MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONDENSED INTERIM CONSOLIDATED

FINANCIAL STATEMENTS

(unaudited)

For the Three and Nine Months Ended September 30, 2021

(Expressed in US Dollars)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

September 30, 2021

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

Capstone Mining Corp.

Condensed Interim Consolidated Statements of Financial Position

unaudited - expressed in thousands of US dollars

	As at	
ASSETS	**September 30, 2021**	December 31, 2020
Current		
Cash and cash equivalents	**$ 206,082**	$ 56,580
Short-term investments *(Note 4)*	**2,120**	3,425
Receivables *(Note 5)*	**18,816**	26,691
Inventories *(Note 6)*	**55,932**	58,238
Other assets *(Note 8)*	**23,604**	12,937
	306,554	157,871
Mineral properties, plant and equipment *(Note 7)*	**1,284,082**	1,147,784
Promissory note receivable *(Note 10)*	**—**	27,080
Deferred income tax assets *(Note 14)*	**30,074**	28,841
Other assets *(Note 8)*	**16,929**	30,008
Total assets	**$ 1,637,639**	$ 1,391,584
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 94,183**	$ 74,866
Other liabilities *(Note 9)*	**109,256**	19,004
	203,439	93,870
Long term debt *(Note 12)*	**—**	183,226
Deferred revenue *(Note 13)*	**163,428**	—
Lease liabilities *(Note 11)*	**13,538**	8,307
Provisions	**142,794**	141,780
Deferred income tax liabilities *(Note 14)*	**94,547**	65,135
Other liabilities *(Note 9)*	**47,892**	10,099
Total liabilities	**$ 665,638**	$ 502,417
EQUITY		
Share capital	**$ 849,119**	$ 842,789
Other reserves	**36,661**	33,783
Retained earnings (accumulated deficit)	**86,221**	(97,514)
Total equity attributable to equity holders of the Company	**972,001**	779,058
Non-controlling interest *(Note 10)*	**—**	110,109
Total equity	**972,001**	889,167
Total liabilities and equity	**$ 1,637,639**	$ 1,391,584

Commitments *(Note 7)*

See accompanying notes to these condensed interim consolidated financial statements.

Capstone Mining Corp.

Condensed Interim Consolidated Statements of Income (Loss)

Three and Nine Months Ended September 30, 2021 and 2020

unaudited - expressed in thousands of US dollars, except share and per share amounts

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Revenue *(Note 16)*	**$ 165,412**	$ 130,545	**$ 578,876**	$ 305,636
Operating costs				
Production costs	**(80,544)**	(79,228)	**(247,818)**	(216,605)
Royalties	**(1,717)**	(1,187)	**(5,566)**	(2,523)
Depletion and amortization	**(20,387)**	(21,486)	**(67,506)**	(61,474)
Earnings from mining operations	**62,764**	28,644	**257,986**	25,034
General and administrative expenses *(Note 19)*	**(4,459)**	(3,646)	**(12,937)**	(10,162)
Exploration expenses *(Note 7)*	**(146)**	(412)	**(1,848)**	(1,158)
Impairment reversal on mineral properties *(Note 7)*	**—**	—	**92,392**	—
Care and maintenance expense *(Note 7)*	**(248)**	(257)	**(749)**	(846)
Share-based compensation expense *(Note 15)*	**(1,203)**	(7,498)	**(47,042)**	(10,705)
Earnings from operations	**56,708**	16,831	**287,802**	2,163
Other income (expense)				
Foreign exchange gain (loss)	**1,282**	(1,283)	**(1,098)**	2,214
Other (expense) income *(Note 20)*	**(97)**	2	**2,408**	939
Income before finance costs and income taxes	**57,893**	15,550	**289,112**	5,316
Interest on long term debt and surety bonds *(Note 21)*	**(966)**	(3,366)	**(3,815)**	(9,756)
Other interest expense *(Note 21)*	**(4,263)**	(535)	**(8,624)**	(1,788)
Income (loss) before income taxes	**52,664**	11,649	**276,673**	(6,228)
Income tax expense *(Note 14)*	**(17,626)**	(9,338)	**(65,222)**	(9,037)
Net income (loss)	**$ 35,038**	$ 2,311	**$ 211,451**	$ (15,265)

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Net income (loss) attributable to:				
Shareholders of Capstone Mining Corp.	**$ 35,038**	$ 2,350	**$ 185,415**	$ (15,067)
Non-controlling interest *(Note 10)*	**—**	(39)	**26,036**	(198)
	$ 35,038	$ 2,311	**$ 211,451**	$ (15,265)
Net income (loss) per share				
Income (loss) per share - basic *(Note 17)*	**$ 0.09**	$ 0.01	**$ 0.46**	$ (0.04)
Weighted average number of shares - basic *(Note 17)*	**406,701,553**	393,546,258	**405,096,229**	392,916,485
Income (loss) per share - diluted *(Note 17)*	**$ 0.08**	$ 0.01	**$ 0.45**	$ (0.04)
Weighted average number of shares - diluted *(Note 17)*	**415,287,789**	402,492,634	**413,386,183**	392,916,485

See accompanying notes to these condensed interim consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Net income (loss)	**$ 35,038**	$ 2,311	**$ 211,451**	$ (15,265)
Other comprehensive (loss) income ("OCI")				
Items that will not be reclassified subsequently to profit or loss				
Change in fair value of marketable securities, net of tax of $nil	**(491)**	739	**2,230**	106
	(491)	739	**2,230**	106
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation adjustment	**(240)**	174	**(6)**	(220)
	(240)	174	**(6)**	(220)
Total other comprehensive (loss) income for the period	**(731)**	913	**2,224**	(114)
Total comprehensive income (loss)	**$ 34,307**	$ 3,224	**$ 213,675**	$ (15,379)
Total comprehensive income (loss) attributable to:				
Shareholders of Capstone Mining Corp.	**$ 34,307**	$ 3,263	**$ 187,639**	$ (15,181)
Non-controlling interest *(Note 10)*	**—**	(39)	**26,036**	(198)
	$ 34,307	$ 3,224	**$ 213,675**	$ (15,379)

See accompanying notes to these condensed interim consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Cash provided by (used in):				
Operating activities				
Net income (loss)	**$ 35,038**	$ 2,311	**$ 211,451**	$ (15,265)
Adjustments for:				
Depletion and amortization	**20,719**	21,824	**68,496**	62,730
Deferred income and mining tax expense	**17,626**	9,338	**65,222**	9,037
Impairment reversal on mineral properties *(Note 7)*	**—**	—	**(92,392)**	—
Inventory write-down (reversal of write-down)	**325**	(87)	**325**	(994)
Share-based compensation expense	**1,203**	7,498	**47,042**	10,705
Net finance costs	**5,229**	3,901	**12,439**	11,544
Unrealized (gain) loss on foreign exchange	**(1,664)**	1,067	**750**	(7,913)
Loss on derivatives	**137**	601	**624**	601
(Gain) loss on disposal of assets and other	**—**	(22)	**(34)**	79
Changes in contingent consideration *(Note 20)*	**(998)**	(1,436)	**(5,067)**	(1,880)
Amortization of deferred revenue *(Note 13)*	**(4,071)**	—	**(12,959)**	—
Precious metal stream deposits received *(Note 13)*	**—**	—	**180,000**	—
Income taxes paid	**(6,436)**	(1,671)	**(25,393)**	(5,953)
Income taxes received	**7**	1,268	**1,097**	2,012
Other payments (receipts)	**3**	5	**(74)**	74
Changes in other assets	**22,393**	4,772	**21,676**	4,697
Changes in other liabilities	**(41,866)**	598	**(40,886)**	1,145
Changes in non-cash working capital *(Note 18)*	**22,385**	(22,238)	**26,533**	9,166
	70,030	27,729	**458,850**	79,785
Investing activities				
Mineral properties, plant and equipment additions	**(34,178)**	(25,099)	**(98,271)**	(68,078)
Proceeds from (purchase of) short-term investments	**1,203**	(228)	**1,305**	1,221
Other assets	**596**	(72)	**(9,208)**	27
	(32,379)	(25,399)	**(106,174)**	(66,830)
Financing activities				
Proceeds from bank borrowings *(Note 12)*	**—**	—	**32,000**	45,000
Repayment of bank borrowings *(Note 12)*	**—**	(30,000)	**(216,925)**	(35,000)
Payment on purchase of non-controlling interest *(Note 10)*	**—**	—	**(17,141)**	—
KORES payment against promissory note *(Note 10)*	**—**	1,160	**1,423**	1,160
Repayment of lease obligations	**(838)**	(446)	**(2,224)**	(967)
Proceeds from the exercise of options	**1,089**	540	**4,169**	604
Payments for settlement of financial derivatives	**—**	(236)	**(3,690)**	(214)
Proceeds from settlement of financial derivatives	**754**	—	**1,973**	—
Interest paid on long term debt and surety bonds	**(680)**	(3,074)	**(2,784)**	(9,096)
	325	(32,056)	**(203,199)**	1,487
Effect of exchange rate changes on cash and cash equivalents	**(117)**	166	**25**	(855)
Increase in (decrease in) cash and cash equivalents	**37,859**	(29,560)	**149,502**	13,587
Cash and cash equivalents - beginning of period	**168,223**	83,086	**56,580**	39,939
Cash and cash equivalents - end of period	**$ 206,082**	$ 53,526	**$ 206,082**	$ 53,526

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

See accompanying notes to these condensed interim consolidated financial statements.

Capstone Mining Corp.
Condensed Interim Consolidated Statements of Changes in Equity
Three and Nine Months Ended September 30, 2021 and 2020
unaudited - expressed in thousands of US dollars, except share amounts

	Attributable to equity holders of the Company									
	Number of shares	**Share capital**	**Reserve for equity settled share based transactions**	**Revaluation reserve**	**Foreign currency translation reserve**	**Share purchase reserve**	**Retained earnings (accumulated deficit)**	**Total - attributable to equity holders**	**Non-controlling interest**	**Total equity**
January 1, 2021	**408,884,120**	**$ 842,789**	**$ 53,578**	**$ 3,429**	**$ (16,588)**	**$ (6,636)**	**$ (97,514)**	**$ 779,058**	**$ 110,109**	**$ 889,167**
Shares issued on exercise of options ***(Note 15)***	**4,533,527**	**6,330**	**(2,161)**	**—**	**—**	**—**	**—**	**4,169**	**—**	**4,169**
Share-based compensation ***(Note 15)***	**—**	**—**	**1,399**	**—**	**—**	**—**	**—**	**1,399**	**—**	**1,399**
Settlement of share units	**—**	**—**	**—**	**—**	**—**	**1,416**	**3,475**	**4,891**	**—**	**4,891**
Change in fair value of marketable securities	**—**	**—**	**—**	**2,230**	**—**	**—**	**—**	**2,230**	**—**	**2,230**
Purchase of non-controlling interest in Acquisition Co. ***(Note 10)***	**—**	**—**	**—**	**—**	**—**	**—**	**(5,155)**	**(5,155)**	**(136,145)**	**(141,300)**
Shares returned and cancelled from prior acquisitions	**(107,099)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Net income	**—**	**—**	**—**	**—**	**—**	**—**	**185,415**	**185,415**	**26,036**	**211,451**
Foreign currency translation	**—**	**—**	**—**	**—**	**(6)**	**—**	**—**	**(6)**	**—**	**(6)**
September 30, 2021	**413,310,548**	**$ 849,119**	**$ 52,816**	**$ 5,659**	**$ (16,594)**	**$ (5,220)**	**$ 86,221**	**$ 972,001**	**$ —**	**$ 972,001**
January 1, 2020	400,045,604	$ 838,523	$ 53,971	$ 2,478	$ (16,758)	$ (7,305)	$ (109,806)	$ 761,103	$ 110,285	$ 871,388
Shares issued on exercise of options *(Note 15)*	2,352,026	879	(275)	—	—	—	—	604	—	604
Share-based compensation *(Note 15)*	—	—	750	—	—	—	—	750	—	750
Settlement of share units	—	—	—	—	—	669	(265)	404	—	404
Shares issued as compensation	137,196	40	—	—	—	—	—	40	—	40
Change in fair value of marketable securities	—	—	—	106	—	—	—	106	—	106
Net loss	—	—	—	—	—	—	(15,067)	(15,067)	(198)	(15,265)
Foreign currency transactions	—	—	—	—	(220)	—	—	(220)	—	(220)
September 30, 2020	402,534,826	$ 839,442	$ 54,446	$ 2,584	$ (16,978)	$ (6,636)	$ (125,138)	$ 747,720	$ 110,087	$ 857,807

See accompanying notes to these condensed interim consolidated financial statements.

1. Nature of Operations

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

On March 24, 2021, Capstone consolidated a 100% ownership interest in 0908113 B.C. Ltd. ("Acquisition Co.") by purchasing the remaining 30% ownership interest from Korea Resources Corporation ("KORES"), resulting in the elimination of the non-controlling interest ("NCI") in Acquisition Co. (*Note 10*). Minera Santo Domingo SCM, a wholly owned Chilean subsidiary of Acquisition Co, holds the Santo Domingo copper-iron project in Chile.

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The Company continues to evaluate the potential impacts arising from COVID-19 on all aspects of its business. For the three and nine months ended September 30, 2021, there were no significant financial impacts on the Company.

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

The condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issuance on October 26, 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 estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting impacts on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

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

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

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

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

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

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

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

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

3. Financial Instruments

Fair value of financial instruments

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

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

As of September 30, 2021 the Company's classification of financial instruments within the fair value hierarchy are summarized below:

	Level 1	Level 2	Level 3	Total
Short-term investments *(Note 4)*	$ 2,120	$ —	$ —	$ 2,120
Concentrate receivables *(Note 5)*	—	7,810	—	7,810
Derivative assets - current *(Note 8)*	—	832	—	832
Investment in marketable securities *(Note 8)*	5,020	—	—	5,020
	$ 7,140	$ 8,642	$ —	$ 15,782

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

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between Level 1, Level 2 and Level 3 during the three and nine months ended September 30, 2021.

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

	September 30, 2021			
	Fair value through profit or loss	**Fair value through OCI**	**Amortized cost**	**Total**
Cash and cash equivalents	**$ —**	**$ —**	**$ 206,082**	**$ 206,082**
Short-term investments *(Note 4)*	**2,120**	**—**	**—**	**2,120**
Concentrate receivables *(Note 5)*	**7,810**	**—**	**—**	**7,810**
Other receivables *(Note 5)*	**—**	**—**	**1,084**	**1,084**
Derivative assets - current *(Note 8)*	**832**	**—**	**—**	**832**
Investment in marketable securities *(Note 8)*	**—**	**5,020**	**—**	**5,020**
Receivable on sale of Minto *(Note 8)*	**—**	**—**	**15,000**	**15,000**
	$ 10,762	**$ 5,020**	**$ 222,166**	**$ 237,948**

	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 assets - current *(Note 8)*	2,992	—	—	2,992
Investment in marketable securities *(Note 8)*	—	2,856	—	2,856
Contingent consideration on sale of Minto *(Note 8)*	14,933	—	—	14,933
	$ 73,386	$ 2,856	$ 57,423	$ 133,665

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

	September 30, 2021		
	Fair value through profit or loss	**Amortized cost**	**Total**
Accounts payable and accrued liabilities	**$ —**	**$ 94,183**	**$ 94,183**
Payable on purchase of non-controlling interest *(Note 9)*	**—**	**80,829**	**80,829**
	$ —	**$ 175,012**	**$ 175,012**

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

	December 31, 2020		
	Fair value through profit or loss	Amortized cost	Total
Accounts payable and accrued liabilities	$ —	$ 74,866	$ 74,866
Long-term debt *(Note 12)*	—	183,226	183,226
Interest rate swap derivative liabilities *(Note 12)*	380	—	380
	$ 380	$ 258,092	$ 258,472

During the three and nine months ended September 30, 2021 the Company has made a change as to how it categorizes its financial assets and liabilities by fair value through profit or loss, fair value through OCI, and amortized cost. The Company has reclassified the receivable on the sale of Minto from FVTPL to amortized cost as the settlement terms have been met and the contingent elements removed. As described in Note 8, the settlement amount is known and is no longer required to be marked-to-market each reporting period.

