CAPSTONE COPPER

MANAGEMENT'S DISCUSSION AND ANALYSIS

AND

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

For the Three and Six Months Ended June 30, 2023

(Expressed in US Dollars)

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MANAGEMENT’S DISCUSSION AND ANALYSIS OF CAPSTONE COPPER CORP. FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023

Capstone Copper Corp. (“Capstone Copper” or the “Company” or "we") has prepared the following management’s discussion and analysis (the “MD&A”) as of August 1, 2023 and it should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements and notes thereto for the three and six months ended June 30, 2023. All financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) 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. Our Sustainable Development Strategy goals and strategies are based on a number of assumptions, including regarding the biodiversity and climate-change consequences; availability and effectiveness of technologies needed to achieve our sustainability goals and priorities; availability of land or other opportunities for conservation, rehabilitation or capacity building on commercially reasonable terms and our ability to obtain any required external approvals or consensus for such opportunities; the availability of clean energy sources and zero-emissions alternatives for transportation on reasonable terms; our ability to successfully implement new technology; and the performance of new technologies in accordance with our expectations.

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

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

1.0 BUSINESS OVERVIEW

The accompanying consolidated financial statements have been prepared as at June 30, 2023, after giving effect to the business combination of Capstone Mining Corp. ("Capstone Mining") and Mantos Copper (Bermuda) Ltd. (“Mantos”), which was completed on March 23, 2022 (the "Transaction"). Mantos is the legal acquirer of Capstone Mining, and after the Transaction, the combined entity changed its name to Capstone Copper Corp. The Company is listed on the Toronto Stock Exchange ("TSX").

Mantos was incorporated on August 15, 2015, and migrated to British Columbia, Canada on March 22, 2022 as part of the Transaction. Mantos (now Capstone Copper) has owned and operated two mines in Chile since 2015. The Mantos Blancos open-pit mine is located 45 kilometres northeast of the city of Antofagasta and the 70%-owned Mantoverde open-pit mine is located 50 kilometres southeast of the town of Chañaral.

Since completion of the Transaction on March 23, 2022, Capstone Copper, through its wholly owned Capstone Mining subsidiary, also owns two mines in the US and Mexico, and a further development project in Chile. Pinto Valley Mining Corp. (“Pinto Valley”), a wholly owned US subsidiary, owns and operates the Pinto Valley mine located in Arizona, US. Capstone Gold, S.A. de C.V. (“Capstone Gold”), a wholly owned Mexican subsidiary, owns and operates the Cozamin Mine located in Zacatecas, Mexico, and has a portfolio of exploration properties in Mexico. Minera Santo Domingo SCM, a wholly owned Chilean subsidiary, holds the Santo Domingo copper-iron development project in Chile. Capstone Mining Chile SpA, a wholly owned Chilean subsidiary, is performing exploration for base metal deposits in Chile. Capstone Copper is an Americas-focused copper mining company headquartered in Vancouver, Canada.

2.0 Q2 2023 HIGHLIGHTS AND SIGNIFICANT ITEMS

Q2 2023 Financial and Operational Highlights

- **Net loss of $33.9 million, or $(0.05) per share for Q2 2023. Adjusted net loss attributable to shareholders[1] of $12.2 million, or $(0.02) per share for Q2 2023.** Q2 2023 adjusted net loss attributable to shareholders[1] is lower compared to Q2 2022 adjusted net loss attributable to shareholders[1] of $27.7 million due to lower income taxes.
- **Adjusted EBITDA[1] of $43.4 million for Q2 2023 compared to $115.8 million for Q2 2022.** The decrease in Adjusted EBITDA[1] is driven by lower copper sold (40.8 thousand tonnes in Q2 2023 versus 45.5 thousand tonnes in Q2 2022) and a lower copper price of $3.76/lb compared to $4.10/lb (prior to unrealized provisional pricing adjustments).
- **Operating cash flow before changes in working capital of $22.0 million in Q2 2023** compared to $40.7 million in Q2 2022.
- **Consolidated copper production for Q2 2023 of 39.3 thousand tonnes at C1 cash costs[1] of $3.01/lb.** Copper production was lower than expected in the second quarter due to unplanned downtime in the crushing circuit at Pinto Valley resulting in approximately twelve lost production days plus mill maintenance downtime at Mantos Blancos. Lower production levels and maintenance expenses were the key drivers related to higher consolidated cash costs, as input costs have largely tracked in-line with expectations.
- The Company has provided **H2 guidance of 83kt to 93kt of copper production** at **C1 cash costs[1] of $2.55/lb to $2.75/lb. H2 2023 is expected to be** improving in terms of production and costs, compared to H1**.** This results in updated consolidated 2023 copper production guidance of 163kt to 173kt at C1 cash costs of ~$2.75/lb to $2.85/lb.
- **Mantoverde Development Project ("MVDP") remains on budget and on schedule.** Construction is progressing well on all key areas of the project with overall progress at approximately 88% complete. Total project spend inception-to-date was approximately $706 million at the end of June 2023 of a total budget of $825 million.
- **Total available liquidity[1] of $419.6 million as at June 30, 2023**, composed of $117.6 million of cash and short-term investments, and $302.0 million of undrawn amounts on the corporate revolving credit facility.

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

Operating Highlights

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

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

Consolidated

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

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

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

2023 YTD C1 cash costs[1] of $2.99/lb were 14% higher than $2.62/lb 2022 YTD mainly on lower throughput rates, and operational costs slightly higher than prior year.

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

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

Consolidated Financial Highlights

($ millions, except per share data)[2]	Q2 2023	Q2 2022	2023 YTD	2022 YTD
Revenue	**333.9**	356.6	**669.5**	624.7
Net (loss) income	**(33.9)**	92.0	**(62.9)**	127.1
Net (loss) income attributable to shareholders	**(36.5)**	75.1	**(56.5)**	109.1
Net (loss) income attributable to shareholders per common share - basic and diluted ($)	***(0.05)***	*0.11*	***(0.08)***	*0.19*
Operating cash flow before changes in working capital	**22.0**	40.7	**65.1**	111.1
Adjusted EBITDA[1]	**43.4**	115.8	**109.3**	240.2
Adjusted net (loss) income attributable to shareholders[1]	**(12.2)**	(27.7)	**5.2**	32.5
Adjusted net (loss) income attributable to shareholders per common share - basic and diluted[1]	***(0.02)***	*(0.04)*	***0.01***	*0.06*
Realized copper price[1] ($/pound)	**3.71**	3.66	**3.93**	4.06

	June 30, 2023	December 31, 2022
Net (debt) / cash[1]	**(760.4)**	(483.1)
Attributable net (debt) / cash[1]	**(608.9)**	(339.9)
Total assets	**5,642.4**	5,380.9
Total non-current financial liabilities	**993.9**	709.5

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

Mantoverde Development Project

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

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

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

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

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

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

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

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

Chilean Tax Reform

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

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

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

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

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

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

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

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

Surety Bond Utilization

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

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

Mantoverde - Santo Domingo District Integration Plan

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

Santo Domingo FS Update

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

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

Mantoverde Optimized FS and Phase II

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

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

Mantoverde - Santo Domingo Cobalt Feasibility Study

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

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

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

Mantos Blancos Phase II

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

PV District Growth Study

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

Management Additions

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

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

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

Corporate Exploration Update

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

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

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

2.1 2023 Outlook

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

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

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

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

[2] Mantoverde production shown on a 100% basis

Key C1 Cash costs[1] input assumptions:

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

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

3.0 OPERATIONAL REVIEW

3.1 Pinto Valley Mine – Miami, Arizona

Operating Statistics

	2022					2023		
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Total
Production (contained)[2]								
Copper in Concentrate (tonnes)	13,716	12,778	13,428	14,300	54,222	12,246	11,878	24,124
Cathode (tonnes)	636	556	719	711	2,622	595	813	1,408
Total Copper (tonnes)	14,352	13,334	14,147	15,011	56,844	12,841	12,691	25,532
Mining								
Waste (000s tonnes)	5,572	6,082	6,208	4,499	22,361	3,197	3,239	6,436
Ore (000s tonnes)	6,074	4,986	5,176	5,744	21,980	6,263	4,965	11,228
Total (000s tonnes)	11,646	11,068	11,384	10,243	44,341	9,460	8,204	17,664
Strip Ratio (Waste:Ore)	0.92	1.22	1.20	0.78	1.02	0.51	0.65	0.57
Processing								
Throughput (000s tonnes)	5,257	4,261	4,429	5,080	19,027	4,699	4,035	8,734
Tonnes per day	58,412	46,821	48,143	55,222	51,088	52,207	44,336	48,249
Grade (%)[3]	0.32	0.34	0.34	0.32	0.33	0.30	0.34	0.32
Recoveries (%)[3]	82.3	88.2	89.1	86.9	86.5	86.8	87.4	87.1
Payable copper produced (tonnes)	13,872	12,887	13,677	14,510	54,946	12,413	12,276	24,689
Copper C1 cash cost[1] ($/pound payable copper produced)	2.60	2.82	2.60	2.48	2.63	3.09	2.98	3.03
Adjusted EBITDA[1] ($ millions)	71.1	48.1	16.7	32.0	167.9	41.2	17.8	59.0

[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.*

2023 versus 2022 Insights

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

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

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

2023 YTD C1 cash costs[1] of $3.03/lb were 12% higher compared to the same period last year of $2.70/lb primarily due to lower production ($0.22/lb), increased mining costs due to inflationary pressures on explosives and grinding media, and higher spend on rental equipment, mining equipment tools and contractors ($0.20/lb) and lower capitalized stripping ($0.06/lb), partially offset by higher by-product credits on higher molybdenum production and lower treatment costs (-$0.15/lb). The cash costs are expected to trend down in H2 as result of higher production.

