MANAGEMENT'S DISCUSSION AND ANALYSIS

AND

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

For the Three Months Ended March 31, 2021

(Expressed in US Dollars)

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF CAPSTONE MINING CORP. FOR THE THREE MONTHS ENDED MARCH 31, 2021

Capstone Mining Corp. ("Capstone" or the "Company") has prepared the following management's discussion and analysis (the "MD&A") as of April 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 months ended March 31, 2021. All financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and all dollar amounts presented are United States ("US") dollars unless otherwise stated. "C$" refers to Canadian dollars.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

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

Forward-looking statements relate to future events or future performance and reflect our expectations or beliefs regarding future events and the impacts of the ongoing and evolving COVID-19 pandemic. Forward-looking statements include, but are not limited to, statements with respect to the estimation of Mineral Resources and Mineral Reserves, the expected timing and success of the underground paste backfill system study and tailings filtration project at Cozamin, the Pinto Valley HydroFloat project, the outcome and timing of the PV4 study, the success of our use of the Jetti Technology, the expected scope and timing of Pinto Valley updated Technical Report, the successful completion of a rail and/ or port agreement with Puerto Ventanas, 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 continuing 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, 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, and other risks of the mining industry as well as those factors detailed from time to time in the Company's interim and annual financial statements and MD&A of those statements and Annual Information Form, all of which are filed and available for review under the Company's profile on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause our actual results, performance or achievements to differ materially from those described in our forward-looking statements, there may be other factors that cause our results, performance or achievements not to be as anticipated, estimated or intended. There can be no assurance that our forward-looking statements will prove to be accurate, as our actual results, performance or achievements could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on our forward-looking statements.

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Nature of Business

Capstone Mining Corp. (“Capstone” or the “Company”), a Canadian mining company publicly listed on the Toronto Stock Exchange, 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. Minera Santo Domingo SCM, a wholly owned Chilean subsidiary, holds the Santo Domingo copper-iron project in Chile. Capstone Mining Chile SpA, a wholly owned Chilean subsidiary, is performing exploration for base metal deposits in Chile. During the period ended March 31, 2021, Capstone purchased the remaining 30% interest in 0908113 B.C. Ltd. (“Acquisition Co.”) from Korea Resources Corporation (“KORES”) resulting in the elimination of the non-controlling interest (“NCI”) in Acquisition Co. Acquisition Co. holds the Santo Domingo project through a wholly owned subsidiary.

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 months ended March 31, 2021, there was no significant financial impact on the Company.

Q1 2021 Highlights and Significant Items

Q1 2021 Financial and Operational Highlights

- **First quarter 2021 ("Q1 2021") net income of $127.0 million, or $0.25 per share and Q1 2021 adjusted net income[1] of $64.4 million or $0.16 per share.** Net income includes $92.4 million impairment reversal on mineral properties related to Santo Domingo, as well as an expense of $27.1 million for stock-based compensation; both items are excluded from adjusted net income[1].
- **Capstone reports record operating cash flow before changes in working capital[1], with zero long-term debt and in a net cash[1] position as at March 31, 2021.** Q1 2021 operating cash flow before working capital[1] of $245.0 million, which includes $150 million received from Wheaton Precious Metals Corp. ("Wheaton") as part of the Cozamin Silver Streaming Agreement. Operating cash flow before working capital[1] excluding the $150 million payment from Wheaton of $95 million was the highest in Capstone's history, driven by strong first quarter sales of 49.2 million pounds of copper at a realized copper price of $4.12 per pound and C1 cash costs[1] of $1.70 per pound.
- **Record Adjusted EBITDA[1] for Q1 2021 of $118.7 million**. Q1 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, as well as lower C1 cash costs[1]. Q1 2021 adjusted EBITDA[1] of $118.7 million is almost comparable to annual 2020 adjusted EBITDA[1] of $139.2 million and higher than 2019 annual adjusted EBITDA[1] of $96.4 million. This further demonstrates the growth in production at Capstone as a result of our 2020 capital investments.
- **Strong Q1 2021 copper production of 47.8 million pounds at C1 cash costs[1] of $1.70 per payable pound of copper produced**. Production exceeded the high-end range of our 2021 guidance (175-190 million pounds on an annual basis) on a quarterly basis, and C1 cash costs[1] were below the low end of annual guidance of $1.75 to $1.90 per payable pound produced.
- **Cozamin Updated Life of Mine Plan and Updated Resources.** The Technical Report for the Cozamin mine was filed on March 11, 2021 which included an updated life of mine plan to 2031.
- **Capstone Advances Santo Domingo Project** with Gold Stream, Port Framework Agreement and 100% Project Ownership consolidation.

Balance sheet strength

During the three months ended March 31, 2021, the Company fully repaid its revolving credit facility ("RCF") balance of $184.9 million at December 31, 2020 and was in a net cash[1] position of $44.8 million at March 31, 2021. During the quarter, the Company received $150 million in proceeds from the Cozamin 50% Silver Stream Agreement which was announced in Q4 2020. The balance sheet was further bolstered by strong operating performance during Q1 2021 in a plus $4 per pound copper price environment.

PV3 Update

PV3 Optimization kicked off in 2020 with Phase 1 work 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 achieved throughput of 58,095 tonnes per day ("tpd") in Q1 2021, showing a significant improvement compared to annual 2020 average of 53,755 tpd and 52,620 tpd for the first three quarters of 2020, and higher than Q4 2020 of 57,168 tpd.

Phase 2 of the PV3 Optimization is expected to be completed in the second half of 2021 ("H2 2021"), upon completion of upgrades to a conveyor, mill auto controls, and retrofits to tailings thickeners.

Eriez Hydrofloat

An internal feasibility-level study for Eriez HydroFloat coarse particle flotation was initiated in Q1 2021 for completion by mid-year 2021. This follows a pilot plant test which demonstrated that a 6% to 8% increase in overall copper recovery is possible with the installation of this technology at Pinto Valley. Additional benefits to the technology include allowing the operation to increase throughput by operating at a coarser grind size, which is expected to lower power costs, improve water consumption and additional tailings stability benefits. The estimated $70 million expansionary capital, which includes the installation of Eriez

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

HydroFloat and related equipment, if approved by the Board of Directors, is expected to be spread over H2 2021 and early 2022, with start-up expected mid-2022.

PV4 Study

Feasibility work 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 has commenced at Pinto Valley. The PV4 study is expected to be released in late 2022 and will contemplate utilizing existing mill infrastructure rather than building new, with higher mining 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") will take place over 2021 and 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.

Pinto Valley Updated Technical Reports (2021 and 2022)

The Company expects to release an updated NI 43-101 Technical Report that encompasses PV3 Optimization Phase 1 and Phase 2 projects and including Eriez HydroFloat in H2 2021. In H2 2022, a separate updated NI 43-101 Technical Report for PV4 which includes the expanded use of Jetti catalytic leach technology, is targeted for release.

Cozamin Updated Life of Mine Plan and Updated Resources

The Technical Report for the Cozamin mine was filed on March 11, 2021 which includes an updated life of mine plan to 2031. Full operating years (2021-2030) and the highest copper grade years (2021-2027) are summarized below:

	2021-2030 (10 yrs)	**2021-2027 (7 years)**
Average annual copper production *(million pounds)*	51.2	58.8
Average annual silver production (*million ounces) – 100% basis*	1.6	1.7
Average annual C1 cash costs[1] (including the impact of the 50% silver stream) *(per payable pound)*	$1.02	$0.96

The Technical Report for the Cozamin mine also included an increase to estimated Mineral Reserves (at October 31, 2020 effective date) of 39% to 14.1 million tonnes, relative to April 30, 2020 Mineral Reserves; contained copper and silver increased by 37% and 49%, respectively. Approximately half of this increase is due to recovery of high-grade pillars using paste backfill. The Technical Report 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 the 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.

Capstone Advances Santo Domingo Project with Gold Stream, Port Framework Agreement and 100% Project Ownership consolidation

Capstone announced on March 25, 2021 that it has entered into three separate agreements to advance Santo Domingo in Region III, Chile, ("Santo Domingo" or "the Project") as described in the Santo Domingo Project, Region III, Chile NI 43-101 Technical Report and Preliminary Economic Assessment, to construction targeted by year-end 2021[2]. The key highlights include:

- Increased Optionality: Consolidating 100% ownership in Santo Domingo simplifies ownership and capital structure and streamlines negotiations for partnerships and project financing. The ownership consolidation cancels any off-take obligations with KORES and re-opens the potential for future placement of high-quality copper and iron off-take deals with a new strategic partner.

[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.

- Executing on Reduced Capital Strategy: The Port Framework Agreement and the potential rail deal could collectively reduce capital requirements by ~$0.4 billion and the Gold Stream provides additional $0.3 billion of financing.
- Gold Stream is a Low Cost of Capital of ~5%: Pre-stream, gold represented approximately 3% of total revenue and the $290 million represents 19% of the total initial capital of $1.51 billion in the Base Case Technical Report.
- Santo Domingo Maintains First Quartile Cash Costs: Santo Domingo is expected to remain in the lowest quartile of cash costs even with the Gold Stream, port deal and a future rail deal.
- Cobalt Opportunity: Santo Domingo is one of the largest and lowest cost cobalt projects outside of the Democratic Republic of the Congo ("DRC"). It is the only refined cobalt project in the Americas not dependent on third party DRC feed[2]. Feasibility study expected to be completed H2 2022 (see below).

[2]Refer to the Company's news release dated March 25, 2021 for more information
[3]Darton Commodities Limited (2020-2021 Cobalt Market Review)

$30 million Early Deposit received from Gold Stream with Wheaton Precious Metals

Subsequent to quarter end, on April 21, 2021, Capstone received $30 million from Wheaton as an early deposit (the "Early Deposit") to fund the initial portion of the Share Purchase Agreement with KORES. The balance of the $290 million (the "Deposit") 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.

Capstone to Advance Cobalt Project at Santo Domingo to Feasibility

Capstone announced on March 25, 2021 it intends to advance the Cobalt Project at Santo Domingo to Feasibility as described in the Technical Report and Preliminary Economic Assessment. 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 this rich resource.

The $20 million work program will consist of two phases and several stage-gates. Following the Phase 1 work program in Q1-2022, Capstone will provide an update to the market on metallurgy work, process flowsheet design and updated cobalt resources. 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.

Operational Overview

	Q1 2021	Q1 2020
Copper production (million pounds)		
Pinto Valley	36.4	26.8
Cozamin	11.4	8.7
Total	**47.8**	**35.5**
Copper sales		
Copper sold (million pounds)	49.2	30.4
Realized copper price ($/lb.)	4.12	2.29
C1 cash costs[1] ($/lb.) produced		
Pinto Valley	1.94	2.41
Cozamin	0.91	0.95
Consolidated	**1.70**	**2.05**

Consolidated
Q1 2021 production was 35% higher than Q1 2020 delivering the planned growth as a result of PV3 Optimization Phase 1 projects and Cozamin one-way ramp completion. Higher production at both mines was primarily a result of higher throughput, grades and recoveries. The increase in production was the main driver for the $0.35 per payable pound decrease in C1 cash costs[1].