Observable and unobservable inputs that would have been impacted by the COVID-19 pandemic have been appropriately considered into the fair value measurements of the Company's financial instruments for the three and nine months ended September 30, 2021.

Financial instruments and related risks

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

Derivative instruments

As at September 30, 2021, the Company's derivative financial instruments are composed of zero cost collar ("ZCC") foreign currency contracts and share purchase warrants.

In 2020, the Company entered into zero cost collars Mexican Peso ("MXN") to US dollar foreign exchange option contracts whereby it sold a series of call option contracts and purchased a series of put option contracts with equal and offsetting values at inception. The contracts were for a total of 500 million Mexican Pesos ($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 September 30, 2021, contracts remain outstanding for 100 million Mexican Pesos ($4.9 million) and the fair value of these derivatives is $0.5 million (December 31, 2020 - $(0.4) million).

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

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

In April 2020, the Company entered into interest rate swap contracts, exchanging floating for fixed London Inter-bank Offered Rate ("LIBOR") on approximately half of the revolving credit facility balance ("RCF") balance at 0.355% plus 2.5%, to 0.355% plus 3.5%, based on the total leverage ratio, through to July 2022. The interest rate swap contracts were early settled on February 10, 2021 in connection with the repayment of the balance drawn on the RCF *(Note 12)*.

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

During the three month period ended September 30, 2020, the Company entered into copper commodity swap contracts. The floating copper price was exchanged for fixed copper prices at an average of $2.93 per pound on 26.0 million pounds, of which contracts for 11.0 million pounds matured during the three month period ended September 30, 2020. The contracts for the remaining 15.0 million pounds matured before December 31, 2020. As at September 30, 2021 the fair value of these derivatives is $nil (December 31, 2020 - $nil).

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Unrealized gain (loss) on derivative financial instruments:				
Foreign currency swap contracts	**$ (831)**	$ 94	**$ (2,326)**	$ 1,178
Commodity swap contracts	**—**	(1,033)	**—**	(1,033)
Interest rate swap contracts	**—**	515	**—**	(499)
Realized gain (loss) on derivative financial instruments:				
Foreign currency swap contracts	**701**	36	**2,039**	36
Commodity swap contracts	**—**	(880)	**—**	(880)
Interest rate swap contracts	**—**	(16)	**(49)**	6
	$ (130)	$ (1,284)	**$ (336)**	$ (1,192)
Unrealized (loss) gain on warrants	**$ (59)**	$ 58	**$ 172**	$ (33)
Total unrealized and realized loss on derivative financial instruments *(Note 20)*:	**$ (189)**	$ (1,226)	**$ (164)**	$ (1,225)

4. Short-Term Investments

Details are as follows:

	September 30, 2021	December 31, 2020
Exchange traded funds	**$ 2,120**	$ 3,425
Total short-term investments	**$ 2,120**	$ 3,425

5. Receivables

Details are as follows:

	September 30, 2021	December 31, 2020
Concentrates	**$ 7,810**	$ 18,189
Value added taxes and other taxes receivable	**8,803**	400
Income taxes receivable	**750**	140
Other	**1,084**	843
Current portion of finance lease receivable	**369**	352
Current portion of KORES promissory note *(Note 10)*	**—**	6,767
Total receivables	**$ 18,816**	$ 26,691

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

Included in value added taxes ("VAT") and other taxes receivable is $7.9 million of VAT related to Minera Santo Domingo which has been reclassified from non-current other assets (Note 8). The Company has provided a guarantee to the Chilean International Revenue Service that this amount plus interest will be repaid if construction of the Santo Domingo development project is not completed by August 31, 2026.

6. Inventories

Details are as follows:

	September 30, 2021	December 31, 2020
Consumable parts and supplies	**$ 37,419**	$ 35,291
Ore stockpiles	**2,915**	2,507
Concentrate	**14,787**	20,282
Cathode	**811**	158
Total inventories	**$ 55,932**	$ 58,238

During the three and nine months ended September 30, 2021, concentrate and cathode inventories recognized as production costs, including depletion and amortization, amounted to $100.9 million and $315.3 million (2020 – $100.7 million and $278.1 million), respectively.

During the three and nine months ended September 30, 2021, the Company recorded write-downs of $0.3 million related to Pinto Valley's molybdenum concentrate inventories. Of the $0.3 million of write-downs during the three and nine months ended September 30, 2021, $0.3 million and $nil was recorded as production costs and depletion and amortization, respectively.

During the three and nine months ended September 30, 2020, the Company recorded a reversal of previous net write-downs of $(0.1) million and $(1.0) million, respectively, related to Pinto Valley's molybdenum & copper concentrate and ore-stockpile. Of the $(0.1) million reversal of net write-downs during the three months ended September 30, 2020, $(0.1) million and $nil was recorded as production costs and depletion and amortization, respectively. Of the $(1.0) million reversal of net write-downs during the nine months ended September 30, 2020, $(1.0) million and $nil was recorded as production costs and depletion and amortization, respectively.

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

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	—	11,699	35,126	230	62	67,723	114,840
Reclassifications	20,814	—	(20,836)	18,432	10,016	(28,426)	—
Impairment reversal	—	—	92,392	—	—	—	92,392
Depletion and amortization	(18,186)	(18,388)	—	(31,733)	(2,627)	—	(70,934)
At September 30, 2021, net	$ 408,024	$ 96,889	$ 394,721	$ 293,029	$ 15,743	$ 75,676	$ 1,284,082
At September 30, 2021:							
Cost	$ 722,715	$ 166,868	$ 394,721	$ 591,699	$ 20,101	$ 75,676	$ 1,971,780
Accumulated amortization	(314,691)	(69,979)	—	(298,670)	(4,358)	—	(687,698)
Net carrying amount	$ 408,024	$ 96,889	$ 394,721	$ 293,029	$ 15,743	$ 75,676	$ 1,284,082

The Company's exploration costs were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Exploration capitalized to mineral properties	**$ 1,391**	$ 1,404	**$ 5,480**	$ 4,171
Greenfield exploration expensed to the statement of income (loss)	**146**	412	**1,848**	1,158
	$ 1,537	$ 1,816	**$ 7,328**	$ 5,329

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

The Company's care and maintenance costs incurred during the three and nine months ended September 30, 2021 related to San Manuel Arizona Railroad Company and totalled $0.2 million and $0.7 million, respectively (2020 - $0.3 million and $0.8 million).

As at September 30, 2021 and 2020, construction in progress relates to capital costs incurred in connection with sustaining capital at the Pinto Valley and Cozamin mines and the exploration and development project at Minera Santo Domingo. Capital expenditures contracted for at September 30, 2021, but not yet incurred is $16.4 million (December 31, 2020 - $14.8 million).

As at September 30, 2021, the RCF *(Note 12)* was secured by mineral properties, plant and equipment with a net carrying value of $902.9 million (December 31, 2020 – $880.2 million).

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

Mineral property impairment reversal

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

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

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

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

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

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

8. Other Assets

Details are as follows:

		September 30, 2021		December 31, 2020
Current:				
Prepaids and other	**$**	**7,772**	$	4,945
Derivative assets *(Note 3)*		**832**		2,992
Receivable on sale of Minto *(Note 20)*		**15,000**		5,000
Total other assets - current	**$**	**23,604**	$	12,937
Non-current:				
Contingent consideration on sale of Minto *(Note 20)*	**$**	**—**	$	9,933
Access rights		**9,804**		7,817
Value added taxes and other taxes receivable *(Note 5)*		**—**		7,273
Investments in marketable securities		**5,020**		2,856
Finance lease receivable		**952**		1,232
Capitalized finance fees *(Note 12) (i)*		**850**		—
Deposits		**303**		897
Total other assets - non-current	**$**	**16,929**	$	30,008

i. As the RCF was fully repaid during the three month period ended March 31, 2021, the Company reclassified the unamortized balance of $1.4 million of fees associated with previous amendments of the RCF which were capitalized and are being amortized to the condensed interim consolidated statements of income (loss) over the term of the facility *(Note 12)*. During the three and nine months ended September 30, 2021, a total of $0.3 million and $0.9 million (2020 - $0.3 million and $0.9 million) was amortized and recorded in interest on long-term debt *(Note 21).*

Contingent consideration on sale of Minto

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

- $5 million received on March 30, 2021;
- $5 million, within 90 days following two consecutive quarters in which the average London Metals Exchange Cash Copper Bid Price ("Average LME Price") is greater than $3.00 per pound within the three years following April 1, 2021; and
- $10 million, within 90 days following two consecutive quarters of in which the Average LME Price is greater than $3.50 per pound within the three years following April 1, 2021.

The contingent consideration was marked-to-market at each reporting period *(Note 20)*. As the Average LME Price was greater than $3.50 per pound for two consecutive quarters, the consideration has been valued at $15 million as the contingent elements have been removed. The $15 million receivable has been reclassified to other assets - current.

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 September 30, 2021, no liability has been recorded.

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

9. Other Liabilities

Details are as follows:

	September 30, 2021	December 31, 2020
Current:		
Income taxes payable	$ 23,285	$ 9,120
Current portion of lease liabilities *(Note 11)*	3,376	1,596
Current portion of share-based payment obligations *(Note 15)*	30,363	8,288
Current portion of payable on purchase of NCI *(Note 10)*	42,869	—
Current portion of deferred revenue *(Note 13)*	9,363	—
Total other liabilities - current	$ 109,256	$ 19,004
Non-current:		
Interest rate swap derivative liabilities *(Note 12)*	$ —	$ 380
Retirement benefit liabilities	6,102	5,587
Non-current portion of payable on purchase of NCI *(Note 10)*	37,960	—
Other	3,830	4,132
Total other liabilities - non-current	$ 47,892	$ 10,099

10. Purchase of Non-Controlling Interest

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

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

a. $30 million paid on closing (paid $17.1 million to KORES net of withholding taxes of $12.9 million on March 24, 2021)
b. $45 million payable 18 months following closing *(Note 9)*
c. $45 million payable 48 months following closing *(Note 9)*

The non-cash consideration consisted of Capstone assuming the KORES promissory note of $32.4 million. The $17.1 million paid to KORES on closing of the SPA was reclassified from investing activities to financing activities in the condensed interim consolidated statements of cash flows during the nine months ended September 30, 2021.

The net income (loss) attributable to the NCI during the three and nine months ended September 30, 2021 was $nil and $26.0 million (2020 – $nil and $(0.2) million), respectively, which resulted from the 30% interest owned by KORES in Acquisition Co. prior to this transaction. During the three and nine months ended September 30, 2021 Acquisition Co.'s net (loss) income was $(0.8) million and $85.1 million (2020 - $(0.1) million and $(0.7) million), respectively.

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

Details of the purchase price allocation are as follows:

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

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

Balance, December 31, 2020	$	33,847
Cash calls against the promissory note		(1,423)
KORES promissory note assumed by Capstone		(32,424)
Balance, September 30, 2021	$	—

If Capstone subsequently sells Santo Domingo within 18 months of completion, and the sale meets any of the triggering events set out in the SPA, then the second deferred payment to KORES of $45 million shall be accelerated. As at September 30, 2021, an unsecured liability of $80.8 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 *(Note 9)*. The discounted amount of the remaining $90 million will be accreted up to its face value at 5% per annum. During the three and nine months ended September 30, 2021, $1.0 million and $2.0 million, respectively, of accretion was recorded in other interest expense in the condensed interim consolidated statements of income (loss).

11. Lease Liabilities

Details are as follows:

		September 30, 2021		December 31, 2020
Lease liabilities	**$**	**16,914**	$	9,903
Less: current portion *(Note 9)*		**(3,376)**		(1,596)
Non-current portion	**$**	**13,538**	$	8,307

Undiscounted lease payments:

		September 30, 2021
Not later than 1 year	**$**	**4,195**
Later than 1 year and not later than 5 years		**9,746**
Later than 5 years		**3,651**
	$	**17,592**

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

12. Long-Term Debt

Details are as follows:

Balance, December 31, 2020	$	183,226
Drawdowns		32,000
Repayments		(216,925)
Amortization of financing fees *(Note 21)*		283
Reclassification of financing fees to other assets *(Note 8)*		1,416
Balance, September 30, 2021	$	—

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

The interest rate at September 30, 2021 was US LIBOR plus 2.50% (2020 - US LIBOR plus 2.75%) with a standby fee of 0.56% (2020 – 0.62%) payable on the undrawn balance (adjustable in certain circumstances) *(Note 21)*.

The RCF is secured against the present and future real and personal property, assets and undertakings of Capstone (excluding certain assets, which include Acquisition Co., Far West Mining Ltd., Minera Santo Domingo SCM, and Far West Exploration S.A., and subject to certain exclusions for Capstone Mining Chile SpA). The credit facility requires the Company to maintain certain financial ratios relating to debt and interest coverage. Capstone was in compliance with these covenants as at September 30, 2021.

As at September 30, 2021, there were four Surety Bonds totaling $124.2 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 $1.6 million related to the construction of a port for Minera Santo Domingo SCM in Chile.

13. Deferred Revenue

Silver Precious Metals Purchase Arrangement ("Silver PMPA")

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

The Company recorded the upfront cash consideration received of $150 million as deferred revenue and recognizes amounts in revenue as silver is delivered under the Silver PMPA. Capstone determines the amortization of deferred revenue to the condensed interim consolidated statements of income (loss) on a per unit basis using the estimated total number of silver ounces expected to be delivered over the life of the Cozamin mine. The amortization rate requires the use of proven and probable reserves and certain resources which management is reasonably confident will be transferred to reserves. The Company estimates the current portion of deferred revenue based on deliveries anticipated over the next twelve months. During the three and nine months ended September 30, 2021, the Company delivered 176,243 and 561,008 ounces, respectively, of silver to Wheaton under the Silver PMPA, which included nil and 42,205 ounces, respectively, related to production during December 2020.

The Company has determined that the Silver PMPA is subject to variable consideration and contains a significant financing component. As such, the Company recognizes a non-cash financing charge of 5.6% per annum on the Silver PMPA. The non-cash financing charges on the Silver PMPA are included in other interest expense in the condensed interim consolidated statements of income (loss), and will accrete the deferred revenue balance to recognize the significant financing element that is part of this contract. During the three and nine months ended September 30, 2021, the Company recognized $2.1 million and $4.9 million, respectively, of interest expense in the condensed interim consolidated statements of income (loss), *(Note 21)*.

Gold Precious Metals Purchase Arrangement ("Gold PMPA")

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

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

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

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

The Company has determined that the Gold PMPA is subject to variable consideration and contains a significant financing component. As such, the Company recognizes a non-cash financing charge of 6.8% per annum on the Gold PMPA. The non-cash financing charge on the Gold PMPA is included in other interest expense in the condensed interim consolidated statements of income (loss), and will accrete to the deferred revenue balance to recognize the significant financing element that is part of this contract. During the three and nine months ended September 30, 2021, the Company recognized $0.5 million and $0.9 million, respectively, of interest expense in the condensed interim consolidated statements of income (loss) *(Note 21)*.

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

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

	Silver PMPA	Gold PMPA	**Total**
Balance, December 31, 2020	$ —	$ —	**$ —**
Additions	150,000	30,000	**180,000**
Non-cash finance costs	4,900	850	**5,750**
Recognized as revenue on delivery of silver and gold	(12,959)	—	**(12,959)**
Balance, September 30, 2021	$ 141,941	$ 30,850	**$ 172,791**

Consideration from the PMPAs is considered variable, as silver and gold stream revenues can be subject to cumulative adjustments when the number of ounces to be delivered under the contracts change, when there is an increase in the Company's mineral reserve and resources estimates or when there are changes to the mine plans. There were no changes during the three and nine months ended September 30, 2021 which would require such adjustment.

