MANAGEMENT'S DISCUSSION AND ANALYSIS

AND

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

For the Three and Six Months Ended June 30, 2021

(Expressed in US Dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF CAPSTONE MINING CORP. FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021

Capstone Mining Corp. ("Capstone" or the "Company") has prepared the following management's discussion and analysis (the "MD&A") as of July 27, 2021 and it should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and notes thereto for the three and six months ended June 30, 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 expected timing, operations and success of the underground paste backfill system study and tailings filtration project at Cozamin, the success of the Pinto Valley HydroFloat project, the outcome and timing of the PV4 study, the timing and success of our use of the Jetti Technology, the successful completion of a port agreement with Puerto Ventanas and/or rail agreement with Sigdo Kopper's rail business, the success of our strategic process for the Santo Domingo project, the expected reduction in capital requirements for the Santo Domingo Project, the timing and success of the Cobalt Study for Santo Domingo, the timing and success of the PV3 Optimization project, the realization of Mineral Reserve estimates, the timing and amount of estimated future production, costs of production and capital expenditures and reclamation, the success of our mining operations, the success of mineral exploration, the estimations for potential quantities and grade of inferred resources and exploration targets, Capstone's ability to fund future exploration activities, Capstone's ability to finance the Santo Domingo project, environmental risks, unanticipated reclamation expenses and title disputes. 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, and the 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 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, licenses 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, our ability to meet certain closing conditions under the Santo Domingo Gold Stream Agreement with Wheaton Precious Metals, acting as Indemnitor for Minto Exploration Ltd.'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 GHG emissions, land reclamation and mine closure obligations, risks relating to widespread epidemics or pandemic outbreak including the COVID-19 pandemic; the impact of COVID-19 on our workforce, 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 license to 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, 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.

Table of Contents

Nature of Business

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., a wholly owned US subsidiary, owns and operates the copper Pinto Valley Mine located in Arizona, US. Capstone Gold, S.A. de C.V., 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 three and six months ended June 30, 2021, there was no significant financial impacts on the Company.

Q2 2021 Highlights and Significant Items

Q2 2021 Financial and Operational Highlights

- **Net income of $49.4 million, or $0.12 per share and second quarter 2021 ("Q2 2021") Adjusted net income[1] of $68.7 million or $0.17 per share.**
- **Record Operating cash flow before changes in working capital[1] of $140.4 million.** Q2 2021 Operating cash flow before changes in working capital[1] includes $30 million received from Wheaton Precious Metals Corp. ("Wheaton") as part of the Santo Domingo precious metals purchase agreement ("Gold Stream Agreement"). Operating cash flow before changes in working capital[1], excluding the $30 million payment from Wheaton, of $110.4 million was the highest in Capstone's history, driven by production growth and record high copper prices.
- **Net cash[1] grew by $126.7 million to $171.5 million** during Q2 2021, inclusive of $30 million in proceeds from the Gold Stream Agreement. The balance sheet was significantly enhanced by solid operating performance and cash flow during Q2 2021.
- **Record Adjusted EBITDA[1] for Q2 2021 of $128.0 million**. Q2 2021 adjusted EBITDA[1] is reflective of Capstone's strong operational performance and financial leverage of the Company's EBITDA[1] in a robust copper price environment.
- **Cozamin Mine underground expansion completed with record quarterly copper production of 13.8 million pounds and attained targeted new run rate of 3,780 tonnes per day ("tpd").** Q2 2021 production was 66% higher than in Q2 2020 following commissioning of the Calicanto one-way ramp that increased underground mining rates by 41% from Q2 2020. Q2 2020 results were impacted by a temporary reduction in mining activities as a result of the government mandated decree in response to the COVID-19 pandemic.
- **Consolidated copper production of 43.3 million pounds at C1 cash costs[1] of $1.91** per payable pound of copper produced. **Consolidated copper production for the first half of 2021 ("H1 2021") of 91.1 million pounds at C1 cash costs of $1.80** per payable pound of copper produced was at the mid-range of 2021 guidance.
- **Partnership discussions at Santo Domingo are advancing well and expected timeline for announcement is now in Q3 2021.** Santo Domingo project remains an attractive project as it retains a Decree Law 600 ("DL 600") tax invariability agreement which protects the project from any potential mining royalty tax changes for the majority of the current Mineral Reserve life.
- **Commenced a brownfield exploration drilling program at Santo Domingo** project to potentially expand the copper/iron ore mineralization resource and for geometallurgical samples for cobalt feasibility work.
- **Issued a Sustainability Report.** Published the 2020 Sustainability Report, prepared in accordance with the Global Reporting Initiative Standards, Core option. This is Capstone's fifth sustainability report and highlights our commitment to excellence in ESG practices by providing details relating to our programs and performance on topics material to our operations and projects.

PV3 Optimization Update

PV3 Optimization Phase 1 work was completed in 2020. Phase 1 work included improved blast fragmentation processes, installation of a new secondary crusher and screen decks as well as a new mill shell. As a result, Pinto Valley was able to reliably achieve throughput of 57k to 58k tpd for multiple quarters.

Phase 2 of the PV3 Optimization work continued during Q2 2021. Capital was invested into tailings thickeners, pumping upgrades and installation of a new ball mill shell and is expected to be completed in the second half of 2021 ("H2 2021") with majority of the work completed in July. Phase 2 optimization work further enables the reliability of higher throughput rates at Pinto Valley.

PV4 Study

Work continued on scenarios to take advantage of approximately one billion tonnes of Mineral Resource, not currently in the Mineral Reserve mine plan, which is at similar grade to the current Mineral Reserves at Pinto Valley. The PV4 pre-feasibility study is expected to be released in late 2022 and will contemplate

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*
Certain prior period alternative performance measures have been restated to conform with current period classification.

utilizing existing mill infrastructure rather than building new to achieve higher mining and milling rates, higher cut-off grades to the mill and increased tonnage available for leaching. Extensive column leach test work in collaboration with Jetti Resources LLC (“Jetti”) has commenced and will continue through early 2022. Jetti’s novel patented catalytic technology allows for the efficient and effective heap and stockpile leach extraction of copper and has been a success at Pinto Valley’s leaching operation, where we expect to recover up to 350 million pounds of cathode copper over the next two decades from historic and new mineralized waste piles on the existing PV3 pit shell. Capstone is a pioneer in the application of this leach technology, and we intend to use it to enhance the economics of a future expansion at Pinto Valley.

Eriez HydroFloat

In December 2020, a pilot plant test demonstrated that a 6% to 8% increase in overall copper recovery is possible with the installation of this coarse particle flotation technology at Pinto Valley. Additional benefits include the potential to increase throughput by operating at a coarser grind size, potentially lowering power costs,and providing options to improve water consumption and tailings management benefits.

Work continued on an internal feasibility study for Eriez HydroFloat coarse particle flotation. It was determined that additional engineering is required to incorporate Eriez HydroFloat with the PV4 pre-feasibility study allowing for improved capital integration through potential synergies with tailings management. Current capital estimate of approximately $90 million includes additional regrind milling capacity and this will be further refined as part of the PV4 study.

Pyrite Agglomeration

Pinto Valley is studying the potential to add a pyrite agglomeration circuit to the dump leach process. Currently, the copper concentrate cleaner circuit tailings contain ~0.2% Cu and significant pyrite mineral in a slurry containing up to ~3,000 tpd solids. This material can be introduced into heap leach operations to produce numerous benefits including the following:

1. Leaching the copper contained in tailings for added copper recovery;
2. Oxidation of the pyrite generates free acid and would offset the requirement to purchase sulfuric acid for leaching
3. Diverting this material from tailings disposition could enable higher milling rates coupled with ESG benefits from reduced water consumption and a significant reduction in acid generating minerals reporting to tailings.

Restart of Molybdenum Production at Pinto Valley

Due to favourable market conditions where year-to-date molybdenum prices have nearly doubled to over $18 per pound in July, Pinto Valley has commenced restart plans to ramp up production of molybdenum over H2 2021. New reagents will be tested with upgrades to pumping equipment to enhance recovery.

Capstone Continues to Advance Santo Domingo Project

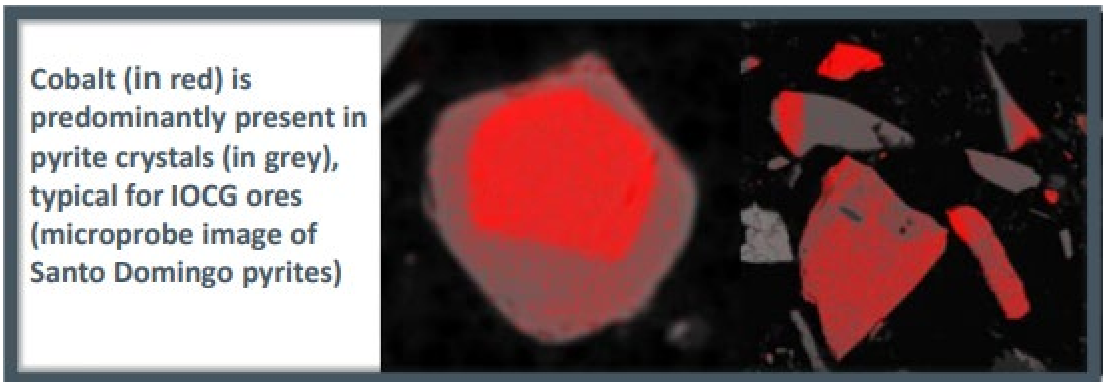
Following consolidation of Capstone’s 100% ownership of the Santo Domingo Project ("Santo Domingo" or “the Project") in Region III, Chile during Q1 2021, the Company continued to advance the project on several fronts:

- Negotiations for strategic partnerships and financing for Santo Domingo’s development are advancing well and are expected to be finalized in Q3 2021. Santo Domingo is currently the only fully permitted copper-iron project in Chile.
- The Company and its partner, Puerto Ventanas, are working to finalize the port services agreement and evaluating opportunities to optimize the Santo Domingo project by replacing the iron pipeline with a rail option.
- With respect to potential increases in the Chilean mining royalty tax, Santo Domingo is expected to be protected given the fact the Company retains a foreign investment contract with the state of Chile, which fell under the provisions of DL600. One of the benefits to the Company of this agreement is a tax invariability system for a period of 15 years post commercial production. 15 years represents the majority of the 18-year reserve mine life in the 2020 Technical Report. As

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

described in the 2020 Technical Report, for the period covered by the tax invariability system, the Company expects that applicable taxes will include a category 1 income tax (27%) and the existing royalty, which is a sliding scale between 5-14%, depending on operating margins.

- The cobalt feasibility study announced in Q1 2021 is progressing according to schedule. A geochemical model has been developed to quantify pyrite-cobalt distribution throughout the orebody, which guided the location of drillholes of the current drilling campaign from which more samples will be obtained for further plant optimization test work. The drilling campaign started in May 2021 with 8,500m of exploration drilling and continued into early July with 7,600m geometallurgical drilling. The latter will deliver 6,000m of PQ sized core samples to be used for the development of a 3D geometallurgical pyrite-cobalt flotation model and for confirmative testing with yearly composites according to mine plan. This will allow the Santo Domingo team to refine both the pyrite oxidation process and the downstream hydrometallurgical options to produce battery-grade cobalt sulphate. In parallel, engineering activities will continue to bring cobalt plant design from the current Preliminary Economic Assessment to Feasibility Study level during 2022 including several trade-off studies at process level pyrite oxidation and cobalt pregnant leaching solution purification.



The Santo Domingo cobalt project is expected to result in one of the lowest cost cobalt producers outside of the Democratic Republic of Congo[2]. The feasibility study is scheduled for completion in late 2022. The production of battery-grade cobalt sulphate at Santo Domingo is expected to significantly add to the robust copper-iron-gold project and maximizes the recovery of future-facing metals from the rich resource. The work program will consist of two phases and several stage-gates. Following the Phase 1 work program, Capstone expects to provide an update to the market on metallurgy work, process flowsheet design and updated cobalt reserves and resources in Q1-2022. The feasibility report is expected by Q4 2022 with construction to start in 2023 or 2024 following permitting. The integration of the cobalt project with the copper-iron concentrator has been designed so that the cobalt plant can be built later than the copper concentrator.

[2] Darton Commodities Limited (2020-2021 Cobalt Market Review)

Exploration Update:

Cozamin exploration: The focus during H1 2021 was on testing the Mala Noche Footwall Zone West Target with two 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. Two additional surface rigs are now testing other brownfield targets on the property.

Planalto, Brazil: Step-out drilling at the Planalto Iron Ore-Copper-Gold prospect in Brazil, under Option from Lara Exploration Ltd., is planned for Q3 2021.

A corporate update on exploration activities is expected in H2 2021

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

Gold Stream Agreement with Wheaton on Santo Domingo

On April 21, 2021, Capstone received $30 million from Wheaton as an early deposit (the "Early Deposit"), which offset the initial payment required under the Share Purchase Agreement with KORES. The balance of the $290 million deposit (the "Deposit") will be accessible during the development and construction of the Santo Domingo Project, subject to sufficient financing having been obtained to cover total expected capital expenditures and other customary conditions.

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

Operational Overview

	Q2 2021	Q2 2020	2021 YTD	2020 YTD
Copper production (million pounds)				
Pinto Valley	29.5	30.2	65.9	57.0
Cozamin[2]	13.8	8.3	25.2	17.0
Total	**43.3**	**38.5**	**91.1**	**74.0**
Copper sales				
Copper sold (million pounds)	43.1	37.8	92.3	68.3
Realized copper price ($/lb.)	4.78	2.72	4.43	2.53
C1 cash costs[1] ($/lb.) produced				
Pinto Valley	2.33	2.12	2.12	2.25
Cozamin	1.00	0.98	0.96	0.97
Consolidated	**1.91**	**1.87**	**1.80**	**1.96**

[2] *Q2 2020 production was impacted by restrictions due to the COVID-19 government mandated decree*

Consolidated

2021 YTD consolidated production of 91.1 million pounds of copper is at the mid-point of annual guidance of 175 to 190 million pounds of copper. The results are 22% higher than prior year, with Q2 2021 benefiting from Cozamin achieving the new higher run rates (3,780 tpd) and benefits of PV3 Optimization Phase 1 projects at Pinto Valley. The increase in production was the main driver for the $0.16 per payable pound decrease in C1 cash costs[1] in 2021 YTD compared to 2020 YTD.

Q2 2021 production was 12% higher than Q2 2020 mainly as a result of maximizing mill throughput at Cozamin due to successful one-way ramp utilization, and Cozamin optimized technical report mine plan was delivering higher mine grades.

Pinto Valley Mine

Q2 2021 production was in line with the same period last year. Higher recoveries for Q2 2021 (88.6% versus 85.0% in Q2 2020) were a result of improvements in the flotation circuit and lower mill throughput (49,170 tpd in Q2 2021 versus 53,864 tpd in Q2 2020). Lower mill throughput in Q2 2021 compared to Q1 2020 was attributed to planned maintenance downtime in the plant and impact of regional wildfires which restricted many employees access to the mine due to area road closures.

2021 YTD production increased by 16% compared to the same period last year due to higher planned head grades for 2021 YTD (0.34% versus 0.30% in 2020 YTD) and improved flotation plant recovery performance.

C1 cash cost[1] of $2.33 per payable pound in Q2 2021 were higher than Q2 2020 mainly due to slightly lower production and higher costs, which were impacted by planned mill maintenance work, and lower than expected gold and molybdenum by-product credits.

A decrease in 2021 YTD C1 cash cost[1] by $0.13 per payable pound was primarily attributed to higher production compared to the same period last year.