Pinto Valley Mine
Q1 2021 production increased by 36% compared to the same period last year underpinned by the investments in PV3 Optimization Phase 1 projects which were completed in 2020. The PV3 Optimization Phase 1 projects resulted in higher mill throughput (58,095 tpd in Q1 2021 versus 54,899 tpd in Q1 2020). Mine sequencing also contributed to higher planned head grades for Q1 2021 (0.36% versus 0.28% in Q1 2020).

This increase in production was the primary driver for the reduction of C1 cash costs.

Cozamin Mine
Production in Q1 2021 was 31% higher than the same period last year. This was primarily due to the completion of the Calicanto ramp which increased underground mining rates from 3,052 tpd in Q1 2020 to 3,641 tpd in Q1 2021, and finishing the quarter at the targeted run rate of 3,780 tpd. In addition, with the optimized technical report, the mine plan is delivering significantly higher mine grades (1.79% in Q1 2021 versus 1.51% in Q1 2020) from the copper rich San Jose and Calicanto zones while prioritizing copper ore over zinc.

C1 cash costs[1] were in line with same period last year despite the impact of the new Silver Streaming Agreement with Wheaton for 50% of the silver which impacted costs by $0.34 per payable pound in Q1 2021. Pre-stream impact C1 cash cost was $(0.38) per payable pound lower primarily due to the production increase.

[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.*

Financial Overview

	Q1 2021	Q1 2020
Revenue ($ millions)	**204.1**	**70.4**
Net income (loss) ($ millions)	**127.0**	**(21.9)**
Net income (loss) attributable to shareholders ($ millions)	**101.0**	**(21.7)**
Net income (loss) attributable to shareholders per common share – basic ($)	*0.25*	*(0.06)*
Net income (loss) attributable to shareholders per common share – diluted ($)	*0.24*	*(0.06)*
Adjusted net income (loss)[1] ($ millions)	**64.4**	**(17.7)**
Adjusted net income (loss) attributable to shareholders[1] ($ millions)	**64.9**	**(17.5)**
Adjusted net income (loss) attributable to shareholders per common share – basic and diluted[1] *($)*	*0.16*	*(0.04)*
Adjusted EBITDA[1] ($ millions)	**118.7**	**11.1**
Cash flow from operating activities ($ millions)	**220.3**	**6.9**
Cash flow from operating activities per common share[1] *- basic ($)*	*0.55*	*0.02*
Operating cash flow before changes in working capital[1] ($ millions)	**245.0**	**(3.5)**
Operating cash flow before changes in working capital per common share[1] *– basic ($)*	*0.61*	*(0.01)*

	March 31, 2021	December 31, 2020
Total assets ($ millions)	**1,444.2**	**1,391.6**
Long term debt (excluding financing fees) ($ millions)	**-**	**184.9**
Total non-current financial liabilities ($ millions)	**78.8**	**183.6**
Total non-current liabilities ($ millions)	**457.1**	**408.5**
Cash and cash equivalents and short-term investments ($ millions)	**44.8**	**60.0**
Net cash/(debt)[1] ($ millions)	**44.8**	**(124.9)**

[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.*

Selected Quarterly Financial Information

($ millions, except per share data)	Q1 2021(i)	Q4 2020(ii)	Q3 2020	Q2 2020(iii)	Q1 2020(iv)	Q4 2019(v)	Q3 2019	Q2 2019(vi)
Revenue	204.1	148.1	130.5	104.7	70.4	113.6	82.9	113.3
Earnings (loss) from mining operations	92.5	57.2	28.6	16.3	(20.0)	6.0	0.1	6.4
Net income (loss) from continuing operations attributable to shareholders	101.0	27.6	2.4	4.3	(21.7)	13.4	(9.9)	(4.6)
Net income (loss) from continuing operations attributable to shareholders per share - basic	0.25	0.07	0.01	0.01	(0.06)	0.03	(0.03)	(0.01)
Net income (loss) from continuing operations attributable to shareholders per share - diluted	0.24	0.07	0.01	0.01	(0.06)	0.03	(0.03)	(0.01)
Net income (loss) attributable to shareholders	101	27.6	2.4	4.3	(21.7)	13.4	(10.6)	(27.2)
Net income (loss) per share attributable to shareholders - basic	0.25	0.07	0.01	0.01	(0.06)	0.03	(0.03)	(0.07)
Net income (loss) per share attributable to shareholders - diluted	0.24	0.07	0.01	0.01	(0.06)	0.03	(0.03)	(0.07)
Operating cashflow before changes in non-cash working capital[1]	245.0	65.3	44.9	24.0	(3.5)	20.3	9.5	19.2
Capital expenditures (including capitalized stripping)	28.4	31.2	32.2	19.3	20.6	28.5	28.5	32.6

(i) Net income(loss) in Q1 2021 includes $92 million of impairment reversal on mineral properties as well as $27 million of share unit expense.
(ii) Earnings from mining operations and Net income (loss) in Q4 2020 includes a $16 million of share unit expense.
(iii) Earnings from mining operations and Net income (loss) in Q2 2020 includes $14 million of positive non-cash provisional pricing adjustments and $8 million in reversals of inventory write-downs.
(iv) Earnings 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.
(v) The net income (loss) figures in Q4 2019 includes a recognition of $23 million of corporate tax losses recorded as a deferred income tax recovery.
(vi) The net income (loss) figures in Q2 2019 includes a non-cash loss on the sale of Minto of $25 million.

Revenue and earnings from mining operations exclude the results of Minto, but operating cash flow and capital expenditures includes Minto up until the date of sale on June 3, 2019.

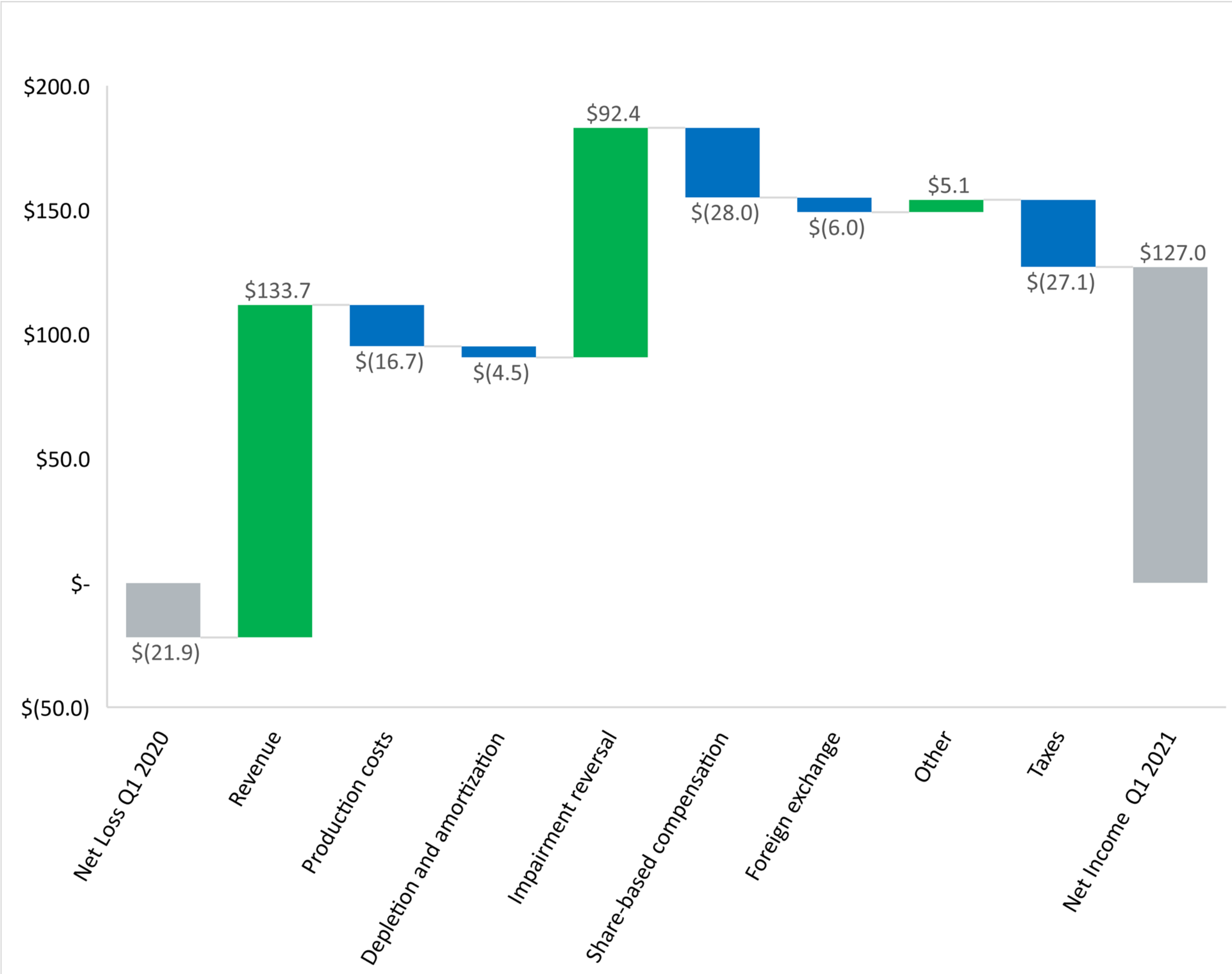
[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Consolidated Results

Consolidated Net Income Analysis

Net Income (Loss) for the Three Months Ended March 31, 2021 and 2020

The Company recorded net income of $127.0 million for the three months ended March 31, 2021 compared with a net loss of $21.9 million in Q1 2020. The major differences are outlined below:



The difference quarter-over-quarter was driven by:

- Revenue: $133.7 million or 190% increase from operations driven by higher realized copper prices (Q1 2021 - $4.12 per pound, Q1 2020 - $2.29 per pound) and higher copper volumes sold (Q1 2021 – 49.2 million pounds, Q1 2020 – 30.4 million pounds) on higher production (Q1 – 2021 – 47.8 million pounds, Q1 2020 – 35.5 million pounds). Q1 2021 realized copper prices benefitted from prior period sales settling at higher prices than anticipated at December 31, 2020.
- Production costs: $16.7 million increase:
  - Pinto Valley recorded $15.9 million higher production costs in Q1 2021 compared to Q1 2020 as a result of higher copper volumes sold (Q1 2021 – 38.6 million pounds, Q1 2020 – 21.4 million pounds).
  - Cozamin's production costs remained constant quarter over quarter.
- Depletion and amortization: $4.5 million increase primarily due to the increase in copper volumes sold.
- Impairment Reversal of $92.4 million on mineral properties related to Santo Domingo.
- Share-based compensation: $28.0 million increase as a result of mark to market adjustments on share unit liabilities to reflect the increase in the share price during Q1 2021 (increase from C$2.38 per share at December 31, 2020 to C$4.14 per share at March 31, 2021) compared to the mark to

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market adjustment recorded in Q1 2020 (C$0.76 per share at December 31, 2019 versus C$0.45 per share at March 31, 2020).