Details of the deferred revenue balance are as follows:

	September 30, 2021	December 31, 2020
Deferred revenue	**$ 172,791**	$ —
Less: current portion *(Note 9)*	**(9,363)**	—
Non-current portion	**$ 163,428**	$ —

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

14. Income Taxes

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Income (loss) before income taxes	**$ 52,664**	$ 11,649	**$ 276,673**	$ (6,228)
Canadian federal and provincial income tax rates	**27.00 %**	27.00 %	**27.00 %**	27.00 %
Income tax expense (recovery) based on the above rates	**14,219**	3,145	**74,702**	(1,682)
Increase (decrease) due to:				
Non-deductible expenditures	**440**	2,220	**1,080**	3,169
Effects of different statutory tax rates on losses (income) of subsidiaries	**231**	666	**(3,385)**	3,325
Mexican mining royalty tax	**2,119**	1,025	**5,747**	1,803
Current period (income) losses for which deferred tax assets (were) were not recognized	**(1,405)**	195	**5,338**	514
Derecognition of tax assets previously unrecognized	**—**	(336)	**—**	(1,649)
Recognition of tax assets related to impairment reversal	**—**	—	**(20,991)**	—
Non-taxable portion of capital gains	**—**	(255)	**—**	(247)
Taxable portion of capital gains	**(88)**	—	**(681)**	—
Withholding taxes	**685**	921	**1,211**	1,184
Adjustments to tax estimates in prior years	**—**	1,505	**(552)**	933
Foreign exchange and other translation adjustments	**784**	235	**1,163**	1,653
Other	**641**	17	**1,590**	34
Income tax expense	**$ 17,626**	$ 9,338	**$ 65,222**	$ 9,037

Current income and mining tax expense	**$ 14,232**	$ 5,357	**$ 37,043**	$ 9,170
Deferred income tax expense (recovery)	**3,394**	3,981	**28,179**	(133)
Income tax expense	**$ 17,626**	$ 9,338	**$ 65,222**	$ 9,037

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

15. Share Capital

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

Stock options
Pursuant to the Company's amended stock option plan, directors may authorize the granting of options to directors, officers, employees and consultants of the Company to a maximum of 10% of the issued and outstanding common shares at the time of grant, with a maximum of 5% of the Company's issued and outstanding shares reserved for any one person annually. Options granted under the plan have a term not to exceed 5 years and vest over 3 years. The exercise price of options granted are denominated in Canadian dollars ("C$").

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

	Options outstanding	Weighted average exercise price (C$)
Outstanding, December 31, 2020	14,098,726	$ 0.91
Granted	1,201,345	3.93
Exercised	(4,533,527)	1.14
Forfeited	(150,850)	1.38
Outstanding, September 30, 2021	10,615,694	$ 1.14

As at September 30, 2021, the following options were outstanding and outstanding and exercisable:

	Outstanding			Outstanding & exercisable		
Exercise prices (C$)	Number of options	Weighted average exercise price (C$)	Weighted average remaining life (years)	Number of options	Weighted average exercise price (C$)	Weighted average remaining life (years)
$0.54 - $0.91	7,802,267	$ 0.65	3.0	2,630,959	$ 0.64	2.9
$1.44 - $1.68	1,647,399	1.47	1.3	1,647,399	1.47	1.3
$3.90	1,147,663	3.90	4.4	—	—	—
$5.45 - $5.79	18,365	5.63	4.6	—	—	—
	10,615,694	$ 1.14	2.9	4,278,358	$ 0.96	2.3

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

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

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

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

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 of 0% to 200%. 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.

During the three and nine months ended September 30, 2021, the total fair value of DSUs, RSUs, and PSUs granted under the SUP was $nil and $3.2 million (2020 – nil and $5.1 million), respectively, and had a weighted average grant-date fair value of C$nil and C$3.94 (2020 – C$nil and C$0.70) per unit, respectively.

Beginning in 2021, PSUs and RSU's awarded to executives have been granted under a new Treasury Share Unit Plan ("TSUP"). Treasury PSUs granted to executives vest after three years and are subject to a performance measure of 0% to 200%. Treasury RSUs granted to executives vest 1/3 per year starting on the first anniversary of the grant date. Canadian based executives are able to retain the PSUs and RSUs after vesting and elect when to redeem the units within 10 years of the grant date. Under the TSUP, PSU and RSU obligations can be settled in shares from treasury or cash, at the election of the Company.

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

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

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

No Capstone shares were purchased by the Share Purchase Trust during the three and nine months ended September 30, 2021 and 2020.

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

	Share Unit Plan			Treasury Share Unit Plan	
	DSUs	RSUs	PSUs	RSUs	PSUs
Outstanding, December 31, 2020	3,892,828	11,638,350	7,583,510	—	—
Granted	181,226	840,331	—	347,033	694,063
Forfeited	—	(408,235)	—	—	—
Settled	(957,713)	(3,409,571)	(1,481,143)	—	—
Outstanding, September 30, 2021	3,116,341	8,660,875	6,102,367	347,033	694,063

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

Share-based compensation expense

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Share-based compensation expense related to stock options	**$ 297**	$ 265	**$ 840**	$ 750
Share-based compensation expense related to RSUs and PSUs (TSUP)	**239**	—	**559**	—
Share-based compensation expense related to DSUs, RSUs and PSUs (SUP)	**667**	7,233	**45,643**	9,955
Total share-based compensation expense	**$ 1,203**	$ 7,498	**$ 47,042**	$ 10,705

16. Revenue

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Copper	**$ 164,146**	$ 124,901	**$ 573,154**	$ 297,661
Silver	**8,872**	9,633	**29,439**	20,875
Zinc	**739**	3,753	**6,016**	7,778
Gold	**679**	2,988	**2,064**	7,845
Lead	**(7)**	277	**359**	1,240
Molybdenum	**—**	(15)	**—**	418
Total gross revenue	**174,429**	141,537	**611,032**	335,817
Less: treatment and selling costs	**(9,017)**	(10,992)	**(32,156)**	(30,181)
Revenue	**$ 165,412**	$ 130,545	**$ 578,876**	$ 305,636

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Copper	**$ 4,448**	$ (6,586)	**$ (10,710)**	$ (2,792)
Silver	**378**	(237)	**(598)**	(254)
Zinc	**(90)**	(70)	**(21)**	241
Gold	**213**	(80)	**(51)**	(609)
Lead	**(7)**	(14)	**(9)**	26
Molybdenum	**—**	9	**—**	4
Revenue adjustments from provisional pricing arrangements	**$ 4,942**	$ (6,978)	**$ (11,389)**	$ (3,384)

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

17. Earnings (Loss) Per Share

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Income (loss) per share				
Basic	**$ 0.09**	$ 0.01	**$ 0.46**	$ (0.04)
Diluted	**0.08**	0.01	**0.45**	(0.04)
Net income (loss)				
Net income (loss) attributable to common shareholders - basic and diluted	**$ 35,038**	$ 2,350	**$ 185,415**	$ (15,067)
Weighted average shares outstanding - basic	**406,701,553**	393,546,258	**405,096,229**	392,916,485
Dilutive securities				
Stock options	**8,316,425**	8,946,376	**8,095,013**	—
TSUP units	**269,811**	—	**194,941**	—
Weighted average shares outstanding - diluted	**415,287,789**	402,492,634	**413,386,183**	392,916,485
Potentially dilutive securities excluded (as anti-dilutive)				
Stock options	**2,299,269**	11,627,065	**2,520,681**	20,573,441

18. Supplemental Cash Flow Information

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Receivables	**$ (8,430)**	$ (446)	**$ 1,783**	$ 4,831
Inventories	**(5,215)**	6,810	**1,426**	(44)
Other assets	**(15,709)**	(4,574)	**(12,777)**	(6,908)
Accounts payable and accrued liabilities	**12,907**	2,699	**8,038**	11,287
Other liabilities	**38,832**	(26,727)	**28,063**	—
Net change in non-cash working capital	**$ 22,385**	$ (22,238)	**$ 26,533**	$ 9,166

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
(Increase) decrease in accounts payable and accrued liabilities related to mineral properties, plant and equipment	**$ (860)**	$ (208)	**$ 5,017**	$ 2,751
Amortization of mining equipment capitalized to deferred stripping assets	**$ 778**	$ 1,351	**$ 3,001**	$ 1,629
Fair value of stock options allocated to share capital upon exercise	**$ 550**	$ 245	**$ 2,161**	$ 275

19. General & Administrative Expenses

Details are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
General & administrative	**$ 4,289**	$ 3,492	**$ 12,438**	$ 9,400
Corporate depreciation	**170**	154	**499**	762
	$ 4,459	$ 3,646	**$ 12,937**	$ 10,162

20. Other (Expense) Income

Details are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Mark-to-market gain on contingent consideration *(Note 8)*	**$ 998**	$ 1,436	**$ 5,067**	$ 1,880
Unrealized and realized loss on derivative financial instruments *(Note 3)*	**(189)**	(1,226)	**(164)**	(1,225)
Streaming arrangement transaction costs	**(100)**	—	**(1,029)**	—
Business development costs	**(509)**	—	**(1,110)**	—
Other (expense) income	**(297)**	(208)	**(356)**	284
	$ (97)	$ 2	**$ 2,408**	$ 939

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

21. Finance Costs

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Interest on surety bonds	**$ 365**	$ 686	**$ 1,189**	$ 1,528
Interest on RCF	**—**	2,295	**946**	7,050
Standby fees on RCF *(Note 12)*	**318**	102	**831**	329
Amortization of financing fees *(Note 12)*	**283**	283	**849**	849
	$ 966	$ 3,366	**$ 3,815**	$ 9,756

Details of other interest are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Interest accretion on deferred revenue *(Note 13) (i)*	**$ 2,950**	$ —	**$ 5,750**	$ —
Accretion on payable on purchase of NCI *(Note 10) (ii)*	**988**	—	**1,963**	—
Accretion on asset retirement obligations	**169**	511	**505**	1,535
Other interest expense	**156**	24	**406**	253
	$ 4,263	$ 535	**$ 8,624**	$ 1,788

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

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

22. Segmented Information

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

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

Operating segment details are as follows:

	Three months ended September 30, 2021				
	Pinto Valley	Cozamin	Santo Domingo	Other	Total
Revenue					
Copper	$ 108,130	$ 56,016	$ —	$ —	$ 164,146
Silver	1,197	7,675	—	—	8,872
Zinc	—	739	—	—	739
Gold	679	—	—	—	679
Lead	—	(7)	—	—	(7)
Treatment and selling costs	(6,143)	(2,874)	—	—	(9,017)
Net revenue	103,863	61,549	—	—	165,412
Production costs	(63,506)	(17,038)	—	—	(80,544)
Royalties	(506)	(1,211)	—	—	(1,717)
Depletion and amortization	(16,676)	(3,711)	—	—	(20,387)
Earnings from mining operations	23,175	39,589	—	—	62,764
General and administrative expenses	(535)	(61)	(6)	(3,857)	(4,459)
Exploration expenses	—	(33)	17	(130)	(146)
Care and maintenance	(248)	—	—	—	(248)
Share-based compensation expense	—	—	—	(1,203)	(1,203)
Earnings (loss) from operations	22,392	39,495	11	(5,190)	56,708
Other income (expense)	142	942	(488)	589	1,185
Earnings (loss) before finance costs and income taxes	22,534	40,437	(477)	(4,601)	57,893
Net finance costs	(456)	(2,304)	(850)	(1,619)	(5,229)
Earnings (loss) before income taxes	22,078	38,133	(1,327)	(6,220)	52,664
Income tax expense	(3,389)	(13,783)	—	(454)	(17,626)
Total net income (loss)	$ 18,689	$ 24,350	$ (1,327)	$ (6,674)	$ 35,038
Mineral properties, plant & equipment additions	$ 20,628	$ 9,569	$ 5,790	$ 60	$ 36,047

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

	Three months ended September 30, 2020				
	Pinto Valley	Cozamin	Santo Domingo	Other	Total
Revenue					
Copper	$ 94,173	$ 30,728	$ —	$ —	$ 124,901
Silver	1,806	7,827	—	—	9,633
Zinc	—	3,753	—	—	3,753
Gold	2,984	4	—	—	2,988
Lead	—	277	—	—	277
Molybdenum	(15)	—	—	—	(15)
Treatment and selling costs	(7,571)	(3,421)	—	—	(10,992)
Net revenue	91,377	39,168	—	—	130,545
Production costs	(67,576)	(11,652)	—	—	(79,228)
Royalties	(39)	(1,148)	—	—	(1,187)
Depletion and amortization	(16,987)	(4,499)	—	—	(21,486)
Earnings (loss) from mining operations	6,775	21,869	—	—	28,644
General and administrative expenses	(80)	(75)	(7)	(3,484)	(3,646)
Exploration expenses	—	(116)	(10)	(286)	(412)
Care and maintenance	(257)	—	—	—	(257)
Share-based compensation expense	—	—	—	(7,498)	(7,498)
Earnings (loss) from operations	6,438	21,678	(17)	(11,268)	16,831
Other (expense) income	(252)	(1,005)	37	(61)	(1,281)
Earnings (loss) before finance costs and income taxes	6,186	20,673	20	(11,329)	15,550
Net finance costs	(1,147)	(102)	(1)	(2,651)	(3,901)
Earnings (loss) before income taxes	5,039	20,571	19	(13,980)	11,649
Income tax recovery (expense)	(591)	(6,630)	—	(2,117)	(9,338)
Total net income (loss)	$ 4,448	$ 13,941	$ 19	$ (16,097)	$ 2,311
Mineral properties, plant & equipment additions	$ 22,881	$ 6,514	$ 2,792	$ 6	$ 32,193

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

	Nine months ended September 30, 2021				
	Pinto Valley	Cozamin	Santo Domingo	Other	Total
Revenue					
Copper	$ 414,330	$ 158,824	$ —	$ —	$ 573,154
Silver	4,918	24,521	—	—	29,439
Zinc	—	6,016	—	—	6,016
Gold	2,062	2	—	—	2,064
Lead	—	359	—	—	359
Treatment and selling costs	(22,524)	(9,632)	—	—	(32,156)
Net revenue	398,786	180,090	—	—	578,876
Production costs	(200,346)	(47,472)	—	—	(247,818)
Royalties	(843)	(4,723)	—	—	(5,566)
Depletion and amortization	(56,012)	(11,494)	—	—	(67,506)
Earnings from mining operations	141,585	116,401	—	—	257,986
General and administrative expenses	(716)	(239)	(7)	(11,975)	(12,937)
Exploration expenses	—	(1,061)	(25)	(762)	(1,848)
Impairment reversal on mineral properties	—	—	92,392	—	92,392
Care and maintenance	(749)	—	—	—	(749)
Share-based compensation expense	—	—	—	(47,042)	(47,042)
Earnings (loss) from operations	140,120	115,101	92,360	(59,779)	287,802
Other income (expense)	77	1,204	(647)	676	1,310
Earnings (loss) before finance costs and income taxes	140,197	116,305	91,713	(59,103)	289,112
Net finance costs	(1,417)	(5,512)	(850)	(4,660)	(12,439)
Earnings (loss) before income taxes	138,780	110,793	90,863	(63,763)	276,673
Income tax (expense) recovery	(24,052)	(37,555)	(3,961)	346	(65,222)
Total net income (loss)	$ 114,728	$ 73,238	$ 86,902	$ (63,417)	$ 211,451
Mineral properties, plant & equipment additions	$ 65,741	$ 28,308	$ 20,674	$ 117	$ 114,840