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

Capital Expenditures

Sustaining capital[1] in Q2 2023 of $18.0 million was spent primarily on investing in infrastructure upgrades that will increase water reclaim, the tailings buttress project and mining equipment component replacements. Expansionary capital[1] in Q2 2023 of $1.0 million was primarily related to the district studies. Capitalized stripping decreased in 2023 YTD compared to the same period last year as waste removal from the northwest section of phase 3 was minimal due to a delay in the planned mining sequence and lower haul truck availability.

($ millions)	Q2 2023	Q2 2022	2023 YTD	2022 YTD
Capitalized stripping	**2.6**	5.2	**3.1**	7.6
Sustaining capital[1]	**18.0**	14.2	**27.3**	26.6
Expansionary capital[1]	**1.0**	3.3	**1.6**	6.2
Right of use assets - non cash	**9.2**	—	**9.2**	—
Pinto Valley mine additions	**30.8**	22.7	**41.2**	40.4

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

3.2 Mantos Blancos – Antofagasta, Chile

Operating Statistics

	2022					2023		
	Q1[4]	Q2	Q3	Q4	Total	Q1	Q2	Total
Production (contained metal and cathode)[2]								
Copper in Concentrate (tonnes)	704	8,685	9,593	9,975	28,957	10,847	8,358	19,205
Cathode (tonnes)	330	3,713	4,003	4,228	12,274	3,275	3,292	6,567
Total Copper (tonnes)	1,034	12,398	13,596	14,203	41,231	14,122	11,650	25,772
Mining								
Waste (000s tonnes)	—	11,671	10,837	17,112	39,620	12,906	13,545	26,451
Ore (000s tonnes)	—	8,409	8,559	4,713	21,681	7,443	6,374	13,817
Total (000s tonnes)	—	20,080	19,396	21,825	61,301	20,349	19,919	40,268
Strip Ratio (Waste:Ore)	—	1.39	1.27	3.63	1.83	1.73	2.13	1.91
Stockpile (000s tonnes)	—	801	1,425	1,794	4,020	1,758	1,674	3,432
Total material moved (000s tonnes)	—	20,881	20,821	23,619	65,321	22,107	21,593	43,700
Mill operations								
Tonnes per day	—	15,218	14,334	15,246	15,405	16,023	14,555	15,285
Grade (%)[3]	—	0.90	0.92	0.94	0.92	0.94	0.85	0.90
Recoveries (%)[3]	—	69.7	79.3	75.1	72.5	80.2	73.9	77.3
Dump operations							—	—
Throughput (000s tonnes)	—	3,138	2,680	4,128	9,946	2,635	2,946	5,581
Grade (%)[3]	—	0.18	0.16	0.19	0.18	0.18	0.16	0.17
Silver								
Production contained (oz)	22	314	263	312	911	365	245	610
Payable copper produced (tonnes)	1,011	12,129	13,270	13,864	40,274	13,753	11,365	25,118
Sulphides C1 cash cost[1] ($/pound payable copper produced)	—	2.49	2.17	1.82	2.16	2.46	3.18	2.77
Cathode C1 cash cost[1] ($/pound payable copper produced)	—	3.67	3.87	2.69	3.41	3.36	3.08	3.22
Combined C1 cash cost[1] ($/pound payable copper produced)	3.33	2.85	2.68	2.09	2.54	2.68	3.15	2.89
Adjusted EBITDA[1] ($ millions)	8.3	34.1	8.8	27.3	78.5	37.4	12.0	49.4

[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*
[4] *Represents nine days of production*

2023 versus 2022 Insights

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

2023 YTD production of 25.8 thousand tonnes, comprised of 19.2 thousand tonnes from sulphide operations and 6.6 thousand tonnes of cathode from oxide operations, was higher than the same period last year due to full operational Q1 2023 compared to nine-day stub period in Q1 2022.

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

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

Capital Expenditures

Sustaining capital[1] in Q2 2023 of $4.1 million was spent primarily on mining equipment component replacements and an environmental compliance program. Capitalized stripping in Q2 2023 was $15.9 million, consistent with the same period last year.

($ millions)	Q2 2023	Q2 2022	2023 YTD	2022 YTD
Capitalized stripping	**15.9**	16.3	**34.5**	16.3
Sustaining capital[1]	**4.1**	6.8	**7.5**	6.8
Expansionary capital[1]	**—**	10.6	**—**	10.6
Capitalized interest on construction in progress	**—**	3.6	**—**	3.6
Right of use assets - non cash	**—**	—	**1.2**	—
Mantos Blancos mine additions[2]	**20.0**	37.3	**43.2**	37.3

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

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

3.3 Mantoverde (70% ownership) – Atacama, Chile

Operating Statistics

	2022					2023		
	Q1[4]	Q2	Q3	Q4	Total	Q1	Q2	Total
Production (contained)[2, 3]								
Cathode (tonnes)	1,208	13,050	11,581	10,462	36,301	8,532	8,290	16,822
Mining								
Waste (000s tonnes)	—	13,501	15,020	17,113	45,634	19,480	21,153	40,633
Ore (000s tonnes)	—	5,876	5,816	6,644	18,336	5,534	5,769	11,303
Total (000s tonnes)	—	19,377	20,836	23,757	63,970	25,014	26,922	51,936
Strip Ratio (Waste:Ore)	—	2.30	2.58	2.58	2.49	3.52	3.67	3.59
Rehandled Ore (000s tonnes)	—	3,366	3,041	3,508	9,915	4,926	5,604	10,530
Total material moved (000s tonnes)	—	22,743	23,877	27,265	73,885	29,940	32,526	62,466
Heap operations								
Throughput (000s tonnes)	—	2,763	2,475	2,847	8,085	2,754	2,657	5,411
Grade (%)	—	0.49	0.45	0.40	0.45	0.31	0.31	0.31
Recoveries (%)	—	75.7	86.7	77.0	77.2	69.0	73.4	71.1
Dump operations								
Throughput (000s tonnes)	—	2,644	3,788	3,046	9,478	3,895	3,707	7,602
Grade (%)	—	0.17	0.17	0.15	0.16	0.17	0.17	0.17
Recoveries (%)	—	41.9	40.1	37.7	39.8	39.9	37.4	38.7
Payable copper produced (tonnes)	1,208	13,050	11,581	10,462	36,301	8,532	8,290	16,822
Copper C1 cash cost[1] ($/pound payable copper produced)	3.63	3.40	3.87	3.65	3.63	4.02	3.92	3.97
Adjusted EBITDA[1] ($ millions)	7.2	5.8	(17.7)	(4.6)	(9.3)	(4.0)	(11.8)	(15.8)

[2] Adjustments based on final settlements will be made in future quarters
[3] Production shown on a 100% basis
[4] Represents nine days of production

2023 versus 2022 Insights

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

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

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

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

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

Capital Expenditures

Sustaining capital[1] in Q2 2023 of $10.5 million was spent primarily to enable a new leaching area (fourth level), new South Dump II area and mining equipment component replacements. Expansionary capital[1] in Q2 2023 of $62.5 million related to MVDP.

MVDP remains on track and on budget for commissioning and feeding first ore to the mill in late 2023. Overall completion is 88% and total project spend to date is $706 million. Work completed in Q2 2023 included:

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

($ millions)	Q2 2023	Q2 2022	2023 YTD	2022 YTD
Capitalized stripping	**32.2**	—	**59.9**	—
Sustaining capital[1]	**10.5**	7.2	**15.5**	7.2
Expansionary capital[1]	**62.5**	95.2	**171.7**	95.2
Capitalized interest and other on construction in progress	**17.0**	4.4	**30.0**	4.4
Right of use assets - non cash	**7.9**	20.4	**15.1**	20.4
Mantoverde mine additions[2]	**130.1**	127.2	**292.2**	127.2

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

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

3.4 Cozamin Mine – Zacatecas, Mexico

Operating Statistics

	2022					2023		
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Total
Production (contained)[2]								
Copper (tonnes)	5,921	6,397	6,357	5,776	24,451	5,239	6,622	11,861
Silver (000s ounces)	271	439	353	313	1,376	282	367	649
Zinc (000s pounds)	798	271	525	103	1,697	68	156	224
Mining								
Ore (000s tonnes)	342	346	350	316	1,354	306	347	653
Processing								
Milled (000s tonnes)	333	352	352	316	1,353	307	345	652
Tonnes per day	3,704	3,874	3,829	3,430	3,803	3,410	3,792	3,602
Copper								
Grade (%)[3]	1.84	1.88	1.86	1.89	1.87	1.77	1.98	1.88
Recoveries (%)	96.6	96.7	96.8	96.8	96.7	96.6	96.9	96.8
Silver								
Grade (%)[3]	41.9	36.4	37.9	37.4	38.4	35.1	40.1	37.7
Recoveries (%)	82.6	82.0	82.1	82.3	82.3	81.3	82.5	82.0
Zinc								
Grade (%)[3]	0.43	0.33	0.36	0.32	0.36	0.26	0.31	0.29
Recoveries (%)	25.4	10.7	18.9	4.6	15.8	6.6	6.6	6.6
Payable copper produced (tonnes)	5,690	6,144	6,108	5,544	23,486	5,033	6,361	11,394
Copper C1 cash cost[1] ($/pound payable copper produced)	1.12	1.25	1.20	1.40	1.24	1.72	1.63	1.67
Adjusted EBITDA[1] ($ millions)	44.7	36.7	23.9	32.6	137.9	30.9	34.0	64.9

[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.*

2023 versus 2022 Insights

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

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

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

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

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

were impacted by lower production ($0.05/lb), lower zinc by-product credits due to planned lower zinc production ($0.05/lb).