- Foreign exchange: $6.0 million increase 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.
- Other: $5.1 million increase primarily due to an increase in the mark to market of the contingent consideration on sale of Minto of $2.9 million during Q1 2021 versus a decrease in the mark to market of $3.1 million in Q1 2020.
- Income taxes: $27.1 million change due to net income before taxes during Q1 2021 compared to a net loss before taxes in Q1 2020.

Revenue

Revenue increased quarter-on-quarter ($204.1 million versus $70.4 million in Q1 2020) primarily due to a higher realized copper price ($4.12 per pound versus $2.29 per pound in Q1 2020) on 18.8 million pounds higher copper volumes sold (49.2 million pounds versus 30.4 million pounds in Q1 2020). The increase in revenue was also affected by higher silver revenue at Cozamin and Pinto Valley due to increased silver prices (average market prices $26/ounce ("oz") versus average $17/oz in Q1 2020) and higher ounces sold (395k oz versus 347k oz in Q1 2020).

Realized Copper Prices

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

Revenue by Mine

	Q1 2021 [2]		Q1 2020 [2]	
	$ millions	%	$ millions	%
Pinto Valley	154.2	75.6%	44.5	63.2%
Cozamin	49.9	24.4%	25.9	36.8%
Total revenue from operations	204.1	100%	70.4	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 March 31, 2021 includes 53.3 million pounds of copper sold subject to final settlement. All 53.3 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	
Apr-21	5.4	-	5.4	$ 3.99
May-21	15.2	3.2	18.4	$ 3.99
Jun-21	2.6	3.6	6.2	$ 3.99
Jul-21	15.2	3.8	19.0	$ 3.98
Not yet declared by customer	4.3	-	4.3	$ 3.99
TOTAL	42.7	10.6	53.3	$ 3.99

[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.*

Reconciliation of Realized Copper Price

	Q1 2021 $ millions	Q1 2020 $ millions
Gross copper revenue - provisional pricing analysis		
Gross copper revenue excluding provisional pricing changes	**207.7**	77.9
Provisional pricing changes to copper revenue	**(5.0)**	(8.3)
Gross copper revenue	**202.7**	69.6
	$/lb	$/lb
Gross copper revenue excluding provisional pricing changes	**$ 4.22**	$ 2.56
Provisional pricing changes to copper revenue	**(0.10)**	(0.27)
Realized copper price	**$ 4.12**	$ 2.29
Gross copper revenue - reconciliation to financials		
Gross copper revenue	**202.7**	69.6
Revenue from other metals	**13.9**	10.1
Treatment and selling	**(12.5)**	(9.3)
Revenue per financials	**204.1**	70.4
Payable copper sold (000s pounds)	**49,165**	30,385
LME average copper price	**$ 3.86**	$ 2.56

The realized copper price in Q1 2021 of $4.12 per pound was higher than the LME average of $3.86 per pound due to 24.9 million pounds of copper priced at an average of $3.52 per pound at December 31, 2020 which final settled or were second provisional invoiced at higher prices during Q1 2021, and 53.3 million pounds of copper provisionally priced at an average of $3.99 per pound at March 31, 2021, which was higher than Q1 2021 average prices. In addition, the timing of sales during Q1 2021 were more heavily weighted towards the end of the quarter when prices were higher.

[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.*

Consolidated Cash Flow Analysis

$ millions	Q1 2021	Q1 2020
Operating cash flow before changes in working capital[1,2]	245.0	(3.5)
Changes in working capital	(24.2)	10.4
Changes in other assets	(0.5)	-
Total cash flows from operating activities	**220.3**	**6.9**
Cash flows used in investing activities	(47.4)	(25.9)
Cash flows (used in) / from financing activities	(187.9)	6.6
Effect of foreign exchange rates on cash and cash equivalents	-	(1.4)
Net change in cash and cash equivalents	**(15.0)**	**(13.8)**
Opening cash and cash equivalents	56.6	39.9
Closing cash and cash equivalents	**41.6**	**26.1**

[2] *Q1 2021 includes $150.0 million silver stream proceeds*

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

The net change in cash was ($15.0) million in Q1 2021 compared to ($13.8) million in Q1 2020. The change was primarily due to:

- Cash flow from operating activities before changes in working capital[1] was higher by $248.5 million due to $150.0 million proceeds received in Q1 2021 under Silver Stream Agreement plus strong operational performance. Revenue less production costs were significantly higher in Q1 2021 versus Q1 2020. Q1 2021 revenue of $204.1 million less production costs of $84.6 million compared to Q1 2020 revenue of $70.4 million less production costs of $68.6 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 Q1 2021 compared to Q1 2020, primarily driven by higher copper production at both mines.
- Changes in working capital was lower by $34.6 million, primarily due to a decrease in accounts payable and accrued liabilities, an increase in accounts receivable and prepaids, partially offset by a decrease in inventory compared to the same period last year.
- Cash flows used in investing activities were $21.5 million higher in Q1 2021 mainly due to the $30 million first tranche payment for KORES' 30% ownership interest in Santo Domingo ($17.1 million (net of taxes) paid on March 24, 2021 and $12.9 million recorded within accrued liabilities at March 31, 2021).
- Cash flows used in financing activities were $194.5 million higher in Q1 2021 primarily due to $184.9 million of net repayments on the RCF in Q1 2021 compared to $10.0 million net withdrawal in Q1 2020; partially offset by lower RCF interest payment of $1.5 million in Q1 2021 versus $3.1 million in the same period last year. The RCF was fully repaid during the quarter with the Company in a net cash[1] position as at March 31, 2021.

[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.*

Operational Results

Pinto Valley Mine – Miami, Arizona

Operating Statistics

	2021 Q1	2020 Q1	Q2	Q3	Q4	Total
Production (contained metal and cathode) [2]						
Copper in Concentrate (000's pounds)	35,248	25,721	29,058	26,485	32,710	113,974
Cathode (000's pounds)	1,162	1,067	1,114	1,436	1,377	4,994
Total Copper (000's pounds)	36,410	26,788	30,172	27,921	34,087	118,968
Mining						
Waste (000s tonnes)	7,169	5,588	5,677	8,025	8,002	27,292
Ore (000s tonnes)	5,569	5,399	4,992	4,461	5,030	19,882
Total (000s tonnes)	12,738	10,987	10,669	12,486	13,032	47,174
Strip Ratio (Waste:Ore)	1.29	1.04	1.14	1.80	1.59	1.37
Milling						
Milled (000s tonnes)	5,229	4,996	4,902	4,517	5,259	19,674
Tonnes per day	58,095	54,899	53,864	49,104	57,168	53,755
Copper grade (%)	0.36	0.28	0.32	0.31	0.33	0.31
Recoveries						
Copper (%)	85.6	82.4	85.0	86.3	86.0	85.0
Concentrate Production						
Copper (dmt)	63,587	46,613	53,793	49,005	62,020	211,431
Copper (%)	25.1	25.0	24.5	24.5	23.9	24.5
Property costs [1] ($/t milled)	$10.92	$10.87	$10.86	$13.08	$10.56	$11.29
Payable copper produced (000's pounds)	35,177	25,888	29,155	26,994	32,942	114,979
Copper C1 cash cost [1] ($/lb payable copper produced)	$1.94	$2.41	$2.12	$2.38	$2.00	$2.21
Adjusted EBITDA [1] ($ millions)	$88.3	$2.9	$4.1	$30.5	$45.0	$82.5

[2] *Adjustments based on final settlements will be made in future quarters*

Operational and C1 Cash Costs[1] Update

Q1 2021 production increased by 36% compared to the same period last year. Completion of PV3 Optimization Phase 1 projects (one of three secondary crushers replaced, all three secondary screens replaced with 20% larger units, and all six tertiary screens replaced with higher efficiency units) and a highly successful mine to mill optimization program (improved fragmentation in blasting and screen maintenance tactics, and optimized ball mill Automatic Process Control system) resulted in higher milled throughput (58,095 tpd in Q1 2021 versus 54,899 tpd in Q1 2020). Mine sequencing in Q1 2020 delivered lower grades than planned and the 2021 plan is expected to deliver higher grades than 2020. Q1 2021 ore grades were higher than the previous period (0.36% versus 0.28% in Q1 2020) due to higher grades in the Jewel Hill section of the orebody.

This increase in production was the primary driver for the significant reduction of $0.47 per payable pound or 20% in C1 cash costs[1] to $1.94 per payable pound during the quarter (Q1 2020 - $2.41 per payable pound).

The continued success from Jetti's novel patented catalytic technology has provided continued cathode copper production in 2021. 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 and optimize mill cut-off grade.

[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.

Investing Activities

Sustaining capital in Q1 2021 of $4.9 million focused primarily on planned mining equipment component replacements and mill infrastructure. Expansionary capital in Q1 2021 of $1.8 million primarily related to PV3 Optimization Phase 2 projects aimed at increasing reliability and improving performance and included upgrades to the crushers, which resulted in improvements to throughput during the quarter. Deferred stripping increased in Q1 2021 relative to Q1 2020 as a function of the mine sequence. $6.1 million right of use assets relate to leased mining equipment.

($millions)	**Q1 2021**	Q1 2020
Deferred stripping – cash	**2.0**	0.3
Deferred stripping – non cash	**0.6**	0.1
Deferred stripping as reported in the financials	**2.6**	0.4
Sustaining capital	**4.9**	3.8
Expansionary capital	**1.8**	4.9
Right of use assets – non cash	**6.1**	-
Total	**15.4**	9.1

An internal feasibility-level study for Eriez HydroFloat coarse particle flotation was initiated in Q1 2021 for completion by mid-year 2021. This follows a pilot plant test which demonstrated that a 6% to 8% increase in overall copper recovery is possible with the installation of this technology at Pinto Valley. The Company expects to make a decision mid-year 2021 subject to which construction would spread over H2 2021 and early 2022, with start-up expected mid-2022.

[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.