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

	Nine months ended September 30, 2020				
	Pinto Valley	Cozamin	Santo Domingo	Other	Total
Revenue					
Copper	$ 224,636	$ 73,025	$ —	$ —	$ 297,661
Silver	4,020	16,855	—	—	20,875
Zinc	—	7,778	—	—	7,778
Gold	7,834	11	—	—	7,845
Lead	—	1,240	—	—	1,240
Molybdenum	418	—	—	—	418
Treatment and selling costs	(20,968)	(9,213)	—	—	(30,181)
Net revenue	215,940	89,696	—	—	305,636
Production costs	(179,916)	(36,689)	—	—	(216,605)
Royalties	(39)	(2,484)	—	—	(2,523)
Depletion and amortization	(47,936)	(13,538)	—	—	(61,474)
(Loss) earnings from mining operations	(11,951)	36,985	—	—	25,034
General and administrative expenses	(394)	(219)	(14)	(9,535)	(10,162)
Exploration expenses	—	(285)	(30)	(843)	(1,158)
Care and maintenance	(846)	—	—	—	(846)
Share-based compensation expense	—	—	—	(10,705)	(10,705)
(Loss) earnings from operations	(13,191)	36,481	(44)	(21,083)	2,163
Other (expense) income	(269)	2,374	(187)	1,235	3,153
(Loss) earnings before finance costs and income taxes	(13,460)	38,855	(231)	(19,848)	5,316
Net finance costs	(2,812)	(299)	(5)	(8,428)	(11,544)
(Loss) earnings before income taxes	(16,272)	38,556	(236)	(28,276)	(6,228)
Income tax recovery (expense)	6,681	(13,161)	—	(2,557)	(9,037)
Total net (loss) income	$ (9,591)	$ 25,395	$ (236)	$ (30,833)	$ (15,265)
Mineral properties, plant & equipment additions	$ 45,242	$ 19,873	$ 6,896	$ 114	$ 72,125

	As at September 30, 2021				
	Pinto Valley	**Cozamin**	**Santo Domingo**	**Other**	**Total**
Mineral properties, plant and equipment	**$ 730,195**	**$ 171,200**	**$ 381,205**	**$ 1,482**	**$ 1,284,082**
Total assets	**$ 901,948**	**$ 249,740**	**$ 391,564**	**$ 94,387**	**$ 1,637,639**
Total liabilities	**$ 221,842**	**$ 250,065**	**$ 39,743**	**$ 153,988**	**$ 665,638**

	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

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

Capstone Mining Corp. ("Capstone" or the "Company") has prepared the following management's discussion and analysis (the "MD&A") as of October 26, 2021 and it should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and notes thereto for the three and nine months ended September 30, 2021. All financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and all dollar amounts presented are United States ("US") dollars unless otherwise stated. "C$" refers to Canadian dollars.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

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

Forward-looking statements relate to future events or future performance and reflect our expectations or beliefs regarding future events and the impacts of the ongoing and evolving COVID-19 pandemic. Forward-looking statements include, but are not limited to, statements with respect to the estimation of Mineral Resources and Mineral Reserves, the expected timing, operations and success of the underground paste backfill system study and tailings filtration project at Cozamin, the outcome and timing of the PV4 study, the timing and success of our use of the Jetti Technology, the successful execution of a port services agreement with Puerto Ventanas and/or rail agreement with Sigdo Kopper's rail business, the success of our strategic process for the Santo Domingo project, the expected reduction in capital requirements for the Santo Domingo project, the timing and success of the Cobalt Study for Santo Domingo, the success of the PV3 Optimization project, the realization of Mineral Reserve estimates, the timing and amount of estimated future production, costs of production and capital expenditures and reclamation, the success of our mining operations, the success of mineral exploration, the estimations for potential quantities and grade of inferred resources and exploration targets, Capstone's ability to fund future exploration activities, Capstone's ability to finance the Santo Domingo project, Capstone's ability to find a strategic partner, environmental risks, unanticipated reclamation expenses and title disputes. The potential effects of the COVID-19 pandemic on our business and operations are unknown at this time, including Capstone's ability to manage challenges and restrictions arising from COVID-19 in the communities in which Capstone operates and our ability to continue to safely operate and to safely return our business to normal operations. The impact of COVID-19 to Capstone is dependent on a number of factors outside of our control and knowledge, including the effectiveness of the measures taken by public health and governmental authorities to combat the spread of the disease, global economic uncertainties and outlook due to the disease, and the evolving restrictions relating to mining activities and to travel in certain jurisdictions in which we operate.

In certain cases, forward-looking statements can be identified by the use of words such as "anticipates", "approximately", "believes", "budget", "estimates", expects", "forecasts", "guidance", intends", "plans", "scheduled", "target", or variations of such words and phrases, or statements that certain actions, events or results "be achieved", "could", "may", "might", "occur", "should", "will be taken" or "would" or the negative of these terms or comparable terminology. In this document certain forward-looking statements are identified by words including "anticipated", "expected", "guidance" and "plan". By their very nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, amongst others, risks related to inherent hazards associated with mining operations and closure of mining projects, future prices of copper and other metals, compliance with financial covenants, surety bonding, our ability to raise capital, Capstone's ability to acquire properties for growth, counterparty risks associated with sales of our metals, use of financial derivative instruments and associated counterparty risks, foreign currency exchange rate fluctuations, market access restrictions or tariffs, changes in general economic conditions, availability of water, accuracy of Mineral Resource and Mineral Reserve estimates, operating in foreign jurisdictions with risk of changes to governmental regulation, compliance with governmental regulations, compliance with environmental laws and regulations, reliance on approvals, licenses and permits from governmental authorities and potential legal challenges to permit applications, contractual risks including but not limited to, our ability to meet the completion test requirements under the Cozamin Silver Stream Agreement with Wheaton Precious Metals, our ability to meet certain closing conditions under the Santo Domingo Gold Stream Agreement with Wheaton Precious Metals, acting as Indemnitor for Minto Exploration Ltd.'s surety bond obligations post divestiture, impact of climate change and changes to climatic conditions at our Pinto Valley and Cozamin operations and Santo Domingo project, changes in regulatory requirements and policy related to climate change and greenhouse gas ("GHG") emissions, land reclamation and mine closure obligations, risks relating to widespread epidemics or pandemic outbreak including the COVID-19 pandemic; the impact of COVID-19 on our workforce, suppliers and other essential resources and what effect those impacts, if they occur, would have on our business, including our ability to access goods and supplies, the ability to transport our products and impacts on employee productivity, the risks in connection with the operations, cash flow and results of Capstone relating to the unknown duration and impact of the COVID-19 pandemic, uncertainties and risks related to the potential development of the Santo Domingo project, increased operating and capital costs, increased cost of reclamation, challenges to title to our mineral properties, increased taxes in jurisdictions the Company operates or is subject to tax, changes in tax regimes we are subject to and any changes in law or interpretation of law may be difficult to react to in an efficient manner, maintaining ongoing social license to operate, dependence on key management personnel, potential conflicts of interest involving our directors and officers, corruption and bribery, limitations inherent in our insurance coverage, labour relations, increasing energy prices, competition in the mining industry including but not limited to competition for skilled labour, risks associated with joint venture partners, our ability to integrate new acquisitions and new technology into our operations, cybersecurity threats, legal proceedings, the volatility of the price of the Common Shares, the uncertainty of maintaining a liquid trading market for the Common Shares, risks related to dilution to existing shareholders if stock options or other convertible securities are exercised, the history of Capstone with respect to not paying dividends and anticipation of not paying dividends in the foreseeable future, and sales of Common Shares by existing shareholders can reduce trading prices, and other risks of the mining industry as well as those factors detailed from time to time in the Company's interim and annual financial statements and MD&A of those statements and Annual Information Form, all of which are filed and available for review under the Company's profile on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause our actual results, performance or achievements to differ materially from those described in our forward-looking statements, there may be other factors that cause our results, performance or achievements not to be as anticipated, estimated or intended. There can be no assurance that our forward-looking statements will prove to be accurate, as our actual results, performance or achievements could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on our forward-looking statements.

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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. Capstone Mining Chile SpA, a wholly owned Chilean subsidiary, is performing exploration for base metal deposits in Chile.

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

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The Company continues to evaluate the potential impacts arising from COVID-19 on all aspects of its business. For the three and nine months ended September 30, 2021, there were no significant financial impacts on the Company.

Q3 2021 Highlights and Significant Items

Q3 2021 Financial and Operational Highlights

- **Cash and short term investments grew by $36.7 million to $208.2 million** during the three months ending September 30, 2021 ("Q3 2021"). The Company's total available liquidity[1] was $433.2 million with nil long term debt. The balance sheet was enhanced by continued strong operating cash flow generation during Q3 2021.
- **Operating cash flow before changes in working capital[1] of $67.1 million** in Q3 2021 driven by strong revenue in a plus $4 copper environment. Operating cash flow and earnings were negatively impacted by $10.0 million of realized loss on provisional price adjustments plus lag in sales timing of 3.3 million pounds of copper, impact of approximately $6 million after-tax during the quarter.
- **Net income of $35.0 million,** or $0.09 per share for Q3 2021. Adjusted net income[1] of $35.3 million or $0.09 per share.
- **Adjusted EBITDA[1] for Q3 2021 of $72.3 million and 2021 year-to-date ("YTD") of $318.9 million.** 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.
- **Consolidated copper production of 44.4 million pounds at C1 cash costs[1] of $1.96** per payable pound of copper produced. **Consolidated copper production for 2021 YTD of 135.5 million pounds at C1 cash costs[1] of $1.85** per payable pound of copper produced are on track with 2021 guidance.
- **Pinto Valley Mine** quarterly production and C1 costs were negatively impacted by an estimated 10% to 30.3 million pounds at $2.44 per payable pound produced by heavy monsoon rains in July and August causing lower mining and milling rates. While the first half of the quarter saw extreme wet conditions, from September to present the Operation has averaged over 60,000 tonnes per day ("tpd") upon completion of the PV3 optimization work.
- **Cozamin Mine achieved another record quarterly copper production of 14.1 million pounds at $0.93 per payable pound of copper produced and attained targeted new run rate of 3,854 tpd.** Q3 2021 production was 33% higher than in Q3 2020 following commissioning of the Calicanto one-way ramp in Q1 2021.
- **There remains strong interest in Santo Domingo and discussions are advancing well.** The Santo Domingo project is a very attractive project and it retains a Decree Law 600 ("DL 600") Tax Invariability Agreement which is expected to protect the project from any potential mining royalty tax changes for the majority of the current mineral reserve.

PV3 Optimization Update

PV3 Optimization Phase 1 work was completed in 2020. Phase 1 work included improved blast fragmentation processes, installation of a new secondary crusher and screen decks as well as a new mill shell. As a result, Pinto Valley was able to reliably achieve throughput of 57,000 tpd to 58,000 tpd in Q4 2020 and Q1 2021.

Phase 2 of the PV3 Optimization work was completed in Q3 2021. Capital was invested into tailings thickeners, pumping upgrades and installation of a new ball mill shell. Phase 2 optimization work further enables the reliability of higher throughput rates at Pinto Valley.

Total capital spent to date on Phase 1 and Phase 2 of PV 3 optimization totalled $31 million which has enabled 10% increase in throughput to reliably deliver 58,000 tpd on an annualized basis with horsepower to run at 60,000 tpd or higher during peaks.

PV4 Study

Work progressed on the pre-feasiblity study for PV4 to take advantage of approximately one billion tonnes of Mineral Resource, not currently in the Mineral Reserve mine plan, which is at similar grade to the current Mineral Reserves at Pinto Valley. The PV4 pre-feasibility study is expected to be released in late 2022 and will focus on utilizing existing mill infrastructure rather than building new to achieve higher mining and milling rates, higher cut-off grades to the mill and increased tonnage available for leaching. Extensive column leach test work in collaboration with Jetti Resources LLC ("Jetti") has commenced and will continue through early 2022 and is being incorporated into the pre-feasiblity study. 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 operations. In addition, the PV4 study will look to incorporate Coarse Particle Flotation, which has demonstrated,

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

in pilot trials, the potential for increased recoveries by 6% to 8% while enabling higher throughput by operating at a coarser grind size and providing options to improve water consumption and tailings management.

Pyrite Agglomeration

Pinto Valley is studying the potential to add a pyrite agglomeration circuit to the dump leach process. Currently, the copper concentrate cleaner circuit tailings contain ~0.2% copper and significant pyrite mineral in a slurry containing up to ~3,000 tpd solids. Study work, that will be included in the PV4 pre-feasibility study, is looking into the feasibility of introducing this material into the heap leach dumps to produce numerous potential benefits including the following:

1. Leaching the copper contained in a portion of the tailings stream for added copper recovery;
2. Oxidation of the pyrite generates free acid and would offset the requirement to purchase acid for leaching
3. Diverting this material from tailings impoundment has ESG benefits from reduced water consumption and a significant reduction in acid generating minerals reporting to tailings.

Capstone Continues to Advance Santo Domingo Project

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

- There remains strong interest in Santo Domingo and discussions are advancing well. Santo Domingo is currently the only fully permitted copper-iron project in Chile.
- With respect to the reduced initial capital estimate, the Company and its port partner, Puerto Ventanas, are executing on early works in the framework agreement. In addition, the Company is advancing the analysis of the pipeline versus rail capital trade-off in which the proposals replace the pipeline capital to become a rail customer or a potential build, own, operate and transfer ("BOOT") contract on the pipeline. The end result is expected to be a reduction in initial capital of up to $150 million.
- With respect to potential increases in the Chilean mining royalty tax, Santo Domingo is expected to be protected given the fact the Company retains a foreign investment contract with the state of Chile, which fell under the provisions of DL600. One of the benefits to the Company of this agreement is a tax invariability system for a period of 15 years post commercial production.
- The cobalt feasibility study focused in Q3 2021 on new drilling to obtain samples for extensive bench scale testing that commenced during the quarter. The drilling delivered 7,600m of PQ core to be used as 140 individual samples for flotation-roast-leach flowsheet confirmation work and geometallurgical characterization. In parallel, several industrial visits took place in July and August to operating facilities and technology providers in Europe in order to gain insight on sulphide concentrate roast-leach facilities and associated processing technologies. The drilling campaign is ongoing and now focused on generation of sufficient sample mass for 2022 pilot scale testing of the cobalt recovery process.
- The first of a total of two stages of the cobalt feasibility engineering work, covering prefeasibility-level activities, started in September and is expected to finalize in March 2022. The scope of work includes parallel execution of different trade-off studies focused on various concentrate oxidation technologies and different options for detailed production scheduling from a geological and mine planning perspective. The engineering work also addresses all relevant ESG aspects early on to assure smooth integration of the selected process route into the more developed copper and iron plant at Minera Santo Domingo. All work is progressing with support of several global and highly qualified consultant and technology providers so that delivery of the overall cobalt feasibility project, according to the earlier announced budget and schedule, is assured.

Exploration Update:

Cozamin exploration: The focus during Q3 2021 was on testing the Mala Noche Footwall Zone West Target with two surface rigs, along with the in-parallel development of the west exploration drift and crosscuts which will allow more efficient testing of the target from underground once completed in early 2022. Two additional surface rigs are now testing other brownfield targets on the property.

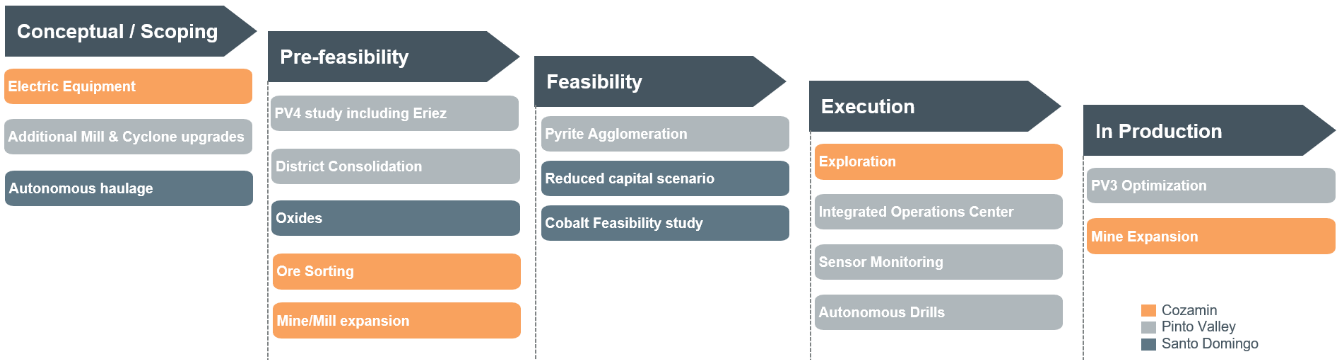
Planalto, Brazil: Step-out drilling at the Planalto Iron Ore-Copper-Gold prospect in Brazil, under Option from Lara Exploration Ltd., planned for Q4 2021.