Capital Expenditures

Sustaining capital[1] and expansionary capital[1] spending at Cozamin totaled $14.8 million for Q2 2023. Sustaining capital[1] was related mainly to mine development and mine equipment. Capital spending included $7.2 million of expansionary capital[1] on the filtered (dry stack) tailings and paste backfill facility project. The dry stack plant was fully operational during the quarter, seven stopes are available to receive paste. Paste operations are still in progress with the ramp up expected in Q3 2023.

Capitalized exploration expenditures totaled $0.6 million for Q2 2023. This was primarily spent on infill drilling at the Mala Noche Main Vein West Target with one underground rig from the west exploration cross-cut station.

($ millions)	**Q2 2023**	**Q2 2022**	**2023 YTD**	**2022 YTD**
Sustaining capital[1]	**7.6**	6.8	**14.4**	15.2
Expansionary capital[1]	**7.2**	8.7	**9.6**	18.5
Brownfield exploration	**0.6**	0.8	**0.9**	1.7
Right of use assets-non cash	**—**	—	**0.2**	0.3
Cozamin mine additions	**15.4**	16.3	**25.1**	35.7

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

3.5 Santo Domingo Project – Chile (Copper and Iron)

Capital Expenditures

Project development costs related to technical studies/modelling, engineering trade-offs, metallurgical testwork, sectorial permit activities as required by the original Environmental Permit and to assist with the ongoing Santo Domingo project optimization feasibility study and the update of the original Environmental Permit as the project optimization work progresses.

($ millions)	Q2 2023	Q2 2022	2023 YTD	2022 YTD
Capitalized project costs	**4.9**	6.0	**8.8**	15.5

3.6 Exploration

($millions)	Q2 2023	Q2 2022	2023 YTD	2022 YTD
Greenfield exploration (expensed to income statement)	**1.6**	3.4	**2.8**	5.3
Brownfield exploration (capitalized to mineral properties) - Cozamin	**0.6**	0.8	**0.9**	1.7
Total exploration[2]	**2.2**	4.2	**3.7**	7.0

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

Capstone Copper's exploration team is predominantly focused on organic growth opportunities to expand mineral resources and mineral reserves at all four mines and the Santo Domingo development project. Capstone Copper also has an earn-in agreement with Lara Exploration Ltd. for the greenfield Planalto Prospect (Carajas Region, Brazil) and a portfolio of 100% owned claims acquired by staking in Sonora, Mexico.

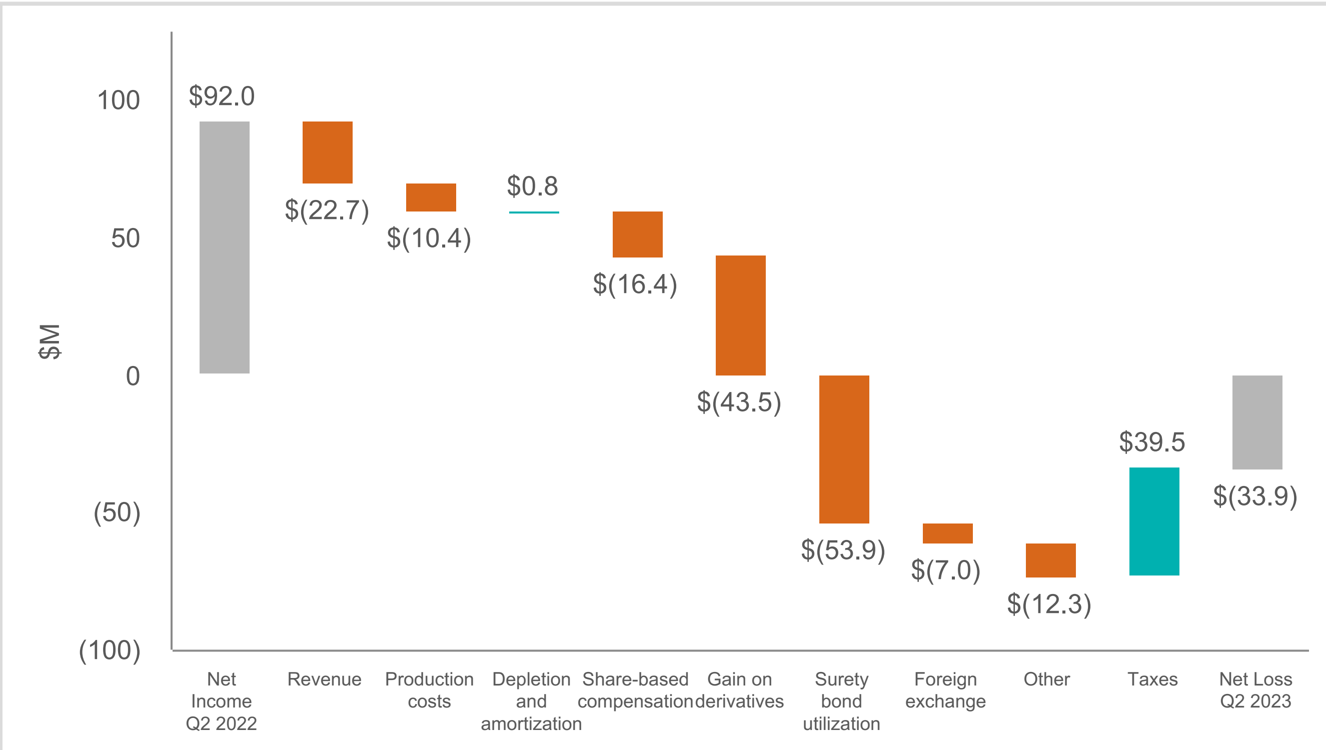
4.0 FINANCIAL REVIEW

4.1 Consolidated Results

Consolidated Net (Loss) Income Analysis

Net (Loss) Income for the Three Months Ended June 30, 2023 and 2022

The Company recorded net loss of $33.9 million for the three months ended June 30, 2023 compared with net income of $92.0 million in Q2 2022. The major differences are outlined below:



The difference quarter-over-quarter was driven by:

- Revenue: $(22.7) million or (6)% of the decrease was driven by lower copper volumes sold (Q2 2023 – 40.8 thousand tonnes, Q2 2022 – 45.5 thousand tonnes), and partially offset by higher realized copper prices[1] (Q2 2023 - $3.71 per pound, Q2 2022 - $3.66 per pound).
- Production costs: $10.4 million increase primarily driven by:
  - Pinto Valley recorded $2.1 million lower production costs in Q2 2023 compared to Q2 2022 as a result of lower copper volumes sold (Q2 2023 – 12.1 thousand tonnes, Q2 2022 – 13.5 thousand tonnes) and unplanned downtime.
  - Cozamin recorded $7.0 million higher production costs in Q2 2023 compared to Q2 2022 as a result of higher copper volumes sold and change in mining method (Q2 2023 – 6.5 thousand tonnes, Q2 2022 – 5.9 thousand tonnes).
  - Mantos Blancos recorded $15.2 million higher production costs in Q2 2023 compared to Q2 2022 primarily as a result of an increase in costs for contracted services and labour.
  - Mantoverde recorded $9.9 million lower production costs in Q2 2023 compared to Q2 2022 as a result of lower copper volumes sold (Q2 2023 – 10.3 thousand tonnes, Q2 2022 – 14.2 thousand tonnes) and lower acid prices.
- Share-based compensation expense: $16.4 million higher than prior year as a result of mark to market adjustments on share unit liabilities reflecting the lower decrease in the share price during Q2 2023 vs.Q2 2022 (C$6.10 opening price as at March 31, 2023 to C$6.01 closing price as at June 30, 2023 vs. C$7.07 opening price as at March 31, 2022 to C$3.25 closing price as at June 30, 2022).
- Gain on derivatives: $43.5 million decrease primarily due to a lower net gain on copper commodity contracts (Q2 2023 – $42.3 million, Q2 2022 – $104.3 million). Copper forward curve prices decreased less from $4.08/lb as at March 31, 2023 to $3.77/lb as at June 30, 2023, compared with more significant