Cozamin Mine – Zacatecas, Mexico

Operating Statistics

	2021 Q1	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2020 Total
Production (contained metal) [2]						
Copper (000's pounds)	11,389	8,699	8,349	10,595	10,283	37,926
Zinc (000's pounds)	2,715	4,464	2,213	4,305	3,605	14,587
Silver (000s ounces)	343	298	248	336	322	1,204
Mining						
Ore (000s tonnes)	328	278	235	283	287	1,083
Milling						
Milled (000s tonnes)	301	276	235	284	284	1,079
Tonnes per day	3,345	3,032	2,583	3,090	3,086	2,949
Copper grade (%) [3]	1.79	1.51	1.68	1.77	1.72	1.67
Zinc grade (%) [3]	0.84	1.04	0.71	1.03	0.88	0.92
Silver grade (g/t) [3]	43.8	42.0	39.9	46.5	44.2	43.3
Recoveries [3]						
Copper (%)	96.0	94.5	95.8	95.6	95.6	95.4
Zinc (%)	48.6	70.8	60.1	66.5	65.3	66.4
Silver (%)	80.9	78.7	84.1	78.9	79.7	80.1
Concentrate Production						
Copper (dmt)	19,897	14,229	13,762	17,495	17,219	62,705
Copper (%)	26.0	27.7	27.5	27.5	27.1	27.4
Silver (g/t)	505	555	549	567	540	553
Zinc (dmt)	2,542	4,168	2,081	3,953	3,346	13,548
Zinc (%)	48.8	48.6	48.3	49.4	48.9	48.8
Property costs [1] ($/t milled)	$46.27	$45.17	$43.38	$37.74	$46.87	$42.72
Payable copper produced (000's lb's)	10,928	8,368	8,029	10,189	9,884	36,470
Copper C1 cash cost [1] ($/lb payable copper produced)	$0.91	$0.95	$0.98	$0.36	$0.63	$0.69
Adjusted EBITDA [1] ($ millions)	$34.7	$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 31% higher in Q1 2021 than in Q1 2020 as a result of the operational usage of the one-way haul ramp and higher grades (1.79% versus 1.51%) due to increased mining activity from the copper rich San Jose and Calicanto zones. C1 cash costs[1] were lower than the same period last year despite the fact that Q1 2021 includes $0.34 per payable pound impact of the new 50% Silver Streaming Agreement. Pre-stream impact C1 cash cost was $(0.38) per payable pound lower primarily due to the production increase.

The copper production for 2021 is expected to align with the new technical report which includes a ramp up to 3,780 tpd at average copper grade of 1.77%. 2021 midpoint of production guidance is 50.5 million pounds which shows a growth of 33% versus 2020 full year production of 37.9 million pounds.

Compared to previous mine plans, the 2021 plan shows a longer mine life of 10 years with higher average production in the range of 50 to 65 million copper pounds per year. This mine plan includes throughput

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rates of approximately 1.38 million tonnes per annum from 2021 through 2029, followed by declining rates through 2031. In its highest-grade years, projected copper production from 2021 through 2027 averages 58.8 million pounds.

Investing Activities

Capital spending at Cozamin totaled $4.6 million for Q1 2021, related to mine development and mine equipment.

Capitalized exploration expenditures totaled $1.0 million for Q1 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.

The new Technical Report 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 the filtered (dry stack) tailings facility noted below. 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.

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

Investing Activities

In 2020, an update of the Technical Report was published which included a higher level of operating and capital cost certainty, stronger copper and gold recovery algorithms, receipt of additional key permits, and the development of a Preliminary Economic Assessment with respect to cobalt production[2]. The Santo Domingo technical report includes a mine life of 18 years, production of 259 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 and 22% internal rate of return.

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 capital expenditures to third parties in exchange for future operating expenses as customers of the port and rail. In addition, Capstone is advancing the financing for the reduced capital target which includes the announcement of the Gold Stream Agreement with Wheaton.

During Q1 2021, Capstone entered into three separate agreements to advance Santo Domingo to construction targeted by year-end 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 March 31, 2021.

During Q1 2021, the Company announced that it entered into a precious metals purchase agreement with Wheaton for the production of gold from the Project. On April 21, 2021, Capstone received $30 million from Wheaton as an early deposit to fund the initial portion of the Share Purchase Agreement with Korea Chile Mining Corporation, a wholly owned subsidiary of KORES. The balance of the $290 million deposit will be accessible during the development and construction of the Project, subject to sufficient financing having been obtained to cover total expected capital expenditures and other customary conditions. In addition, Wheaton will receive 100% of the gold production from the Company's Project until 285,000 ounces have been delivered, thereafter dropping to 67% of the gold production. Wheaton will also make ongoing payments equal to 18% of the spot gold price upon delivery, until the Deposit has been reduced to zero, thereafter increasing to 22% of the spot gold price upon delivery.

Capstone has entered into a framework agreement with Puerto Ventanas, under which they assume responsibility for financing, constructing and operating the proposed port component of the Santo Domingo project. This represents approximately $250 million of the initial capital. Discussions with Sigdo Kopper's rail business are ongoing and present an opportunity for a further $150 million reduction in Santo Domingo project capital costs by replacing the iron slurry pipeline and related infrastructure with a rail option.

Q1 2021 project development costs related to permitting, basic and detailed engineering, land tenure costs, Environmental Impact Assessment required early works and further metallurgical testing.

($ millions)	**Q1 2021**	Q1 2020
Capitalized project costs (on 100% basis)[3]	**7.3**	2.4

[2]Refer to the Company's news release dated February 19, 2020 for more information
[3]$1.4 million was funded by KORES in Q1 2021

The Santo Domingo project has commenced early works as prescribed by the Government. 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)	**Q1 2021**	Q1 2020
Greenfield exploration	**0.7**	0.6
Brownfield exploration (capitalized to mineral properties) – Refer to Cozamin section	**1.0**	2.5
Total exploration	**1.7**	3.1

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 Alien Metals Ltd. for the Donovan 2 Prospect (Zacatecas, 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. Field work has recommenced in Mexico and Brazil with COVID-19 precautions in place.

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 (100% basis)	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	$43	$25	-	**$68**
Capitalized stripping - expansionary	$7	-	-	**$7**
Expansionary	$20	$13	$35	**$68**
Total Capital Expenditure	**$70**	**$38**	**$35**	**$143**
Exploration (US$ millions, rounded)				
Brownfield (Cozamin)	-	$5	-	$5
Greenfield (Mexico and Brazil)	-	-	-	$4
Total Exploration	**-**	**$5**	**-**	**$9**

Santo Domingo capital guidance has increased from the $20 million reported in the Company's MD&A dated February 23, 2021 primarily due to 100% ownership consolidation but also due to additional items added to the 2021 plan for surface land rights, drilling, and costs for the Cobalt feasibility study.

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Certain prior period alternative performance measures have been restated to conform with current period classification.

Liquidity and Financial Position Review

Working Capital

Working capital was $29.8 million at March 31, 2021 compared with $64.0 million at December 31, 2020, as follows:

(millions)	Mar. 31, 2021	Dec. 31, 2020
Current assets		
Cash and cash equivalents	$ 41.6	$ 56.6
Short-term investments	3.2	3.4
Receivables	26.8	26.7
Inventories	52.7	58.3
Other assets	11.3	12.9
Total current assets	$ 135.6	$ 157.9
Current liabilities		
Accounts payable and accrued liabilities	$ 64.5	$ 74.9
Other liabilities	41.3	19.0
Total current liabilities	$ 105.8	$ 93.9
Working capital	$ 29.8	$ 64.0

Cash and cash equivalents decreased by $15.0 million from December 31, 2020 to March 31, 2021. Refer to the Statement of Cash Flows within the Company's consolidated financial statements for further details surrounding the movement in the cash balance. The change in the cash balance includes the receipt of the $150.0 million upfront payment for the Cozamin silver stream and $184.9 million net repayments on the RCF during the quarter.

As at March 31, 2021, the Company held $3.2 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.

Inventories decreased by $5.6 million primarily related to Pinto Valley, due to record sales volumes in excess of 71,000 tonnes of copper concentrate.

Accounts payable and accrued liabilities decreased by $10.4 million primarily due to timing of payments of Pinto Valley's capital additions and operating costs.

Other liabilities increased by $22.3 million primarily driven by the increase in the current share-based payment obligations of $13.5 million due to an increase in Capstone's share price (increase from C$2.38 opening price to C$4.14 closing price as at March 31, 2021), and $9.6 million related to the current portion of the deferred revenue liability as a result of the Cozamin silver stream.

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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 March 31, 2021, the contingent consideration on sale of Minto was $12.8 million (December 31, 2020 - $14.9 million).

Payable on Purchase of Non-controlling Interest

At March 31, 2021, a non-current liability of $78.8 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, with the non-cash accretion being included in other interest expense in the consolidated statements of income (loss).

Credit Facilities

In conjunction with the closing on the 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 March 31, 2021 was US LIBOR plus 2.50% (2020 - US LIBOR plus 2.75%) with a standby fee of 0.56% (2020 – 0.62%) payable on the undrawn balance (adjustable in certain circumstances).

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 was in a net cash[1] position with nil long-term debt.

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, 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 March 31, 2021.

Provisions

Provisions of $138.9 million at March 31, 2021 includes the following:

- $115.7 million for reclamation and closure cost obligations at Capstone's operating mines;
- $3.6 million related to other long-term provisions at the Cozamin mine; and

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- $19.6 million for the long-term portion of the share-based payment obligations associated with the Share Unit and Treasury Share Unit Plans. The current portion of the share-based payment obligations of $21.8 million is recorded in other liabilities.

Share-based payment obligations increased by $10.9 million during the quarter. The increase was primarily driven by the increase in the Company's share price during the quarter.

Precious Metal Streams

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 ended March 31, 2021, the amount of the deferred revenue liability recognized as revenue was $5.1 million. The non-current portion of the deferred revenue liability on the balance sheet at March 31, 2021 was $136.0 million.

Refer to the Santo Domingo Project section of this document for information on the precious metals purchase agreement with Wheaton for the production of gold from Santo Domingo.

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 and actions taken on operating cost reductions and additional liquidity options available, and the proceeds from the Santo Domingo Gold Stream agreement with Wheaton received on April 21, 2021, we believe we have the financial capacity to manage our liquidity for the foreseeable future.

Capital Management

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

Hedging

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

- Financial hedges were executed on foreign exchange 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).
- 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 Company did not enter into any new hedging contracts during Q1 2021.

[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.

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 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, which may impact on Cozamin's operations and profitability. These risks 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. 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 by not limited to changes to royalty structures and environmental and community protection requirements. 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 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.

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.

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. During the period ended March 31, 2021, Capstone purchased KORES' 30% ownership interest in Santo Domingo.

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

Off Balance Sheet Arrangements

At March 31, 2021, the Company had no off-balance-sheet arrangements other than the following:

- those disclosed under Commitments in the consolidated financial statements for the year ended December 31, 2020;
- the indemnification for Minto as disclosed under Other assets in the condensed interim consolidated financial statements for the three months ended March 31, 2021; and
- four surety bonds totaling $124.4 million.

Accounting Changes

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

Subsequent Event

On April 21, 2021, the Company received the early deposit of $30 million under the terms of the Gold PMPA announced March 25, 2021. The Company will receive additional deposits totalling $260 million for total consideration of $290 million over the Santo Domingo construction period subject to sufficient financing having been obtained to cover total expected capital expenditures and other customary conditions. 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. Wheaton will also make ongoing payments equal to 18% of the spot gold price upon delivery, until the Deposit has been reduced to zero, thereafter increasing to 22% of the spot gold price upon delivery.