Pipeline of organic growth projects

In addition to our focus on unlocking the value of the transformational Santo Domingo project, the Company has a capital allocation process for identifying, screening and validating a pipeline of organic growth capital projects and

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

moving them through a stage gate process from concept through to approval / execution. In the last two years, this has focused on identifying and executing low capex, quick payback projects such as the one-way Calicanto ramp to de-bottleneck the Cozamin mine and the PV 3 Optimization projects to improve throughput by 10% at Pinto Valley.



2021 Production and cost guidance unchanged despite Industry wide inflationary cost pressures

2021 YTD consolidated production and C1 cash costs[1] of 135.5 million pounds of copper at $1.85 per payable pound produced were in line with consolidated 2021 production and C1 cash cost[1] guidance of 175-190 million pounds of copper at $1.75 to $1.90 per payable pound produced. Annual production and C1 cash cost[1] guidance remains unchanged.

Cost control strategy included few of the following actions taken by the Company. During 2020, financial hedges were executed on foreign exchange rates to protect approximately half of the Company's Mexican Peso exposure from August 2020 through December 2021. The realized gain on the Mexican Peso zero cost collars was $2.0 million for the nine months ended September 30, 2021.

Pinto Valley fixed diesel prices with a supplier on its expected 2021 and 2022 diesel consumption at $1.76/gallon and $2.13/gallon, respectively. The fixed diesel prices have resulted in cost savings of $1.4 million and $3.3 million during the three and nine months ended September 30, 2021, respectively. At current prices the price fixing is expected to yield additional savings of approximately $5 million over the remainder of 2021 and 2022.

Ramp up of production at the Molybdenum plant at Pinto Valley is progressing and expected to be completed during Q4 2021, improving by-product credits.

Lastly, Capital guidance was reduced slightly from $170 million to $165 million. This includes a reduction in capital spending at Pinto Valley of $12 million partially offset by a $7 million acceleration of capital spending at Cozamin related to the multi-year paste back fill plant project as contemplated in the 2021 Technical Report for the Cozamin mine in support of the mine life extension.

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

Operational Overview

	Q3 2021	Q3 2020	2021 YTD	2020 YTD
Copper production (million pounds)				
Pinto Valley	**30.3**	27.9	**96.2**	84.9
Cozamin	**14.1**	10.6	**39.3**	27.6
Total	**44.4**	38.5	**135.5**	112.5
Copper sales				
Copper sold (million pounds)	**39.6**	39.8	**131.9**	108.1
Realized copper price ($/pound)	**4.15**	3.13	**4.35**	2.75
C1 cash costs[1] ($/pound) produced				
Pinto Valley	**2.44**	2.38	**2.22**	2.30
Cozamin	**0.93**	0.36	**0.95**	0.71
Consolidated	**1.96**	1.82	**1.85**	1.91

Consolidated

Q3 2021 production was 15% higher than Q3 2020 mainly as a result of record copper production at Cozamin driven by maximizing mill throughput due to successful one-way ramp utilization and higher mine grades at both mines.

2021 YTD consolidated production of 135.5 million pounds of copper is on track with full year guidance of 175 to 190 million pounds of copper. The production results demonstrate a 20% growth compared to prior year, benefiting from Cozamin achieving the new higher run rates (3,854 tpd) and benefits of PV3 Optimization projects at Pinto Valley. The increase in production was the main driver for the $0.06 per payable pound decrease in C1 cash costs[1] in 2021 YTD compared to 2020 YTD. 2021 YTD C1 cash costs[1] are also on track with annual guidance of $1.75 to $1.90 per payable pound.

Pinto Valley Mine

Q3 2021 production was higher than the same period last year primarily on higher grades Q3 2021 (0.33% versus 0.31% in Q3 2020) as a result of mine sequencing and an increase in cut off grade to the mill, sending the lower grade ore to leach. Pinto Valley production during Q3 2021 was lower than expected due to severe monsoon rainstorms in July and August. Extreme wet conditions led to reduced mining and mill throughput rates while lightning limited outdoor activities which prolonged the completion of scheduled maintenance work. In August, record precipitation caused erosion of burnt terrain resulting in unprecedented floods and mud slides that affected neighbouring communities in the Globe-Miami area. PV3 optimization work is now complete and the mine achieved rates of 60,000 tpd in September and similar throughput rates in October.

Q3 2021 sales were impacted by buildup of copper concentrate inventory at Pinto Valley due to the strong production levels in the month of September 2021.

2021 YTD production increased by 13% compared to the same period last year due to higher head grades for 2021 YTD (0.34% versus 0.30% in 2020 YTD) and improved flotation plant recovery performance (87.3% versus 84.5% in 2020 YTD).

C1 cash costs[1] of $2.44 per payable pound in Q3 2021 were higher than Q3 2020 mainly due to lower capitalized stripping costs of $0.11 per pound during the quarter ($2.4 million versus $5.1 million in Q3 2020) and lower by-product credits on gold, partially offset by higher Q3 2021 production compared to Q3 2020.

A decrease in 2021 YTD C1 cash cost[1] by $0.08 per payable pound was primarily attributed to higher production compared to the same period last year.

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

Cozamin Mine
Production in Q3 2021 was 33% higher than the same period last year and a record production quarter for Cozamin. Higher copper production was primarily due to the successful utilization of the Calicanto one-way ramp which increased mill rates from 3,090 tpd in Q3 2020 to 3,854 tpd in Q3 2021. In addition, with the optimized technical report, the mine plan is delivering significantly higher mine grades (1.87% in Q3 2021 versus 1.77% in Q3 2020) from the copper rich San Jose and Calicanto zones.

2021 YTD production increased by 42% compared to the same period last year mainly due to higher mill throughput (3,678 tpd versus 2,903 tpd in 2020 YTD) and head grades (1.84% versus 1.65% in 2020 YTD).

C1 cash costs[1] in Q3 2021 were higher than the same period last year due to $0.29 per payable pound impact of the Cozamin Silver Stream with Wheaton Precious Metals Corp. ("Wheaton") for 50% of the silver sales and higher production cost attributed to higher operating development meters executed.

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

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

Financial Overview

($ millions, except per share data)	Q3 2021	Q3 2020	2021 YTD	2020 YTD
Revenue	**165.4**	130.5	**578.9**	305.6
Net income (loss)	**35.0**	2.3	**211.5**	(15.3)
Net income (loss) attributable to shareholders	**35.0**	2.4	**185.4**	(15.1)
Net income (loss) attributable to shareholders per common share - basic ($)	***0.09***	*0.01*	***0.46***	*(0.04)*
Net income (loss) attributable to shareholders per common share - diluted ($)	***0.08***	*0.01*	***0.45***	*(0.04)*
Adjusted net income (loss)[1]	**35.3**	9.5	**168.4**	(8.7)
Adjusted net income (loss) attributable to shareholders[1]	**35.3**	9.5	**168.4**	(8.5)
Adjusted net income (loss) attributable to shareholders per common share - basic	***0.09***	*0.02*	***0.42***	*(0.02)*
Adjusted net income (loss) attributable to shareholders per common share - diluted	***0.09***	*0.02*	***0.41***	*(0.02)*
Adjusted EBITDA[1]	**72.3**	51.6	**318.9**	75.7
Cash flow from operating activities	**70.0**	27.7	**458.9**	79.8
Cash flow from operating activities per common share[1] - basic ($)	***0.17***	*0.07*	***1.13***	*0.20*
Operating cash flow before changes in working capital[1,2]	**67.1**	44.9	**451.6**	65.6
Operating cash flow before changes in working capital per common share[1] – basic ($)	***0.16***	*0.11*	***1.11***	*0.17*

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

($ millions)	September 30, 2021	December 31, 2020
Total assets	**1,637.6**	1,391.6
Long term debt (excluding financing fees)	**—**	184.9
Total non-current financial liabilities	**38.0**	183.6
Total non-current liabilities	**462.2**	408.5
Cash and cash equivalents and short-term investments	**208.2**	60.0
Net cash/(debt)[1]	**208.2**	(124.9)

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

Selected Quarterly Financial Information

($ millions, except per share data)	Q3 2021	Q2 2021[(i)]	Q1 2021[(ii)]	Q4 2020[(iii)]	Q3 2020	Q2 2020[(iv)]	Q1 2020[(v)]	Q4 2019[(vi)]
Revenue	**165.4**	209.4	204.1	148.1	130.5	104.7	70.4	113.6
Earnings (loss) from mining operations	**62.8**	102.8	92.5	57.2	28.6	16.3	(20.0)	6.0
Net income (loss) from continuing operations attributable to shareholders	**35.0**	49.4	101.0	27.6	2.4	4.3	(21.7)	13.4
Net income (loss) from continuing operations attributable to shareholders per share - basic	**0.09**	0.12	0.25	0.07	0.01	0.01	(0.06)	0.03
Net income (loss) from continuing operations attributable to shareholders per share - diluted	**0.08**	0.12	0.24	0.07	0.01	0.01	(0.06)	0.03
Net income (loss) attributable to shareholders	**35.0**	49.4	101.0	27.6	2.4	4.3	(21.7)	13.4
Net income (loss) per share attributable to shareholders - basic	**0.09**	0.12	0.25	0.07	0.01	0.01	(0.06)	0.03
Net income (loss) per share attributable to shareholders - diluted	**0.08**	0.12	0.24	0.07	0.01	0.01	(0.06)	0.03
Operating cash flow before changes in non-cash working capital[1]	**67.1**	140.4	244.5	65.3	44.9	24.0	(3.5)	20.3
Capital expenditures (including capitalized stripping)	**36.0**	50.4	28.4	31.2	32.2	19.3	20.6	28.5

[(i)] *Net income in Q2 2021 includes $19 million of share unit expense.*
[(ii)] *Net income in Q1 2021 includes $92 million of impairment reversal on mineral properties as well as $27 million of share unit expense.*
[(iii)] *Earnings from mining operations and Net income in Q4 2020 includes $16 million of share unit expense.*
[(iv)] *Earnings from mining operations and Net income in Q2 2020 includes $14 million of positive non-cash provisional pricing adjustments and $8 million in reversals of inventory write-downs.*
[(v)] *Earnings (loss) from mining operations and Net income (loss) in Q1 2020 includes $10 million of negative non-cash provisional pricing adjustments and $7 million of inventory write-downs.*
[(vi)] *Net income in Q4 2019 includes a recognition of $23 million of corporate tax losses recorded as deferred income tax recovery.*

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

Consolidated Results

Consolidated Net Income (Loss) Analysis

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

The Company recorded net income of $35.0 million for the three months ended September 30, 2021 compared with net income of $2.3 million in Q3 2020. The major differences are outlined below:

The difference quarter-over-quarter was driven by:

- Revenue: $34.9 million or 27% increase driven by higher realized copper prices (Q3 2021 - $4.15 per pound, Q3 2020 - $2.72 per pound) on similar copper volumes sold.
- Production costs: $1.8 million increase:
  - Pinto Valley recorded $4.1 million lower production costs in Q3 2021 compared to Q3 2020 as a result of lower copper volumes sold (Q3 2021 – 26.4 million pounds, Q3 2020 – 29.9 million pounds).
  - Cozamin recorded $5.4 million higher production costs in Q3 2021 compared to Q3 2020 as a result of higher mining and mill rates and copper volumes sold (Q3 2021 – 13.2 million pounds, Q3 2020 – 10.0 million pounds).
- Depletion and amortization: $1.1 million decrease primarily due to an increased depletion base at Cozamin tied to mine life extension in October 2020 technical report.
- Share-based compensation expense: $6.3 million decrease as share-based compensation expense for Q3 2020 was larger than the current period which had minimal change in share price resulting in share-based compensation expense of only $1.2 million.
- Income taxes: $8.3 million increase due to higher net income before taxes during Q3 2021 compared to Q3 2020.

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

Net Income (Loss) for the Nine Months Ended September 30, 2021 and 2020

The Company recorded net income of $211.5 million for the nine months ended September 30, 2021 compared with a net loss of $15.3 million in 2020 YTD. The major differences are outlined below:

The difference year-over-year was driven by:

- Revenue: $273.3 million or 89% increase driven by higher realized copper prices (2021 YTD - $4.35 per pound, 2020 YTD - $2.75 per pound) and higher copper volumes sold (2021 YTD – 131.9 million pounds, 2020 YTD – 108.1 million pounds) on higher production (2021 YTD – 135.5 million pounds, 2020 YTD – 112.5 million pounds).
- Production costs: $34.3 million increase:
    - Pinto Valley recorded $20.4 million higher production costs in 2021 YTD compared to 2020 YTD as a result of higher copper volumes sold (2021 YTD – 95.1 million pounds, 2020 YTD – 81.2 million pounds).
    - Cozamin recorded $10.8 million higher production costs in 2021 YTD compared to 2020 YTD as a result of higher copper volumes sold (2021 YTD – 36.8 million pounds, 2020 YTD – 27.0 million pounds).
- Depletion and amortization: $6.0 million increase primarily due to the increase in copper volumes sold.
- General and administration: $2.8 million increase primarily due to increase in Environmental, Social and Governance (ESG) activities, increased corporate development and consultant expenses.
- Impairment reversal of $92.4 million on mineral properties related to Santo Domingo recorded during Q1 2021.
- Share-based compensation: $36.3 million increase as a result of mark to market adjustments on share unit liabilities to reflect the increase in the share price during 2021 (increase from C$2.38 per share at December 31, 2020 to C$4.93 per share at September 30, 2021) compared to a lower mark to market adjustment recorded in 2020 (C$0.76 per share at December 31, 2019 versus C$1.45 per share at September 30, 2020).
- Net other expenses: $3.3 million increase due to an increase in non-cash interest accretion of $5.8 million driven by the Cozamin Silver Stream and non-cash interest accretion of $2.0 million on the payable to KORES, and partially offset by lower interest on long term debt as a result of full repayment on the Corporate Revolving Credit facility ("RCF") in Q1 2021.
- Income taxes: $56.2 million change due to net income before taxes during 2021 YTD compared to a net loss before taxes in 2020 YTD.

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

Revenue

Revenue increased quarter-on-quarter ($165.4 million versus $130.5 million in Q3 2020) primarily due to a higher realized copper price ($4.15 per pound versus $3.13 per pound in Q3 2020) on 0.2 million pounds lower copper volumes sold (39.6 million pounds versus 39.8 million pounds in Q3 2020).

YTD revenue increased year-on-year ($578.9 million versus $305.6 million in 2020 YTD) primarily due to a higher realized copper price ($4.35 per pound versus $2.75 per pound in 2020 YTD) on 23.8 million pounds higher copper volumes sold (131.9 million pounds versus 108.1 million pounds in 2020 YTD). Additionally, silver revenue increased at Cozamin due to increased silver prices (average market prices $26/oz versus $24/oz in 2020 YTD) and higher ounces sold (1,226k oz versus 1,036k oz in 2020 YTD). There is minimal impact to 2021 YTD silver revenue from the Cozamin Silver Stream as the non-cash amortization of deferred revenue to silver revenue and the 10% spot price paid by Wheaton largely offset the 50% of the silver sales delivered to Wheaton.