Cozamin Mine

Production in Q2 2021 was 66% higher than the same period last year. This was primarily due to the successful utilization of the Calicanto one-way ramp which increased mill rates from 2,583 tpd in Q2 2020 to 3,828 tpd in Q2 2021. Moreover, Q2 2020 operations were impacted by restrictions due to the COVID-

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

19 government mandated decree. In addition, with the optimized technical report, the mine plan is delivering significantly higher mine grades (1.86% in Q2 2021 versus 1.68% in Q2 2020) from the copper rich San Jose and Calicanto zones.

2021 YTD production increased by 48% compared to the same period last year mainly due to mine and mill expansion (3,588 tpd versus 2,808 tpd in 2020 YTD) and higher head grades (1.83% versus 1.59% in 2020 YTD).

C1 cash costs[1] in Q2 2021 and 2021 YTD were in line with same periods last year, respectively, despite the impact of the Cozamin Silver Stream with Wheaton for 50% of the silver, that closed in Q1 2021, which impacted costs by $0.30 per payable pound in Q2 2021 and by $0.32 per payable pound in 2021 YTD. The cost per payable pound impact of the Cozamin Silver Stream was offset by higher production.

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

Financial Overview

	Q2 2021	Q2 2020	2021 YTD	2020 YTD
Revenue ($ millions)	**209.4**	**104.7**	**413.5**	**175.1**
Net income (loss) ($ millions)	**49.4**	**4.3**	**176.4**	**(17.6)**
Net income (loss) attributable to shareholders ($ millions)	**49.4**	**4.3**	**150.4**	**(17.4)**
Net income (loss) attributable to shareholders per common share – basic ($)	*0.12*	*0.01*	*0.37*	*(0.04)*
Net income (loss) attributable to shareholders per common share – diluted ($)	*0.12*	*0.01*	*0.36*	*(0.04)*
Adjusted net income (loss)[1] ($ millions)	**68.7**	**(0.6)**	**133.1**	**(18.3)**
Adjusted net income (loss) attributable to shareholders[1] ($ millions)	**68.7**	**(0.6)**	**133.1**	**(18.1)**
Adjusted net income (loss) attributable to shareholders per common share – basic[1] ($)	*0.17*	*(0.00)*	*0.33*	*(0.05)*
Adjusted net income (loss) attributable to shareholders per common share – diluted[1] ($)	*0.17*	*(0.00)*	*0.32*	*(0.05)*
Adjusted EBITDA[1] ($ millions)	**128.0**	**12.9**	**246.6**	**24.2**
Cash flow from operating activities[2] ($ millions)	**168.5**	**45.1**	**388.8**	**52.1**
Cash flow from operating activities per common share[1] - basic ($)	*0.42*	*0.11*	*0.96*	*0.13*
Operating cash flow before changes in working capital[1,2] ($ millions)	**140.4**	**24.0**	**385.3**	**20.7**
Operating cash flow before changes in working capital per common share[1] – basic ($)	*0.35*	*0.06*	*0.95*	*0.05*

[2] Q2 2021 includes $30.0 million gold stream proceeds and 2021 YTD includes $180.0 million silver and gold stream proceeds

	June 30, 2021	December 31, 2020
Total assets ($ millions)	**1,581.4**	**1,391.6**
Long term debt (excluding financing fees) ($ millions)	**-**	**184.9**
Total non-current financial liabilities ($ millions)	**79.8**	**183.6**
Total non-current liabilities ($ millions)	**506.2**	**408.5**
Cash and cash equivalents and short-term investments ($ millions)	**171.5**	**60.0**
Net cash/(debt)[1] ($ millions)	**171.5**	**(124.9)**

[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)	Q2 2021(i)	Q1 2021(ii)	Q4 2020(iii)	Q3 2020	Q2 2020(iv)	Q1 2020(v)	Q4 2019(vi)	Q3 2019
Revenue	209.4	204.1	148.1	130.5	104.7	70.4	113.6	82.9
Earnings (loss) from mining operations	102.8	92.5	57.2	28.6	16.3	(20.0)	6.0	0.1
Net income (loss) from continuing operations attributable to shareholders	49.4	101.0	27.6	2.4	4.3	(21.7)	13.4	(9.9)
Net income (loss) from continuing operations attributable to shareholders per share - basic	0.12	0.25	0.07	0.01	0.01	(0.06)	0.03	(0.03)
Net income (loss) from continuing operations attributable to shareholders per share - diluted	0.12	0.24	0.07	0.01	0.01	(0.06)	0.03	(0.03)
Net income (loss) attributable to shareholders	49.4	101	27.6	2.4	4.3	(21.7)	13.4	(10.6)
Net income (loss) per share attributable to shareholders - basic	0.12	0.25	0.07	0.01	0.01	(0.06)	0.03	(0.03)
Net income (loss) per share attributable to shareholders - diluted	0.12	0.24	0.07	0.01	0.01	(0.06)	0.03	(0.03)
Operating cashflow before changes in non-cash working capital[1]	140.4	244.5	65.3	44.9	24.0	(3.5)	20.3	9.5
Capital expenditures (including capitalized stripping)	50.4	28.4	31.2	32.2	19.3	20.6	28.5	28.5

(i) Net income in Q2 2021 includes $19 million of share unit expense.

(ii) Net income in Q1 2021 includes $92 million of impairment reversal on mineral properties as well as $27 million of share unit expense.

(iii) Earnings from mining operations and Net income in Q4 2020 includes a $16 million of share unit expense.

(iv) 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.

(v) 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.

(vi) Net income in Q4 2019 includes a recognition of $23 million of corporate tax losses recorded as a deferred income tax recovery.

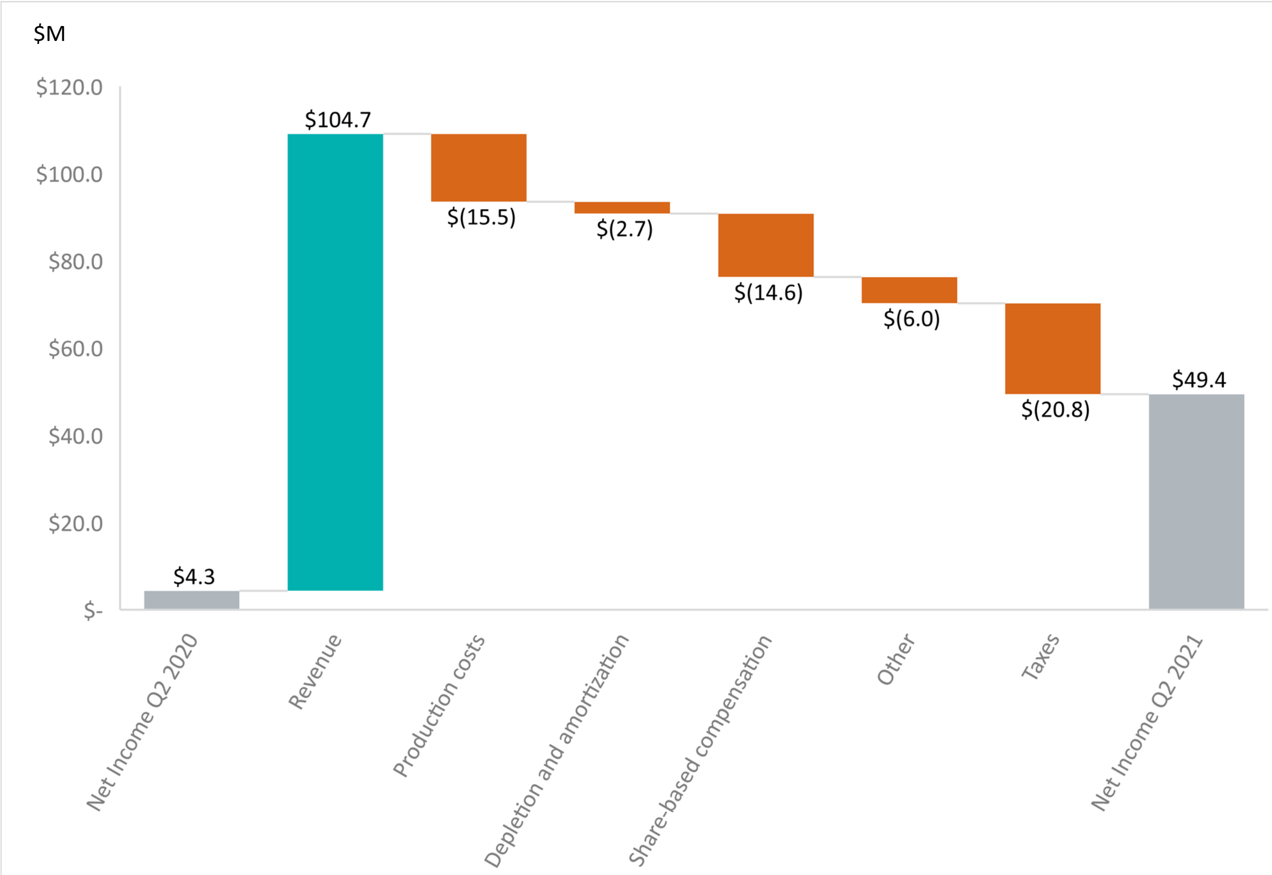
[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*

Consolidated Results

Consolidated Net Income (Loss) Analysis

Net Income for the Three Months Ended June 30, 2021 and 2020

The Company recorded net income of $49.4 million for the three months ended June 30, 2021 compared with net income of $4.3 million in Q2 2020. The major differences are outlined below:



The difference quarter-over-quarter was driven by:

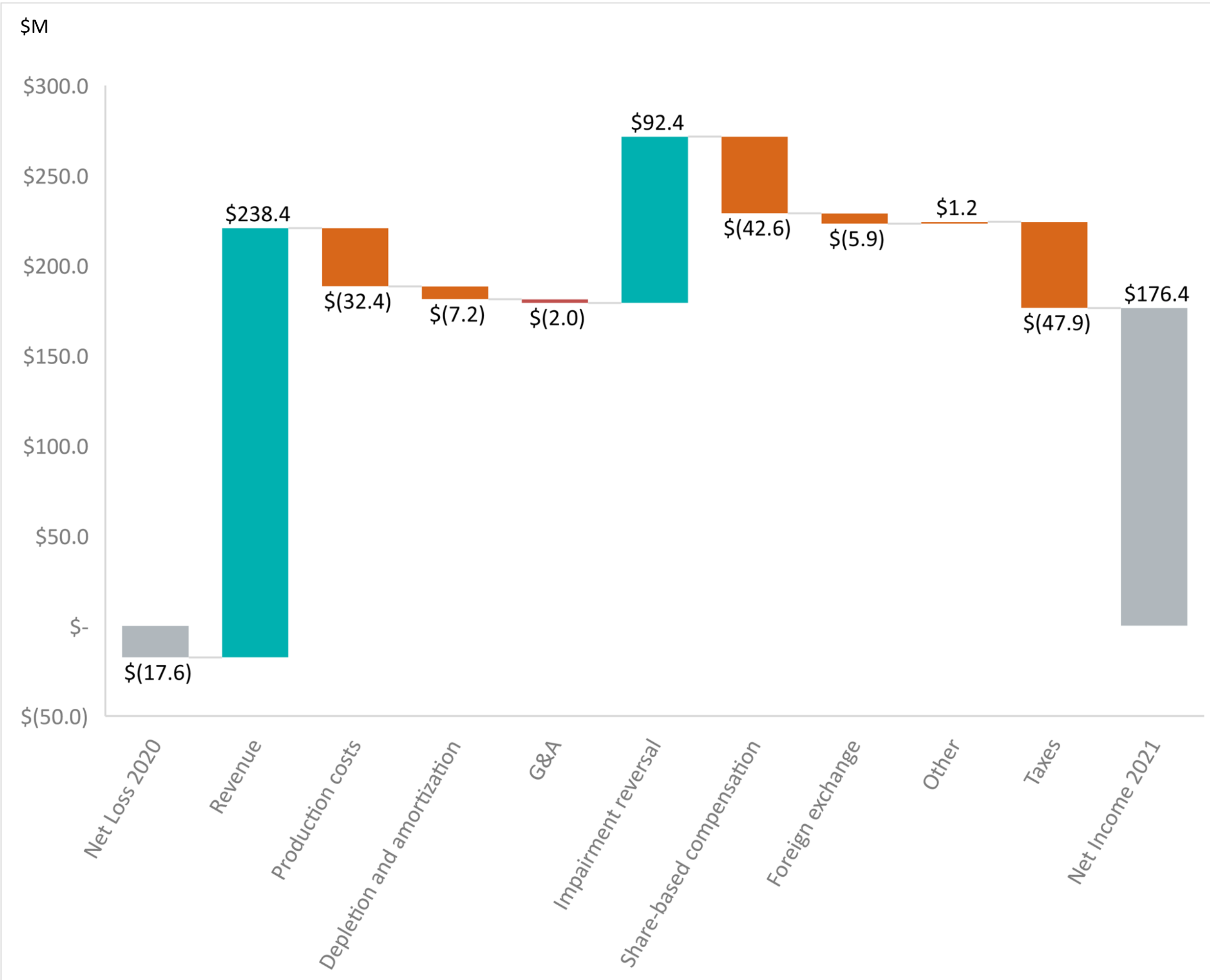
- Revenue: $104.7 million or 100% increase driven by higher realized copper prices (Q2 2021 - $4.78 per pound, Q2 2020 - $2.72 per pound) and higher copper volumes sold (Q2 2021 – 43.1 million pounds, Q2 2020 – 37.9 million pounds) on higher production (Q2 2021 – 43.3 million pounds, Q2 2020 – 38.5 million pounds).
- Production costs: $15.5 million increase:
  - Pinto Valley recorded $8.6 million higher production costs in Q2 2021 compared to Q2 2020 as a result of higher operating costs driven by higher maintenance and labor costs as a result of planned downtime in Q2 2021, as copper volumes sold remained consistent (Q2 2021 – 30.1 million pounds, Q2 2020 – 29.9 million pounds).
  - Cozamin recorded $5.5 million higher production costs in Q2 2021 compared to Q2 2020 as a result of higher mining and mill rates and copper volumes sold.
- Depletion and amortization: $2.7 million increase primarily due to an increase in copper volumes sold.
- Share-based compensation: $14.6 million increase as a result of mark to market adjustments on share unit liabilities to reflect the increase in the share price during Q2 2021 (increase from C$4.14 per share at March 31, 2021 to C$5.38 per share at June 30, 2021).
- Net other expense: $6.0 million increase due to an increase in non-cash interest accretion of $3.1 million driven by the Cozamin Silver Stream and non-cash interest accretion on the payable to KORES, and a lower mark-to-market gain on the contingent consideration on sale of Minto of $1.2 million during Q2 2021 versus $3.5 million in Q2 2020.

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

- Income taxes: $20.8 million increase due to higher net income before taxes during Q2 2021 compared to Q2 2020.

Net Income (Loss) for the Six Months Ended June 30, 2021 and 2020

The Company recorded net income of $176.4 million in 2021 compared with a net loss of $17.6 million in 2020. The major differences are outlined below:



The difference year-over-year was driven by:

- Revenue: $238.4 million or 136% increase driven by higher realized copper prices (2021 - $4.43 per pound, 2020 - $2.53 per pound) and higher copper volumes sold (2021 – 92.3 million pounds, 2020 – 68.3 million pounds) on higher production (2021 – 91.1 million pounds, 2020 – 74.0 million pounds).
- Production costs: $32.4 million increase:
  - Pinto Valley recorded $24.5 million higher production costs in 2021 compared to 2020 as a result of record higher copper volumes sold (2021 – 68.7 million pounds, 2020 – 51.3 million pounds).
  - Cozamin recorded $5.4 million higher production costs in 2021 compared to 2020 as a result of higher copper volumes sold (2021 – 23.6 million pounds, 2020 – 17.0 million pounds).
- Depletion and amortization: $7.2 million increase primarily due to the increase in copper volumes sold.
- General and administration: $2.0 million increase primarily due to increase in Environmental, Social and Governance (ESG) activities, increased corporate development and consultant expenses.