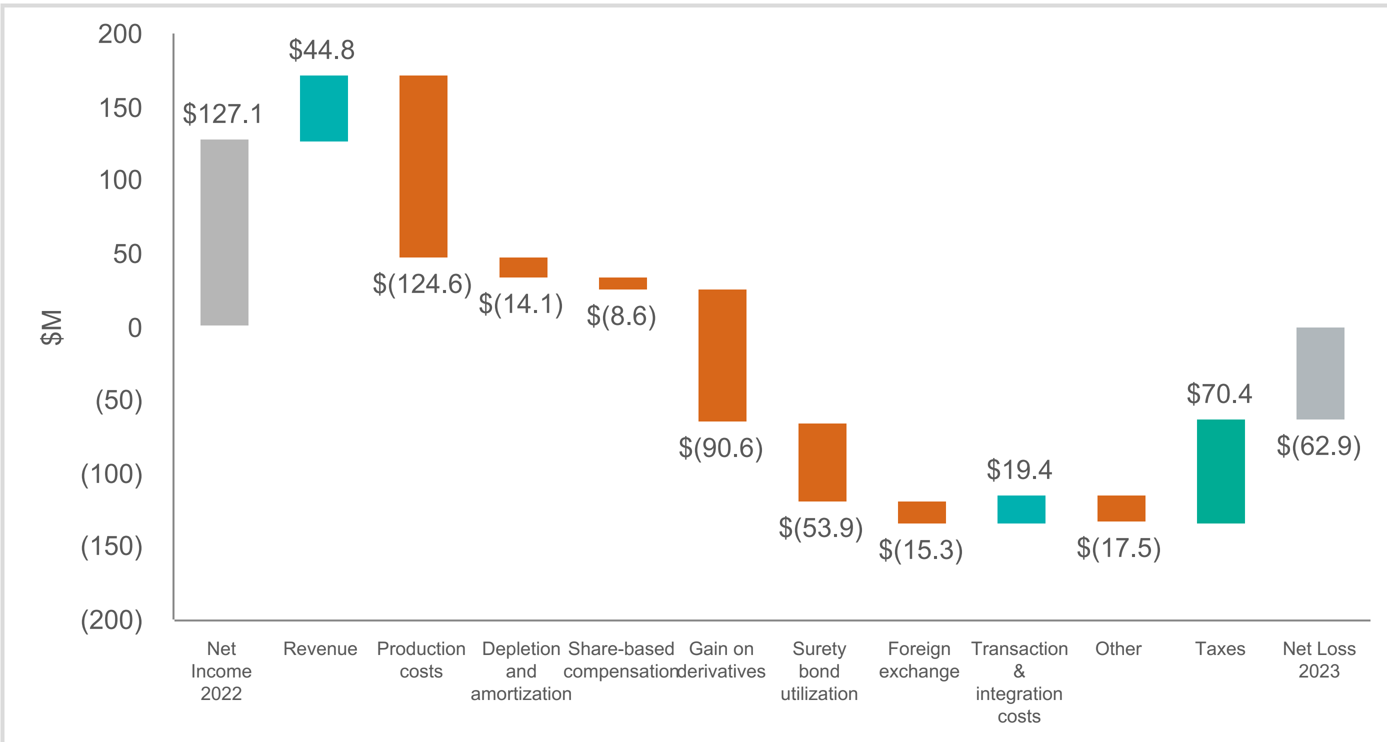
[1] These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

decrease from $4.71/lb at March 31, 2022 to $3.75/lb at June 30, 2022 resulting in larger derivatives gain in Q2 2022.

- Surety bond utilization expense: $53.9 million one-off expense as a result of the Company's obligation to the issuer of the surety bond in relation to Minto ceasing operations during Q2 2023.
- Foreign exchange: $7.0 million change primarily due to foreign exchange impacts from Mantos Blancos and Mantoverde as a result of a strengthening Chilean Peso in Q2 2023 vs. a weakening Chilean Peso in Q2 2022, in addition to the impacts of the strengthening Mexican Peso at Cozamin.
- Income taxes: $39.5 million decrease due to a net loss during Q2 2023 compared to a net income during Q2 2022.

Net (Loss) Income for the Six Months Ended June 30, 2023 and 2022

The Company recorded a net loss of $62.9 million for the six months ended June 30, 2023 compared with net income of $127.1 million in 2022 YTD. The major differences are outlined below:



The difference year-over-year was driven by:

- Revenue: $44.8 million or 7% of the increase was driven by higher copper volumes sold (2023 YTD – 78.2 thousand tonnes, 2022 YTD – 71.0 thousand tonnes), and partially offset by lower realized copper prices[1] (2023 YTD - $3.93 per pound, 2022 YTD - $4.06 per pound).
- Production costs: $124.6 million increase primarily driven by a full quarter results in Q1 2022 vs nine day stub period in Q1 2022 from Mantos Blancos and Mantoverde :
    - Pinto Valley recorded $0.9 million lower production costs in 2023 YTD compared to 2022 YTD as a result of lower copper volumes sold (2023 YTD – 24.9 thousand tonnes, 2022 YTD – 29.0 thousand tonnes).
    - Cozamin recorded $9.5 million higher production costs in 2023 YTD compared to 2022 YTD as a result of changing in mining method to include cut and fill mining, inflationary increases in costs, and partially offset by lower copper volumes sold (2023 YTD – 11,275 tonnes, 2022 YTD – 11,527 tonnes).
    - Mantos Blancos recorded $82.0 million higher production costs in 2023 YTD compared to 2022 YTD as a result of a full quarter of results versus nine day stub period, and slightly higher copper volumes sold for Q2 2023 (12.0 thousand tonnes) vs. Q2 2022 (11.9 thousand tonnes).
    - Mantoverde recorded $33.0 million higher production costs in 2023 YTD compared to 2022 YTD as a result of a full quarter of results versus nine day stub period, and partially offset by lower copper volumes sold in Q2 2023 (10.3 thousand tonnes vs. Q2 2022 (14.2 thousand tonnes).

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

- Depletion and amortization: $14.1 million increase primarily due to a full quarter of results in Q1 2023 versus nine days in Q1 2022 from Mantos Blancos and Mantoverde (increase of $13.4 million).
- Share-based compensation: $8.6 million increase primarily due to an increase in share price for 2023 YTD vs. a decrease for 2022 YTD (C$4.94 opening price to C$6.01 closing price as at June 30, 2023 versus C$5.58 opening price to C$3.25 closing price as at June 30, 2022).
- Gain on derivatives: $90.6 million decrease primarily due to a lower net change on copper commodity contracts (2023 YTD – $3.4 million loss, 2022 YTD – $110.9 million gain). Copper forward curve prices decreased from $3.80/lb as at December 31, 2022 to $3.77/lb as at June 30, 2023, vs. from $4.41/lb at December 31, 2021 to $3.75/lb at June 30, 2022.
- Surety bond utilization expense: $53.9 million one-off expense as a result of the Company's obligation to the issuer of the surety bond in relation to Minto ceasing operations during Q2 2023.
- Foreign exchange: $15.3 million change primarily due to foreign exchange impacts from Mantos Blancos and Mantoverde as a result of a strengthening Chilean Peso in 2023 YTD vs. a weakening Chilean Peso in 2022 YTD, in addition to the impacts of the strengthening Mexican Peso at Cozamin.
- Transaction & Integration costs: $19.4 million decrease primarily due to the Mantos transactions costs that were incurred in Q1 2022.
- Income taxes: $70.4 million decrease due to a net loss in 2023 YTD compared to a net gain in 2022 YTD.

4.2 Revenue Analysis

Revenue decreased quarter-on-quarter ($333.9 million versus $356.6 million in Q2 2022) primarily due to lower copper volumes sold (40.8 thousand tonnes versus 45.5 thousand tonnes in Q2 2022), partially offset by a higher realized copper price[1] ($3.71 per pound versus $3.66 per pound in Q2 2022).

YTD revenue increased year-on-year ($669.5 million versus $624.7 million in 2022 YTD) due to additional 7.2 thousand tonnes higher copper volumes sold (78.2 thousand tonnes versus 71.0 thousand tonnes in 2022 YTD), and partially offset by a lower realized copper price[1] ($3.93 per pound versus $4.06 per pound in 2022 YTD). 2023 YTD includes a full quarter of sales volumes in Q1 2023 versus nine days stub period in Q1 2022 from Mantos Blancos and Mantoverde.

Revenue by Mine

($ millions)	**Q2 2023[2]**		Q2 2022[2]		**2023 YTD[2]**		2022 YTD[2]	
Pinto Valley	**88.1**	**26.4 %**	101.4	28.4 %	**212.2**	**31.7 %**	259.2	41.5 %
Mantos Blancos	**94.7**	**28.4 %**	88.30	24.8 %	**210.8**	**31.5 %**	105.6	16.9 %
Mantoverde	**83.3**	**24.9 %**	117.20	32.9 %	**144.3**	**21.6 %**	145	23.2 %
Cozamin	**58.7**	**17.6 %**	49.7	13.9 %	**109.3**	**16.3 %**	114.9	18.4 %
Corporate[3]	**9.1**	**2.7 %**	—	—	**(7.1)**	**(1.1)%**	—	—
Total revenue	**333.9**	**100.0 %**	356.6	100.0 %	**669.5**	**100.0 %**	624.7	100.0 %

[2] The current and subsequent periods may include final settlement quantity and/or price adjustments from prior shipments.
[3] The Corporate revenue is related to the net changes on quotational period hedges.

Provisionally Priced Copper

Gross revenue for the three months ended June 30, 2023 includes 45.6 thousand tonnes of copper sold subject to final settlement. Of this, the prices for 13.0 thousand tonnes are final at a weighted average price of $3.84 per pound. The remaining 32.6 thousand tonnes are subject to price change upon final settlement at the end of the applicable quotational period, as follows:

Quotational Period	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	Total	($/pound) Provisional Price
Jul-2023	2.4	4.1	2.5	1.8	10.8	3.78
Aug-2023	5.4	2.6	—	1.6	9.6	3.77
Sep-2023	—	2.2	—	2.2	4.4	3.77
Oct-2023	5.5	—	—	2.3	7.8	3.77
Total	13.3	8.9	2.5	7.9	32.6	3.77

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

Provisional pricing is a term in copper concentrate and copper cathode sales agreements that provides for provisional pricing of sales at the time of shipment, with final pricing being based on the monthly average LME copper price for specific future periods, normally ranging from one to four months after delivery to the customer. The difference between provisional invoice price and final invoice price is recognized in net earnings. In order to mitigate the impact of these adjustments on net earnings, in August 2022, the Company initiated a quotational period ("QP") hedging program to mitigate the impact of the difference between provisional invoice prices and the final price. The provisional pricing gains or losses and the offsetting derivative gains or losses are recognized in pricing and volume adjustments in revenue.

Of the 32.6 thousand tonnes subject to price change upon final settlement, 18.1 thousand tonnes have been hedged as at June 30, 2023, and 10.7 thousand tonnes of June sales have been hedged in July 2023. The remaining 3.8 thousand tonnes are not hedged as these volumes have a declared quotational period of July 2023, which the QP hedging program is designed to achieve.