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 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 Working Capital Changes per Common Share
Operating Cash Flow before working capital changes 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.

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

Three Months Ended March 31, 2021 and 2020

	Q1 2021			Q1 2020		
	Pinto Valley	Cozamin	Total	Pinto Valley	Cozamin	Total
Payable copper produced (000s lbs)	35,177	10,928	46,105	25,888	8,368	34,256
Production costs of metal produced (per financials, $M)	$ 70.7	$ 13.9	$ 84.6	$ 54.8	$ 14.0	$ 68.8
Transportation cost to point of sale ($M)	(7.4)	(0.7)	(8.1)	(4.9)	(0.7)	(5.6)
Inventory (write-down) reversal ($M)	-	-	-	(4.7)	-	(4.7)
Realized gain on Mexican Peso derivatives ($M)	-	(0.6)	(0.6)	-	-	-
Inventory working capital adjustments ($M)	(5.4)	-	(5.4)	9.7	(0.8)	8.9
Cash production costs of metal produced ($M)	$ 57.9	$ 12.6	$ 70.5	$ 54.9	$ 12.5	$ 67.4
Production costs ($/lb)						
Mining	$ 0.53	$ 0.66	$ 0.55	$ 0.70	$ 0.92	$ 0.75
Milling/Processing	0.92	0.30	0.78	1.19	0.33	0.99
G&A	0.20	0.20	0.20	0.23	0.24	0.23
C1P sub-total	1.65	1.16	1.53	2.12	1.49	1.97
By-product credits ($/lb)	(0.10)	(0.54)	(0.20)	(0.14)	(0.82)	(0.31)
Treatment and selling costs ($/lb)	0.39	0.29	0.37	0.43	0.28	0.39
C1 cash cost ($/lb PRODUCED)	**$ 1.94**	**$ 0.91**	**$ 1.70**	**$ 2.41**	**$ 0.95**	**$ 2.05**
Royalties	-	0.14	0.04	-	0.09	0.02
Production-phase capitalized stripping/Mineralized drift	0.06	0.05	0.05	0.01	-	0.01
Sustaining capital	0.14	0.34	0.19	0.14	0.69	0.28
Sustaining leases	0.04	-	0.03	-	0.01	-
Accretion of reclamation obligation	0.01	0.02	0.01	0.02	0.01	0.02
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	0.26	0.56	0.42	0.18	0.84	0.44
All-in sustaining cost ($/lb PRODUCED)	**$ 2.20**	**$ 1.47**	**$ 2.12**	**$ 2.59**	**$ 1.79**	**$ 2.49**

[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.

Reconciliation of Net Cash/Net Debt

	31-Mar-21	31-Dec-20
Long term debt (per financials, $M), excl. deferred financing costs of nil and $1.7M	$ -	$ (184.9)
Less:		
Cash and cash equivalents (per financials, $M)	41.6	56.6
Short term investments (per financials, $M)	3.2	3.4
Net cash/(net debt)	**$ 44.8**	**$ (124.9)**

Reconciliation of Available Liquidity

	31-Mar-21	31-Dec-20
Revolving credit facility capacity	$ 225.0	$ 300.0
Long term debt (per financials, $M), excl. deferred financing costs of nil and $1.7M	-	(184.9)
	225.0	115.1
Cash and cash equivalents (per financials, $M)	41.6	56.6
Short term investments (per financials, $M)	3.2	3.4
Available liquidity	**$ 269.8**	**$ 175.1**

Reconciliation of Cash Flow from Operating Activities per Common Share

($ millions, except share and per share amounts)	Q1 2021	Q1 2020
Cash flow from operating activities (per financials)	$ 220.3	$ 6.9
Weighted average common shares - basic (per financials)	403,209,486	392,510,893
Cash flow from operating activities per share	**$ 0.55**	**$ 0.02**

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

($ millions, except share and per share amounts)	Q1 2021	Q1 2020
Operating cash flow (per financials)	$ 220.3	$ 6.9
Adjustment for changes in working capital (per financials)	24.2	(10.4)
Changes in other assets (per financials)	0.5	-
Operating cash flow before working capital changes	**$ 245.0**	**$ (3.5)**
Weighted average common shares - basic (per financials)	403,209,486	392,510,893
Operating cash flow before working capital changes per share	**$ 0.61**	**$ (0.01)**

[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.*

Reconciliation of Adjusted Net Income (Loss)

($ millions, except share and per share amounts)	Q1 2021	Q1 2020
Net income (loss)(per financials)	$ 127.0	$ (21.9)
Inventory write-down - production costs	-	4.7
Inventory write-down - depletion and amortization	-	2.0
Unrealized loss on derivative contracts	1.1	0.1
Share based compensation (recovery)	27.1	(0.9)
Unrealized foreign exhange loss/(gain)	0.3	(5.8)
Change in fair value of contingent receivable (RE: Minto)	(2.9)	3.1
Loss on disposal of assets	-	0.2
Reversal of impairment on mineral properties (RE: Santo Domingo)	(92.4)	-
Non-recurring fees on streaming transactions	0.8	-
Tax effect on the above adjustments	3.4	0.8
Adjusted net income (loss)	**$ 64.4**	**$ (17.7)**
Adjusted net income (loss) attributable to:		
Shareholders of Capstone Mining Corp.	$ 64.9	$ (17.5)
Non-controlling interests	(0.5)	(0.2)
	$ 64.4	**$ (17.7)**
Weighted average common shares - basic (per financials)	403,209,486	392,510,893
Adjusted net income (loss) attributable to shareholders of Capstone Mining Corp. per common share - basic	**$ 0.16**	**$ (0.04)**
Weighted average common shares - diluted (per financials)	412,787,986	392,510,893
Adjusted net income (loss) attributable to shareholders of Capstone Mining Corp. per common share - diluted	**$ 0.16**	**$ (0.04)**

[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.

Reconciliation of Adjusted EBITDA

($ millions)	Q1 2021	Q1 2020
Net income (per financials)	$ 127.0	$ (21.9)
Net finance costs	2.9	4.2
Taxes	23.4	(3.7)
Depletion and amortization	25.5	21.3
EBITDA	**178.8**	**(0.1)**
Share-based compensation expense (recovery)	27.1	(0.9)
Inventory write-down - production costs	-	4.7
Unrealized gain on derivative instruments	1.1	0.1
Loss on disposal of mineral properties, plant and equipment	-	0.2
Unrealized foreign exchange loss/(gain)	0.3	(5.8)
Unrealized revenue adjustment	5.7	9.8
Care and maintenance - depreciation	0.2	-
Reversal of impairment on mineral properties (RE: Santo Domingo)	(92.4)	-
Non-recurring financing fees on streaming transactions	0.8	-
Change in fair value of contingent receivable (RE: Minto)	(2.9)	3.1
Adjusted EBITDA	**$ 118.7**	**$ 11.1**
Adjusted EBITDA by mine		
Pinto Valley	88.3	2.9
Cozamin	34.7	11.7
Other	(4.3)	(3.5)
Adjusted EBITDA	**$ 118.7**	**$ 11.1**

[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.*

Property Cost per Tonne Milled

	Q1 2021		Q1 2020	
	Pinto Valley	Cozamin	Pinto Valley	Cozamin
Tonnes of mill feed (000s)	5,229	301	4,996	276
Production costs of metal produced (per financials, $M)	$ 70.7	$ 13.9	$ 54.8	$ 14.0
Transportation cost to point of sale ($M)	(7.4)	(0.7)	(4.9)	(0.7)
Inventory write-down(reversal) ($M)	-	-	(4.7)	-
Mexican Peso (gain/loss)	-	(0.6)	-	-
Inventory working capital adjustments ($M)	(5.4)	0.0	9.7	(0.8)
Cash production costs of metal produced ($M)	$ 57.9	$ 12.6	$ 54.9	$ 12.5
Deferred stripping/Capitalized mineralized drift costs ($M)	2.0	0.6	0.4	-
Cathode costs ($M)	(3.1)	-	(1.7)	-
Stockpile movement ($M)	0.3	0.8	0.7	-
Total property costs ($M)	57.1	13.9	54.3	12.5
Property cost per tonne milled	**$ 10.92**	**$ 46.27**	**$ 10.87**	**$ 45.17**

Additional Information and Reconciliations
Sales from Operations

	2021	2020				
	Q1	Q1	Q2	Q3	Q4	Total
Copper (000 lbs)						
Pinto Valley	38,584	21,407	29,884	29,859	29,737	110,887
Cozamin	10,581	8,978	7,987	9,986	9,597	36,548
Total	49,165	30,385	37,871	39,845	39,334	147,435
Zinc (000 lbs)						
Cozamin	2,110	3,013	2,318	3,400	3,198	11,929
Lead (000 lbs)						
Cozamin	302	1,193	74	326	468	2,061
Molybdenum (tonnes)						
Pinto Valley	-	16	12	-	-	28
Silver (000s ounces)						
Cozamin	309	291	248	302	296	1,137
Pinto Valley	86	56	74	67	62	259
Total	395	347	322	369	358	1,396
Gold (ounces)						
Pinto Valley*	630	1,001	1,942	1,575	462	4,980
Cozamin	1	4	-	2	-	6
Total	631	1005	1,942	1,577	462	4,986

* Pinto Valley gold production reaches payable levels from time to time. Any payable gold production will be reported in the period revenue is received.

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

** 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".*
Certain prior period alternative performance measures have been restated to conform with current period classification.

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 April 27, 2021:

Issued and outstanding	410,186,637
Share options outstanding at a weighted average exercise price of $1.14	13,963,039
Fully diluted	424,149,676

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 March 31, 2021.

Other Information

Approval

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

Additional Information

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

National Instrument 43-101 Compliance

Unless otherwise indicated, Capstone has prepared the technical information in this MD&A ("Technical Information") based on information contained in the technical reports, Annual Information Form and news releases (collectively the "Disclosure Documents") available under Capstone Mining Corp.'s company profile on SEDAR at www.sedar.com. Each Disclosure Document was prepared by or under the

[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.

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, “Pinto Valley Mine Life Extension – Phase 3 (PV3) Pre-Feasibility Study” effective January 1, 2016 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.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

March 31, 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		March 31, 2021		December 31, 2020
Current				
Cash and cash equivalents	$	**41,547**	$	56,580
Short-term investments *(Note 4)*		**3,249**		3,425
Receivables *(Note 5)*		**26,822**		26,691
Inventories *(Note 6)*		**52,703**		58,238
Other assets *(Note 8)*		**11,251**		12,937
		135,572		157,871
Mineral properties, plant and equipment *(Note 7)*		**1,243,445**		1,147,784
Promissory note receivable *(Note 10)*		**-**		27,080
Deferred income tax assets *(Note 14)*		**29,481**		28,841
Other assets *(Note 8)*		**35,656**		30,008
Total assets	$	**1,444,154**	$	1,391,584
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	**64,493**	$	74,866
Other liabilities *(Note 9)*		**41,293**		19,004
		105,786		93,870
Long term debt *(Note 12)*		**-**		183,226
Deferred revenue *(Note 13)*		**136,018**		-
Lease liabilities *(Note 11)*		**12,910**		8,307
Payable on purchase of non-controlling interest *(Note 10)*		**78,846**		-
Provisions		**138,880**		141,780
Deferred income tax liabilities *(Note 14)*		**80,585**		65,135
Other liabilities *(Note 9)*		**9,877**		10,099
Total liabilities		**562,902**		502,417
EQUITY				
Share capital		**844,218**		842,789
Other reserves		**35,628**		33,783
Retained earnings (accumulated deficit)		**1,406**		(97,514)
Total equity attributable to equity holders of the Company		**881,252**		779,058
Non-controlling interest *(Note 10)*		**-**		110,109
Total equity		**881,252**		889,167
Total liabilities and equity	$	**1,444,154**	$	1,391,584

Subsequent event *(Note 22)*

See accompanying notes to these consolidated financial statements.