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

- Impairment reversal of $92.4 million on mineral properties related to Santo Domingo recorded during Q1 2021.
- Share-based compensation: $42.6 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$5.38 per share at June 30, 2021) compared to a minimal mark to market adjustment recorded in 2020 (C$0.76 per share at December 31, 2019 versus C$0.83 per share at June 30, 2020).
- Foreign exchange: $5.9 million change as a result of the strengthening Mexican Peso relative to the functional US dollar used by Cozamin and strengthening of the Canadian dollar relative to the functional US dollar used by most Capstone entities.
- Income taxes: $47.9 million change due to net income before taxes during 2021 compared to a net loss before taxes in 2020.

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

Revenue

Revenue increased quarter-on-quarter ($209.4 million versus $104.7 million in Q2 2020) primarily due to a higher realized copper price ($4.78 per pound versus $2.72 per pound in Q2 2020) on 5.3 million pounds higher copper volumes sold (43.1 million pounds versus 37.9 million pounds in Q2 2020). The increase in revenue was also impacted by higher silver revenue at Cozamin due to increased silver prices (average market prices $27/ounce ("oz") versus average $16/oz in Q2 2020) and higher volumes sold (410k oz versus 321k oz in Q2 2020). There is minimal impact to Q2 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 silver sales delivered to Wheaton.

YTD revenue increased year-on-year ($413.5 million versus $175.1 million in 2020 YTD) primarily due to a higher realized copper price ($4.43 per pound versus $2.53 per pound in 2020 YTD) on 24 million pounds higher copper volumes sold (92.3 million pounds versus 68.3 million pounds in 2020 YTD). Additionally, silver revenue increased at Cozamin due to increased silver prices (average market prices $26/oz versus $17/oz in 2020 YTD) and higher ounces sold (805k oz versus 669k oz in 2020 YTD). There is minimal impact to 2021 YTD 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

	2021		2020			
	Q1	Q2	Q1	Q2	Q3	Q4
Pinto Valley	$ 4.15	$ 4.85	$ 2.25	$ 2.76	$ 3.15	$ 3.67
Cozamin	$ 4.02	$ 4.62	$ 2.40	$ 2.60	$ 3.07	$ 3.54
Total	$ 4.12	$ 4.78	$ 2.29	$ 2.72	$ 3.13	$ 3.64
LME Average	$ 3.86	$ 4.40	$ 2.56	$ 2.43	$ 2.96	$ 3.25
LME Close	$ 4.01	$ 4.26	$ 2.18	$ 2.73	$ 3.00	$ 3.51

Revenue by Mine

	Q2 2021 [2]		Q2 2020 [2]		2021 YTD [2]		2020 YTD [2]	
	$ millions	%	$ millions	%	$ millions	%	$ millions	%
Pinto Valley	140.8	67.2%	80.0	76.4%	294.9	71.3%	124.6	71.2%
Cozamin	68.6	32.8%	24.7	23.6%	118.6	28.7%	50.5	28.8%
Total revenue	209.4	100%	104.7	100%	413.5	100%	175.1	100%

[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 three months ended June 30, 2021 includes 65.5 million pounds of copper sold subject to final settlement. Of this, the prices for 12.4 million pounds are final at a weighted average price of $4.36 per pound. The remaining 53.1 million pounds are subject to price change upon final settlement at the end of the applicable quotational period, as follows:

Quotational Period	Millions of Pounds of Copper			Provisional Price ($/pound)
	Pinto Valley	Cozamin	Total	
Jul-21	20.3	8.3	28.6	$ 4.25
Aug-21	10.0	4.1	14.1	$ 4.25
Sep-21	10.4	-	10.4	$ 4.25
TOTAL	40.7	12.4	53.1	$ 4.25

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

Reconciliation of Realized Copper Price

	Q2 2021 $ millions	Q2 2020 $ millions	2021 YTD $ millions	2020 YTD $ millions
Gross copper revenue - provisional pricing analysis				
Gross copper revenue excluding provisional pricing changes	**216.5**	91.0	**424.2**	169.0
Provisional pricing changes to copper revenue	**(10.1)**	12.1	**(15.2)**	3.8
Gross copper revenue	**206.4**	103.1	**409.0**	172.8
	$/lb	$/lb	**$/lb**	$/lb
Gross copper revenue excluding provisional pricing changes	**$ 5.02**	$ 2.40	**$ 4.59**	$ 2.48
Provisional pricing changes to copper revenue	**(0.24)**	0.32	**(0.16)**	0.05
Realized copper price	**$ 4.78**	$ 2.72	**$ 4.43**	$ 2.53
Gross copper revenue - reconciliation to financials				
Gross copper revenue	**206.4**	103.1	**409.0**	172.8
Revenue from other metals	**13.7**	11.4	**27.6**	21.5
Treatment and selling	**(10.7)**	(9.8)	**(23.1)**	(19.2)
Revenue per financials	**209.4**	104.7	**413.5**	175.1
Payable copper sold (000s pounds)	**43,149**	37,872	**92,314**	68,257
LME average copper price	**$ 4.40**	$ 2.43	**$ 4.13**	$ 2.50

The realized copper price in Q2 2021 of $4.78 per pound was higher than the LME average of $4.40 per pound due to 53.3 million pounds of copper priced at an average of $3.99 per pound at March 31, 2021 which final settled or were second provisional invoiced at higher prices during Q2 2021, and partially lowered by 53.1 million pounds of copper provisionally priced at an average of $4.25 per pound at June 30, 2021, which was lower than Q2 2021 average prices. In addition, the timing of sales during Q2 2021 were more heavily weighted towards the middle of the quarter when prices were higher.

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

Consolidated Cash Flow Analysis

$ millions	Q2 2021	Q2 2020	2021 YTD	2020 YTD
Operating cash flow before changes in working capital[1,2]	140.4	24.0	385.3	20.7
Changes in working capital	28.4	21.1	4.2	31.4
Changes in other assets	(0.3)	-	(0.7)	-
Total cash flows from operating activities	**168.5**	**45.1**	**388.8**	**52.1**
Cash flows used in investing activities	(43.5)	(15.5)	(90.9)	(41.4)
Cash flows from / (used in) financing activities	1.5	26.9	(186.4)	33.5
Effect of foreign exchange rates on cash and cash equivalents	0.1	0.5	0.1	(1.0)
Net change in cash and cash equivalents	**126.6**	**57.0**	**111.6**	**43.2**
Opening cash and cash equivalents	41.6	26.1	56.6	39.9
Closing cash and cash equivalents	**168.2**	**83.1**	**168.2**	**83.1**

[2] *Q2 2021 includes $30.0 million gold stream proceeds and 2021 YTD includes $180.0 million silver and gold stream proceeds*

Changes in Cash Flows for the Three Months Ended June 30, 2021 and 2020

The net change in cash was $126.6 million in Q2 2021 compared to $57.0 million in Q2 2020. The change was primarily due to:

- Cash flow from operating activities before changes in working capital[1] was higher by $116.4 million due to strong operational performance. Revenue less production costs were significantly higher in Q2 2021 versus Q2 2020 (Q2 2021 revenue of $209.4 million less production costs of $82.6 million compared to Q2 2020 revenue of $104.7 million less production costs of $68.6 million). The increase in revenue is due to higher realized copper prices and copper production. In addition, $30.0 million proceeds from the Gold Stream Agreement were received in Q2 2021.
- Changes in working capital in Q2 2021 was $7.3 million higher compared to the same period last year primarily due to a decrease in accounts receivable versus an increase in Q2 2020, partially offset by smaller than prior period decrease in inventory.
- Cash flows used in investing activities were $28.0 million higher in Q2 2021 mainly due to higher capital spend on growth projects in Q2 2021 while Q2 2020 included the impact of reduced capital spend during the downturn in copper prices due to the impacts of COVID-19.
- Cash flows from financing activities were $25.4 million lower in Q2 2021 primarily due to no bank borrowings compared to $30.0 million draw on the Corporate Revolving Credit facility (“RCF”) in Q2 2020.

Changes in Cash Flows for the Six Months Ended June 30, 2021 and 2020

The net change in cash was $111.6 million in 2021 YTD compared to $43.2 million in 2020 YTD. The change was primarily due to:

- Cash flow from operating activities before changes in working capital[1] was higher by $364.6 million due to $180.0 million proceeds received in 2021 YTD under Silver and Gold Stream Agreements plus strong operational performance. Revenue less production costs were significantly higher in 2021 YTD versus 2020 YTD (2021 YTD revenue of $413.5 million less production costs of $167.3 million compared to 2020 YTD revenue of $175.1 million less production costs of $137.4 million). The increase in revenue is due to higher realized copper prices and significantly higher copper production. C1 cash cost[1] per payable pound of copper was lower in 2021 YTD compared to 2020 YTD, primarily driven by higher copper production at both mines.
- Changes in working capital was lower by $27.2 million, primarily due to a larger decrease in accounts payable and accrued liabilities compared to the same period last year.
- Cash flows used in investing activities were $49.5 million higher in 2021 YTD mainly due to the $30 million first tranche payment for KORES’ 30% ownership interest in Santo Domingo ($17.1 million (net

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

of taxes) paid on March 24, 2021 and $12.9 million recorded within accrued liabilities). Moreover, capital spend in 2021 YTD was $21.1 million higher compared to the same period last year on growth projects.

- Cash flows used in financing activities were $219.9 million higher in 2021 YTD primarily due to $184.9 million of net repayments on the RCF in 2021 YTD compared to $40.0 million net draw in 2020 YTD.

[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	Total	Q1	Q2	Q3	Q4	Total
Production (contained metal and cathode) [2]								
Copper in Concentrate (000's pounds)	35,248	28,438	63,686	25,721	29,058	26,485	32,710	113,974
Cathode (000's pounds)	1,162	1,096	2,259	1,067	1,114	1,436	1,377	4,994
Total Copper (000's pounds)	36,410	29,534	65,945	26,788	30,172	27,921	34,087	118,968
Mining								
Waste (000s tonnes)	7,169	7,144	14,313	5,588	5,677	8,025	8,002	27,292
Ore (000s tonnes)	5,569	4,393	9,962	5,399	4,992	4,461	5,030	19,882
Total (000s tonnes)	12,738	11,537	24,275	10,987	10,669	12,486	13,032	47,174
Strip Ratio (Waste:Ore)	1.29	1.63	1.44	1.04	1.14	1.80	1.59	1.37
Milling								
Milled (000s tonnes)	5,229	4,474	9,703	4,996	4,902	4,517	5,259	19,674
Tonnes per day	58,095	49,170	53,608	54,899	53,864	49,104	57,168	53,755
Copper grade (%)[3]	0.36	0.33	0.34	0.28	0.32	0.31	0.33	0.31
Recoveries								
Copper (%)[3]	85.6	88.6	86.9	82.4	85.0	86.3	86.0	85.0
Concentrate Production								
Copper (dmt)	63,587	49,823	113,411	46,613	53,793	49,005	62,020	211,431
Copper (%)	25.1	25.9	25.5	25.0	24.5	24.5	23.9	24.5
Property costs [1] ($/t milled)	$10.92	$13.23	$11.98	$10.87	$10.86	$13.08	$10.56	$11.29
Payable copper produced (000's pounds)	35,177	28,539	63,716	25,888	29,155	26,994	32,942	114,979
Copper C1 cash cost [1] ($/lb payable copper produced)	$1.94	$2.33	$2.12	$2.41	$2.12	$2.38	$2.00	$2.21
Adjusted EBITDA [1] ($ millions)	$88.3	$82.5	$170.8	$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 29.5 million pounds in Q2 2021 in line with Q2 2020. Lower mill throughput of 49,170 tpd versus 53,864 tpd in Q2 2020 related to planned maintenance downtime, including installing a new ball mill shell, tailings thickeners and pumping upgrades (PV 3 optimization Phase 2 capital expenditures) and other operating maintenance, including replacing parts in the crushing, grinding and tailings areas, and restricted access to the site due to wildfires in the area. This was offset by higher recoveries related to PV3 optimization of the flotation circuit (Q2 2021 – 88.6% vs. Q2 2020 – 85.0%) and slightly higher grades (Q2 2021 – 0.33% versus Q2 2020 - 0.32%). Higher recoveries were achieved due to continuing successful implementation of improved metallurgical practices and finer blasted ore.

2021 YTD production was 16% higher than the same period last year primarily attributed to higher grades (2021 YTD – 0.34% versus 2020 YTD – 0.30%) and improved recoveries due to improvements on floatation circuit tied to metallurgical practices and finer blasted ore (2021 YTD - 86.9% versus 2020 YTD 83.7%).

C1 cash costs[1] of $2.33 per payable pound in Q2 2021 were $0.21 per payable pound or 10% higher than Q2 2020, primarily due to slightly lower production and higher period costs related to planned mill maintenance spend.

2021 YTD C1 cash costs[1] of $2.12 per payable pound were $0.13 per payable pound or 6% lower compared to the same period last year of $2.25 per payable pound primarily due to higher copper production and more stripping costs capitalized during 2021 YTD versus 2020 YTD as a result of mine sequencing.

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

Investing Activities

Sustaining capital[1] in Q2 2021 of $17.2 million focused primarily on mining equipment component replacements, mill infrastructure, water and tailings projects. Expansionary capital[1] in Q2 2021 of $3.9 million primarily related to PV3 Optimization Phase 2 projects aimed at increasing reliability and improving performance and included tailings thickener and pumping upgrades and a mill shell replacement, which is expected to benefit life of mine throughput and reliability. Deferred stripping increased in Q2 2021 relative to Q2 2020 as a function of the mine sequence. Q2 2021 $2.7 million right of use asset additions relate to leased mining equipment.

($millions)	**Q2 2021**	Q2 2020	**2021 YTD**	2020 YTD
Deferred stripping – cash	**4.3**	0.7	**6.3**	1.0
Deferred stripping – non-cash	**1.6**	0.2	**2.2**	0.3
Deferred stripping as reported in the financials	**5.9**	0.9	**8.5**	1.3
Sustaining capital[1]	**17.2**	9.7	**22.1**	13.4
Expansionary capital[1]	**3.9**	2.7	**5.7**	7.6
Right of use assets	**2.7**	-	**8.8**	-
Pinto Valley segment mineral property, plant and equipment ("MPPE") additions – financial statements	**29.7**	13.3	**45.1**	22.3

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

Cozamin Mine – Zacatecas, Mexico

Operating Statistics

	2021 Q1	2021 Q2	2021 Total	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2020 Total
Production (contained metal) [2]								
Copper (000's pounds)	11,389	13,778	25,167	8,699	8,349	10,595	10,283	37,926
Zinc (000's pounds)	2,715	1,885	4,600	4,464	2,213	4,305	3,605	14,587
Silver (000s ounces)	343	364	707	298	248	336	322	1,204
Mining								
Ore (000s tonnes)	328	332	660	278	235	283	287	1,083
Milling								
Milled (000s tonnes)	301	348	649	276	235	284	284	1,079
Tonnes per day	3,345	3,828	3,588	3,032	2,583	3,090	3,086	2,949
Copper grade (%) [3]	1.79	1.86	1.83	1.51	1.68	1.77	1.72	1.67
Zinc grade (%) [3]	0.84	0.53	0.67	1.04	0.71	1.03	0.88	0.92
Silver grade (g/t) [3]	43.8	39.6	41.6	42.0	39.9	46.5	44.2	43.3
Recoveries [3]								
Copper (%)	96.0	96.3	96.2	94.5	95.8	95.6	95.6	95.4
Zinc (%)	48.6	46.7	47.9	70.8	60.1	66.5	65.3	66.4
Silver (%)	80.9	82.1	81.5	78.7	84.1	78.9	79.7	80.1
Concentrate Production								
Copper (dmt)	19,897	23,583	43,480	14,229	13,762	17,495	17,219	62,705
Copper (%)	26.0	26.5	26.3	27.7	27.5	27.5	27.1	27.4
Silver (g/t)	505	476	489	555	549	567	540	553
Zinc (dmt)	2,542	1,777	4,319	4,168	2,081	3,953	3,346	13,548
Zinc (%)	48.8	48.1	48.5	48.6	48.3	49.4	48.9	48.8
Property costs [1] ($/t milled)	$46.27	$41.65	$43.79	$45.17	$43.38	$37.74	$46.87	$42.72
Payable copper produced (000's lb's)	10,928	13,232	24,160	8,368	8,029	10,189	9,884	36,470
Copper C1 cash cost [1] ($/lb payable copper produced)	$0.91	$1.00	$0.96	$0.95	$0.98	$0.36	$0.63	$0.69
Adjusted EBITDA [1] ($ millions)	$34.7	$50.0	$84.7	$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 66% higher in Q2 2021 than in Q2 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 throughout of approximately 3,780 tpd, and higher grades (1.86% versus 1.68%). Mining activity increased in the high-grade copper areas, San Jose and Calicanto zones. Moreover, Q2 2020 production was impacted by restrictions as result of the COVID-19 government mandated decree.