Reconciliation of Realized Copper Price[1]

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

	Q2 2023	Q2 2022	2023 YTD	2022 YTD
Gross copper revenue				
Gross copper revenue on new shipments	**341.1**	424.8	**672.6**	684.2
Realized pricing and volume adjustments on copper revenue	**(4.2)**	(13.8)	**5.0**	(10.2)
Unrealized pricing and volume adjustments on copper revenue	**(3.8)**	(44.5)	**0.1**	(38.7)
Gross copper revenue including pricing and volume adjustments	**333.1**	366.5	**677.7**	635.3
Gross copper revenue on new shipments ($/pound)	**3.80**	4.24	**3.90**	4.37
Realized pricing and volume adjustments on copper revenue ($/pound)	**(0.04)**	(0.14)	**0.03**	(0.06)
Unrealized pricing and volume adjustments on copper revenue ($/pound)	**(0.05)**	(0.44)	**—**	(0.25)
Realized copper price[1] ($/pound)	**3.71**	3.66	**3.93**	4.06
LME average copper price ($)	**3.84**	4.31	**3.95**	4.42
LME close price ($)	**3.72**	3.74	**3.72**	3.74
Gross copper revenue - reconciliation to financials				
Gross copper revenue including pricing and volume adjustments	**333.1**	366.6	**677.8**	635.3
Revenue from other metals	**13.1**	9.3	**24.8**	22.4
Treatment and selling	**(12.3)**	(19.3)	**(33.0)**	(33.0)
Revenue per financials	**333.9**	356.6	**669.6**	624.7
Payable copper sold (tonnes)	**40,755**	45,492	**78,211**	71,000

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

4.3 Consolidated Cash Flow Analysis

($ millions)	Q2 2023	Q2 2022	2023 YTD	2022 YTD
Operating cash flow before changes in working capital[2]	**22.0**	40.7	**65.1**	111.1
Changes in non-cash working capital	**(13.6)**	26.1	**(55.8)**	(60.7)
Other non-cash changes	**(10.6)**	(5.2)	**(9.7)**	1.4
Total cash flow (used in) from operating activities	**(2.2)**	61.6	**(0.4)**	51.8
Total cash flow used in investing activities	**(152.0)**	(184.0)	**(336.8)**	(19.2)
Total cash flow from financing activities	**170.8**	60.6	**283.0**	53.8
Effect of foreign exchange rates on cash and cash equivalents	**—**	(0.9)	**—**	(0.3)
Net change in cash and cash equivalents	**16.6**	(62.7)	**(54.2)**	86.1
Opening cash and cash equivalents	**99.5**	410.9	**170.3**	262.1
Closing cash and cash equivalents	**116.1**	348.2	**116.1**	348.2

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

Changes in Cash Flows for the Three Months Ended June 30, 2023 and 2022

The net change in cash was $16.6 million in Q2 2023 compared to $(62.7) million in Q2 2022. The change was primarily due to:

- Cash flow used in operating activities before changes in working capital lower by $18.7 million. Revenue less production costs were lower in Q2 2023 versus Q2 2022 by $32.9 million (Q2 2023 revenue of $333.9 million less production costs of $274.0 million compared to Q2 2022 revenue of $356.6 million less production costs of $263.8 million), partially offset by lower income tax paid.
- Changes in non-cash working capital in Q2 2023 was $39.7 million lower compared to the same period last year primarily due to a decrease in accounts payable and an increase in accounts receivable, partially offset by a decrease in inventory.
- Cash flows used in investing activities were $32.0 million lower in Q2 2023 mainly due to higher capital expenditures in Q2 2022 related to MVDP and Mantos Blancos Debottlenecking project, which was completed in 2022, and an increase in accounts payable related to capital expenditures.
- Cash flows from financing activities were $110.2 million higher in Q2 2023 primarily due to a $136.0 million net proceeds from the Revolving Credit Facility ("RCF") and a related party shareholder loan from MMC of $45.0 million versus $6.6 million repayment of Glencore facility and $100.0 million proceeds from RCF in Q2 2022, and $22.7 million lower payments on derivative contracts settled during the period.

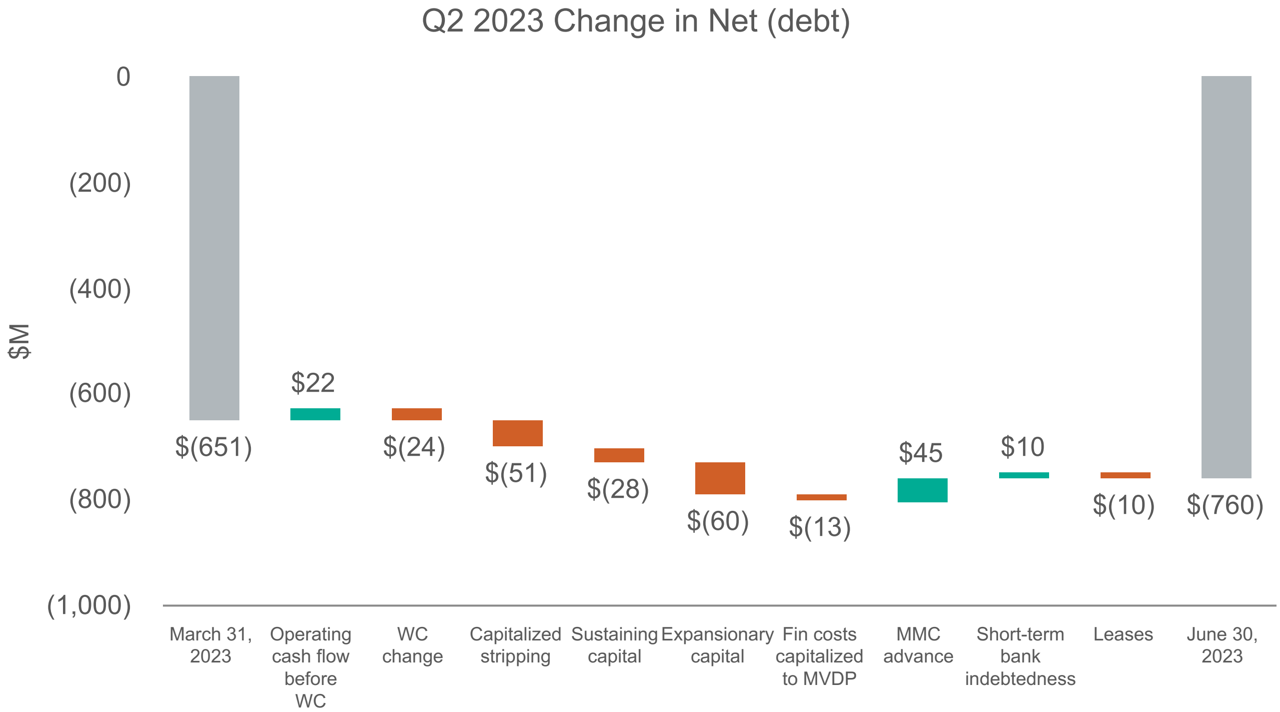
Changes in Cash Flows for the Six Months Ended June 30, 2023 and 2022

The net change in cash was $(54.2) million in 2023 YTD compared to $86.1 million in 2022 YTD. The change was primarily due to:

- Operating cash flow before changes in working capital was lower by $46.0 million. Revenue less production costs were lower in 2023 YTD versus 2022 YTD by $78.8 million (2023 YTD revenue of $669.5 million less production costs of $514.4 million compared to 2022 YTD revenue of $624.7 million less production costs of $390.8 million), partially offset by lower income tax paid.
- Changes in non-cash working capital was lower by $4.9 million primarily due to a decrease in accounts payable, partially offset by a decrease in inventory.
- Cash flows used in investing activities were $317.6 million higher in 2023 YTD mainly due to addition of Mantos Blancos and Mantoverde mines including MVDP spend of $169.7 million including $27.6 million of capitalized financing fees. Also, 2022 YTD cash from investing activities includes $219.2 million of cash and cash equivalents assumed on the Transaction.
- Cash flows from financing activities were $229.2 million higher in 2023 YTD primarily due to net proceeds of $223.0 million from RCF and $69.0 million related party shareholder loan from MMC and higher receipts from derivative contract settlements of $21.7 million versus $13.1 million repayment of Glencore facility and proceeds of $100.0 million from RCF in 2022 YTD, partially offset by higher incremental lease payments in 2023 YTD as a result of the business combination with Mantos.

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

4.4 Liquidity and Financial Position



The increase in Net (debt)[1] as at June 30, 2023, is primarily attributable to the capital spend on the MVDP and other capital projects.

Credit Facilities

Mantoverde Development Project Facility

Mantoverde secured $572 million in debt financing facility to fund the construction of the MVDP. The debt facility comprises a senior secured amortizing project debt facility in an aggregate amount of $520 million (the "Covered Facility" $250 million, the "Uncovered Facility" $210 million, and the "ECA Direct Facility" $60 million) and a $52 million senior secured mine closure bonding facility (the "Bonding Facility"). These project finance facilities are subject to affirmative, financial and restrictive covenants that include obligations to maintain the security interests in favour of the lenders over substantially all of the respective project's property and shares, insurance coverage, maintenance of off-take agreements, compliance with environmental and social matters, restrictions on new financial indebtedness, distributions and dispositions, and compliance with certain financial ratios. As at June 30, 2023, the Company was in compliance with these covenants.

As a condition to the financing facilities, the Company was required to effect certain hedging strategies as detailed in the lending agreement. The agreement indicates that the Company must implement hedging programs related to copper prices, foreign exchange rates and interest rates during the financing period. The Company has complied with all obligations related to the financing agreements and the financing for the MVDP.