Realized Copper Prices

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

Revenue by Mine

($ millions)	**Q3 2021**[2]		**Q3 2020**[2]		**2021 YTD**[2]		**2020 YTD**[2]	
Pinto Valley	**103.9**	**62.8 %**	91.4	70.0 %	**398.8**	**68.9 %**	215.9	70.6 %
Cozamin	**61.5**	**37.2 %**	39.1	30.0 %	**180.1**	**31.1 %**	89.7	29.4 %
Total revenue	**165.4**	**100.0 %**	130.5	100.0 %	**578.9**	**100.0 %**	305.6	100.0 %

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

Provisionally Priced Copper

Gross revenue for the three months ended September 30, 2021 includes 51.2 million pounds of copper sold subject to final settlement. Of this, the prices for 23.3 million pounds are final at a weighted average price of $4.28 per pound. The remaining 27.9 million pounds are subject to price change upon final settlement at the end of the applicable quotational period, as follows:

	(Millions of Pounds of Copper)			**($/pound)**
Quotational Period	**Pinto Valley**	**Cozamin**	**Total**	**Provisional Price**
Nov-21	5.5	—	5.5	4.05
Dec-21	5.4	—	5.4	4.05
Jan-22	10.5	4.8	15.3	4.05
Not yet declared by customer	1.7	—	1.7	4.05
Total	23.1	4.8	27.9	4.05

Reconciliation of Realized Copper Price

($ millions, except as noted)	Q3 2021	Q3 2020	2021 YTD	2020 YTD
Gross copper revenue				
Gross copper revenue on new shipments	**169.7**	121.2	**558.7**	295.4
Gross copper revenue on prior shipments	**(10.0)**	10.3	**25.2**	5.1
Provisional pricing changes to copper revenue	**4.4**	(6.6)	**(10.7)**	(2.8)
Gross copper revenue	**164.1**	124.9	**573.2**	297.7
Gross copper revenue on new shipments ($/pound)	**4.29**	3.04	**4.24**	2.73
Gross copper revenue on prior shipments ($/pound)	**(0.25)**	0.26	**0.19**	0.05
Provisional pricing changes to copper revenue ($/pound)	**0.11**	(0.17)	**(0.08)**	(0.03)
Realized copper price ($/pound)	**4.15**	3.13	**4.35**	2.75

Gross copper revenue - reconciliation to financials				
Gross copper revenue	**164.1**	124.9	**573.2**	297.7
Revenue from other metals	**10.3**	16.6	**37.9**	38.1
Treatment and selling	**(9.0)**	(11.0)	**(32.2)**	(30.2)
Revenue per financials	**165.4**	130.5	**578.9**	305.6
Payable copper sold (000s pounds)	**39,569**	39,846	**131,883**	108,103
LME average copper price ($)	**4.25**	2.96	**4.17**	2.65

The realized copper price in Q3 2021 of $4.15 per pound was lower than the LME average of $4.25 per pound due to 53.1 million pounds of copper priced at an average of $4.25 per pound at June 30, 2021 which final settled or second provisionally invoiced at lower average prices of approximately $0.10 per pound during Q3 2021, and partially lowered by 27.9 million pounds of copper provisionally priced at an average of $4.05 per pound at September 30, 2021, which was lower than Q3 2021 average prices. In addition, the timing of sales during Q3 2021 were more heavily weighted towards the end of the quarter when prices were lower.

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

Consolidated Cash Flow Analysis

($ millions)	Q3 2021	Q3 2020	2021 YTD	2020 YTD
Operating cash flow before changes in working capital[1,2]	**67.1**	44.9	**451.6**	65.6
Changes in non-cash working capital	**22.4**	(22.2)	**26.5**	9.2
Changes in other assets	**22.4**	5.0	**21.7**	5.0
Changes in other liabilities	**(41.9)**	—	**(40.9)**	—
Total cash flow from operating activities	**70.0**	27.7	**458.9**	79.8
Total cash flow used in investing activities	**(32.4)**	(25.4)	**(106.2)**	(66.8)
Total cash flow from (used in) financing activities	**0.3**	(32.1)	**(203.2)**	1.5
Effect of foreign exchange rates on cash and cash equivalents	**—**	0.2	**—**	(0.9)
Net change in cash and cash equivalents	**37.9**	(29.6)	**149.5**	13.6
Opening cash and cash equivalents	**168.2**	83.1	**56.6**	39.9
Closing cash and cash equivalents	**206.1**	53.5	**206.1**	53.5

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

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

The net change in cash was $37.9 million in Q3 2021 compared to $(29.6) million in Q3 2020. The change was primarily due to:

- Cash flow from operating activities before changes in working capital[1] was higher by $22.2 million. Revenue less production costs were significantly higher in Q3 2021 versus Q3 2020 (Q3 2021 revenue of $165.4 million less production costs of $80.5 million compared to Q3 2020 revenue of $130.5 million less production costs of $79.2 million). The increase in revenue is due to higher realized copper prices. Copper sales are consistent with the same period prior year.
- Changes in non-cash working capital in Q3 2021 was $44.6 million higher compared to the same period last year primarily due to an increase in accounts payable and accrued liabilities resulting from timing of payments made to vendors, partially offset by an increase in inventory and accounts receivable.
- Cash flows used in investing activities were $7.0 million higher in Q3 2021 mainly due to a ramp up in capital spend on growth projects in Q3 2021.
- Cash flows from financing activities were $32.4 million higher in Q3 2021 primarily due to $30.0 million repayment on the RCF in Q3 2020.

Changes in Cash Flows for the Nine Months Ended September 30, 2021 and 2020

The net change in cash was $149.5 million in 2021 YTD compared to $13.6 million in 2020 YTD. The change was primarily due to:

- Cash flow from operating activities before changes in working capital[1] was higher by $386.0 million due to strong operational performance plus $180.0 million proceeds received in 2021 YTD under Silver and Gold Stream Agreements. Revenue less production costs were significantly higher in 2021 YTD versus 2020 YTD (2021 YTD revenue of $578.9 million less production costs of $247.8 million compared to 2020 YTD revenue of $305.6 million less production costs of $216.6 million). The increase in revenue is due to higher realized copper prices and significantly higher copper production.
- Changes in non-cash working capital was higher by $17.3 million primarily due to an increase in accounts payable and accrued liabilities resulting from timing of payments made to vendors.
- Cash flows used in investing activities were $39.4 million higher in 2021 YTD mainly due to capital spend in 2021 YTD was $30.2 million higher compared to the same period last year on sustaining and growth projects including PV3 optimization.
- Cash flows used in financing activities were $204.7 million lower in 2021 YTD primarily due to $184.9 million of net repayments on the RCF in 2021 YTD and the first tranche payment for KORES’ 30% ownership interest in Santo Domingo of $17.1 million (net of taxes) paid compared to a $10.0 million net draw on the RCF in 2020 YTD.

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

Operational Results

Pinto Valley Mine – Miami, Arizona

Operating Statistics

	2021				2020				
	Q1	Q2	Q3	Total	Q1	Q2	Q3	Q4	Total
Production (contained metal and cathode)[2]									
Copper in Concentrate (000s pounds)	35,248	28,438	29,083	92,769	25,721	29,058	26,485	32,710	113,974
Cathode (000s pounds)	1,162	1,096	1,187	3,445	1,067	1,114	1,436	1,377	4,994
Total Copper (000s pounds)	36,410	29,534	30,270	96,214	26,788	30,172	27,921	34,087	118,968
Mining									
Waste (000s tonnes)	7,169	7,144	6,115	20,428	5,588	5,677	8,025	8,002	27,292
Ore (000s tonnes)	5,569	4,393	5,545	15,507	5,399	4,992	4,461	5,030	19,882
Total (000s tonnes)	12,738	11,537	11,660	35,935	10,987	10,669	12,486	13,032	47,174
Strip Ratio (Waste:Ore)	1.29	1.63	1.10	1.32	1.04	1.14	1.80	1.59	1.37
Milling									
Milled (000s tonnes)	5,229	4,474	4,517	14,220	4,996	4,902	4,517	5,259	19,674
Tonnes per day	58,095	49,170	49,100	52,089	54,899	53,864	49,104	57,168	53,755
Copper grade (%)[3]	0.36	0.33	0.33	0.34	0.28	0.32	0.31	0.33	0.31
Recoveries									
Copper (%)[3]	85.6	88.6	88.0	87.3	82.4	85.0	86.3	86.0	85.0
Concentrate Production									
Copper (dmt)	63,587	49,823	50,271	163,681	46,613	53,793	49,005	62,020	211,431
Copper (%)	25.1	25.1	26.2	25.7	25.0	24.5	24.5	25.1	25.1
Property costs[1] ($/t milled)	10.92	13.23	13.76	12.55	10.87	10.86	13.08	10.56	11.29
Payable copper produced (000s pounds)	35,177	28,539	29,252	92,968	25,888	29,155	26,994	32,942	114,979
Copper C1 cash cost[1] ($/pound payable copper produced)	1.94	2.33	2.44	2.22	2.41	2.12	2.38	2.00	2.21
Adjusted EBITDA[1] ($ millions)	88.3	82.5	35.9	206.7	2.9	4.1	30.5	45.0	82.5

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

[3] *Grade and recoveries were estimated based on concentrate production and may be impacted by settlements from prior production periods.*

Operational and C1 Cash Costs[1] Update

Copper production of 30.3 million pounds in Q3 2021 which was higher than Q3 2020 mainly due to higher grades (Q3 2021 – 0.33% versus Q3 2020 - 0.31%) and higher recoveries related to PV3 optimization of the flotation circuit (Q3 2021 – 88.0% vs. Q3 2020 – 86.3%). Pinto Valley production during Q3 2021 was lower than expected due to severe monsoon rainstorms in July and August. Extreme wet conditions led to reduced mining and mill throughput rates while lightning limited outdoor activities which prolonged the completion of scheduled maintenance work. PV3 optimization work is now complete and the mine achieved rates of 60,000 tpd in September to present.

Phase 2 of the PV3 Optimization work was completed in Q3 2021. Capital was invested into tailings thickeners, pumping upgrades and installation of a new ball mill shell. Phase 2 optimization work further enables the reliability of higher throughput rates at Pinto Valley.

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

2021 YTD production was 13% higher than the same period last year primarily attributed to higher grades (2021 YTD – 0.34% versus 2020 YTD – 0.30%) and higher recoveries due to improvements on floatation circuit tied to metallurgical practices and finer blasted ore.

C1 cash costs[1] of $2.44 per payable pound in Q3 2021 were $0.06 per payable pound or 3% higher than Q3 2020, primarily due to lower capitalized stripping costs of $0.11 per pound compared to the same period last year ($2.4 million versus $5.1 million in Q3 2020) and lower gold by-product credits, partially offset by higher Q3 2021 production compared to Q3 2020.

2021 YTD C1 cash costs[1] of $2.22 per payable pound were $0.08 per payable pound lower compared to the same period last year of $2.30 per payable pound primarily due to higher copper production and more stripping costs capitalized during 2021 YTD versus 2020 YTD as a result of mine sequencing ($8.7 million versus $6.1 million in 2020 YTD).

Investing Activities

Sustaining capital[1] in Q3 2021 of $9.8 million focused primarily on mining equipment component replacements, mill infrastructure, water and tailings projects. Expansionary capital[1] in Q3 2021 of $7.6 million primarily related to PV3 Optimization Phase 2 projects aimed at increasing reliability and improving performance and included tailings thickener and pumping upgrades and a mill shell replacement, which is expected to benefit life of mine throughput and reliability. Deferred stripping decreased in Q3 2021 relative to Q3 2020 as a function of the mine sequence and strip ratio.

($ millions)	**Q3 2021**	**Q3 2020**	**2021 YTD**	**2020 YTD**
Deferred stripping - cash	**2.4**	5.1	**8.7**	6.1
Deferred stripping - non cash	**0.8**	1.4	**3.0**	1.6
Deferred stripping (per financials)	**3.2**	6.5	**11.7**	7.7
Sustaining capital[1]	**9.8**	12.0	**31.9**	25.5
Expansionary capital[1]	**7.6**	4.4	**13.4**	12.0
Right of use assets - non cash	**—**	—	**8.7**	—
Pinto Valley segment mineral property, plant and equipment ("MPPE") additions (per financials)	**20.6**	22.9	**65.7**	45.2

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

Cozamin Mine – Zacatecas, Mexico

Operating Statistics

	2021				2020				
	Q1	Q2	Q3	Total	Q1	Q2	Q3	Q4	Total
Production (contained metal)[2]									
Copper (000s pounds)	11,389	13,778	14,153	39,320	8,699	8,349	10,595	10,283	37,926
Zinc (000s pounds)	2,715	1,885	710	5,310	4,464	2,213	4,305	3,605	14,587
Silver (000s pounds)	343	364	398	1,105	298	248	336	322	1,204
Mining									
Ore (000s tonnes)	328	332	345	1,005	278	235	283	287	1,083
Milling									
Milled (000s tonnes)	301	348	355	1,004	276	235	284	284	1,079
Tonnes per day	3,345	3,828	3,854	3,678	3,032	2,583	3,090	3,086	2,949
Copper grade (%)[3]	1.79	1.86	1.87	1.84	1.51	1.68	1.77	1.72	1.67
Zinc grade (%)[3]	0.84	0.53	0.45	0.59	1.04	0.71	1.03	0.88	0.92
Silver grade (g/t)[3]	43.8	39.6	41.8	41.6	42.0	39.9	46.5	44.2	43.3
Recoveries[3]									
Copper (%)	96.0	96.3	96.7	96.3	94.5	95.8	95.6	95.6	95.4
Zinc (%)	48.6	46.7	20.3	40.5	70.8	60.1	66.5	65.3	66.4
Silver (%)	80.9	82.1	83.6	82.2	78.7	84.1	78.9	79.7	80.1
Concentrate Production									
Copper (dmt)	19,897	23,583	23,792	67,272	14,229	13,762	17,495	17,219	62,705
Copper (%)	26.0	26.5	27.0	26.5	27.7	27.5	27.5	27.1	27.4
Silver (g/t)	505	476	520	500	555	549	567	540	553
Zinc (dmt)	2,542	1,777	726	5,045	4,168	2,081	3,953	3,346	13,548
Zinc (%)	48.8	48.1	44.4	47.9	48.6	48.3	49.4	48.9	48.8
Property costs[1] ($/t milled)	46.27	41.65	44.10	43.92	45.17	43.38	37.74	46.87	42.72
Payable copper produced (000s pounds)	10,928	13,232	13,601	37,761	8,368	8,029	10,189	9,884	36,470
Copper C1 cash cost[1] ($/pound payable copper produced)	0.91	1.00	0.93	0.95	0.95	0.98	0.36	0.63	0.69
Adjusted EBITDA[1] ($ millions)	34.7	50.0	41.2	125.9	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 33% higher in Q3 2021 than in Q3 2020 as a result of mine expansion with the completion of the one-way haul ramp, to increase mining rates, utilize excess mill capacity and achieve throughput of 3,854 tpd, and higher grades (1.87% versus 1.77%). Mining activity increased in the high-grade copper areas, San Jose and Calicanto zones. Q3 2021 was a record copper production quarter, beating the previous record set in Q2 2021.

2021 YTD production was 42% higher than the same period last year primarily attributed to the mine expansion to higher mining rates and higher grades (2021 YTD – 1.84% versus 2020 YTD – 1.77%) and improved recoveries (2021 YTD – 96.3% versus 2020 YTD 95.3%). Moreover, 2020 YTD production was impacted by temporary restrictions as result of the COVID-19 government mandated decree.

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

Q3 2021 C1 cash costs[1] was higher than the same period last year due to Q3 2021 including a $0.29 per payable pound impact of the 50% Silver Stream Agreement and higher production cost attributed to higher contactors' costs for 1,200 more operating development meters executed.

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

Investing Activities

Sustaining capital[1] and expansionary capital[1] spending at Cozamin totalled $8.2 million for Q3 2021, related to mine development and mine equipment. Capital spending included $2.4 million of expansionary capital[1] on the filtered (dry stack) tailings and pastefill facility.

The most recent Cozamin mine Technical Report, dated March 11, 2021, included a pre-feasibility study for an underground paste backfill system, indicating a capital cost estimate ranging from $41 million to $45 million which includes capital for a filtered (dry stack) tailings facility. The plant is expected to be commissioned in Q4 2022 with full ramp up by Q1 2023, with $20 million included in the updated 2021 capital guidance. The capital guidance was accelerated compared to the technical report to pre-order fabrication of the filters.