2021 YTD production was 48% higher than the same period last year primarily attributed to the mine expansion to higher mining rates and higher grades (2021 YTD – 1.83% versus 2020 YTD – 1.59%) and improved recoveries (2021 YTD – 96.2% versus 2020 YTD 95.1%).

Q2 2021 and YTD C1 cash costs[1] were in line with the same periods last year even though Q2 2021 includes $0.30 per payable pound and 2021 YTD includes $0.32 per payable pound impact of the 50% Silver Stream Agreement. The Silver Stream Agreement impact on 2021 C1 cash costs[1] was offset by significantly higher copper production.

Investing Activities

Sustaining capital[1] and expansionary capital[1] spending at Cozamin totaled $11.7 million for Q2 2021, related to mine development and mine equipment. Capital spending included $5.1 million of expansionary

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

capital[1] on the filtered (dry stack) tailings and pastefill facility. The plant is expected to be commissioned in Q4 2022 with full ramp up by Q1 2023.

The most recent Cozamin mine Technical Report, dated March 11, 2021, included a pre-feasibility study for an underground paste backfill system, indicating a capital cost estimate ranging from $41 million to $45 million which includes capital for a filtered (dry stack) tailings facility. The plant is expected to be commissioned in Q4 2022 with full ramp up by Q1 2023, with $13 million included in the 2021 capital guidance.

Capitalized exploration expenditures totaled $1.4 million for Q2 2021. This was spent primarily on Mineral Resource drilling of the Mala Noche Footwall Zone, associated with infilling and stepping out from regions of Inferred Mineral Resource category of the Mineral Resource estimate with three surface rigs.

($millions)	**Q2 2021**	Q2 2020	**2021 YTD**	2020 YTD
Sustaining capital[1]	**6.6**	3.7	**11.0**	9.5
Expansionary capital[1]	**5.1**	0.4	**5.3**	1.1
Brownfield exploration	**1.4**	0.3	**2.4**	2.8
Cozamin segment MPPE additions –financial statements	**13.1**	4.4	**18.7**	13.4

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

Santo Domingo Project – Chile (Copper, Iron and Cobalt)

Investing Activities

In 2020 Capstone released a positive update to the Feasibility Study-level Technical Report for the Copper-Iron project, published on January 3, 2019 ("Base Case"), which included a higher level of capital and operating cost certainty, additional key permits and the development in Section 24 of a Preliminary Economic Assessment with respect to cobalt production.

The Base Case to 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 (8% discount rate) of approximately $1 billion at $3 copper and an iron price of $80 per tonne (65%, Chile).

Capstone is focused on the reduced capital strategy which right-sizes the initial capital from $1.5 billion to $1.1 billion with the transfer of certain off-site capital expenditures to third parties in exchange for future operating expenditures as customers of the port and rail. During the quarter, in preparation for financing the project, Capstone updated the initial capital estimate in the Base Case included in the 2020 Technical Report of $1.5 billion resulting in a modest increase of approximately $40 million. The increases primarily relate to labour, materials, including increased steel prices, and cost inflation, including updated process plant and mine equipment quotations. These increases were partially offset by a change in the assumed US dollar to Chilean Peso exchange rate from 600 to 700. In addition, Capstone is advancing the financing for the project which includes the $290 million Gold Stream Agreement with Wheaton.

During Q1 2021, Capstone entered into a Share Purchase Agreement (the "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 enables consolidation of 100% ownership in Santo Domingo which provides greater flexibility to Capstone's strategic process in securing a partner and unencumbers the future placement of the concentrate off-take. $17.1 million was paid on closing (net of withholding taxes) on March 24, 2021 related to the $30 million first tranche payment for KORES' 30% ownership interest in Santo Domingo. The remaining $12.9 million was recorded in accrued liabilities at June 30, 2021.

Following consolidation of Capstone's 100% ownership of Santo Domingo during Q1 2021, the Company continued to advance the project on several fronts:

- Negotiations for strategic partnerships and project financing for Santo Domingo's development are advancing well and are expected to be finalized in Q3 2021. Santo Domingo is currently the only fully permitted copper-iron project in Chile.
- The Company and its partner, Puerto Ventanas, are working to finalize the port services agreement and evaluating opportunities to optimize the Santo Domingo project by replacing the iron pipeline with a rail option.
- With respect to potential increases in the Chilean mining royalty tax, Santo Domingo is expected to be protected given the fact the Company retains a foreign investment contract with the state of Chile, which fell under the provisions of DL600. One of the benefits to the Company of this agreement is a tax invariability system for a period of 15 years post commercial production. 15 years represents the majority of the 18 year reserve mine life in the 2020 Technical Report. As described in the 2020 Technical Report, for the period covered by the tax invariability system, the Company expects that applicable taxes will include a category 1 income tax (27%) and the existing royalty, which is a sliding scale between 5-14%, depending on operating margins.
- The $20 million cobalt feasibility study announced in Q1 2021 is progressing according to schedule. A geochemical model has been developed to quantify pyrite-cobalt distribution throughout the orebody, which guided the location of drillhole locations of the current drilling campaign from which

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

more samples will be obtained for further plant optimization test work. The drilling campaign started in May 2021 with 8,500m exploration drilling and continued into early July with 7,600m PQ drilling. The latter will deliver 6,000m of PQ samples to be used for the development of a 3D geometallurgical pyrite-cobalt flotation model and for confirmative testing with yearly composites according to mine plan. This will allow the Santo Domingo team to finetune both the pyrite oxidation process and the downstream hydrometallurgical options to produce battery-grade cobalt sulphate. In parallel, engineering activities will continue to bring cobalt plant design from the current Preliminary Economic Assessment to Feasibility Study level during 2022 including several trade-off studies at process level pyrite oxidation and cobalt pregnant leach solution purification.

Q2 2021 project development costs related to Early Works as required by the Environmental Permit (RCA) to include flora and fauna rescue, opening earthworks, and the industrial water pipeline, In addition, effort has continued for local permitting, basic and detailed engineering, land tenure costs, Environmental Impact Assessment and geometallurgical drilling for the cobalt feasibility work. Also, Capstone has begun brownfield expansion drilling between the Santo Domingo and Iris Norte Pits.

($ millions)	**Q2 2021**	Q2 2020	**2021 YTD**	2020 YTD
Capitalized project costs (on 100% basis)[2]	**5.6**	1.7	**13.2**	4.1
Brownfield exploration	**1.7**	-	**1.7**	-
Santo Domingo segment MPPE additions – financial statements	**7.5**	1.7	**14.9**	4.1

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

The Santo Domingo project has commenced Early Works as defined by the RCA. Capstone has all permits and approvals for the start of construction from the Chilean authorities including an approved Mine Closure Plan. In Q1 2021, Santo Domingo received an amended permit for a water desalination facility to provide all water required for the mine operation.

Exploration

($millions)	**Q2 2021**	Q2 2020	**2021 YTD**	2020 YTD
Greenfield exploration (expensed to income statement)	**1.0**	0.2	**1.7**	0.7
Brownfield exploration (capitalized to mineral properties) – Refer to Cozamin section	**1.4**	0.3	**2.4**	2.8
Brownfield exploration (capitalized to mineral properties) – Refer to Santo Domingo section	**1.7**	-	**1.7**	-
Total exploration	**4.1**	0.5	**5.8**	3.5

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.

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

Outlook – 2021 Guidance

In 2021, Capstone expects to produce between 175 and 190 million pounds of copper at C1 cash costs[1] of between $1.75 and $1.90 per pound payable copper produced.

	Pinto Valley	Cozamin	Santo Domingo	Total
Production and Cost (US$)				
Copper production (million pounds)	127 – 137	48 – 53	-	**175 – 190**
C1 cash cost[1]	$2.00 – $2.15	$1.00 – $1.15	-	**$1.75 – $1.90**
Capital Expenditure (US$ millions, rounded)				
Sustaining capital[1]	$55	$25	-	**$80**
Capitalized stripping[2]	$12	-	-	**$12**
Expansionary capital[1]	$25	$13	$40	**$78**
Total Capital Expenditure	**$92**	**$38**	**$40**	**$170**
Exploration (US$ millions, rounded)				
Brownfield (Cozamin and Santo Domingo)	-	$6	$3	$9
Greenfield (Mexico and Brazil)	-	-	-	$4
Total Exploration	**-**	**$6**	**$3**	**$13**

[2] Capitalized stripping includes $4 million for sustaining capitalized stripping and $8 million for expansionary PV3 stripping.

Pinto Valley capital guidance has increased by $22 million from the $70 million reported in the Company's MD&A dated April 27, 2021. The increase related to $12 million of additional sustaining capital[1], primarily related to one time water management and tailings projects, $5 million of additional expansionary capital[1], related to advancing PV4 study and enhancing SX/EW cathode production performance, and $5 million of additional capitalized stripping, primarily as a result of accelerating PV3 stripping in Q2 2021.

Santo Domingo capital guidance has increased from the $35 million reported in the Company's MD&A dated April 27, 2021 primarily due to additional Cobalt feasibility study costs expected to be spent in 2021.

Brownfield exploration guidance increased from $5 million reported in the Company's MD&A dated April 27, 2021 primarily due to additional Cozamin costs and exploration drilling at Santo Domingo.

[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 $102.4 million at June 30, 2021 compared with $64.0 million at December 31, 2020, as follows:

(millions)		Jun. 30, 2021		Dec. 31, 2020
Current assets				
Cash and cash equivalents	$	168.2	$	56.6
Short-term investments		3.3		3.4
Receivables		10.0		26.7
Inventories		49.7		58.3
Other assets		8.8		12.9
Total current assets	$	240.0	$	157.9
Current liabilities				
Accounts payable and accrued liabilities	$	78.8	$	74.9
Other liabilities		58.8		19.0
Total current liabilities	$	137.6	$	93.9
Working capital	$	102.4	$	64.0

Cash and cash equivalents increased by $111.6 million from December 31, 2020 to June 30, 2021. Refer to the Statement of Cash Flows within the Company's condensed interim consolidated financial statements for further details surrounding the movement in the cash balance. The change in the cash balance includes the receipt of the $150.0 million upfront payment for the Cozamin Silver Stream, $30.0 million upfront payment for the Santo Domingo Gold Stream Agreement, and $184.9 million net repayments on the RCF during the period.

As at June 30, 2021, the Company held $3.3 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.

Receivables decreased by $16.7 million primarily due a $9.6 million negative mark to market adjustment on the value of Pinto Valley concentrate receivables at June 30, 2021 and a $6.8 million decrease in the current portion of the promissory note receivable from KORES due to Capstone's assumption of the KORES promissory note as part of the purchase of KORES' non-controlling interest in Acquisition Co. in March 2021.

Inventories decreased by $8.6 million primarily related to Pinto Valley having lower copper concentrate volumes on hand compared to December 31, 2020 due to selling concentrate inventory held at port at June 30, 2021.

Other liabilities increased by $39.8 million primarily driven by the increase in the current portion of share-based payment obligations of $22.7 million due to an increase in Capstone's share price (increase from C$2.38 opening price to C$5.38 closing price as at June 30, 2021), $9.5 million related to the current portion of the deferred revenue liability as a result of the Cozamin Silver Stream, and $5.8 million increase in income taxes payable due to higher taxable income at Cozamin.

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

Contingent Consideration 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);
- $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; 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.

As at June 30, 2021, the contingent receivable on sale of Minto was $14.0 million (December 31, 2020 - $14.9 million).

Payable on Purchase of Non-controlling Interest

At June 30, 2021, a non-current liability of $79.8 million has been recognized in the consolidated statement of financial position equal to the discounted amount of the remaining $90.0 million to be paid to KORES as part of the agreement to purchase their 30% share of Acquisition Co. The discounted amount of the remaining $90 million will be accreted up to its face value at 5% per annum. During the three and six months ended June 30, 2021, $1.0 million of accretion was recorded in other interest expense in the condensed interim consolidated statements of income (loss).

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% based on the total leverage ratio, will remain in effect until maturity.

The interest rate at June 3, 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).

In April 2020, the Company entered an interest rate swap exchanging the floating LIBOR rate for a fixed monthly LIBOR rate of 0.355% on an amortizing notional principal. Any balance drawn on the RCF above the notional principal of the swap was charged interest at the prevailing market rate. Effectively the interest rate on these notional amounts was 0.355% plus 2.5% to 0.355% plus 3.5% based on the total leverage ratio. The interest rate swap derivatives were early settled on February 10, 2021 in conjunction with the repayment of the balance drawn on the RCF.

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 June 30, 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 June 30, 2021.

Provisions

Provisions of $148.0 million at June 30, 2021 includes the following:

- $116.4 million for reclamation and closure cost obligations at Capstone's operating mines;
- $3.9 million related to other long-term provisions at the Cozamin mine; and

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

- $27.7 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 $31.0 million is recorded in other liabilities.

Share-based payment obligations increased by $28.2 million during Q2 2021 YTD. The increase was primarily driven by the increase in the Company's share price during the period.

Precious Metal Streams

Cozamin Silver Stream

On February 19, 2021, the Company entered into a precious metals purchase arrangement with Wheaton whereby Capstone has received 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 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 June 30, 2021, the amount of the deferred revenue liability recognized as revenue was $8.9 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 June 30, 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 June 30, 2021 was $164.7 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 $171.5 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.

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

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 and interest 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 the Mexican Peso zero cost collars was $0.7 million and $1.3 million for the three and six months ended June 30, 2021.
- Pinto Valley fixed diesel prices with a supplier on its expected 2021 and 2022 diesel consumption at $1.76/gallon and $2.13/gallon, respectively. The fixed diesel prices have resulted in cost savings of $1.9 million during the six months ended June 30, 2021.

The Company did not enter into any new hedging contracts during 2021.

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.

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 is uncertainty around the Chilean Presidential, Chamber & Senate Elections scheduled for 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, 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 license 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

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

regulations, labor regimes, and incidents such as hostage taking and expropriation. There are uncertainties regarding Mexico's 2021 Economic Package and the proposed changes to the Mining Royalty Legislation and Outsourcing Regime, 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, 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 Present 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 or interpretation of law may be difficult to react to in an efficient manner.

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 the risk. 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 meters 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 Precious Metals Corp.
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 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 agreement. Further, an initial failure to achieve the completion requirements in the agreement on or before the third anniversary of the closing date will result in a delay payment. A continued failure to achieve the completion requirements under the agreement will result in a refund from Capstone to Wheaton.