Interest on borrowings under the MVDP Facility is payable quarterly at a variable rate of 3-month US$ LIBOR plus a margin per annum (i.e., 1.65% for the Covered Facility and, with respect to the Uncovered Facility, a rate of 3.75% and with respect to the ECA Direct Facility, a rate of 4.00% pre-completion of the MVDP, and decreasing to 3.50% and 3.75% respectively post-completion of the MVDP). Pursuant to the Covered Facility, an export credit agency guaranteed premium of 2.05% per annum is also payable quarterly and calculated over amounts outstanding under the Covered Facility. The MVDP is secured by a comprehensive security package covering substantially all of Mantoverde's assets. These facilities amortize from the earlier of September 30, 2024 and 180 days after project completion. The Uncovered Facility amortizes over a 10 year period and the Covered Facility and ECA Direct Facility amortize over 12 years. As a result of Interest Rate Benchmark Reform, the Company has completed the transition from LIBOR to an adjusted SOFR for its MVDP debt financing facility by June 30, 2023.

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

The transition resulted in a variable rate of SOFR compounded daily to a 3-month period plus 0.2616% per annum, with margins unchanged.

Mantoverde Cost Overrun Facility ("COF")
MMC agreed to provide a $60 million COF in exchange for additional off-take of copper concentrate production under a 10-year contract (Note 21). The COF carries an interest rate of 3-month US$ LIBOR plus 1.70% and amortizing over 37 quarters from the earlier of September 30, 2024 or three quarters after project completion. 3-month LIBOR at June 30, 2023 was 5.34%. As at June 30, 2023, the COF was fully drawn. Mantoverde SA is required to draw on the COF to fund any increases in capital over the original estimate of $785 million regardless of operating cash flow balance. The total costs for MVDP were increased to $825 million during Q2 2022, thus resulting in draws on the COF in the remainder of 2022. As a result of Interest Rate Benchmark Reform, the Company has completed the transition from LIBOR to an adjusted SOFR with MMC by June 30, 2023. The transition resulted in a variable rate of SOFR compounded daily to a 3-month period plus 0.2616% per annum, with margins unchanged.

Revolving Credit Facility
On May 12, 2022, Capstone Mining amended its corporate RCF. The amended RCF was increased to $500 million, plus $100 million accordion option available 180 days after closing, and has a maturity of four years from closing and an interest cost of adjusted term Secured Overnight Financing Rate ("SOFR") plus a margin of 1.875% - 2.75% depending on the total net leverage ratio. The amended RCF became effective on July 22, 2022 after all the required security was in place and customary closing conditions were met. On December 12, 2022, Capstone exercised the $100 million accordion option, which resulted in the maximum Credit Limit being $600 million.

The interest rate at June 30, 2023 was one-month adjusted term SOFR of 5.20% plus 1.875% (2022 - US LIBOR plus 2.50%) with a standby fee of 0.42% (2022 – 0.56%) payable on the undrawn balance (adjustable in certain circumstances).

The RCF in effect as of June 30, 2023 is secured against the present and future real and personal property, assets and undertakings of Capstone Copper (other than defined excluded entities, Acquisition Co., Far West Mining Ltd., Minera Santo Domingo SCM, Capstone Resources MSD Ltd., FWM Exploration (Chile) Ltd., and Far West Exploration S.A., Mantoverde Holding SpA, Mantoverde S.A., Mantos Copper Delaware LLC and subject to certain exclusions for Capstone Mining Chile SpA).

The credit facility requires Capstone to maintain certain financial ratios relating to debt and interest coverage. Capstone was in compliance with these covenants as at June 30, 2023. As at June 30, 2023, the balance of the RCF was $298.0 million (December 31, 2022 - $75.0 million), excluding deferred financing fees of $3.0 million (December 31, 2022 - $3.4 million).

Short-term Bank Indebtedness
During Q2 2023, one of the Company's Chilean subsidiaries entered into a three-month export credit facility with Banco Crédito e Inversiones with an interest rate of 6.41%. As at June 30, 2023 the balance of the facility was $10.1 million, including interest of $0.1 million. Short-term Bank Indebtedness is included in Current - Other Liabilities on the consolidated statement of financial position.

As at June 30, 2023, Capstone Copper was in a net (debt)[1] position of $760.4 million with $818.0 million long-term debt drawn in total, and $60.0 million drawn on the COF with MMC which is noted in Due to Related Party. As at June 30, 2023, the $818.0 million of long term debt consists of $520 million drawn on the MVDP facility and $298.0 million was drawn on the RCF.

Hedging
The Company has hedged certain input costs and revenue products as part of an overall risk management strategy:

- The Company entered into zero costs collars ("ZCCs") whereby it sold a series of call option contracts and purchased a series of put option contracts for nil cash premium. The contracts were for a total of 20,625 tonnes of copper covering the period from April 2023 through December 2023, and have a floor and weighted average ceiling price of $3.20/lb and $4.15/lb, respectively. The Company also entered into

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

fixed-for-floating swaps for a total of 28,031 tonnes of copper covering the period from April 2023 to December 2023, and have a weighted average forward price of $3.64/lb. The intent is to ensure balance sheet protection and sufficient liquidity to complete MVDP in 2023. There was a realized loss of $4.3 million and $12.7 million for three and six months ended June 30, 2023.

- Financial hedges were executed on foreign exchange rates to protect approximately 50% of the Company's attributable Chilean Peso exposure on operating costs at Mantoverde and Mantos Blancos from April 2023 through to December 2023 all through Chilean Peso to US dollar exchange rate zero cost collars (being purchased puts and sold calls with offsetting values at inception). There was no realized gain or loss on the Chilean Peso zero cost collars for the three and six months ended June 30, 2023.

- Financial hedges were executed on foreign exchange rates to protect the Company's CAD dollar exposure. The Company entered into US dollar to CAD dollar exchange rate forward contracts covering through to February 2023. The Company also entered into ZCCs through to December 2023 whereby it sold a series of call option contracts and purchased a series of put option contracts for nil cash premium. There was a total realized loss of $0.1 million on the CAD financial hedges for the three and six months ended June 30, 2023.

- As a condition of the project financing for the MVDP, Mantoverde was required to effect certain hedging strategies as follows:
  - Fixed-for-floating copper swaps covering 65% of copper cathode production at an average price per tonne at inception of $7,698 (~$3.49/lb) through to June 30, 2024;
  - Fixed-for-floating LIBOR swaps at 1.015% for 10-years, with a 0% floor on the LIBOR rate within the first five years (expiring in September 2025);
  - CLP:US$ foreign exchange rate forwards at an average price of 727.7 and notional amount of approximately $104 million that mature in March 2024 to hedge 100% of the forecasted EPC contract costs denominated in CLP; and
  - CLF:US$ foreign exchange rate forwards at an average price of 41.7 and notional amount of approximately $321 million that mature in May 2024 to hedge 100% of the forecasted EPC contract costs denominated in CLF.
- The realized movements on Mantoverde's derivative portfolio was a $0.6 million gain and $1.2 million loss for the three and six months ended June 30, 2023.

- Pinto Valley contracted for fixed diesel prices with a supplier on its expected 2023 diesel consumption at $3.46/gallon for Q1 2023 and at $3.40/gallon for the remaining three quarters. The contracted diesel price has resulted in cost savings of $2.1 million and $1.3 million during the three and six months ended June 30, 2023, respectively.

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, Mantos Blancos, Mantoverde, and Cozamin mines generating positive cash flow and available liquidity[1]. Based on reasonable expectations for our operating performance, and additional liquidity options available such as capital market access, the recently amended and extended Corporate RCF of $600 million, $302 million of which is undrawn, and the hedging programs described above, provides both protection from further weakening of copper prices in 2023 and significant available liquidity as the Company completes the Mantoverde Development Project.

Our available liquidity[1] as at June 30, 2023 was $419.6 million, which included $117.6 million of cash and cash equivalents and short-term investments, and $302 million of undrawn amounts on our $600 million RCF.

Capital Management

Capstone Copper’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.

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

4.5 Commitments

Royalty Agreements

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

In connection with the financing of the Mantos Blancos Debottlenecking Development Project, Mantos Copper S.A. entered into a royalty agreement with Southern Cross Royalties Limited ("Southern Cross"). Southern Cross is entitled to a 1.525% net smelter royalty on copper production. The royalty is for a period initially through January 1, 2035 that may be extended by Southern Cross at its sole discretion through the duration of the mining rights and is subject to the Company's option to reduce the royalty amount by 50% any time after January 1, 2023, subject to a one-time payment.

Agreement with Osisko Bermuda Limited ("Osisko")

Pursuant to a long-term streaming agreement made in 2015, that covers the life of mine, the Company delivers 100% of the payable silver sold by Mantos Blancos to Osisko Bermuda Limited ("Osisko"). Osisko pays a cash price of 8% of the spot price at the time of each delivery, in addition to an upfront acquisition price previously paid. After 19.3 million ounces of silver have been delivered under the agreement, the stream will be reduced to one-third. Mantos Blancos has delivered 5.2 million silver ounces since contract inception until June 30, 2023.

Agreement with Jetti Resources, LLC ("Jetti")

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

Off-take agreements

The Company has sales commitments of copper concentrate production at Mantos Blancos under off-take agreements with Glencore.

The Company has sales commitments equal to 100% of its copper cathode production at Mantoverde and Mantos Blancos under off-take agreements with Anglo American Marketing Limited ("AAML") under a multi year agreement.

The Company has concentrate off-take agreements with third parties whereby they will purchase 100% of the copper concentrate produced by the Cozamin Mine up to the end of December 2023.