Capstone Mining Corp.
Condensed Interim Consolidated Statements of Income (Loss)
Three Months Ended March 31, 2021 and 2020
(unaudited)
(expressed in thousands of US dollars, except share and per share amounts)

	2021	2020
Revenue *(Note 16)*	**$ 204,063**	$ 70,352
Operating costs		
Production costs	**(84,647)**	(68,784)
Royalties	**(1,627)**	(674)
Depletion and amortization	**(25,339)**	(20,846)
Earnings (loss) from mining operations	**92,450**	(19,952)
General and administrative expenses *(Note 19)*	**(4,485)**	(3,473)
Exploration expenses *(Note 7)*	**(654)**	(566)
Impairment reversal on mineral properties *(Note 7)*	**92,392**	-
Care and maintenance expense *(Note 7)*	**(267)**	(236)
Share-based compensation (expense) recovery *(Note 15)*	**(27,108)**	907
Earnings (loss) from operations	**152,328**	(23,320)
Other (expense) income		
Foreign exchange (loss) gain	**(619)**	5,371
Other income (expense) *(Note 20)*	**1,597**	(3,435)
Income (loss) before finance costs and income taxes	**153,306**	(21,384)
Interest on long term debt	**(1,844)**	(2,951)
Other interest expense	**(1,072)**	(1,285)
Income (loss) before income taxes	**150,390**	(25,620)
Income tax (expense) recovery *(Note 14)*	**(23,380)**	3,716
Net income (loss)	**$ 127,010**	$ (21,904)

Net income (loss) attributable to:		
Shareholders of Capstone Mining Corp.	**$ 100,974**	$ (21,752)
Non-controlling interest *(Note 10)*	**26,036**	(152)
	$ 127,010	$ (21,904)
Net earnings (loss) per share		
Earnings (loss) per share - basic *(Note 17)*	**$ 0.25**	$ (0.06)
Weighted average number of shares - basic *(Note 17)*	**403,209,486**	392,510,893
Earnings (loss) per share - diluted *(Note 17)*	**$ 0.24**	$ (0.06)
Weighted average number of shares - diluted *(Note 17)*	**412,787,986**	392,510,893

See accompanying notes to these consolidated financial statements.

Capstone Mining Corp.

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)
Three Months Ended March 31, 2021 and 2020
(unaudited)
(expressed in thousands of US dollars)

		2021		2020
Net income (loss)	**$**	**127,010**	$	(21,904)
Other comprehensive income (loss) ("OCI")				
Items that will not be reclassfied subsequently to profit or loss				
Change in fair value of marketable securities, net of tax of $nil (2020 - $nil)		**690**		(953)
		690		(953)
Items that may be reclassfied subsequently to profit or loss				
Foreign currency translation adjustment		**107**		(710)
		107		(710)
Total other comprehensive income (loss)		**797**		(1,663)
Total comprehensive income (loss)	**$**	**127,807**	$	(23,567)
Total comprehensive income (loss) attributable to:				
Shareholders of Capstone Mining Corp.	**$**	**101,771**	$	(23,415)
Non-controlling interest *(Note 10)*		**26,036**		(152)
	$	**127,807**	$	(23,567)

See accompanying notes to these consolidated financial statements.

Capstone Mining Corp.

Condensed Interim Consolidated Statements of Cash Flows
Three Months Ended March 31, 2021 and 2020
(unaudited)
(expressed in thousands of US dollars)

	2021	2020
Cash provided by:		
Operating activities		
Net income (loss)	$ 127,010	$ (21,904)
Adjustments for:		
Depletion and amortization	25,669	19,359
Income and mining tax expense (recovery)	23,380	(3,716)
Impairment reversal on mineral properties *(Note 7)*	(92,392)	-
Inventory write-down	-	6,656
Share-based compensation expense (recovery)	27,108	(907)
Net finance costs	2,916	4,236
Unrealized gain on foreign exchange	(451)	(6,810)
Loss on derivatives	993	109
(Gain) loss on disposal of assets	(31)	237
Change in contingent consideration *(Note 20)*	(2,915)	3,064
Amortization of deferred revenue *(Note 13)*	(5,046)	-
Precious metal stream deposit received *(Note 13)*	150,000	-
Income taxes paid	(12,365)	(3,702)
Income taxes received	980	-
Other receipts (payments)	18	9
Changes in other assets	(372)	(84)
Changes in non-cash working capital *(Note 18)*	(24,226)	10,367
	220,276	6,914
Investing activities		
Mineral properties, plant and equipment additions	(22,338)	(24,686)
Payment on purchase of non-controlling interest *(Note 10)*	(17,141)	-
Proceeds from (purchase of) short-term investments	176	(1,279)
Other assets	(8,097)	12
	(47,400)	(25,953)
Financing activities		
Proceeds from bank borrowings *(Note 12)*	32,000	15,000
Repayment of bank borrowings *(Note 12)*	(216,925)	(5,000)
KORES payment against promissory note *(Note 10)*	1,423	-
Repayment of lease obligations	(619)	(264)
Proceeds from issuance of share capital	949	-
Payments for settlement of financial derivatives	(3,690)	-
Proceeds from settlement of financial derivatives	526	-
Interest paid	(1,502)	(3,108)
	(187,838)	6,628
Effect of exchange rate changes on cash and cash equivalents	(71)	(1,430)
Decrease in cash and cash equivalents	(15,033)	(13,841)
Cash and cash equivalents - beginning of period	56,580	39,939
Cash and cash equivalents - end of period	$ 41,547	$ 26,098

Supplemental cash flow information *(Note 18)*

See accompanying notes to these consolidated financial statements.

Capstone Mining Corp.
Condensed Interim Consolidated Statements of Changes in Equity
Three Months Ended March 31, 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)*	1,143,477	1,429	(480)	-	-	-	-	949	-	949
Share-based compensation *(Note 15)*	-	-	233	-	-	-	-	233	-	233
Settlement of share units	-	-	-	-	-	1,295	3,101	4,396	-	4,396
Change in fair value of marketable securities	-	-	-	690	-	-	-	690	-	690
Purchase of non-controlling interest in Acquisition Co. *(Note 10)*	-	-	-	-	-	-	(5,155)	(5,155)	(136,145)	(141,300)
Net income	-	-	-	-	-	-	100,974	100,974	26,036	127,010
Foreign currency translation	-	-	-	-	107	-	-	107	-	107
March 31, 2021	410,027,597	$ 844,218	$ 53,331	$ 4,119	$ (16,481)	$ (5,341)	$ 1,406	$ 881,252	$ -	$ 881,252
January 1, 2020	400,045,604	$ 838,523	$ 53,971	$ 2,478	$ (16,758)	$ (7,305)	$ (109,806)	$ 761,103	$ 110,285	$ 871,388
Share-based compensation *(Note 15)*	-	-	219	-	-	-	-	219	-	219
Settlement of share units	-	-	-	-	-	670	(266)	404	-	404
Change in fair value of marketable securities	-	-	-	(953)	-	-	-	(953)	-	(953)
Net loss	-	-	-	-	-	-	(21,752)	(21,752)	(152)	(21,904)
Foreign currency translation	-	-	-	-	(710)	-	-	(710)	-	(710)
March 31, 2020	400,045,604	$ 838,523	$ 54,190	$ 1,525	$ (17,468)	$ (6,635)	$ (131,824)	$ 738,311	$ 110,133	$ 848,444

See accompanying notes to these consolidated financial statements.

1. Nature of Operations

Capstone Mining Corp. ("Capstone" or the "Company"), a Canadian mining company publicly listed on the Toronto Stock Exchange, is engaged in the production of and exploration for base metals in the United States ("US"), Mexico, and Chile, with a focus on copper. Pinto Valley Mining Corp., 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. Minera Santo Domingo SCM , a wholly owned Chilean subsidiary, holds the Santo Domingo copper-iron project in Chile. Capstone Mining Chile SpA, a wholly owned Chilean subsidiary, is performing exploration for base metal deposits in Chile. During the period ended March 31, 2021, Capstone purchased the remaining 30% interest in 0908113 B.C. Ltd. ("Acquisition Co.") from Korea Resources Corporation ("KORES") resulting in the elimination of the non-controlling interest ("NCI") in Acquisition Co. *(Note 10).* Acquisition Co. holds Santo Domingo through a wholly owned subsidiary.

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 months ended March 31, 2021, there was no significant financial impact 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 consolidated financial statements were approved by the Board of Directors and authorized for issuance on April 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.

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

In preparing the Company's condensed interim consolidated financial statements for the three months ended March 31, 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.

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.

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 International Accounting Standards Board and became effective January 1, 2021. The Company has assessed the impact of the amendment and determined it does not currently 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 March 31, 2021, the Company's classification of financial instruments carried at fair value within the fair value hierarchy are summarized below:

	Level 1	Level 2	Level 3	Total
Short-term investments *(Note 4)*	$ 3,249	$ -	$ -	$ 3,249
Concentrate receivables *(Note 5)*	-	24,412	-	24,412
Derivative assets *(Note 8)*	-	1,917	-	1,917
Investment in marketable securities *(Note 8)*	3,582	-	-	3,582
Contingent consideration on sale of Minto *(Note 8)*	-	-	12,848	12,848
	$ 6,831	$ 26,329	$ 12,848	$ 46,008

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 months ended March 31, 2021.

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

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

	March 31, 2021			
	Fair value through profit or loss	**Fair value through OCI**	**Amortized cost**	**Total**
Cash and cash equivalents	**$ -**	**$ -**	**$ 41,547**	**$ 41,547**
Short-term investments ***(Note 4)***	**3,249**	**-**	**-**	**3,249**
Concentrate receivables ***(Note 5)***	**24,412**	**-**	**-**	**24,412**
Other receivables ***(Note 5)***	**-**	**-**	**1,299**	**1,299**
Derivative asset - current ***(Note 8)***	**1,917**	**-**	**-**	**1,917**
Investments in marketable securities ***(Note 8)***	**-**	**3,582**	**-**	**3,582**
Contingent consideration on sale of Minto ***(Note 8)***	**12,848**	**-**	**-**	**12,848**
	$ 42,426	**$ 3,582**	**$ 42,846**	**$ 88,854**

	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
Investments 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:

	March 31, 2021		
	Fair value through profit or loss	**Amortized cost**	**Total**
Accounts payable and accrued liabilities	**$ -**	**$ 64,493**	**$ 64,493**
Payable on purchase of non-controlling interest ***(Note 10)***	**-**	**78,846**	**78,846**
	$ -	**$ 143,339**	**$ 143,339**

	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 months ended March 31, 2021 as to how the Company categorizes its financial assets and liabilities by fair value through profit or loss, fair value through OCI, and amortized cost.