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

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 experience an unforeseeable event preventing fulfillment of the contract or should any such counterparty become insolvent, Capstone may incur losses on the 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 of our off-take agreements 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 or transfer on 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.

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 KORES' 30% ownership interest in Santo Domingo. During Q2 2021, KORES sold all their previously held Capstone common shares.

Related party transactions and balances are disclosed in the consolidated financial statements for the year ended December 31, 2020.

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

Off Balance Sheet Arrangements

At June 30, 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, 2020;
- capital expenditure commitments totaling $6.4 million;
- the indemnification for Minto as disclosed under Other assets in the condensed interim consolidated financial statements for the three and six months ended June 30, 2021; and
- four surety bonds totaling $124.3 million.

Accounting Changes

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.

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 adoption effective January 1, 2021 and determined it does not currently 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 net of by-product credits and is a key performance measure that management uses to monitor performance. Management uses this measure to assess how

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

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 comprised 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 comprised 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 (Loss)

Adjusted net income (loss) is net income (loss) 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 (loss) 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 (loss) 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

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

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

Expansionary capital

Expenditures which 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.

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

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

Three Months Ended June 30, 2021 and 2020

	Q2 2021			Q2 2020		
	Pinto Valley	Cozamin	Total	Pinto Valley	Cozamin	Total
Payable copper produced (000s lbs)	28,539	13,232	41,771	29,155	8,029	37,184
Production costs of metal produced (per financials, $M)	$ 66.1	$ 16.5	$ 82.6	$ 57.5	$ 11.1	$ 68.6
Transportation cost to point of sale ($M)	(5.8)	(1.0)	(6.9)	(5.7)	(0.5)	$ (6.2)
Inventory (write-down) reversal ($M)	-	-	-	5.6	-	5.6
Realized gain on Mexican Peso derivatives ($M)	-	(0.8)	(0.8)			
Inventory working capital adjustments ($M)	(2.2)	(0.2)	(2.4)	(3.7)	(0.4)	(4.1)
Cash production costs of metal produced ($M)	$ 58.0	$ 14.6	$ 72.6	$ 53.7	$ 10.2	$ 63.9
Production costs ($/lb)						
Mining	$ 0.55	$ 0.67	$ 0.59	$ 0.58	$ 0.76	$ 0.62
Milling/Processing	1.19	0.26	0.90	1.07	0.28	0.90
G&A	0.29	0.17	0.25	0.19	0.23	0.20
C1P sub-total	2.03	1.10	1.74	1.84	1.27	1.72
By-product credits ($/lb)	(0.08)	(0.39)	(0.18)	(0.16)	(0.56)	(0.25)
Treatment and selling costs ($/lb)	0.38	0.28	0.35	0.44	0.27	0.40
C1 cash cost ($/lb PRODUCED)	**$ 2.33**	**$ 1.00**	**$ 1.91**	**$ 2.12**	**$ 0.98**	**$ 1.87**
Royalties	0.01	0.15	0.05	,	0.08	0.02
Production-phase capitalized stripping/Mineralized drift	0.10	0.03	0.08	0.02	-	0.02
Sustaining capital	0.61	0.47	0.56	0.33	0.45	0.36
Sustaining leases	(0.03)	0.00	(0.02)	-	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	0.04	0.01
Corporate G&A, excluding depreciation			0.09			0.08
All-in sustaining cost adjustments	0.69	0.68	0.78	0.37	0.59	0.50
All-in sustaining cost ($/lb PRODUCED)	**$ 3.02**	**$ 1.68**	**$ 2.69**	**$ 2.49**	**$ 1.57**	**$ 2.37**

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

Six Months Ended June 30, 2021 and 2020

	2021 YTD						2020 YTD					
		Pinto Valley		Cozamin		Total		Pinto Valley		Cozamin		Total
Payable copper produced (000s lbs)		63,716		24,160		87,876		55,043		16,397		71,440
Production costs of metal produced (per financials, $M)	$	136.8	$	30.4	$	167.3	$	112.2	$	25.1	$	137.3
Transportation cost to point of sale ($M)		(13.2)		(1.7)		(15.0)		(10.6)		(1.2)	$	(11.8)
Inventory (write-down) reversal ($M)		-		-		-		0.9		-		0.9
Realized gain on Mexican Peso derivatives ($M)		-		(1.3)		(1.3)						
Inventory working capital adjustments ($M)		(7.6)		(0.1)		(7.7)		5.9		(1.2)		4.7
Cash production costs of metal produced ($M)	$	116.0	$	27.2	$	143.2	$	108.4	$	22.7	$	131.1
Production costs ($/lb)												
Mining	$	0.54	$	0.68	$	0.59	$	0.63	$	0.84	$	0.68
Milling/Processing		1.04		0.28		0.82		1.13		0.31		0.93
G&A		0.24		0.18		0.22		0.21		0.23		0.23
C1P sub-total		1.82		1.14		1.63		1.97		1.38		1.84
By-product credits ($/lb)		(0.09)		(0.47)		(0.19)		(0.15)		(0.69)		(0.28)
Treatment and selling costs ($/lb)		0.39		0.29		0.36		0.43		0.28		0.40
C1 cash cost ($/lb PRODUCED)	**$**	**2.12**	**$**	**0.96**	**$**	**1.80**	**$**	**2.25**	**$**	**0.97**	**$**	**1.96**
Royalties		0.01		0.15		0.04		-		0.09		0.02
Production-phase capitalized stripping/Mineralized drift		0.07		0.04		0.06		0.02		-		0.01
Sustaining capital		0.35		0.41		0.37		0.24		0.56		0.32
Sustaining leases		0.01		0.00		0.01		-		0.01		-
Accretion of reclamation obligation		-		0.01		-		0.02		0.01		0.01
Amortization of reclamation asset		0.01		0.01		0.01		0.01		0.04		0.02
Corporate G&A, excluding depreciation						0.09						0.09
All-in sustaining cost adjustments		0.44		0.63		0.59		0.29		0.71		0.47
All-in sustaining cost ($/lb PRODUCED)	**$**	**2.56**	**$**	**1.59**	**$**	**2.39**	**$**	**2.54**	**$**	**1.68**	**$**	**2.43**

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

Reconciliation of Net Cash/Net Debt

($ millions)	30-Jun-21	31-Dec-20
Long term debt (per financials), excl. deferred financing costs of nil and $1.7	$ -	$ (184.9)
Less:		
Cash and cash equivalents (per financials)	168.2	56.6
Short term investments (per financials)	3.3	3.4
Net cash/(net debt)	**$ 171.5**	**$ (124.9)**

Reconciliation of Available Liquidity

($ millions)	30-Jun-21	31-Dec-20
Revolving credit facility capacity	$ 225.0	$ 300.0
Long term debt (per financials), excl. deferred financing costs of nil and $1.7	-	(184.9)
	225.0	115.1
Cash and cash equivalents (per financials)	168.2	56.6
Short term investments (per financials)	3.3	3.4
Available liquidity	**$ 396.5**	**$ 175.1**

Reconciliation of Cash Flow from Operating Activities per Common Share

($ millions, except share and per share amounts)	Q2 2021	Q2 2020	2021 YTD	2020 YTD
Cash flow from operating activities (per financials)	$ 168.5	$ 45.1	$ 388.8	$ 52.1
Weighted average common shares - basic (per financials)	405,157,458	392,688,353	404,235,769	392,599,623
Cash flow from operating activities per share	**$ 0.42**	**$ 0.11**	**$ 0.96**	**$ 0.13**

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

($ millions, except share and per share amounts)	Q2 2021	Q2 2020	2021 YTD	2020 YTD
Operating cash flow (per financials)	$ 168.5	$ 45.1	$ 388.8	$ 52.1
Adjustment for changes in working capital (per financials)	(28.4)	(21.1)	(4.2)	(31.4)
Changes in other assets (per financials)	0.3	-	0.7	-
Operating cash flow before changes in working capital	**$ 140.4**	**$ 24.0**	**$ 385.3**	**$ 20.7**
Weighted average common shares - basic (per financials)	405,157,458	392,688,353	404,235,769	392,599,623
Operating cash flow before changes in working capital per share	**$ 0.35**	**$ 0.06**	**$ 0.95**	**$ 0.05**

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

Reconciliation of Adjusted Net Income (Loss)

($ millions, except share and per share amounts)		Q2 2021		Q2 2020		2021 YTD		2020 YTD
Net income (loss) (per financials)	$	49.4	$	4.3	$	176.4	$	(17.6)
Inventory write-down - production costs		-		(5.5)		-		(0.8)
Inventory write-down - depletion and amortization		-		(1.9)		-		0.1
Reversal of unrealized gain (loss) on derivative contracts		0.4		(0.1)		1.5		-
Share based compensation		18.7		4.1		45.8		3.2
Unrealized foreign exhange loss/(gain)		1.7		1.5		2.0		(4.3)
Other expense - non-recurring fees		0.1		-		0.1		-
Change in fair value of contingent receivable (RE: Minto)		(1.2)		(3.5)		(4.1)		(0.4)
Loss on disposal of assets		-		(0.2)		-		-
Reversal of impairment on mineral properties (RE: Santo		-		-		(92.4)		-
Non-recurring fees on streaming transactions		0.1		-		0.9		-
G&A - care and maintenance		0.1		0.2		0.1		0.2
Insurance proceeds received		-		(0.8)		-		(0.8)
Tax effect on the above adjustments		(0.6)		1.3		2.8		2.1
Adjusted net income (loss)	**$**	**68.7**	**$**	**(0.6)**	**$**	**133.1**	**$**	**(18.3)**
Adjusted net income (loss) attributable to:								
Shareholders of Capstone Mining Corp.	$	68.7	$	(0.6)	$	133.1	$	(18.3)
Non-controlling interests		-		-		-		-
	$	**68.7**	**$**	**(0.6)**	**$**	**133.1**	**$**	**(18.3)**
Weighted average common shares - basic (per financials)		405,157,458		392,688,353		404,235,769		392,599,623
Adjusted net income (loss) attributable to shareholders of Capstone Mining Corp. per common share - basic	**$**	**0.17**	**$**	**-**	**$**	**0.33**	**$**	**(0.05)**
Weighted average common shares - diluted (per financials)		414,905,516		396,742,769		413,634,091		392,599,623
Adjusted net income (loss) attributable to shareholders of Capstone Mining Corp. per common share - diluted	**$**	**0.17**	**$**	**-**	**$**	**0.32**	**$**	**(0.05)**

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

Reconciliation of Adjusted EBITDA

($ millions)	Q2 2021	Q2 2020	2021 YTD	2020 YTD
Net income (per financials)	$ 49.4	$ 4.3	$ 176.4	$ (17.6)
Net finance costs	4.3	3.4	7.2	7.7
Taxes	24.2	3.4	47.6	(0.3)
Depletion and amortization	22.2	19.8	47.8	41.2
EBITDA	**100.1**	**30.9**	**279.0**	**31.0**
Share-based compensation expense	18.7	4.1	45.8	3.2
Inventory write-down - production costs	-	(5.6)	-	(0.9)
Unrealized gain on derivative instruments	0.4	(0.1)	1.5	-
Loss on disposal of mineral properties, plant and equipment	-	(0.2)	-	-
Unrealized foreign exchange loss/(gain)	1.7	1.5	2.1	(4.3)
Other expense - non-recurring fees	0.1	-	0.1	-
Unrealized revenue adjustment	10.6	(13.4)	16.3	(3.6)
Insurance proceeds received	-	(0.8)	-	(0.8)
Reversal of impairment on mineral properties (re: Santo Domingo)	-	-	(92.4)	-
Amortization of deferred revenue - non-cash financing component	(2.5)	-	(2.5)	-
Non-recurring financing fees on streaming transactions	0.1	-	0.9	-
Change in fair value of contingent receivable (re: Minto)	(1.2)	(3.5)	(4.1)	(0.4)
Adjusted EBITDA	**$ 128.0**	**$ 12.9**	**$ 246.7**	**$ 24.2**
Adjusted EBITDA by mine				
Pinto Valley	82.5	4.1	170.8	6.9
Cozamin	50.0	11.7	84.7	23.4
Other	(4.5)	(2.9)	(8.8)	(6.1)
Adjusted EBITDA	**$ 128.0**	**$ 12.9**	**$ 246.7**	**$ 24.2**

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

	Q2 2021		Q2 2020		2021 YTD		2020 YTD	
	Pinto Valley	Cozamin	Pinto Valley	Cozamin	Pinto Valley	Cozamin	Pinto Valley	Cozamin
Tonnes of mill feed (000s)	4,474	348	4,902	235	9,703	649	9,897	511
Production costs of metal produced (per financials, $M)	$ 66.1	$ 16.5	$ 57.5	$ 11.1	$ 136.8	$ 30.4	$ 112.2	$ 25.1
Transportation cost to point of sale ($M)	(5.8)	(1.0)	(5.7)	(0.5)	(13.2)	(1.7)	(10.6)	(1.2)
Inventory write-down(reversal) ($M)	-	-	5.6	-	-	-	0.9	-
FX derivative gain	-	(0.8)	-	-	-	(1.3)	-	-
Inventory working capital adjustments ($M)	(2.2)	(0.2)	(3.7)	(0.4)	(7.6)	(0.1)	5.9	(1.2)
Cash production costs of metal produced ($M)	$ 58.0	$ 14.6	$ 53.6	$ 10.2	$ 116.0	$ 27.2	$ 108.5	$ 22.7
Deferred stripping/Capitalized mineralized drift costs ($M)	4.4	0.4	0.7	-	6.3	1.0	1.1	-
Cathode costs ($M)	(3.1)	-	(1.9)	-	(6.2)	-	(3.6)	-
Stockpile movement ($M)	(0.1)	(0.5)	0.8	-	0.0	0.3	1.5	-
Total property costs ($M)	59.2	14.5	53.3	10.2	116.2	28.4	107.5	22.7
Property cost per tonne milled	**$ 13.23**	**$ 41.65**	**$ 10.86**	**$ 43.35**	**$ 11.98**	**$ 43.79**	**$ 10.86**	**$ 44.34**

[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	Total	Q1	Q2	Q3	Q4	Total
Copper (000 lbs)								
Pinto Valley	38,584	30,101	68,685	21,407	29,884	29,859	29,737	110,887
Cozamin	10,581	13,048	23,629	8,978	7,987	9,986	9,597	36,548
Total	49,165	43,149	92,314	30,385	37,871	39,845	39,334	147,435
Zinc (000 lbs)								
Cozamin	2,110	1,789	3,899	3,013	2,318	3,400	3,198	11,929
Lead (000 lbs)								
Cozamin	302	82	384	1,193	74	326	468	2,061
Molybdenum (tonnes)								
Pinto Valley	-	-	-	16	12	-	-	28
Silver (000s ounces)								
Cozamin	309	355	664	291	248	302	296	1,137
Pinto Valley	86	55	141	56	74	67	62	259
Total	395	410	805	347	322	369	358	1,396
Gold (ounces)								
Pinto Valley	630	156	786	1,001	1,942	1,575	462	4,980
Cozamin	1	-	1	4	-	2	-	6
Total	631	156	787	1005	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

** 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.

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

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 July 27, 2021:

Issued and outstanding	411,848,350
Share options outstanding at a weighted average exercise price of $1.10	12,300,524
Fully diluted	424,148,874

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.

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.

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 June 30, 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 MD&A 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

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

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 and Mineral Resources at Pinto Valley), Tucker Jensen, Superintendent Mine Operations, P.Eng (technical information related to Mineral Reserves at Cozamin) and Albert Garcia III, PE, Vice President, Projects (technical information related to project updates at Santo Domingo) all Qualified Persons under NI 43-101.