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

The Company entered into an off-take agreement with Boliden Commercial AB ("Boliden") for 75,000 tonnes of copper concentrates in each contract year. The off-take agreement expires ten years after the commencement of commercial production at the MVDP, subject to potential extension if less than 750 thousand tonnes of copper concentrates have been delivered at the contract term and subject to termination if commercial production does not commence by December 31, 2024.

MMC agreed to provide a $60 million COF in exchange for additional off-take of copper concentrate production under a 10-year contract. The off-take agreement includes Mantoverde agreeing to sell 30% of its annual copper production per year delivered for its equivalent in copper concentrates, plus an additional amount per annum of up to 30,000 tonnes of copper concentrate depending on the amount that is drawn by Mantoverde under the COF provided by MMC in connection with the MVDP. The agreement between MMC and Mantoverde to sell 30% of its annual copper production is for the duration of Mantoverde's commercial mine life. The amount payable for copper is based on average LME prices, subject to certain terms.

Construction and other operating contracts

The Company entered into the EPC with Ausenco Chile Limitada for an estimated aggregate cost of $525 million. As at June 30, 2023, capital expenditures committed for all the companies mine sites, but not yet incurred, were $92.4 million.

The Company has a contractual agreement extending until 2033 to purchase water for operations at Mantos Blancos.

The Company has contractual agreements for the purchase of power for operations at Mantos Blancos and Mantoverde, extending until 2038 and 2039, respectively.

The Company has contractual arrangements at Mantos Blancos and Mantoverde for the purchase of acid in 2023 and 2024 of 325,000 tonnes and 420,000 tonnes, respectively.

Other
The Company has provided a guarantee to the Chilean Internal Revenue Service that all value added taxes and other taxes receivable amounts refunded, plus interest, will be repaid if construction of the Santo Domingo development project is not completed by August 31, 2026.

Surety Bond Utilization Provision
On June 3, 2019, the Company completed the sale of its 100% interest in the Minto Mine and in conjunction with completion of the sale, Minto had posted a surety bond to cover potential future reclamation liabilities. The Company remains an indemnitor for Minto's C$72 million surety bond obligation in the Yukon. During Q2 2023, Minto ceased operations and the Yukon government took over all reclamation activities. As Minto has defaulted on the surety bond, Capstone recognized a provision of approximately US$53.9 million (C$72 million) related to the Company's obligations towards the issuer of the surety bond as at June 30, 2023.

As part of the Company's sale of Minto in 2019, the Company was to receive up to $20 million in staged payments. The final $5 million, which was due in series of payments to collected by mid-2024, was outstanding at the time Minto ceased operations and the Company had recorded a provision against it. The bad debt provision for the $5 million is included in Other Expense.

Provisions
Provisions of $316.7 million at June 30, 2023 includes the following:

- $224.8 million for reclamation and closure cost obligations at Capstone Copper's operating mines;
- $32.7 million related to other long-term obligations at the Cozamin and Chilean mines; and
- $5.3 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 $2.5 million is recorded in other liabilities.
- $53.9 million for the surety bond utilization provision as Minto ceased operations during Q2 2023.

Precious Metal Streams
Cozamin Silver Stream
On February 19, 2021, Capstone Mining entered into a precious metals purchase arrangement with Wheaton whereby the Company 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. Cozamin has delivered 1.6 million silver ounces since contract inception until June 30, 2023.

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

The Company recorded the upfront cash consideration received as deferred revenue and recognizes amounts in revenue as silver is delivered under the arrangement. For the period ended June 30, 2023, the amount of the deferred revenue liability recognized as revenue was $9.3 million.

Santo Domingo Gold Stream
On April 21, 2021, Capstone Mining 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, as gold is delivered under the terms of the arrangement, the Company 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 ended June 30, 2023, there was no amortization of the deferred revenue liability recognized as revenue.

Purchase of Non-Controlling Interest from KORES

At June 30, 2023, a liability of $41.4 million has been recognized in other non-current liabilities equal to the discounted amount of the remaining $45.0 million to be paid to KORES on March 24, 2025 as part of the agreement to purchase its 30% share of Acquisition Co. The discounted amount of the remaining $45.0 million will be accreted up to its face value at 5% per year. During the three and six months ended June 30, 2023, $0.5 million and $1.0 million of accretion was recorded in other non-cash interest expense in the condensed interim consolidated statements of (loss) income.

Off Balance Sheet Arrangements

As at June 30, 2023, the Company had no off-balance-sheet arrangements other than the following:

- those disclosed under Commitments in the condensed interim consolidated financial statements for the three and six months ended June 30, 2023;
- capital expenditure commitments totaling $92.4 million;
- seven surety bonds totaling $235.9 million.

4.6 Transactions with Related Parties

As described in the Nature of Business section, Capstone Copper has related party relationships, as defined by IFRS, with its key management personnel.

Related party transactions and balances are disclosed in the consolidated financial statements for the year ended December 31, 2022, except the following:

- On February 15, 2023 and April 13, 2023, MMC advanced an additional $24.0 million and $45.0 million, respectively, to Mantoverde in the form of a shareholder loan forming part of the financing for the MVDP.
- Total funds advanced by MMC as at June 30, 2023 was $129.0 million (December 31, 2022 - $60.0 million), which comprises of $60.0 million for the COF and $69.0 million in shareholder loans.
- Orion were Mantos' largest shareholder and on completion of the Transaction held approximately 32% shareholder interest in Capstone Copper. On March 31, 2023, Capstone and Orion closed a secondary bought offering of common shares of Capstone, whereby Orion sold an aggregate of 57,500,000 common shares of Capstone at a price of $5.60 per common share, for aggregate gross proceeds to Orion of C$327.8 million. Subsequent to completion of the offering, Orion held 23.75% interest in Capstone Copper.

4.7 Accounting Changes

Changes in Accounting Policies and Material Accounting Estimates and Judgments

Accounting policies as well as any changes in accounting policies are discussed in Note 3 "Material Accounting Policy Information, Estimates and Judgements" of the June 30, 2023 condensed interim consolidated financial statements.

New IFRS Pronouncements

New IFRS Pronouncements are discussed in Note 3 "Material Accounting Policy Information, Estimates and Judgements" of the June 30, 2023 condensed interim consolidated financial statements.

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

5.0 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.

Breakdown of C1 Cash Costs and All-in Sustaining Cost Per Pound of Payable 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 is an extension of the C1 cash costs measure discussed above and is also a non-GAAP key performance measure that management uses to monitor performance. Management uses this measure to analyze margins achieved on existing assets while sustaining and maintaining production at current levels. Consolidated All-in sustaining costs includes sustaining capital and corporate general and administrative costs.

Three Months Ended June 30, 2023

	Q2 2023				
	Pinto Valley	**Mantos Blancos**	**Mantoverde**	**Cozamin**	**Total**
Payable copper produced (000s pounds)	**27,063**	**25,057**	**18,274**	**14,024**	**84,418**
($ millions)					
Production costs of metal produced (per financials)	**74.4**	**81.5**	**93.5**	**24.6**	**274.0**
Transportation cost to point of sale	**(5.4)**	**(3.1)**	**(0.3)**	**(1.4)**	**(10.2)**
Inventory write-down	**(0.6)**	**0.4**	**(1.3)**	**—**	**(1.5)**
Inventory working capital adjustments	**2.4**	**(5.0)**	**(21.0)**	**(0.6)**	**(24.2)**
Cash production costs of metal produced	**70.8**	**73.8**	**70.9**	**22.6**	**238.1**
($/pound)					
Production costs					
Mining	**0.85**	**0.97**	**0.68**	**1.00**	**0.87**
Milling/Processing	**1.45**	**1.72**	**2.86**	**0.36**	**1.66**
G&A	**0.32**	**0.25**	**0.33**	**0.24**	**0.29**
C1P sub-total	**2.62**	**2.94**	**3.87**	**1.60**	**2.82**
By-product credits	**(0.11)**	**(0.01)**	**—**	**(0.32)**	**(0.09)**
Treatment and selling costs	**0.47**	**0.22**	**0.05**	**0.35**	**0.28**
C1 cash cost ($/pound produced)	**2.98**	**3.15**	**3.92**	**1.63**	**3.01**
($/pound)					
Royalties	**0.03**	**0.05**	**—**	**0.07**	**0.04**
Production-phase capitalized stripping / Mineralized drift	**—**	**0.65**	**0.45**	**0.03**	**0.29**
Sustaining capital	**0.65**	**0.17**	**0.57**	**0.52**	**0.47**
Sustaining leases	**0.04**	**0.13**	**0.09**	**—**	**0.07**
Accretion of reclamation obligation	**0.02**	**0.03**	**0.04**	**0.03**	**0.03**
Amortization of reclamation asset	**—**	**0.01**	**0.01**	**0.03**	**0.01**
Corporate G&A, excluding depreciation					**0.08**
All-in sustaining cost adjustments	**0.74**	**1.04**	**1.16**	**0.68**	**0.99**
All-in sustaining cost ($/pound produced)	**3.72**	**4.19**	**5.08**	**2.31**	**4.00**