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

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 months ended March 31, 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. As at March 31, 2021, the Company's exposure to these financial risks have not been significantly impacted by COVID-19.

Derivative instruments

As at March 31, 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 March 31, 2021, contracts remain outstanding for 300 million Mexican Pesos ($14.6 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 March 31, 2021 are as follows:

Quantity	Remaining term	Put strike (floor)	Call strike (ceiling)
150 million MXN	April - December 2021	23.50	29.65
150 million MXN	April - 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 ("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 amounts)

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

	Three months ended March 31, **2021**	2020
Unrealized loss on derivative financial instruments:		
Foreign currency swap contracts	**$ (1,137)**	$ -
Realized gain (loss) on derivative financial instruments:		
Foreign currency swap contracts	**596**	-
Interest rate swap contracts	**(49)**	-
	(590)	-
Unrealized gain (loss) on warrants	**60**	(109)
Total unrealized and realized loss on derivative financial instruments *(Note 20)*	**$ (530)**	$ (109)

4. Short-Term Investments

Details are as follows:

	March 31, 2021	December 31, 2020
Exchange traded funds	**$ 3,249**	$ 3,425
Total short-term investments	**$ 3,249**	$ 3,425

Short-term investments are investments in highly liquid, bankruptcy remote, AAA rated funds.

5. Receivables

Details are as follows:

	March 31, 2021	December 31, 2020
Concentrates	**$ 24,412**	$ 18,189
Value added taxes and other taxes receivable	**225**	400
Income taxes receivable	**523**	140
Other	**1,299**	843
Current portion of finance lease receivable	**363**	352
Current portion of KORES promissory note *(Note 10)*	**-**	6,767
Total receivables	**$ 26,822**	$ 26,691

6. Inventories

Details are as follows:

	March 31, 2021	December 31, 2020
Consumable parts and supplies	**$ 35,642**	$ 35,291
Ore stockpiles	**3,680**	2,507
Concentrate	**12,919**	20,282
Cathode	**462**	158
Total inventories	**$ 52,703**	$ 58,238

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

During the three months ended March 31, 2021, concentrate and cathode inventories recognized as production costs, including depletion and amortization, amounted to $110.0 million (2020 – $89.6 million).

During the three months ended March 31, 2020, the Company recorded a net write-down of $6.7 million, to reflect the carrying amount of Pinto Valley's concentrate and ore-stockpile inventories exceeding its net realizable value, as a result of the decline in the price of copper at March 31, 2020. Of the $6.7 million of write-down, $4.7 million and $2.0 million was recorded as production costs and depletion and amortization, respectively. During the three months ended March 31, 2021, no write-down was required related to concentrate and ore-stockpile inventories.

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	-	2,565	10,968	25	62	14,740	28,360
Reclassifications	20,802	-	(20,802)	9,468	-	(9,468)	-
Impairment reversal	-	-	92,392	-	-	-	92,392
Depletion and amortization	(6,854)	(6,829)	-	(10,914)	(494)	-	(25,091)
At March 31, 2021, net	$ 419,344	$ 99,314	$ 370,597	$ 304,679	$ 7,860	$ 41,651	$ 1,243,445
At March 31, 2021:							
Cost	$ 722,702	$ 157,734	$ 370,597	$ 582,569	10,085	$ 41,651	$ 1,885,338
Accumulated amortization	(303,358)	(58,420)	-	(277,890)	(2,225)	-	(641,893)
Net carrying amount	$ 419,344	$ 99,314	$ 370,597	$ 304,679	$ 7,860	$ 41,651	$ 1,243,445

The Company's exploration costs were as follows:

	Three months ended March 31,	
	2021	2020
Exploration capitalized to mineral properties	**$ 1,003**	$ 2,484
Greenfield exploration expensed to the statement of income (loss)	**654**	566
Total exploration costs	**$ 1,657**	$ 3,050

Exploration capitalized to mineral properties in 2021 and 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 period ended March 31, 2021 related to San Manuel Arizona Railroad Company and totalled $0.3 million (March 31, 2020 - $0.2 million).

At March 31, 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. Included in the March 31, 2021 balance, $6.1 million relates to leased assets at the Pinto Valley mine which have not yet been put into use.

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

As at March 31, 2021, the RCF *(Note 12)* was secured by mineral properties, plant and equipment with a net carrying value of $875.5 million (December 31, 2020 – $880.2 million).

Mineral property impairment reversal

During the three months ended 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") *(Note 22),* 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.

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:

		March 31, 2021		December 31, 2020
Current:				
Prepaids and other	**$**	**9,334**	$	4,945
Derivative assets		**1,917**		2,992
Contingent consideration on sale of Minto *(Note 20)*		**-**		5,000
Total other assets - current	**$**	**11,251**	$	12,937
Non-current:				
Contingent consideration on sale of Minto *(Note 20)*	**$**	**12,848**	$	9,933
Access rights		**8,092**		7,817
Taxes receivable		**7,683**		7,273
Investments in marketable securities		**3,582**		2,856
Finance lease receivable		**1,154**		1,232
Capitalized finance fees *(Note 12)*		**1,416**		-
Deposits		**881**		897
Total other assets - non-current	**$**	**35,656**	$	30,008

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

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).*

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 March 31, 2021, no liability has been recorded.

9. Other Liabilities

Details are as follows:

		March 31, 2021		December 31, 2020
Current:				
Income taxes payable	**$**	**7,176**	$	9,120
Current portion of lease liabilities *(Note 11)*		**2,705**		1,596
Current portion of share-based payment obligation		**21,776**		8,288
Current portion of deferred revenue *(Note 13)*		**9,636**		-
Total other liabilities - current	**$**	**41,293**	$	19,004
Non-current:				
Interest rate swap derivative liabilities *(Note 12)*	**$**	**-**	$	380
Retirement benefit liabilities		**5,758**	$	5,587
Other		**4,119**		4,132
Total other liabilities - non-current	**$**	**9,877**	$	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).*

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

The cash consideration of $120 million, consisting of three payments over the next four years, is payable as follows, subject to withholding taxes:

- $30 million paid on closing (paid $17.1 million to KORES net of withholding taxes of $12.9 million on March 24, 2021)
- $45 million payable 18 months following closing
- $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 attributable to the NCI during the period ended March 31, 2021 was $26.0 million (2020 – $(0.2) million) which resulted from the 30% interest owned by KORES in Acquisition Co. prior to this transaction. During the period ended March 31,2021 Acquisition Co.'s net income was $86,787.

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	**$**	**33,847**
Cash calls against the promissory note		**(1,423)**
KORES promissory note assumed by Capstone		**(32,424)**
Balance, March 31, 2021	**$**	**-**

If Capstone subsequently sells greater than 50% of Santo Domingo within 18 months for an all-cash price of greater than $120 million for 30%, then the second deferred payment of $45 million shall be accelerated to KORES. At March 31, 2021 an unsecured liability of $78.8 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, with the accretion being included in other interest expense in the condensed interim consolidated statements of income (loss).

11. Lease Liabilities

Details are as follows:

		March 31, 2021		December 31, 2020
Lease liabilities	**$**	**15,615**	$	9,903
Less: current portion *(Note 9)*		**(2,705)**		(1,596)
Non-current portion	**$**	**12,910**	$	8,307

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

Undiscounted lease payments:

		March 31, 2021
Not later than 1 year	$	3,343
Later than 1 year and not later than 5 years		9,380
Later than 5 years		3,716
	$	16,439

12. Long-Term Debt

Details are as follows:

Balance, December 31, 2020	**$**	**183,226**
Repayments		**(216,925)**
Drawdowns		**32,000**
Amortization of financing fees		**283**
Reclassification of financing fees to other assets *(Note 8)*		**1,416**
Balance, March 31, 2021	**$**	**-**

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

$1.4 million of fees associated with previous amendments of the RCF were capitalized and are being amortized to the condensed interim consolidated statements of income (loss) over the term of the facility *(Note 8).* During the three months ended March 31, 2021, a total of $0.3 million (2020 – $0.3 million) was amortized and recorded in other interest expense.

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

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, 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 March 31, 2021.

At March 31, 2021, there were four Surety Bonds totaling $124.4 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 $1.8 million related to the construction of a port for Minera Santo Domingo SCM in Chile.

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

13. Deferred Revenue

On February 19, 2021, the Company closed a Precious Metals Purchase Arrangement ("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. The PMPA is effective December 1, 2020.

In addition to the upfront cash consideration of $150 million, as silver is delivered under the terms of the 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 Company recorded the upfront cash consideration received as deferred revenue and recognizes amounts in revenue as silver is delivered under the 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 under the PMPA 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 months ended March 31, 2021, the Company delivered 218,421 ounces of silver to Wheaton under the PMPA, which included 42,205 ounces related to production during December 2020.

The Company has determined that the PMPA is subject to variable consideration and contains a significant financing component. As such, the Company recognizes a financing charge of 5.6% per annum, which will be 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. Wheaton has been provided certain security in support of the Company's obligations under the PMPA. The PMPA with Wheaton covers the life of the Cozamin mine.

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

		March 31, 2021
Balance, December 31, 2020	$	-
Additions		150,000
Non-cash finance costs		700
Recognized as revenue on delivery of silver		(5,046)
Balance, March 31, 2021	$	145,654

Consideration from the PMPA is considered variable. Silver stream revenue can be subject to cumulative adjustments when the number of ounces to be delivered under the contract changes, when there is an increase in the Company's mineral reserve and resources estimates or when there is a change to the mine plan. There were no such changes during the three months ended March 31, 2021 which would require adjustment.