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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

June 30, 2021

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

Capstone Mining Corp.
Condensed Interim Consolidated Statements of Financial Position
unaudited - expressed in thousands of US dollars

ASSETS		June 30, 2021		December 31, 2020
Current				
Cash and cash equivalents	**$**	**168,223**	$	56,580
Short-term investments *(Note 4)*		**3,323**		3,425
Receivables *(Note 5)*		**9,971**		26,691
Inventories *(Note 6)*		**49,704**		58,238
Other assets *(Note 8)*		**8,832**		12,937
		240,053		157,871
Mineral properties, plant and equipment *(Note 7)*		**1,270,822**		1,147,784
Promissory note receivable *(Note 10)*		**—**		27,080
Deferred income tax assets *(Note 14)*		**29,859**		28,841
Other assets *(Note 8)*		**40,708**		30,008
Total assets	**$**	**1,581,442**	$	1,391,584
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**78,842**	$	74,866
Other liabilities *(Note 9)*		**58,786**		19,004
		137,628		93,870
Long term debt *(Note 12)*		**—**		183,226
Deferred revenue *(Note 13)*		**164,752**		—
Lease liabilities *(Note 11)*		**14,371**		8,307
Payable on purchase of non-controlling interest *(Note 10)*		**79,826**		—
Provisions		**147,988**		141,780
Deferred income tax liabilities *(Note 14)*		**90,938**		65,135
Other liabilities *(Note 9)*		**10,061**		10,099
Total liabilities	**$**	**645,564**	$	502,417
EQUITY				
Share capital	**$**	**847,480**	$	842,789
Other reserves		**37,367**		33,783
Retained earnings (accumulated deficit)		**51,031**		(97,514)
Total equity attributable to equity holders of the Company		**935,878**		779,058
Non-controlling interest *(Note 10)*		**—**		110,109
Total equity		**935,878**		889,167
Total liabilities and equity	**$**	**1,581,442**	$	1,391,584

Commitments *(Note 7)*

See accompanying notes to these condensed interim consolidated financial statements.

Capstone Mining Corp.
Condensed Interim Consolidated Statements of Income (Loss)
Three and Six Months Ended June 30, 2021 and 2020
unaudited - expressed in thousands of US dollars, except share and per share amounts

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Revenue *(Note 16)*	**$ 209,401**	$ 104,739	**$ 413,464**	$ 175,091
Operating costs				
Production costs	**(82,627)**	(68,594)	**(167,274)**	(137,378)
Royalties	**(2,222)**	(661)	**(3,849)**	(1,335)
Depletion and amortization	**(21,780)**	(19,142)	**(47,119)**	(39,988)
Earnings (loss) from mining operations	**102,772**	16,342	**195,222**	(3,610)
General and administrative expenses *(Note 19)*	**(3,993)**	(3,038)	**(8,478)**	(6,515)
Exploration expenses *(Note 7)*	**(1,048)**	(180)	**(1,702)**	(746)
Impairment reversal on mineral properties *(Note 7)*	**—**	—	**92,392**	—
Care and maintenance expense *(Note 7)*	**(234)**	(353)	**(501)**	(589)
Share-based compensation expense *(Note 15)*	**(18,731)**	(4,114)	**(45,839)**	(3,207)
Earnings (loss) from operations	**78,766**	8,657	**231,094**	(14,667)
Other (expense) income				
Foreign exchange (loss) gain	**(1,761)**	(1,877)	**(2,380)**	3,496
Other income *(Note 20)*	**908**	4,372	**2,505**	938
Income (loss) before finance costs and income taxes	**77,913**	11,152	**231,219**	(10,233)
Interest on long term debt and surety bonds *(Note 21)*	**(1,005)**	(3,156)	**(2,849)**	(6,390)
Other interest expense *(Note 21)*	**(3,289)**	(251)	**(4,361)**	(1,253)
Income (loss) before income taxes	**73,619**	7,745	**224,009**	(17,876)
Income tax (expense) recovery *(Note 14)*	**(24,216)**	(3,415)	**(47,596)**	301
Net income (loss)	**$ 49,403**	$ 4,330	**$ 176,413**	$ (17,575)
Net income (loss) attributable to:				
Shareholders of Capstone Mining Corp.	**$ 49,403**	$ 4,336	**$ 150,377**	$ (17,417)
Non-controlling interest *(Note 10)*	**—**	(6)	**26,036**	(158)
	$ 49,403	$ 4,330	**$ 176,413**	$ (17,575)
Net income (loss) per share				
Income (loss) per share - basic *(Note 17)*	**$ 0.12**	$ 0.01	**$ 0.37**	$ (0.04)
Weighted average number of shares - basic *(Note 17)*	**405,157,458**	392,688,353	**404,235,769**	392,599,623
Income (loss) per share - diluted *(Note 17)*	**$ 0.12**	$ 0.01	**$ 0.36**	$ (0.04)
Weighted average number of shares - diluted *(Note 17)*	**414,905,516**	396,742,769	**413,634,091**	392,599,623

See accompanying notes to these condensed interim consolidated financial statements.

Capstone Mining Corp.
Condensed Interim Consolidated Statements of Comprehensive Income (Loss)
Three and Six Months Ended June 30, 2021 and 2020
unaudited - expressed in thousands of US dollars

	Three months ended June 30,				Six months ended June 30,			
		2021		2020		**2021**		2020
Net income (loss)	**$**	**49,403**	$	4,330	**$**	**176,413**	$	(17,575)
Other comprehensive income (loss) ("OCI")								
Items that will not be reclassified subsequently to profit or loss								
Change in fair value of marketable securities, net of tax of $nil		**2,031**		320		**2,721**		(633)
		2,031		320		**2,721**		(633)
Items that may be reclassified subsequently to profit or loss								
Foreign currency translation adjustment		**127**		316		**234**		(394)
		127		316		**234**		(394)
Total other comprehensive income (loss) for the period		**2,158**		636		**2,955**		(1,027)
Total comprehensive income (loss)	**$**	**51,561**	$	4,966	**$**	**179,368**	$	(18,602)
Total comprehensive income (loss) attributable to:								
Shareholders of Capstone Mining Corp.	**$**	**51,561**	$	4,972	**$**	**153,332**	$	(18,444)
Non-controlling interest *(Note 10)*		**—**		(6)		**26,036**		(158)
	$	**51,561**	$	4,966	**$**	**179,368**	$	(18,602)

See accompanying notes to these condensed interim consolidated financial statements.

Capstone Mining Corp.
Condensed Interim Consolidated Statements of Cash Flows
Three and Six Months Ended June 30, 2021 and 2020
unaudited - expressed in thousands of US dollars

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Cash provided by (used in):				
Operating activities				
Net income (loss)	**$ 49,403**	$ 4,330	**$ 176,413**	$ (17,575)
Adjustments for:				
Depletion and amortization	**22,108**	21,548	**47,777**	40,907
Deferred income and mining tax expense (recovery)	**24,216**	3,415	**47,596**	(301)
Impairment reversal on mineral properties *(Note 7)*	**—**	—	**(92,392)**	—
Inventory write-down (reversal of write-down)	**—**	(7,564)	**—**	(907)
Share-based compensation expense	**18,731**	4,114	**45,839**	3,207
Net finance costs	**4,294**	3,407	**7,210**	7,643
Unrealized loss (gain) on foreign exchange	**2,865**	(2,174)	**2,414**	(8,982)
(Gain) loss on derivatives	**(506)**	(110)	**487**	—
(Gain) loss on disposal of assets and other	**(3)**	(136)	**(34)**	101
Changes in contingent consideration *(Note 20)*	**(1,154)**	(3,507)	**(4,069)**	(444)
Amortization of deferred revenue *(Note 13)*	**(3,842)**	—	**(8,888)**	—
Precious metal stream deposits received *(Note 13)*	**30,000**	—	**180,000**	—
Income taxes paid	**(6,592)**	(580)	**(18,957)**	(4,282)
Income taxes received	**110**	744	**1,090**	744
Other (receipts) payments	**(95)**	62	**(77)**	69
Changes in other assets	**(345)**	(46)	**(717)**	(75)
Changes in other liabilities	**980**	547	**980**	547
Changes in non-cash working capital *(Note 18)*	**28,374**	21,092	**4,148**	31,404
	168,544	45,142	**388,820**	52,056
Investing activities				
Mineral properties, plant and equipment additions	**(41,755)**	(18,292)	**(64,093)**	(42,978)
Payment on purchase of non-controlling interest *(Note 10)*	**—**	—	**(17,141)**	—
(Purchase of) proceeds from short-term investments	**(74)**	2,729	**102**	1,450
Other assets	**(1,707)**	86	**(9,804)**	98
	(43,536)	(15,477)	**(90,936)**	(41,430)
Financing activities				
Proceeds from bank borrowings *(Note 12)*	**—**	30,000	**32,000**	45,000
Repayment of bank borrowings *(Note 12)*	**—**	—	**(216,925)**	(5,000)
KORES payment against promissory note *(Note 10)*	**—**	—	**1,423**	—
Repayment of lease obligations	**(767)**	(258)	**(1,386)**	(522)
Proceeds from the exercise of options	**2,131**	64	**3,080**	64
Payments for settlement of financial derivatives	**—**	—	**(3,690)**	—
Proceeds from settlement of financial derivatives	**693**	22	**1,219**	22
Interest paid on long term debt and surety bonds	**(602)**	(2,914)	**(2,104)**	(6,022)
	1,455	26,914	**(186,383)**	33,542
Effect of exchange rate changes on cash and cash equivalents	**213**	409	**142**	(1,021)
Increase in cash and cash equivalents	**126,676**	56,988	**111,643**	43,147
Cash and cash equivalents - beginning of period	**41,547**	26,098	**56,580**	39,939
Cash and cash equivalents - end of period	**$ 168,223**	$ 83,086	**$ 168,223**	$ 83,086

Supplemental cash flow information ***(Note 18)***

See accompanying notes to these condensed interim consolidated financial statements.

Capstone Mining Corp.
Condensed Interim Consolidated Statements of Changes in Equity
Three and Six Months Ended June 30, 2021 and 2020
unaudited - 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 15)***	**2,964,230**	**4,691**	**(1,611)**	**—**	**—**	**—**	**—**	**3,080**	**—**	**3,080**
Share-based compensation ***(Note 15)***	**—**	**—**	**863**	**—**	**—**	**—**	**—**	**863**	**—**	**863**
Settlement of share units	**—**	**—**	**—**	**—**	**—**	**1,377**	**3,323**	**4,700**	**—**	**4,700**
Change in fair value of marketable securities	**—**	**—**	**—**	**2,721**	**—**	**—**	**—**	**2,721**	**—**	**2,721**
Purchase of non-controlling interest in Acquisition Co. ***(Note 10)***	**—**	**—**	**—**	**—**	**—**	**—**	**(5,155)**	**(5,155)**	**(136,145)**	**(141,300)**
Net income	**—**	**—**	**—**	**—**	**—**	**—**	**150,377**	**150,377**	**26,036**	**176,413**
Foreign currency translation	**—**	**—**	**—**	**—**	**234**	**—**	**—**	**234**	**—**	**234**
June 30, 2021	**411,848,350**	**$ 847,480**	**$ 52,830**	**$ 6,150**	**$ (16,354)**	**$ (5,259)**	**$ 51,031**	**$ 935,878**	**$ —**	**$ 935,878**
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 15)*	263,753	94	(30)	—	—	—	—	64	—	64
Share-based compensation *(Note 15)*	—	—	485	—	—	—	—	485	—	485
Settlement of share units	—	—	—	—	—	670	(266)	404	—	404
Shares issued as compensation	137,196	40	—	—	—	—	—	40	—	40
Change in fair value of marketable securities	—	—	—	(633)	—	—	—	(633)	—	(633)
Net loss	—	—	—	—	—	—	(17,417)	(17,417)	(158)	(17,575)
Foreign currency transactions	—	—	—	—	(394)	—	—	(394)	—	(394)
June 30, 2020	400,446,553	$ 838,657	$ 54,426	$ 1,845	$ (17,152)	$ (6,635)	$ (127,489)	$ 743,652	$ 110,127	$ 853,779

See accompanying notes to these condensed interim 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., a wholly owned US subsidiary, owns and operates the copper Pinto Valley Mine located in Arizona, US. Capstone Gold, S.A. de C.V. , 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 10*). 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 three and six months ended June 30, 2021, there was 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 condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issuance on July 27, 2021.

2. Significant Accounting Policies

Basis of preparation and consolidation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting using the same accounting policies and methods of application as the audited annual consolidated financial statements of the Company for the year ended December 31, 2020, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), except as noted below. Accordingly, certain information and footnote disclosure normally included in annual financial statements have been omitted or condensed.

The Company's management makes judgements in its process of applying the Company's accounting policies in the preparation of these condensed interim consolidated financial statements. In addition, the preparation of the financial data requires that the Company's management makes assumptions and estimates of the impacts of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting impacts on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

In preparing the Company's condensed interim consolidated financial statements for the three and six months ended June 30, 2021, the Company applied the critical judgements and estimates disclosed in Note 2 of its consolidated financial statements for the year ended December 31, 2020, in addition to the critical judgement and estimate noted below.

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

Revenue from Contracts with Customers
To determine the transaction price for streaming agreements, the Company made estimates with respect to the future production of the life of mine and proven and probable mineral reserve and resource quantities. These estimates are subject to variability and may have an impact on the timing and amount of revenue recognized.

The Company exercised judgement in the identification of performance obligations under its streaming agreements and the allocation of the transaction price thereto. Specifically, the Company considers the performance obligations to be the delivery of silver and gold under these agreements.

These condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2020.

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.

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 adoption effective January 1, 2021 and determined it does not currently 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.

3. 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 June 30, 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 4)*	$ 3,323	$ —	$ —	$ 3,323
Concentrate receivables *(Note 5)*	—	7,496	—	7,496
Derivative asset - current *(Note 8)*	—	1,735	—	1,735
Investment in marketable securities *(Note 8)*	5,665	—	—	5,665
Contingent consideration on sale of Minto *(Note 8)*	14,002	—	—	14,002
	$ 22,990	$ 9,231	$ —	$ 32,221

(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 three and six months ended June 30, 2021.

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

	June 30, 2021			
	Fair value through profit or loss	**Fair value through OCI**	**Amortized cost**	**Total**
Cash and cash equivalents	**$ —**	**$ —**	**$ 168,223**	**$ 168,223**
Short-term investments ***(Note 4)***	**3,323**	**—**	**—**	**3,323**
Concentrate receivables ***(Note 5)***	**7,496**	**—**	**—**	**7,496**
Other receivables ***(Note 5)***	**—**	**—**	**947**	**947**
Derivative asset - current ***(Note 8)***	**1,735**	**—**	**—**	**1,735**
Investment in marketable securities ***(Note 8)***	**—**	**5,665**	**—**	**5,665**
Contingent consideration on sale of Minto ***(Note 8)***	**14,002**	**—**	**—**	**14,002**
	$ 26,556	**$ 5,665**	**$ 169,170**	**$ 201,391**

	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 4)*	3,425	—	—	3,425
Concentrate receivables *(Note 5)*	18,189	—	—	18,189
Other receivables *(Note 5)*	—	—	843	843
Promissory note receivable *(Note 10)*	33,847	—	—	33,847
Derivative asset - current *(Note 8)*	2,992	—	—	2,992
Investment in marketable securities *(Note 8)*	—	2,856	—	2,856
Contingent consideration on sale of Minto *(Note 8)*	14,933	—	—	14,933
	$ 73,386	$ 2,856	$ 57,423	$ 133,665

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

	June 30, 2021		
	Fair value through profit or loss	**Amortized cost**	**Total**
Accounts payable and accrued liabilities	**$ —**	**$ 78,842**	**$ 78,842**
Payable on purchase of non-controlling interest ***(Note 10)***	**—**	**79,826**	**79,826**
	$ —	**$ 158,668**	**$ 158,668**

(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 12)*	—	183,226	183,226
Interest rate swap derivative liabilities *(Note 12)*	380	—	380
	$ 380	$ 258,092	$ 258,472

There have been no changes during the three and six months ended June 30, 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.

