a plan of arrangement (the "Transaction") (Note 25). Mantos is a copper-producing company that, through its subsidiaries, is engaged in the exploration, development, extraction, and processing of sulphide and oxide ores and the production and sale of London Market Exchange Grade "A" copper cathodes and clean copper concentrates, with gold and silver by-products from its mining assets. Mantos Copper currently operates the open pit copper mines and processing plants of Mantos Blancos, located forty-five kilometers northeast of Antofagasta, and Mantoverde, located fifty kilometers southeast of Chanaral, in the region of Atacama

The Transaction will require the approval of at least 66 2/3% of the votes cast by the shareholders of Capstone voting at a special meeting of shareholders to be held on February 28th, 2022. Officers and directors of Capstone, along with Capstone's largest shareholder, have entered into support and voting agreements, agreeing to vote their shares in favour of the Transaction (representing approximately 26.5% of the issued and outstanding common shares of Capstone). The management information circular dated January 27th, 2022 has been posted to the Company's website and filed on its profile on SEDAR.

Upon completion of the Transaction, the combined company is expected to be renamed Capstone Copper Corp. ("Capstone Copper"). Capstone Copper will remain headquartered in Vancouver, B.C. and has received conditional approval to be listed on the Toronto Stock Exchange (TSX"). Pursuant to the Agreement, each Capstone shareholder will receive 1 newly issued Capstone Copper share per Capstone share (the "Exchange Ratio") and the existing Mantos shareholders will continue to hold Capstone Copper shares. Upon completion of the Transaction, former Capstone and Mantos shareholders will collectively own approximately 60.75% and 39.25% of Capstone Copper, respectively, on a fully-diluted basis. The Transaction is subject to certain regulatory approvals, consents from third certain third parties and other customary closing conditions for a transaction of this nature, including approvals by the security holders, the TSX and the Supreme Court of British Columbia. The Agreement includes a non-solicitation provision, a right to match a superior proposal and a C$75 million termination fee payable in certain circumstances. Completion of the Transaction is expected in March or April 2022.

Subject to shareholder approval and the satisfaction of all other conditions, the Transaction is anticipated to close in March or April 2022.