Capitalized exploration expenditures totalled $1.4 million for Q3 2021. This was spent primarily on Mineral Resource drilling of the Mala Noche Vein and Mala Noche Footwall Zone, associated with stepping out from regions of Inferred Mineral Resource category of the Mineral Resource estimate with four surface rigs.

($ millions)	**Q3 2021**	**Q3 2020**	**2021 YTD**	**2020 YTD**
Sustaining capital[1]	**5.8**	5.1	**16.8**	14.5
Expansionary capital[1]	**2.4**	—	**7.7**	1.2
Brownfield exploration	**1.4**	1.4	**3.8**	4.2
Cozamin segment MPPE additions (per financials)	**9.6**	6.5	**28.3**	19.9

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

Santo Domingo Project – Chile (Copper and Iron)

Investing Activities

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

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

Capstone is focused on the reduced capital estimate which right-sizes the initial capital from $1.5 billion to $1.1 billion with the transfer of certain off-site capital expenditures to third parties in exchange for future operating expenditures with Capstone becoming customers of the port and pipeline/rail. With respect to the reduced initial capital estimate, the Company and its port partner, Puerto Ventanas, are executing early works on the framework agreement. In addition, the Company is advancing the analysis of the pipeline versus rail capital trade-off in which the proposals replace the pipeline capital to become a rail customer or a BOOT contract on the pipeline. The end result for the pipeline is expected to be a reduction in initial capital of up to $150 million. During the previous quarter, in preparation for financing the project, Capstone updated the initial capital estimate in the Base Case included in the 2020 Technical Report of $1.5 billion resulting in a modest net increase of approximately $40 million. The increases primarily relates to labour, materials, including increased steel prices, and cost inflation, including recent process plant and mine equipment quotations. These increases were partially offset by a change in the assumed US dollar to Chilean Peso exchange rate from 600 to 700. The Company has the ability to further de-risk the capital estimate via hedging the Chilean Peso which is currently trading above 800. A change of 50 points on the Chilean peso equates to capital savings of approximately $50 million.

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

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

- There remains strong interest in Santo Domingo and discussions are advancing well. Santo Domingo is currently the only fully permitted copper-iron project in Chile.
- With respect to potential increases in the Chilean mining royalty tax, Santo Domingo is expected to be protected given the fact the Company retains a foreign investment contract with the state of Chile, which fell under the provisions of DL600. One of the benefits to the Company of this agreement is a tax invariability system for a period of 15 years post commercial production. As described in the 2020 Technical Report, for the period covered by the tax invariability system, the Company expects that applicable taxes will include a category 1 income tax (27%) and the existing royalty, which is a sliding scale between 5-14%, depending on operating margins.
- In parallel with the geometallurgical characterization of the samples from the drilling campaign, extensive benchmark activities took place in July and August, together with industrial visits and meetings with technology providers to fine-tune the specific focus of the cobalt prefeasibility activities, that started in September. In addition, current work is focussed on smooth integration of the future cobalt plant with the more developed copper and iron concentration plants at Santo Domingo, in order to assure an overall plant design that allows for sustainable and integrated recovery of copper, iron, gold and cobalt.

Q3 2021 project development costs related to Early Works as required by the Environmental Permit (RCA) to include flora and fauna rescue, basic and detailed engineering, land tenure costs, and the industrial water pipeline. During Q3 2021, the Company commenced major earthworks with respect to the C17 highway by-pass road which provides site access plus work on the electrical substation connection. Also, Capstone has begun brownfield expansion drilling between the Santo Domingo and Iris Norte Pits.

($ millions)	Q3 2021	Q3 2020	2021 YTD	2020 YTD
Capitalized project costs (on 100%)[2]	**5.6**	2.8	**18.8**	6.9
Brownfield exploration	**0.2**	—	**1.9**	—
Santo Domingo segment MPPE additions (per financials)	**5.8**	2.8	**20.7**	6.9

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

Exploration

($millions)	Q3 2021	Q3 2020	2021 YTD	2020 YTD
Greenfield exploration (expensed to income statement)	**0.1**	0.4	**1.8**	1.2
Brownfield exploration (capitalized to mineral properties) – Refer to Cozamin section	**1.4**	1.4	**3.8**	4.2
Brownfield exploration (capitalized to mineral properties) – Refer to Santo Domingo section	**0.2**	—	**1.9**	—
Total exploration	**1.7**	1.8	**7.5**	5.4

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

Outlook – 2021 Guidance

Capstone remains on track to produce between 175 and 190 million pounds of copper at C1 cash costs[1] of between $1.75 and $1.90 per pound payable copper produced.

	Pinto Valley	Cozamin	Santo Domingo	Total
Production and Cost				
Copper production (million pounds)	127 - 137	48 - 53	—	175 - 190
C1 cash cost[1] ($/pound)	2.00 - 2.15	1.00 - 1.15	—	1.75 - 1.90
Capital Expenditure (US$ millions)				
Sustaining capital[1]	48	25	—	73
Capitalized stripping[2]	12	—	—	12
Expansionary capital[1]	20	20	40	80
Total Capital Expenditure	80	45	40	165
Exploration (US$ millions)				
Brownfield (Cozamin and Santo Domingo)	—	6	3	9
Greenfield (Mexico and Brazil)	—	4	—	4
Total Exploration	—	10	3	13

[2] Capitalized stripping includes $6 million for sustaining capitalized stripping and $6 million for expansionary PV3 stripping

Capital guidance has changed from the amount reported in the Company's MD&A dated July 27, 2021. Pinto Valley capital guidance has decreased by $12 million ($7 million reduction in sustaining capital and $5 million reduction in expansionary capital). Cozamin expansionary capital has increased by $7 million due to pre-ordering the filters for dry stack tailings plant, no increase overall to the project.

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

Liquidity and Financial Position Review

Working Capital

Working capital was $103.0 million at September 30, 2021 compared with $64.0 million at December 31, 2020, as follows:

($ millions)	September 30, 2021	December 31, 2020
Current assets		
Cash and cash equivalents	**206.1**	56.6
Short-term investments	**2.1**	3.4
Receivables	**18.8**	26.7
Inventories	**55.9**	58.3
Other assets	**23.6**	12.9
Total current assets	**306.5**	157.9
Current liabilities		
Accounts payable and accrued liabilities	**94.2**	74.9
Other liabilities	**109.3**	19.0
Total current liabilities	**203.5**	93.9
Working capital	**103.0**	64.0

Cash and cash equivalents increased by $149.5 million from December 31, 2020 to September 30, 2021. Refer to the Statement of Cash Flows within the Company's condensed interim consolidated financial statements for further details surrounding the movement in the cash balance. The change in the cash balance is driven by cash flow generation from both mines but also includes the receipt of the $150.0 million upfront payment for the Cozamin Silver Stream and $30.0 million upfront payment for the Santo Domingo Gold Stream Agreement, used to make net repayments of $184.9 million on the RCF during Q1 2021 .

As at September 30, 2021, the Company held $2.1 million of highly liquid short-term investments in exchange traded funds. Given their liquid nature, management liquidates these short-term investments to meet cash demands on an as-needed basis.

Receivables decreased by $7.9 million primarily due to a $10.9 million negative mark to market adjustment on the value of Pinto Valley concentrate receivables at September 30, 2021 and a $6.8 million decrease in the current portion of the promissory note receivable from KORES due to Capstone's assumption of the KORES promissory note as part of the purchase of KORES' non-controlling interest in Acquisition Co. in March 2021. The decrease was partially offset by a $7.9 million reclassification of the Santo Domingo value added taxes to current.

Inventories decreased by $2.4 million primarily related to Pinto Valley having lower copper concentrate volumes on hand compared to December 31, 2020 due to selling concentrate inventory held at port at September 30, 2021.

Other assets increased by $10.7 million primarily due to $15.0 million reclassification of the contingent consideration on sale of Minto to current.

Accounts payable and accrued liabilities increased by $19.3 million primarily due to the $12.9 million withholding taxes on the purchase KORES' non-controlling interest in Acquisition Co. in March 2021, and also due to the timing of payments at Cozamin.

Other liabilities increased by $90.3 million primarily driven by $42.9 million reclassification of the payable on non-controlling interest to current, the increase in the current portion of share-based payment obligations of $22.1 million due to an increase in Capstone's share price (increase from C$2.38 opening price to C$4.93 closing price as at September 30, 2021), and $9.4 million related to the current portion of the deferred revenue liability as a result of the Cozamin Silver Stream.

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 September 30, 2021, the contingent consideration on sale of Minto was $15.0 million (December 31, 2020 - $14.9 million). As the Average LME Price was greater than $3.50 per pound for two consecutive quarters, the consideration has been valued at $15.0 million as the contingent elements have been removed. The $15.0 million receivable has been reclassified to other assets - current.

Purchase of Non-Controlling Interest

At September 30, 2021, a liability of $80.8 million has been recognized in other liabilities ($42.8 million in current and $38.0 million in non-current) equal to the discounted amount of the remaining $90.0 million to be paid to KORES as part of the agreement to purchase their 30% share of Acquisition Co. The discounted amount of the remaining $90.0 million will be accreted up to its face value at 5% per annum. During the nine months ended September 30, 2021, $2.0 million of accretion was recorded in other interest expense in the condensed interim consolidated statements of income (loss).

Credit Facilities

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

The interest rate at September 30, 2021 was US LIBOR plus 2.50% (2020 - US LIBOR plus 2.75%) with a standby fee of 0.56% (2020 – 0.62%) payable on the undrawn balance (adjustable in certain circumstances).

As at March 31, 2021, the RCF was fully repaid and Capstone is in a net cash[1] position with nil long-term debt as at September 30, 2021.

The RCF is secured against the present and future real and personal property, assets and undertakings of Capstone (excluding certain assets, which include Acquisition Co., Far West Mining Ltd., Santo Domingo, and Far West Exploration S.A., and subject to certain exclusions for Capstone Mining Chile SpA). The credit facility requires the Company to maintain certain financial ratios relating to debt and interest coverage. Capstone was in compliance with these covenants as at September 30, 2021.

Provisions

Provisions of $142.8 million at September 30, 2021 includes the following:

- $116.0 million for reclamation and closure cost obligations at Capstone's operating mines;
- $3.9 million related to other long-term provisions at the Cozamin mine; and
- $22.9 million for the long-term portion of the share-based payment obligations associated with the Share Unit Plan. The current portion of the share-based payment obligations of $30.4 million is recorded in other liabilities.

Share-based payment obligations increased by $22.7 million during 2021 YTD. The increase was primarily driven by the increase in the Company's share price during the period.

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

Precious Metal Streams

Cozamin Silver Stream

On February 19, 2021, the Company entered into a precious metals purchase arrangement with Wheaton whereby Capstone has received upfront cash consideration of $150 million against delivery of 50% of the silver production from the Company's Cozamin mine until 10 million ounces have been delivered, thereafter dropping to 33% of silver production for the remaining life of the mine.

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

The Company recorded the upfront cash consideration received as deferred revenue and recognizes amounts in revenue as silver is delivered under the arrangement. For the period from February 19, 2021 to September 30, 2021, the amount of the deferred revenue liability recognized as revenue was $13.0 million.

Santo Domingo Gold Stream

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

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

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

The non-current portion of the deferred revenue liability for both stream arrangements on the balance sheet at September 30, 2021 was $163.4 million.

Financial Capability

The Company's ability to service its ongoing obligations and cover anticipated corporate, exploration and development costs associated with its existing operations is dependent on the Pinto Valley and Cozamin mines generating positive cash flow and available liquidity[1]. Based on reasonable expectations for our operating performance, a net cash[1] balance of $208.2 million, and additional liquidity options available, including the filing of a base shelf prospectus on June 24, 2021 and the undrawn $225 million on the RCF, we believe we have the financial capacity to manage our liquidity for the foreseeable future.

Capital Management

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

Hedging

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

- Financial hedges were executed on foreign exchange rates to protect approximately half of the Company's Mexican Peso exposure from August 2020 through December 2021, through Mexican Peso to US dollar exchange rate zero cost collars (being purchased puts and sold calls with offsetting values at

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

inception). The realized gain on the Mexican Peso zero cost collars was $0.7 million and $2.0 million the three and nine months ended September 30, 2021, respectively.

- Pinto Valley fixed diesel prices with a supplier on its expected 2021 and 2022 diesel consumption at $1.76/gallon and $2.13/gallon, respectively. The fixed diesel prices have resulted in cost savings of $1.4 million and $3.3 million during the three and nine months ended September 30, 2021, respectively.

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

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, that may have an impact on Cozamin's operations and profitability. Additionally, as a response to the civil unrest in Chile, a referendum for a new Constitution is in progress and may result in a change to the Chilean political regime and mining related regulations including, but not limited to, changes to royalty structures and environmental and community protection requirements. If approved, the proposed royalty bill being discussed by the National Congress of Chile may have an impact on Santo Domingo's operations and profitability and significant negative implications for future investment in the Chilean copper industry more broadly, reducing the attractiveness of new copper projects. Companies with tax stability agreements in place should be protected from the potential new royalty bill for the duration of such agreements. Capstone has negotiated a tax stability agreement with respect to mining royalties related to Santo Domingo which becomes effective as of commercial production for a period of 15 years. Certain investment and other criteria need to be met to maintain the tax stability agreement of Santo Domingo. In Mexico and Chile, 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 result in the taking of property by nationalization or expropriation without fair compensation.

Further, there can be no assurance that changes in government, including but not limited to the recent change in the federal administration of the United States, or changes in the legal and 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, for example, uncertainties related to US President Biden's Made in America Tax Plan which proposes corporate tax reforms that may increase Pinto Valley's future tax obligations.

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

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

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

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

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

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

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

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

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

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

A claim by a third party asserting prior unregistered agreements on or transfer of any of Capstone's properties, especially where Mineral Reserves have been located, could result in Capstone losing a commercially viable property. Even if a claim is unsuccessful, it may potentially affect Capstone's current operations, projects or development properties due to the high costs of defending against the claim and its impact on Capstone's resources. Title insurance is generally not available for mineral properties and Capstone's ability to ensure that Capstone has obtained a secure claim to individual mineral properties or mining concessions or related royalty rights may be severely constrained. We rely on title information and/or representations and warranties provided by our grantors. If we lose a commercially viable property, such a loss could lower our future revenues or cause Capstone to cease operations if the property represented all or a significant portion of our Mineral Reserves at the time of the loss.

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

Transactions with Related Parties

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

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

Off Balance Sheet Arrangements

As at September 30, 2021, the Company had no off-balance-sheet arrangements other than the following:

- those disclosed under Commitments in the consolidated financial statements for the year ended December 31, 2020;
- capital expenditure commitments totalling $16.4 million;
- the indemnification for Minto as disclosed under Other assets in the condensed interim consolidated financial statements for the three and nine months ended September 30, 2021;
- four surety bonds totalling $124.2 million; and
- the guarantee provided to the Chilean Internal Revenue Service for the $7.1 million value added taxes claimed as disclosed under Receivables in the condensed interim consolidated financial statements for the three and nine months ended September 30, 2021.

Accounting Changes

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

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

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

Alternative Performance Measures

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

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

C1 Cash Costs Per Payable Pound of Copper Produced

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

All-in Sustaining Costs Per Payable Pound of Copper Produced

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

Net debt / Net cash

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

Available Liquidity

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

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

Adjusted Net Income (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 (loss) (above) as well as certain other adjustments required under the Company's RCF agreement in the determination of EBITDA for covenant calculation purposes.

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

Property Cost per Tonne Milled
Property cost per tonne milled is a key performance measure that management uses to monitor performance. Management uses this measure to assess how well the Company's producing mines are performing and to monitor costs and assess overall efficiency and effectiveness of the mining operations.