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 three and six months ended June 30, 2021.

Financial instruments and related risks

The Company's activities expose it to financial risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are commodity price risk, credit risk, foreign exchange risk, liquidity risk and interest rate risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis. There have been no significant changes in the Company's exposure to these financial risks. During the three and six months ended June 30, 2021, the Company's exposure to these financial risks have not been significantly impacted by COVID-19.

Derivative instruments

As at June 30, 2021, the Company's derivative financial instruments are comprised of zero cost collar 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 ($20.0 million) covering the period from August 2020 to December 2021, representing approximately 50% of the expected Mexican Peso costs of the Cozamin mine during this period. At June 30, 2021, contracts remain outstanding for 200 million Mexican Pesos ($10.1 million) and the fair value of these derivatives is $1.7 million (December 31, 2020 - $(0.4) million).

The details of the contracts outstanding at June 30, 2021 are as follows:

Quantity	Remaining term	Put strike (floor)	Call strike (ceiling)
100 million MXN	July - December 2021	23.50	29.65
100 million MXN	July - December 2021	23.50	30.00

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% 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 12)*.

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

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Unrealized gain (loss) on derivative financial instruments:				
Foreign currency swap contracts	**(358)**	663	**(1,495)**	663
Interest rate swap contracts	**—**	(593)	**—**	(593)
Realized gain (loss) on derivative financial instruments:				
Foreign currency swap contracts	**742**	—	**1,338**	—
Interest rate swap contracts	**—**	22	**(49)**	22
	$ 384	$ 92	**$ (206)**	$ 92
Unrealized gain (loss) on warrants	**$ 171**	$ 18	**$ 231**	$ (91)
Total unrealized and realized gain on derivative financial instruments *(Note 20)*:	**$ 555**	$ 110	**$ 25**	$ 1

4. Short-Term Investments

Details are as follows:

	June 30, 2021	December 31, 2020
Exchange traded funds	**$ 3,323**	$ 3,425
Total short-term investments	**$ 3,323**	$ 3,425

5. Receivables

Details are as follows:

	June 30, 2021	December 31, 2020
Concentrates	**$ 7,496**	$ 18,189
Value added taxes and other taxes receivables	**572**	400
Income taxes receivable	**582**	140
Other	**947**	843
Current portion of finance lease receivable	**374**	352
Current portion of KORES promissory note *(Note 10)*	**—**	6,767
Total receivables	**$ 9,971**	$ 26,691

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

6. Inventories

Details are as follows:

		June 30, 2021		December 31, 2020
Consumable parts and supplies	**$**	**36,586**	$	35,291
Ore stockpiles		**3,043**		2,507
Concentrate		**9,603**		20,282
Cathode		**472**		158
Total inventories	**$**	**49,704**	$	58,238

During the three and six months ended June 30, 2021, concentrate and cathode inventories recognized as production costs, including depletion and amortization, amounted to $104.4 million and $214.4 million (2020 – $87.7 million and $177.4 million), respectively.

During the three and six months ended June 30, 2021, no write-downs or reversals of previous net write-downs were required related to concentrate and ore-stockpile inventories. During the three and six months ended June 30, 2020, the Company recorded a reversal of previous net write-downs of $(7.6) million and $(0.9) million, respectively, related to Pinto Valley's concentrate and ore-stockpile. Of the $(7.6) million reversal of net write-downs during the three months ended June 30, 2020, $(5.6) million and $(2.0) million was recorded as production costs and depletion and amortization, respectively. Of the $(0.9) million reversal of net write-downs during the six months ended June 30, 2020, $(0.9) million and $nil was recorded as production costs and depletion and amortization, respectively.

7. Mineral Properties, Plant and Equipment

Details are as follows:

	Mineral properties			Plant and equipment			
	Depletable		Non-depletable	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	—	8,569	23,430	139	62	46,593	78,793
Reclassifications	20,814	—	(20,836)	16,948	10,013	(26,940)	(1)
Impairment reversal	—	—	92,392	—	—	—	92,392
Depletion and amortization	(12,757)	(12,376)	—	(21,506)	(1,507)	—	(48,146)
At June 30, 2021, net	$ 413,453	$ 99,771	$ 383,025	$ 301,681	$ 16,860	$ 56,032	$ 1,270,822
At June 30, 2021:							
Cost	$ 722,715	$ 163,738	$ 383,025	$ 590,144	$ 20,098	$ 56,032	$ 1,935,752
Accumulated amortization	(309,262)	(63,967)	—	(288,463)	(3,238)	—	(664,930)
Net carrying amount	$ 413,453	$ 99,771	$ 383,025	$ 301,681	$ 16,860	$ 56,032	$ 1,270,822

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

The Company's exploration costs were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Exploration capitalized to mineral properties	**$ 2,977**	$ 283	**$ 4,089**	$ 2,767
Greenfield exploration expensed to the statement of income (loss)	**1,048**	180	**1,702**	746
	$ 4,025	$ 463	**$ 5,791**	$ 3,513

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 three and six months ended June 30, 2021 related to San Manuel Arizona Railroad Company and totalled $0.2 million and $0.5 million, respectively (2020 - $0.4 million and $0.6 million).

At June 30, 2021 and 2020, construction in progress relates to capital costs incurred in connection with sustaining capital at the Pinto Valley and Cozamin mines and the exploration and development project at Minera Santo Domingo. Capital expenditures contracted for at June 30, 2021, but not yet incurred is $6.4 million (2020 - $18.7 million).

As at June 30, 2021, the RCF *(Note 12)* was secured by mineral properties, plant and equipment with a net carrying value of $895.7 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 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 key assumptions related to long-term copper and iron ore prices as well as 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.

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

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
Long term Cu price ($/lb)	$	3.00

8. Other Assets

Details are as follows:

		June 30, 2021		December 31, 2020
Current:				
Prepaids and other	**$**	**7,097**	$	4,945
Derivative assets *(Note 3)*		**1,735**		2,992
Contingent consideration on sale of Minto *(Note 20)*		**—**		5,000
Total other assets - current	**$**	**8,832**	$	12,937
Non-current:				
Contingent consideration on sale of Minto *(Note 20)*	**$**	**14,002**	$	9,933
Access rights		**9,804**		7,817
Taxes receivable		**8,118**		7,273
Investments in marketable securities		**5,665**		2,856
Finance lease receivable		**1,076**		1,232
Capitalized finance fees *(Note 12) (i)*		**1,133**		—
Deposits		**910**		897
Total other assets - non-current	**$**	**40,708**	$	30,008

i. During the six month period ended June 30, 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 condensed consolidated statements of income (loss) over the term of the facility *(Note 12)*. During the three and six months ended June 30, 2021, a total of $0.3 million and $0.6 million (2020 - $0.3 million and $0.6 million) was amortized and recorded in interest on long-term debt *(Note 21).*

Contingent consideration 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 will 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; and
- $10 million, within 90 days following two consecutive quarters of in which the Average LME Price is greater than $3.50 per pound within the three years following April 1, 2021.

The contingent receivable is marked-to-market at each reporting period *(Note 20)*.

(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. 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 June 30, 2021, no liability has been recorded.

9. Other Liabilities

Details are as follows:

		June 30, 2021		December 31, 2020
Current:				
Income taxes payable	**$**	**14,940**	$	9,120
Current portion of lease liabilities *(Note 11)*		**3,363**		1,596
Current portion of share-based payment obligations *(Note 15)*		**30,983**		8,288
Current portion of deferred revenue *(Note 13)*		**9,500**		—
Total other liabilities - current	**$**	**58,786**	$	19,004
Non-current:				
Interest rate swap derivative liabilities *(Note 12)*	**$**	**—**	$	380
Retirement benefit liabilities		**5,934**		5,587
Other		**4,127**		4,132
Total other liabilities - non-current	**$**	**10,061**	$	10,099

10. Payable on 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
c. $45 million payable 48 months following closing

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 three and six months ended June 30, 2021 was $nil and $26.0 million (2020 – $nil and $(0.2) million), respectively, which resulted from the 30% interest owned by KORES in Acquisition Co. prior to this transaction. During the three and six months ended June 30, 2021 Acquisition Co.'s net income (loss) was $(0.9) million and $85.9 million (2020 - $nil and $(0.5) million), respectively.

(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, June 30, 2021	$	—

If Capstone subsequently sells Santo Domingo within 18 months of completion, and the sale meets any of the triggering events set forth in the SPA, then the second deferred payment to KORES of $45 million shall be accelerated. At June 30, 2021 an unsecured liability of $79.8 million has been recognized in the condensed interim consolidated statement of financial position equal to the discounted amount of the remaining $90 million to be paid. The discounted amount of the remaining $90 million will be accreted up to its face value at 5% per annum. During the three and six months ended June 30, 2021, $1.0 million of accretion was recorded in other interest expense in the condensed interim consolidated statements of income (loss).

11. Lease Liabilities

Details are as follows:

		June 30, 2021		December 31, 2020
Lease liabilities	**$**	**17,734**	$	9,903
Less: current portion *(Note 9)*		**(3,363)**		(1,596)
Non-current portion	**$**	**14,371**	$	8,307

Undiscounted lease payments:

		June 30, 2021
Not later than 1 year	**$**	**4,050**
Later than 1 year and not later than 5 years		**10,798**
Later than 5 years		**3,820**
	$	**18,668**

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

12. Long-Term Debt

Details are as follows:

Balance, December 31, 2020		183,226
Drawdowns		32,000
Repayments		(216,925)
Amortization of financing fees *(Note 21)*		283
Reclassification of financing fees to other assets *(Note 8)*		1,416
Balance, June 30, 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% based on the total leverage ratio, will remain in effect until maturity.

The interest rate at June 30, 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 21)*.

In April 2020, the Company entered an interest rate swap exchanging the floating LIBOR rate for a fixed monthly LIBOR rate of 0.355% on an amortizing notional principal. Any balance drawn on the RCF above the notional principal of the swap was charged interest at the prevailing market rate. Effectively the interest rate on these notional amounts was 0.355% plus 2.5% to 0.355% plus 3.5% based on the total leverage ratio. The interest rate swap derivatives were early settled on February 10, 2021 in connection with the repayment of the balance drawn on the RCF.

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 June 30, 2021.

At June 30, 2021, there were four Surety Bonds totaling $124.3 million to support various reclamation obligation bonding requirements. This comprises $118.6 million securing reclamation obligations at Pinto Valley, $4.0 million provided as security as part of a power supply agreement at Pinto Valley, and $1.7 million related to the construction of a port for Minera Santo Domingo SCM in Chile.

13. Deferred Revenue

Silver Precious Metals Purchase Arrangement ("Silver PMPA")

On February 19, 2021, the Company closed a 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 the 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 and covers the life of the Cozamin mine. Wheaton has been provided certain securities 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 (loss) 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 reserves and certain resources which management is reasonably confident will be transferred to reserves. The Company estimates the current portion of deferred revenue based on deliveries anticipated over the next twelve months. During the three and six months ended June 30, 2021, the Company delivered 166,344 and 384,765 ounces, respectively, of silver to Wheaton under the Silver PMPA, which included nil and 42,205 ounces, respectively, 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 charge on the Silver PMPA is included in other interest expense in the condensed interim consolidated statements of income (loss), and will accrete the deferred revenue balance to recognize the significant financing element that is part of this contract. During the three and six months ended June 30, 2021, the Company recognized $2.1 million and $2.8 million of interest expense in the condensed interim consolidated statements of income (loss), respectively *(Note 21)*.

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 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 ("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 the 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 securities 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 received of $30 million 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 (loss) 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 reserves.

The Company estimates the current portion of deferred revenue based on deliveries anticipated over the next twelve months. The Company did not make any deliveries of ounces of gold to Wheaton under the Gold PMPA during the three and six months ended June 30, 2021.

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 charges on the Gold PMPA are capitalized to the Santo Domingo development project, and will accrete the deferred revenue balance to recognize the significant financing element that is part of this contract. The Company capitalized $0.3 million to the Santo Domingo development project during the three and six months ended June 30, 2021.

(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	**June 30, 2021**
Balance, December 31, 2020	$ —	$ —	**$ —**
Additions	150,000	30,000	**180,000**
Non-cash finance costs	2,800	340	**3,140**
Recognized as revenue on delivery of silver and gold	(8,888)	—	**(8,888)**
Balance, June 30, 2021	$ 143,912	$ 30,340	**$ 174,252**

Consideration from the PMPAs are considered variable. 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 resources estimates or when there are changes to the mine plans. There were no such changes during the three and six months ended June 30, 2021 which would require adjustment.

Details of the deferred revenue balance are as follows:

	June 30, 2021	December 31, 2020
Deferred revenue	**$ 174,252**	$ —
Less: current portion *(Note 9)*	**(9,500)**	—
Non-current portion	**$ 164,752**	$ —

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

14. Income Taxes

Income tax expense (recovery) 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:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Income (loss) before income taxes	**$ 73,619**	$ 7,745	**$ 224,009**	$ (17,876)
Canadian federal and provincial income tax rates	**27.00 %**	27.00 %	**27.00 %**	27.00 %
Income tax expense (recovery) based on the above rates	**19,877**	2,091	**60,482**	(4,827)
Increase (decrease) due to:				
Non-deductible expenditures	**531**	88	**640**	497
Effects of different statutory tax rates on (income) losses of subsidiaries	**(1,499)**	253	**(3,616)**	2,660
Mexican mining royalty tax	**2,263**	380	**3,628**	778
Current period losses for which no deferred tax assets were recognized	**3,035**	157	**6,743**	318
Recognition (derecognition) of tax assets previously unrecognized	**—**	572	**—**	(861)
Recognition of tax assets related to impairment reversal	**—**	—	**(20,991)**	—
Taxable portion of capital gains	**(190)**	—	**(593)**	—
Withholding taxes	**263**	—	**526**	263
Adjustments to tax estimates in prior years	**(279)**	3	**(552)**	(573)
Foreign exchange and other translation adjustments	**(261)**	368	**379**	1,418
Other	**476**	(497)	**950**	26
Income tax expense (recovery)	**$ 24,216**	$ 3,415	**$ 47,596**	$ (301)

Current income and mining tax expense	**$ 14,241**	$ 2,604	**$ 22,811**	$ 3,813
Deferred income tax expense (recovery)	**9,975**	811	**24,785**	(4,114)
Income tax expense (recovery)	**$ 24,216**	$ 3,415	**$ 47,596**	$ (301)

15. 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, employees and consultants 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 and vest over 3 years. 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, 2020	14,098,726	$ 0.91
Granted	1,201,345	3.93
Exercised	(2,964,230)	1.28
Forfeited	(35,317)	3.90
Outstanding, June 30, 2021	12,300,524	$ 1.10

As at June 30, 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 - $0.70	9,062,672	$ 0.65	3.2	3,775,831	$ 0.63	3.0
$1.44 - $1.68	2,071,824	1.51	1.4	2,071,824	1.51	1.4
$3.90	1,147,663	3.90	4.7	—	—	—
$5.45 - $5.79	18,365	5.63	4.9	—	—	—
	12,300,524	$ 1.10	3.0	5,847,655	$ 0.94	2.5

During the three and six months ended June 30, 2021, the total fair value of options granted was $nil and $1.4 million (2020 – $nil and $1.0 million), respectively, and had a weighted average grant-date fair value of C$2.43 and C$1.65 (2020 – $nil and C$0.29) per option, respectively.