Details of the deferred revenue balance are as follows:

		March 31, 2021		December 31, 2020
Deferred revenue	$	145,654	$	-
Less: current portion *(Note 9)*		(9,636)		-
Non-current portion	$	136,018	$	-

(tabular amounts expressed in thousands of US dollars, except 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 March 31, 2021	2020
Income (loss) before income taxes	**$ 150,390**	$ (25,620)
Canadian federal and provincial income tax rates	**27.00%**	27.00%
Income tax expense (recovery) based on the above rates	**40,605**	(6,918)
Increase (decrease) due to:		
Non-deductible expenditures	**109**	410
Effects of different statutory tax rates on (income) losses of subsidiaires	**(2,117)**	2,406
Mexican mining royalty tax	**1,365**	398
Current period losses for which no deferred tax assets were recognized	**3,708**	161
Recognition of tax assets which were previously unrecognized	**-**	(1,433)
Recognition of tax assets related to impairment reversal	**(20,991)**	-
Taxable portion of capital gain	**(403)**	-
Withholding taxes	**263**	263
Adjustment to tax estimates in prior years	**(273)**	(576)
Foreign exchange and other translation adjustments	**640**	1,050
Other	**474**	523
Income tax expense (recovery)	**$ 23,380**	$ (3,716)
Current income and mining tax expense	**$ 8,570**	$ 1,209
Deferred income tax expense (recovery)	**14,810**	(4,925)

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 ("SOP"), 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 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	1,182,980	3.90
Exercised	(1,143,477)	1.05
Forfeited	(16,150)	3.90
Outstanding, March 31, 2021	14,122,079	$ 1.14

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

	Outstanding			Outstanding & exercisable		
Exercise prices (C$)	Number of options	Weighted average exercise price (C$)	Weighted average remaining life (years)	Number of options	Weighted average exercise price (C$)	Weighted average remaining life (years)
$0.54 - $0.91	9,329,371	$ 0.65	3.5	4,017,654	$ 0.63	3.3
$1.20 - $1.68	3,625,878	1.53	1.5	3,577,748	1.54	1.5
$3.90	1,166,830	3.90	4.9	-	-	-
	14,122,079	$ 1.14	3.1	7,595,402	$ 1.06	2.4

During the three months ended March 31, 2021, the total fair value of options granted was $1.7 million (2020 – $1.0 million) and had a weighted average grant-date fair value of C$1.63 (2020 – C$0.29) per option.

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

	Three months ended March 31, 2021	2020
Risk-free interest rate	**0.33%**	1.38%
Expected dividend yield	**nil**	nil
Expected share price volatility	**59%**	58%
Expected forfeiture rate	**6.14%**	6.42%
Expected life	**3.7 years**	3.8 years

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 amounts)

Beginning in 2021, PSUs and RSU's awarded to executives have been granted under a new Treasury Share Unit Plan ("TSUP"), which is subject to Shareholders' approval. These units will be cancelled and are expected to be re-granted under the SUP if the TSUP is not approved by the Shareholders. 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.

No Capstone shares were purchased by the Share Purchase Trust during the three months ended March 31, 2021 and 2020.

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

	DSUs	RSUs	PSUs
Outstanding, December 31, 2020	3,892,828	11,638,350	7,583,510
Granted	168,272	1,175,443	694,063
Forfeited	-	(212,788)	-
Settled	-	(3,121,959)	(1,364,476)
Outstanding, March 31, 2021	4,061,100	9,479,046	6,913,097

During the three months ended March 31, 2021, the fair value of DSUs, RSUs, and PSUs granted was $6.3 million (2020 - $5.0 million) and had a weighted average grant-date fair value of C$3.90 (2020 – C$0.70) per unit.

Share-based compensation expense (recovery)

	Three months ended March 31,	
	2021	2020
Share-based compensation expense related to stock options	**$ 233**	$ 219
Share-based compensation expense (recovery) related to DSUs, RSUs and PSUs	**26,875**	(1,126)
Total share-based compensation expense (recovery)	**$ 27,108**	$ (907)

16. Revenue

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

	Three months ended March 31,	
	2021	2020
Copper	**$ 202,657**	$ 69,617
Silver	**9,763**	5,447
Zinc	**2,748**	1,897
Gold	**1,069**	1,540
Lead	**278**	938
Molybdenum	**-**	280
Total gross revenue	**216,515**	79,719
Less: treatment and selling costs	**(12,452)**	(9,367)
Revenue	**$ 204,063**	$ 70,352

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

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

	Three months ended March 31, 2021	2020
Copper	**$ (5,016)**	$ (8,303)
Silver	**(697)**	(331)
Zinc	**35**	(478)
Gold	**(71)**	(714)
Lead	**(4)**	(24)
Molybdenum	**-**	47
Revenue adjustments from provisional pricing arrangements	**$ (5,753)**	$ (9,803)

17. Earnings (Loss) Per Share

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

	Three months ended March 31, 2021	2020
Earnings (loss) per share		
Basic	**$ 0.25**	$ (0.06)
Diluted	**0.24**	(0.06)
Net income (loss)		
Net income (loss) attributable to common shareholders - basic and diluted	**$ 100,974**	$ (21,752)
Weighted average shares outstanding - basic	**403,209,486**	392,510,893
Dilutive securities		
Stock options	**9,578,500**	-
Weighted average shares outstanding - diluted	**412,787,986**	392,510,893
Potentially dilutive securities excluded (as anti-dilutive)		
Stock options	**4,543,579**	22,925,467

18. Supplemental Cash Flow Information

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

	Three months ended March 31, 2021	2020
Receivables	**$ 4,747**	$ 15,140
Inventories	**4,227**	(13,640)
Other assets	**664**	(2,084)
Accounts payable and accrued liabilities	**(23,987)**	11,271
Other liabilities	**(9,877)**	(320)
Net change in non-cash working capital	**$ (24,226)**	$ 10,367

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

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

	Three months ended March 31,			
		2021		2020
Decrease in accounts payable and accrued liabilities related to mineral properties, plant and equipment	**$**	**10,165**	$	2,594
Amortization of mining equipment capitalized to deferred stripping assets	**$**	**613**	$	88
Fair value of stock options allocated to share capital upon exercise	**$**	**480**	$	-

19. General & Administrative Expenses

Details are as follows:

	Three months ended March 31,			
		2021		2020
General & administrative	**$**	**4,311**	$	3,139
Corporate depreciation		**174**		334
	$	**4,485**	$	3,473

20. Other Income (Expense)

Details are as follows:

	Three months ended March 31,			
		2021		2020
Mark-to-market gain (loss) on contingent consideration *(Note 8)*	**$**	**2,915**	$	(3,064)
Unrealized and realized loss on derivative financial instruments *(Note 3)*		**(530)**		(109)
Streaming arrangement transaction costs		**(840)**		-
Other income (expense)		**52**		(262)
	$	**1,597**	$	(3,435)

21. 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.

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

Operating segment details are as follows:

	Three months ended March 31, 2021				
	Pinto Valley	Cozamin	Santo Domingo	Other	Total
Revenue					
Copper	$ 160,174	$ 42,483	$ -	$ -	$ 202,657
Silver	2,110	7,653	-	-	9,763
Zinc	-	2,748	-	-	2,748
Gold	1,067	2	-	-	1,069
Lead	-	278	-	-	278
Molybdenum	-	-	-	-	-
Treatment and selling costs	(9,196)	(3,256)	-	-	(12,452)
Net revenue	154,155	49,908	-	-	204,063
Production costs	(70,742)	(13,905)	-	-	(84,647)
Royalties	(143)	(1,484)	-	-	(1,627)
Depletion and amortization	(21,413)	(3,926)	-	-	(25,339)
Earnings from mining operations	61,857	30,593	-	-	92,450
General and administrative expenses	(58)	(128)	-	(4,299)	(4,485)
Exploration expenses	-	(412)	(39)	(203)	(654)
Impairment reversal on mineral properties	-	-	92,392	-	92,392
Care and maintenance	(267)	-	-	-	(267)
Share-based compensation expense	-	-	-	(27,108)	(27,108)
Earnings (loss) from operations	61,532	30,053	92,353	(31,610)	152,328
Other (expense) income	(7)	552	(97)	530	978
Earnings (loss) before finance costs and income taxes	61,525	30,605	92,256	(31,080)	153,306
Net finance costs	(477)	(905)	-	(1,534)	(2,916)
Earnings (loss) before income taxes	61,048	29,700	92,256	(32,614)	150,390
Income tax (expense) recovery	(10,637)	(9,128)	(3,961)	346	(23,380)
Total net income (loss)	$ 50,411	$ 20,572	$ 88,295	$ (32,268)	$ 127,010
Mineral properties, plant & equipment additions	$ 15,413	$ 5,606	$ 7,337	$ 4	$ 28,360

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

	Three months ended March 31, 2020				
	Pinto Valley	Cozamin	Santo Domingo	Other	Total
Revenue					
Copper	$ 48,092	$ 21,525	$ -	$ -	$ 69,617
Silver	818	4,629	-	-	5,447
Zinc	-	1,897	-	-	1,897
Gold	1,533	7	-	-	1,540
Lead	-	938	-	-	938
Molybdenum	280	-	-	-	280
Treatment and selling costs	(6,198)	(3,169)	-	-	(9,367)
Net revenue	44,525	25,827	-	-	70,352
Production costs	(54,816)	(13,968)	-	-	(68,784)
Royalties	-	(674)	-	-	(674)
Depletion and amortization	(15,919)	(4,927)	-	-	(20,846)
(Loss) earnings from mining operations	(26,210)	6,258	-	-	(19,952)
General and administrative expenses	(110)	(78)	-	(3,285)	(3,473)
Exploration expenses	-	(174)	(12)	(380)	(566)
Care and maintenance	(236)	-	-	-	(236)
Share-based compensation recovery	-	-	-	907	907
(Loss) earnings from operations	(26,556)	6,006	(12)	(2,758)	(23,320)
Other income (expense)	416	4,573	(252)	(2,801)	1,936
(Loss) earnings before finance costs and income taxes	(26,140)	10,579	(264)	(5,559)	(21,384)
Net finance costs	(867)	(101)	(2)	(3,266)	(4,236)
(Loss) earnings before income taxes	(27,007)	10,478	(266)	(8,825)	(25,620)
Income tax recovery (expense)	7,213	(3,819)	-	322	3,716
Total net (loss) income	$ (19,794)	$ 6,659	$ (266)	$ (8,503)	$ (21,904)
Mineral properties, plant & equipment additions	$ 9,125	$ 9,003	$ 2,416	$ 87	$ 20,631

	As at March 31, 2021				
	Pinto Valley	**Cozamin**	**Santo Domingo**	**Other**	**Total**
Mineral properties, plant and equipment	**$ 717,290**	**$ 156,549**	**$ 367,890**	**$ 1,716**	**$ 1,243,445**
Total assets	**$ 799,907**	**$ 199,353**	**$ 379,364**	**$ 65,530**	**$ 1,444,154**
Total liabilities	**$ 185,064**	**$ 230,009**	**$ 9,546**	**$ 138,283**	**$ 562,902**

	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

22. Subsequent event

On April 21, 2021, the Company received the early deposit of $30 million under the terms of the Gold PMPA announced March 25, 2021. The Company will receive additional deposits totalling $260 million for total consideration of $290 million ("the Deposit") over the Santo Domingo construction period subject to sufficient financing having been obtained to cover total expected capital expenditures and other customary conditions. 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. Wheaton will also make ongoing payments equal to 18% of the spot gold price upon delivery, until the Deposit has been reduced to zero, thereafter increasing to 22% of the spot gold price upon delivery.