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

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

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

Three Months Ended September 30, 2021 and 2020

	Q3 2021			Q3 2020		
	Pinto Valley	Cozamin	Total	Pinto Valley	Cozamin	Total
Payable copper produced (000s pounds)	**29,252**	**13,601**	**42,853**	26,994	10,189	37,183
($ millions)						
Production costs of metal produced (per financials)	**63.5**	**17.1**	**80.6**	67.6	11.7	79.3
Transportation cost to point of sale	**(5.2)**	**(1.3)**	**(6.5)**	(5.4)	(0.9)	(6.3)
Inventory (write-down) reversal	**(0.3)**	**—**	**(0.3)**	0.1	—	0.1
Realized gain on Mexican Peso derivatives	**—**	**(0.7)**	**(0.7)**	—	—	—
Inventory working capital adjustments	**4.6**	**0.2**	**4.8**	(4.8)	—	(4.8)
Cash production costs of metal produced	**62.6**	**15.3**	**77.9**	57.5	10.8	68.3
($/pound)						
Production costs						
Mining	**0.65**	**0.70**	**0.66**	0.58	0.62	0.59
Milling/Processing	**1.26**	**0.25**	**0.94**	1.32	0.26	1.03
G&A	**0.22**	**0.18**	**0.21**	0.23	0.17	0.22
C1P sub-total	**2.13**	**1.13**	**1.81**	2.13	1.05	1.84
By-product credits	**(0.07)**	**(0.48)**	**(0.20)**	(0.18)	(0.97)	(0.41)
Treatment and selling costs	**0.38**	**0.28**	**0.35**	0.43	0.28	0.39
C1 cash cost ($/pound)	**2.44**	**0.93**	**1.96**	2.38	0.36	1.82
($/pound)						
Royalties	**0.02**	**0.09**	**0.04**	—	0.11	0.03
Production-phase capitalized stripping / Mineralized drift	**0.05**	**0.04**	**0.05**	0.19	—	0.14
Sustaining capital	**0.33**	**0.39**	**0.35**	0.22	0.50	0.30
Sustaining leases	**0.02**	**—**	**0.01**	0.04	—	0.03
Capitalized mineral drift	**—**	**—**	**—**	—	—	—
Accretion of reclamation obligation	**—**	**0.01**	**0.01**	0.01	0.01	0.01
Amortization of reclamation asset	**0.01**	**0.01**	**0.01**	0.01	0.03	0.01
Corporate G&A, excluding depreciation			**0.10**			0.10
All-in sustaining cost adjustments	**0.43**	**0.54**	**0.57**	0.47	0.65	0.62
All-in sustaining cost ($/pound)	**2.87**	**1.47**	**2.53**	2.85	1.01	2.44

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

Nine Months Ended September 30, 2021 and 2020

	2021 YTD			2020 YTD		
	Pinto Valley	Cozamin	Total	Pinto Valley	Cozamin	Total
Payable copper produced (000s pounds)	**92,968**	**37,761**	**130,729**	82,037	26,587	108,624
($ millions)						
Production costs of metal produced (per financials)	**200.3**	**47.5**	**247.8**	179.9	36.7	216.6
Transportation cost to point of sale	**(18.4)**	**(3.0)**	**(21.4)**	(16.0)	(2.1)	(18.1)
Inventory (write-down) reversal	**(0.3)**	**—**	**(0.3)**	1.0	—	1.0
Realized gain on Mexican Peso derivatives	**—**	**(2.0)**	**(2.0)**	—	—	—
Inventory working capital adjustments	**(3.0)**	**0.1**	**(2.9)**	1.1	(1.3)	(0.2)
Cash production costs of metal produced	**178.6**	**42.6**	**221.2**	166.0	33.3	199.3
($/pound)						
Production costs						
Mining	**0.58**	**0.68**	**0.60**	0.61	0.75	0.65
Milling/Processing	**1.11**	**0.27**	**0.87**	1.19	0.29	0.97
G&A	**0.23**	**0.18**	**0.22**	0.22	0.21	0.22
C1P sub-total	**1.92**	**1.13**	**1.69**	2.02	1.25	1.84
By-product credits	**(0.09)**	**(0.47)**	**(0.20)**	(0.16)	(0.80)	(0.32)
Treatment and selling costs	**0.39**	**0.29**	**0.36**	0.44	0.26	0.39
C1 cash cost ($/pound PRODUCED)	**2.22**	**0.95**	**1.85**	2.30	0.71	1.91
($/pound)						
Royalties	**0.01**	**0.13**	**0.04**	—	0.09	0.02
Production-phase capitalized stripping / Mineralized drift	**0.07**	**0.04**	**0.06**	0.07	—	0.06
Sustaining capital	**0.34**	**0.40**	**0.36**	0.23	0.54	0.31
Sustaining leases	**0.01**	**—**	**0.01**	0.01	0.01	0.01
Capitalized mineral drift	**—**	**—**	**—**			
Accretion of reclamation obligation	**—**	**0.01**	**0.01**	0.02	0.01	0.01
Amortization of reclamation asset	**0.01**	**0.01**	**0.01**	0.01	0.03	0.01
Corporate G&A, excluding depreciation			**0.09**			0.09
All-in sustaining cost adjustments	**0.44**	**0.59**	**0.58**	0.34	0.68	0.51
All-in sustaining cost ($/pound PRODUCED)	**2.66**	**1.54**	**2.43**	2.64	1.39	2.42

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

Reconciliation of Net debt / Net cash

($ millions)	September 30, 2021	December 31, 2020
Long term debt (per financials), excluding deferred financing costs of nil and $1.7 million	**—**	(184.9)
Less:		
Cash and cash equivalents (per financials)	**206.1**	56.6
Short term investments (per financials)	**2.1**	3.4
Net cash/(debt)	**208.2**	(124.9)

Reconciliation of Available Liquidity

($ millions)	September 30, 2021	December 31, 2020
Revolving credit facility capacity	**225.0**	300.0
Long term debt (per financials), excluding deferred financing costs of nil and $1.7 million	**—**	(184.9)
	225.0	115.1
Cash and cash equivalents (per financials)	**206.1**	56.6
Short term investments (per financials)	**2.1**	3.4
Available liquidity	**433.2**	175.1

Reconciliation of Cash Flow from Operating Activities per Common Share

($ millions, except share and per share amounts)	Q3 2021	Q3 2020	2021 YTD	2020 YTD
Cash flow from operating activities (per financials)	**70.0**	27.7	**458.9**	79.8
Weighted average common shares - basic (per financials)	**406,701,553**	393,546,258	**405,096,229**	392,916,485
Cash flow from operating activities per share	**0.17**	0.07	**1.13**	0.20

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

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

($ millions, except share and per share amounts)	Q3 2021	Q3 2020	2021 YTD	2020 YTD
Operating cash flow (per financials)	**70.0**	27.7	**458.9**	79.8
Adjustment for changes in working capital (per financials)	**(22.4)**	22.2	**(26.5)**	(9.2)
Changes in other assets (per financials)	**(22.4)**	(5.0)	**(21.7)**	(5.0)
Changes in other liabilities (per financials)	**41.9**	—	**40.9**	—
Operating cash flow before changes in working capital	**67.1**	44.9	**451.6**	65.6
Weighted average common shares - basic (per financials)	**406,701,553**	393,546,258	**405,096,229**	392,916,485
Operating cash flow before changes in working capital per share ($)	**0.16**	0.11	**1.11**	0.17

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

Reconciliation of Adjusted Net Income (Loss)

($ millions, except share and per share amounts)	Q3 2021	Q3 2020	2021 YTD	2020 YTD
Net income (loss) (per financials)	**35.0**	2.3	**211.5**	(15.3)
Inventory write-down - production costs	**0.3**	(0.1)	**0.3**	(1.0)
Unrealized loss on derivative contracts	**0.9**	0.4	**2.2**	0.4
Share-based compensation expense	**1.2**	7.5	**47.0**	10.7
Unrealized foreign exchange (gain) loss	**(1.6)**	0.9	**0.5**	(3.4)
Other expense - non-recurring fees	**0.1**	—	**0.2**	—
Change in fair value of contingent receivable (RE:Minto)	**(1.0)**	(1.4)	**(5.1)**	(1.7)
Reversal of impairment on mineral properties (RE: Santo Domingo)	**—**	—	**(92.4)**	—
Non-recurring fees on streaming transactions	**0.1**	—	**1.0**	—
G&A - care and maintenance	**0.2**	0.1	**0.3**	0.5
Insurance proceeds received	**—**	—	**—**	(0.8)
Tax effect on the above adjustments	**0.1**	(0.2)	**2.9**	1.9
Adjusted net income (loss)	**35.3**	9.5	**168.4**	(8.7)
Adjusted net income (loss) attributable to:				
Shareholders of Capstone Mining Corp.	**35.3**	9.5	**168.4**	(8.5)
Non-controlling interests	**—**	—	**—**	(0.2)
	35.3	9.5	**168.4**	(8.7)
Weighted average common shares - basic (per financials)	**406,701,553**	393,546,258	**405,096,229**	392,916,485
Adjusted net income (loss) attributable to shareholders of Capstone Mining Corp. per common share - basic ($)	**0.09**	0.02	**0.42**	(0.02)
Weighted average common shares - diluted (per financials)	**415,287,789**	402,492,634	**413,386,183**	392,916,485
Adjusted net income (loss) attributable to shareholders of Capstone Mining Corp. per common share - diluted ($)	**0.09**	0.02	**0.41**	(0.02)

Reconciliation of Adjusted EBITDA

($ millions)	Q3 2021	Q3 2020	2021 YTD	2020 YTD
Net income (loss)(per financials)	**35.0**	2.3	**211.5**	(15.3)
Net finance costs	**5.2**	3.9	**12.4**	11.6
Taxes	**17.6**	9.3	**65.2**	9.0
Depletion and amortization	**20.7**	21.8	**68.5**	62.9
EBITDA	**78.5**	37.3	**357.6**	68.2
Share-based compensation expense	**1.2**	7.5	**47.0**	10.7
Inventory write-down - production costs	**0.3**	(0.1)	**0.3**	(1.0)
Unrealized loss on derivative contracts	**0.9**	0.4	**2.2**	0.4
Unrealized foreign exchange (gain) loss	**(1.6)**	0.9	**0.5**	(3.4)
Other expense - non-recurring fees	**0.1**	—	**0.2**	—
Unrealized revenue adjustment	**(4.9)**	7.0	**11.4**	3.4
Insurance proceeds received	**—**	—	**—**	(0.8)
Reversal of impairment on mineral properties (RE: Santo Domingo)	**—**	—	**(92.4)**	—
Amortization of deferred revenue - non-cash financing component	**(1.3)**	—	**(3.8)**	—
Non-recurring financing fees on streaming transactions	**0.1**	—	**1.0**	—
Change in fair value of contingent receivable (RE: Minto)	**(1.0)**	(1.4)	**(5.1)**	(1.8)
Adjusted EBITDA	**72.3**	51.6	**318.9**	75.7
Adjusted EBITDA by mine				
Pinto Valley	**35.9**	30.5	**206.7**	37.5
Cozamin	**41.2**	25.5	**125.9**	48.9
Other	**(4.8)**	(4.4)	**(13.7)**	(10.7)
Adjusted EBITDA	**72.3**	51.6	**318.9**	75.7

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

Property Cost per Tonne Milled

($ millions, except as noted)	Q3 2021 Pinto Valley	Q3 2021 Cozamin	Q3 2020 Pinto Valley	Q3 2020 Cozamin	2021 YTD Pinto Valley	2021 YTD Cozamin	2020 YTD Pinto Valley	2020 YTD Cozamin
Tonnes of mill feed (000s)	**4,517**	**355**	4,518	284	**14,220**	**1,004**	14,415	795
Production costs of metal produced (per financials)	**63.5**	**17.1**	67.6	11.7	**200.3**	**47.5**	179.9	36.7
Transportation cost to point of sale	**(5.2)**	**(1.3)**	(5.4)	(0.9)	**(18.4)**	**(3.0)**	(16.0)	(2.1)
Inventory (write-down) reversal	**(0.3)**	**—**	0.1	—	**(0.3)**	**—**	1.0	—
Realized gain on derivative contract	**—**	**(0.7)**	—	—	**—**	**(2.0)**	—	—
Inventory working capital adjustments	**4.6**	**0.2**	(4.8)	—	**(3.0)**	**0.1**	1.1	(1.3)
Cash production costs of metal produced	**62.6**	**15.3**	57.5	10.8	**178.6**	**42.6**	166.0	33.3
Deferred Stripping/ Mineralized Drift costs	**2.4**	**0.5**	5.1	—	**8.7**	**1.5**	6.1	—
Cathode costs	**(2.9)**	**—**	(2.4)	—	**(9.1)**	**—**	(6.1)	—
Stockpile movement	**0.3**	**(0.3)**	(1.1)	—	**0.3**	**—**	0.4	—
Total property costs	**62.4**	**15.5**	59.1	10.8	**178.5**	**44.1**	166.4	33.3
Property cost per tonne milled ($)	**13.76**	**44.10**	13.08	37.74	**12.55**	**43.92**	11.56	41.99

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

Additional Information and Reconciliations

Sales from Operations

	2021				2020				
	Q1	Q2	Q3	Total	Q1	Q2	Q3	Q4	Total
Copper (000 pounds)									
Pinto Valley	38,584	30,101	26,367	95,052	21,407	29,884	29,859	29,737	110,887
Cozamin	10,581	13,048	13,203	36,832	8,978	7,987	9,986	9,597	36,548
Total	49,165	43,149	39,570	131,884	30,385	37,871	39,845	39,334	147,435
Zinc (000 pounds)									
Cozamin	2,110	1,789	505	4,404	3,013	2,318	3,400	3,198	11,929
Lead (000 pounds)									
Cozamin	302	82	—	384	1,193	74	326	468	2,061
Molybdenum (tonnes)									
Pinto Valley	—	—	—	—	16	12	—	—	28
Silver (000s ounces)									
Cozamin	309	355	363	1,027	291	248	302	296	1,137
Pinto Valley	86	55	57	198	56	74	67	62	259
Total	395	410	420	1,225	347	322	369	358	1,396
Gold (ounces)									
Pinto Valley	630	156	369	1,155	1,001	1,942	1,575	462	4,980
Cozamin	1	—	—	1	4	—	2	—	6
Total	631	156	369	1,156	1,005	1,942	1,577	462	4,986

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

Continuity Schedule of Concentrate and Cathode Inventories

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

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

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

Outstanding Share Data and Dilution Calculation

The Company is authorized to issue an unlimited number of common shares, without par value. The table below summarizes the Company's common shares and securities convertible into common shares as at October 26, 2021:

Issued and outstanding	413,361,407
Share options outstanding at a weighted average exercise price of $1.14	10,564,835
Fully diluted	423,926,242

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

Management's Report on Internal Controls

Disclosure Controls and Procedures ("DC&P")

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

Internal Control Over Financial Reporting ("ICFR")

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

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

In March 2020, as a result of the COVID-19 pandemic, the Company supported working from home for the majority of the finance workforce, with working from the office or mine site where necessary and in accordance with the Company's strict COVID-19 safety measures. Although this continued through the financial close period, there were no changes in the Company's ICFR that materially affected, or are reasonably likely to materially affect, ICFR during the three-months ended September 30, 2021.

Other Information

Approval

The Board of Directors of Capstone approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it from the Company. A copy of this 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.

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

National Instrument 43-101 Compliance

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

Disclosure Documents include the National Instrument 43-101 compliant technical reports titled "NI 43-101 Technical Report on the Cozamin Mine, Zacatecas, Mexico" effective October 31, 2020, "NI 43-101 Technical Report on the Pinto Valley Mine, Arizona, USA" effective March 31, 2021 and "Santo Domingo Project, Region III, Chile, NI 43-101 Technical Report" effective February 19, 2020.

The disclosure of Scientific and Technical Information in this MD&A was reviewed and approved by Brad Mercer, P. Geol., Senior Vice President and Chief Operating Officer (technical information related to mineral exploration activities and to Mineral Resources at Cozamin), Clay Craig, P.Eng, Manager, Mining & Evaluations (technical information related to Mineral Reserves 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.