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Risk-free interest rate	**0.74 %**	N/A	**0.34 %**	1.38 %
Expected dividend yield	**nil**	N/A	**nil**	nil
Expected share price volatility	**59 %**	N/A	**59 %**	58 %
Expected forfeiture rate	**6.14 %**	N/A	**6.14 %**	6.42 %
Expected life	**3.7 years**	N/A	**3.7 years**	3.8 years

Other share-based compensation plans

Under the Share Unit Plan (“SUP”), the Company grants Performance Share Units (“PSUs”) and Restricted Share Units (“RSUs”). PSUs granted to executives vest after three years and are subject to a performance measure. RSUs granted to executives and employees vest 1/3 per year starting on the first anniversary of the grant date, except for RSUs granted prior to 2020 which vest after three years. Under the Director’s Deferred Share Unit Plan, the Company grants Deferred Share Units (“DSUs”). DSUs granted to directors vest upon issuance but are not redeemable until cessation of service on the Board.

Under the SUP, PSU and RSU obligations 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. DSU obligations, under the Director’s Deferred Share Unit Plan, are redeemed in cash.

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

During the three and six months ended June 30, 2021, the total fair value of DSUs, RSUs, and PSUs granted under the SUP was $0.1 million and $3.2 million (2020 – $0.1 million and $5.0 million), respectively, and had a weighted average grant-date fair value of C$5.63 and C$3.94 (2020 – C$0.43 and C$0.70) per unit, respectively.

Beginning in 2021, PSUs and RSU's awarded to executives have been granted under a new Treasury Share Unit Plan ("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, at the election of the Company.

During the three and six months ended June 30, 2021, the total fair value of units granted under the TSUP was $nil and $2.1 million (2020 – $nil and $nil), respectively, and had a weighted average grant-date fair value of $nil and C$2.61 (2020 – $nil & $nil) per unit, respectively.

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Risk-free interest rate	**N/A**	N/A	**0.67 %**	N/A
Expected dividend yield	**N/A**	N/A	**nil**	N/A
Expected share price volatility	**N/A**	N/A	**60 %**	N/A
Expected forfeiture rate	**N/A**	N/A	**nil**	N/A
Expected life	**N/A**	N/A	**10 years**	N/A

No Capstone shares were purchased by the Share Purchase Trust during the three and six months ended June 30, 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	840,331	—	347,033	694,063
Forfeited	—	(237,331)	—	—	—
Settled	(25,962)	(3,284,636)	(1,481,143)	—	—
Outstanding, June 30, 2021	4,048,092	8,956,714	6,102,367	347,033	694,063

Share-based compensation expense

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Share-based compensation expense related to stock options	**$ 310**	$ 266	**$ 543**	$ 485
Share-based compensation expense related to RSUs and PSUs (TSUP)	**240**	—	**320**	—
Share-based compensation expense related to DSUs, RSUs and PSUs (SUP)	**18,181**	3,848	**44,976**	2,722
Total share-based compensation expense	**$ 18,731**	$ 4,114	**$ 45,839**	$ 3,207

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

16. Revenue

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Copper	**$ 206,351**	$ 103,143	**$ 409,008**	$ 172,760
Silver	**10,804**	5,794	**20,567**	11,242
Zinc	**2,529**	2,128	**5,277**	4,025
Gold	**316**	3,318	**1,385**	4,857
Lead	**88**	24	**366**	963
Molybdenum	**—**	153	**—**	433
Total gross revenue	**220,088**	114,560	**436,603**	194,280
Less: treatment and selling costs	**(10,687)**	(9,821)	**(23,139)**	(19,189)
Revenue	**$ 209,401**	$ 104,739	**$ 413,464**	$ 175,091

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Copper	**$ (10,142)**	$ 12,097	**$ (15,158)**	$ 3,794
Silver	**(279)**	314	**(976)**	(17)
Zinc	**34**	790	**69**	312
Gold	**(193)**	185	**(264)**	(529)
Lead	**2**	64	**(2)**	40
Molybdenum	**—**	(52)	**—**	(5)
Revenue adjustments from provisional pricing arrangements	**$ (10,578)**	$ 13,398	**$ (16,331)**	$ 3,595

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

17. Earnings (Loss) Per Share

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Income (loss) per share				
Basic	**$ 0.12**	$ 0.01	**$ 0.37**	$ (0.04)
Diluted	**0.12**	0.01	**0.36**	(0.04)
Net income (loss)				
Net income (loss) attributable to common shareholders - basic and diluted	**$ 49,403**	$ 4,336	**$ 150,377**	$ (17,417)
Weighted average shares outstanding - basic	**405,157,458**	392,688,353	**404,235,769**	392,599,623
Dilutive securities				
Stock options	**9,748,058**	4,054,416	**9,398,322**	—
Weighted average shares outstanding - diluted	**414,905,516**	396,742,769	**413,634,091**	392,599,623
Potentially dilutive securities excluded (as anti-dilutive)				
Stock options	**2,552,466**	18,607,298	**2,902,202**	22,661,714

18. Supplemental Cash Flow Information

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Receivables	**$ 5,466**	$ (9,863)	**$ 10,213**	$ 5,277
Inventories	**2,414**	6,786	**6,641**	(6,855)
Other assets	**2,268**	(195)	**2,932**	(2,333)
Accounts payable and accrued liabilities	**19,118**	(2,363)	**(4,869)**	8,588
Other liabilities	**(892)**	26,727	**(10,769)**	26,727
Net change in non-cash working capital	**$ 28,374**	$ 21,092	**$ 4,148**	$ 31,404

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
(Increase) decrease in accounts payable and accrued liabilities related to mineral properties, plant and equipment	**$ (4,288)**	$ 365	**$ 5,877**	$ 2,959
Amortization of mining equipment capitalized to deferred stripping assets	**$ 1,610**	$ 190	**$ 2,223**	$ 278
Fair value of stock options allocated to share capital upon exercise	**$ 1,131**	$ 30	**$ 1,611**	$ 30

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

19. General & Administrative Expenses

Details are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
General & administrative	**$ 3,838**	$ 2,764	**$ 8,149**	$ 5,907
Corporate depreciation	**155**	274	**329**	608
	$ 3,993	$ 3,038	**$ 8,478**	$ 6,515

20. Other Income

Details are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Mark-to-market gain on contingent consideration *(Note 8)*	**$ 1,154**	$ 3,507	**$ 4,069**	$ 444
Unrealized and realized gain on derivative financial instruments *(Note 3)*	**555**	110	**25**	1
Streaming arrangement transaction costs	**(89)**	—	**(929)**	—
Business development costs	**(601)**	—	**(601)**	—
Other (expense) income	**(111)**	755	**(59)**	493
	$ 908	$ 4,372	**$ 2,505**	$ 938

21. Finance Costs

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Interest on surety bonds	**$ 406**	$ 416	**$ 824**	$ 842
Interest on RCF	**—**	2,362	**946**	4,755
Standby fees on RCF *(Note 12)*	**316**	95	**513**	227
Amortization of financing fees *(Note 12)*	**283**	283	**566**	566
	$ 1,005	$ 3,156	**$ 2,849**	$ 6,390

Details of other interest are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Interest accretion on deferred revenue *(Note 13) (i)*	**$ 2,100**	$ —	**$ 2,800**	$ —
Accretion on payable on purchase of NCI *(Note 10) (ii)*	**975**	—	**975**	—
Accretion on asset retirement obligations	**170**	508	**336**	1,024
Other interest expense (income)	**44**	(257)	**250**	229
	$ 3,289	$ 251	**$ 4,361**	$ 1,253

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

i. The Company recognizes a non-cash financing fee in the condensed interim statements of income (loss) on the Silver PMPA, as it was determined that the agreement is subject to variable consideration and contains 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 each quarter, with the non-cash charge being recorded in other interest expense in the condensed interim consolidated statements of income (loss) (*Note 10)*.

22. 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. Segments are operations reviewed by the CEO, who is considered to be the chief operating decision maker.

Operating segment details are as follows:

	Three months ended June 30, 2021				
	Pinto Valley	Cozamin	Santo Domingo	Other	Total
Revenue					
Copper	$ 146,026	$ 60,325	$ —	$ —	$ 206,351
Silver	1,611	9,193	—	—	10,804
Zinc	—	2,529	—	—	2,529
Gold	316	—	—	—	316
Lead	—	88	—	—	88
Treatment and selling costs	(7,185)	(3,502)	—	—	(10,687)
Net revenue	140,768	68,633	—	—	209,401
Production costs	(66,098)	(16,529)	—	—	(82,627)
Royalties	(194)	(2,028)	—	—	(2,222)
Depletion and amortization	(17,923)	(3,857)	—	—	(21,780)
Earnings from mining operations	56,553	46,219	—	—	102,772
General and administrative expenses	(123)	(50)	(1)	(3,819)	(3,993)
Exploration expenses	—	(616)	(3)	(429)	(1,048)
Care and maintenance	(234)	—	—	—	(234)
Share-based compensation expense	—	—	—	(18,731)	(18,731)
Earnings (loss) from operations	56,196	45,553	(4)	(22,979)	78,766
Other expense	(58)	(290)	(62)	(443)	(853)
Earnings (loss) before finance costs and income taxes	56,138	45,263	(66)	(23,422)	77,913
Net finance costs	(484)	(2,303)	—	(1,507)	(4,294)
Earnings (loss) before income taxes	55,654	42,960	(66)	(24,929)	73,619
Income tax (expense) recovery	(10,026)	(14,644)	—	454	(24,216)
Total net income (loss)	$ 45,628	$ 28,316	$ (66)	$ (24,475)	$ 49,403
Mineral properties, plant & equipment additions	$ 29,700	$ 13,133	$ 7,547	$ 53	$ 50,433

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

	Three months ended June 30, 2020				
	Pinto Valley	Cozamin	Santo Domingo	Other	Total
Revenue					
Copper	$ 82,370	$ 20,773	$ —	$ —	$ 103,143
Silver	1,395	4,399	—	—	5,794
Zinc	—	2,128	—	—	2,128
Gold	3,318	—	—	—	3,318
Lead	—	24	—	—	24
Molybdenum	153	—	—	—	153
Treatment and selling costs	(7,199)	(2,622)	—	—	(9,821)
Net revenue	80,037	24,702	—	—	104,739
Production costs	(57,525)	(11,069)	—	—	(68,594)
Royalties	—	(661)	—	—	(661)
Depletion and amortization	(15,030)	(4,112)	—	—	(19,142)
Earnings from mining operations	7,482	8,860	—	—	16,342
General and administrative expenses	(203)	(65)	(7)	(2,763)	(3,038)
Exploration expenses	—	5	(8)	(177)	(180)
Care and maintenance	(353)	—	—	—	(353)
Share-based compensation expense	—	—	—	(4,114)	(4,114)
Earnings (loss) from operations	6,926	8,800	(15)	(7,054)	8,657
Other (expense) income	(433)	(1,194)	28	4,094	2,495
Earnings (loss) before finance costs and income taxes	6,493	7,606	13	(2,960)	11,152
Net finance costs	(798)	(96)	(2)	(2,511)	(3,407)
Earnings (loss) before income taxes	5,695	7,510	11	(5,471)	7,745
Income tax recovery (expense)	60	(2,712)	—	(763)	(3,415)
Total net income (loss)	$ 5,755	$ 4,798	$ 11	$ (6,234)	$ 4,330
Mineral properties, plant & equipment additions	$ 13,236	$ 4,356	$ 1,688	$ 21	$ 19,301

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

	Six months ended June 30, 2021				
	Pinto Valley	Cozamin	Santo Domingo	Other	Total
Revenue					
Copper	$ 306,200	$ 102,808	$ —	$ —	$ 409,008
Silver	3,721	16,846	—	—	20,567
Zinc	—	5,277	—	—	5,277
Gold	1,383	2	—	—	1,385
Lead	—	366	—	—	366
Treatment and selling costs	(16,381)	(6,758)	—	—	(23,139)
Net revenue	294,923	118,541	—	—	413,464
Production costs	(136,840)	(30,434)	—	—	(167,274)
Royalties	(337)	(3,512)	—	—	(3,849)
Depletion and amortization	(39,336)	(7,783)	—	—	(47,119)
Earnings from mining operations	118,410	76,812	—	—	195,222
General and administrative expenses	(181)	(178)	(1)	(8,118)	(8,478)
Exploration expenses	—	(1,028)	(42)	(632)	(1,702)
Impairment reversal on mineral properties	—	—	92,392	—	92,392
Care and maintenance	(501)	—	—	—	(501)
Share-based compensation expense	—	—	—	(45,839)	(45,839)
Earnings (loss) from operations	117,728	75,606	92,349	(54,589)	231,094
Other (expense) income	(65)	262	(159)	87	125
Earnings (loss) before finance costs and income taxes	117,663	75,868	92,190	(54,502)	231,219
Net finance costs	(961)	(3,208)	—	(3,041)	(7,210)
Earnings (loss) before income taxes	116,702	72,660	92,190	(57,543)	224,009
Income tax (expense) recovery	(20,663)	(23,772)	(3,961)	800	(47,596)
Total net income (loss)	$ 96,039	$ 48,888	$ 88,229	$ (56,743)	$ 176,413
Mineral properties, plant & equipment additions	$ 45,113	$ 18,739	$ 14,884	$ 57	$ 78,793

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

	Six months ended June 30, 2020				
	Pinto Valley	Cozamin	Santo Domingo	Other	Total
Revenue					
Copper	$ 130,462	$ 42,298	$ —	$ —	$ 172,760
Silver	2,214	9,028	—	—	11,242
Zinc	—	4,025	—	—	4,025
Gold	4,850	7	—	—	4,857
Lead	—	963	—	—	963
Molybdenum	433	—	—	—	433
Treatment and selling costs	(13,397)	(5,792)	—	—	(19,189)
Net revenue	124,562	50,529	—	—	175,091
Production costs	(112,341)	(25,037)	—	—	(137,378)
Royalties	—	(1,335)	—	—	(1,335)
Depletion and amortization	(30,949)	(9,039)	—	—	(39,988)
(Loss) earnings from mining operations	(18,728)	15,118	—	—	(3,610)
General and administrative expenses	(314)	(144)	(7)	(6,050)	(6,515)
Exploration expenses	—	(169)	(20)	(557)	(746)
Care and maintenance	(589)	—	—	—	(589)
Share-based compensation expense	—	—	—	(3,207)	(3,207)
(Loss) earnings from operations	(19,631)	14,805	(27)	(9,814)	(14,667)
Other (expense) income	(17)	3,379	(224)	1,296	4,434
(Loss) earnings before finance costs and income taxes	(19,648)	18,184	(251)	(8,518)	(10,233)
Net finance costs	(1,665)	(197)	(4)	(5,777)	(7,643)
(Loss) earnings before income taxes	(21,313)	17,987	(255)	(14,295)	(17,876)
Income tax recovery (expense)	7,272	(6,531)	—	(440)	301
Total net (loss) income	$ (14,041)	$ 11,456	$ (255)	$ (14,735)	$ (17,575)
Mineral properties, plant & equipment additions	$ 22,361	$ 13,359	$ 4,104	$ 108	$ 39,932

	As at June 30, 2021				
	Pinto Valley	**Cozamin**	**Santo Domingo**	**Other**	**Total**
Mineral properties, plant and equipment	**$ 728,121**	**$ 165,673**	**$ 375,431**	**$ 1,597**	**$ 1,270,822**
Total assets	**$ 877,795**	**$ 228,620**	**$ 386,135**	**$ 88,892**	**$ 1,581,442**
Total liabilities	**$ 208,075**	**$ 239,081**	**$ 41,044**	**$ 157,364**	**$ 645,564**

	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