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

Three Months Ended June 30, 2022

	Q2 2022				
	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	Total
Payable copper produced (000s pounds)	28,411	26,740	28,767	13,544	97,462
($ millions)					
Production costs of metal produced (per financials)	76.5	66.3	103.4	17.6	263.8
Transportation cost to point of sale	(6.5)	(2.4)	(0.3)	(1.2)	(10.4)
Inventory working capital adjustments	(0.7)	6.9	(6.5)	0.5	0.2
Cash production costs of metal produced[2]	69.3	70.8	96.6	16.9	253.6
($/pound)					
Production costs					
Mining	0.68	0.89	0.84	0.75	0.80
Milling/Processing	1.43	1.55	2.34	0.27	1.57
G&A	0.33	0.21	0.18	0.22	0.24
C1P sub-total	2.44	2.65	3.36	1.24	2.61
By-product credits	(0.13)	(0.02)	—	(0.29)	(0.09)
Treatment and selling costs	0.51	0.22	0.04	0.30	0.26
C1 cash cost ($/pound produced)	2.82	2.85	3.40	1.25	2.78
($/pound)					
Royalties	0.01	0.05	—	0.09	0.03
Mineralized drift	0.04	0.56	—	0.04	0.17
Sustaining capital	0.50	0.23	0.23	0.46	0.34
Sustaining leases	0.02	—	—	—	0.01
Accretion of reclamation obligation	—	0.01	0.01	0.02	0.01
Amortization of reclamation asset	0.01	—	—	0.01	0.01
Corporate G&A, excluding depreciation					0.07
All-in sustaining cost adjustments	0.58	0.85	0.24	0.62	0.64
All-in sustaining cost ($/pound produced)	3.40	3.70	3.64	1.87	3.42

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

Six Months Ended June 30, 2023

	2023 YTD				
	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	Total
Payable copper produced (000s pounds)	**54,428**	**55,378**	**37,084**	**25,120**	**172,010**
($ millions)					
Production costs of metal produced (per financials)	**156.7**	**157.2**	**157.1**	**43.4**	**514.4**
Transportation cost to point of sale	**(11.9)**	**(6.3)**	**(0.7)**	**(2.6)**	**(21.5)**
Inventory write-down	**(0.7)**	**—**	**(1.8)**	**—**	**(2.5)**
Inventory working capital adjustments	**2.3**	**(2.7)**	**(9.0)**	**—**	**(9.4)**
Cash production costs of metal produced	**146.4**	**148.2**	**145.6**	**40.8**	**481.0**
($/pound)					
Production costs					
Mining	**0.94**	**0.87**	**0.71**	**1.01**	**0.88**
Milling/Processing	**1.41**	**1.59**	**2.90**	**0.35**	**1.63**
G&A	**0.34**	**0.22**	**0.31**	**0.26**	**0.29**
C1P sub-total	**2.69**	**2.68**	**3.92**	**1.62**	**2.80**
By-product credits	**(0.15)**	**(0.02)**	**—**	**(0.30)**	**(0.10)**
Treatment and selling costs	**0.49**	**0.23**	**0.05**	**0.35**	**0.29**
C1 cash cost ($/pound produced)	**3.03**	**2.89**	**3.97**	**1.67**	**2.99**
($/pound)					
Royalties	**0.02**	**0.06**	**—**	**0.07**	**0.03**
Production-phase capitalized stripping / Mineralized drift	**—**	**0.62**	**0.29**	**0.03**	**0.27**
Sustaining capital	**0.50**	**0.13**	**0.41**	**0.54**	**0.38**
Sustaining leases	**0.03**	**0.12**	**0.08**	**0.01**	**0.06**
Accretion of reclamation obligation	**0.02**	**0.03**	**0.04**	**0.03**	**0.03**
Amortization of reclamation asset	**—**	**0.01**	**0.01**	**0.03**	**0.01**
Corporate G&A, excluding depreciation					**0.07**
All-in sustaining cost adjustments	**0.57**	**0.97**	**0.83**	**0.71**	**0.85**
All-in sustaining cost ($/pound produced)	**3.60**	**3.86**	**4.80**	**2.38**	**3.84**

Six Months Ended June 30, 2022

	2022 YTD				
	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	Total
Payable copper produced (000s pounds)	58,993	28,968	31,431	26,089	145,481
($ millions)					
Production costs of metal produced (per financials)	157.6	75.2	124.1	33.9	390.8
Transportation cost to point of sale	(13.7)	(2.7)	(0.4)	(2.2)	(19.0)
Inventory write-down	(0.1)	—	—	—	(0.1)
Inventory working capital adjustments	(8.6)	5.5	(17.5)	0.5	(20.1)
Cash production costs of metal produced[2]	135.2	78.0	106.2	32.2	351.6
($/pound)					
Production costs					
Mining	0.68	0.92	0.85	0.74	0.77
Milling/Processing	1.30	1.57	2.35	0.28	1.40
G&A	0.31	0.21	0.18	0.22	0.24
C1P sub-total	2.29	2.70	3.38	1.24	2.41
By-product credits	(0.12)	(0.02)	—	(0.35)	(0.11)
Treatment and selling costs	0.53	0.21	0.04	0.30	0.32
C1 cash cost ($/pound produced)	2.70	2.89	3.42	1.19	2.62
($/pound)					
Royalties	0.02	0.05	—	0.09	0.03
Production-phase capitalized stripping / Mineralized drift	0.02	0.52	—	0.04	0.12
Sustaining capital	0.45	0.24	0.24	0.54	0.39
Sustaining leases	0.02	—	—	—	0.01
Accretion of reclamation obligation	—	0.02	0.02	0.02	0.01
Amortization of reclamation asset	0.01	—	0.01	0.01	0.01
Corporate G&A, excluding depreciation					0.08
All-in sustaining cost adjustments	0.52	0.83	0.27	0.70	0.65
All-in sustaining cost ($/pound produced)	3.22	3.72	3.69	1.89	3.27

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

Reconciliation of Net (debt) / Net cash

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

($ millions)	June 30, 2023	December 31, 2022
Long term debt (per financials), excluding deferred financing costs of 3.0 and 3.4 and PPA fair value adjustments of 7.0 and 7.5	**(818.0)**	(595.0)
COF	**(60.0)**	(60.0)
Add:		
Cash and cash equivalents (per financials)	**116.1**	170.3
Short term investments (per financials)	**1.5**	1.6
Net (debt)/cash	**(760.4)**	(483.1)

Reconciliation of Attributable Net (debt) / Net cash

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

($ millions)	June 30, 2023	December 31, 2022
Attributable Long term debt, excluding deferred financing costs of 3.0 and 3.4 and PPA fair value adjustments of 7.0 and 7.5	**(662.0)**	(439.0)
Attributable COF	**(42.0)**	(42.0)
Add:		
Attributable Cash and cash equivalents	**93.6**	139.5
Attributable Short term investments	**1.5**	1.6
Attributable Net (debt)/cash	**(608.9)**	(339.9)

Reconciliation of Available Liquidity

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

($ millions)	June 30, 2023	December 31, 2022
Revolving credit facility capacity	**600.0**	600.0
MVDP debt facility	**520.0**	520.0
Long term debt (per financials), excluding deferred financing costs of 3.0 and 3.4 and PPA fair value adjustments of 7.0 and 7.5	**(818.0)**	(595.0)
	302.0	525.0
Cash and cash equivalents (per financials)	**116.1**	170.3
Short term investments (per financials)	**1.5**	1.6
Available liquidity	**419.6**	696.9

Reconciliation of Adjusted Net (Loss) Income Attributable To Shareholders

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

($ millions, except share and per share amounts)[2]	Q2 2023	Q2 2022	2023 YTD	2022 YTD
Net (loss) income attributable to shareholders	**(36.5)**	75.1	**(56.5)**	109.1
Inventory write-down	**(0.1)**	0.1	**3.7**	0.6
Unrealized gain on derivative contracts	**(55.2)**	(114.6)	**(20.6)**	(122.3)
Share-based compensation expense (recovery)	**2.4**	(14.0)	**14.4**	5.8
Unrealized foreign exchange gain	**(2.1)**	(16.9)	**(1.4)**	(17.4)
Mantos acquisition transaction costs	**—**	—	**—**	19.4
Other expense - non-recurring fees	**14.1**	2.6	**14.3**	3.1
Severance costs	**—**	2.7	**—**	2.7
Surety bond utilization expense	**53.9**	—	**53.9**	—
Loss (gain) on disposal of assets	**0.2**	(0.3)	**—**	(0.4)
G&A - care and maintenance	**0.1**	0.1	**0.2**	0.2
Insurance proceeds received	**—**	(1.4)	**—**	(2.4)
Tax effect on the above adjustments	**11.0**	38.9	**(2.8)**	34.1
Adjusted net (loss) income attributable to shareholders	**(12.2)**	(27.7)	**5.2**	32.5
Weighted average common shares - basic (per financials)	**693,783,922**	687,351,065	**692,823,554**	563,518,049
Adjusted net (loss) income attributable to shareholders of Capstone Copper Corp. per common share - basic ($)	**(0.02)**	(0.04)	**0.01**	0.06
Weighted average common shares - diluted (per financials)	**696,694,428**	693,502,628	**695,707,267**	569,974,273
Adjusted net (loss) income attributable to shareholders of Capstone Copper Corp. per common share - diluted ($)	**(0.02)**	(0.04)	**0.01**	0.06

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

Reconciliation of Adjusted EBITDA

EBITDA is a non-GAAP measure of net (loss) income before net finance expense, tax expense, and depletion and amortization.
Adjusted EBITDA is non-GAAP measure of EBITDA before the pre-tax effect of the adjustments made to net (loss) income (above) as well as certain other adjustments required under the RCF agreement in the determination of EBITDA for covenant calculation purposes.
The adjustments made to net (loss) income and Adjusted EBITDA allow management and readers to analyze our results more clearly and understand the cash generating potential of the Company.

($ millions)[2]	Q2 2023	Q2 2022	2023 YTD	2022 YTD
Net (loss) income (per financials)	**(33.9)**	92.0	**(62.9)**	127.1
Net finance costs	**7.5**	6.7	**15.4**	12.1
Taxes	**1.2**	40.7	**(9.0)**	61.4
Depletion and amortization	**52.1**	53.0	**100.2**	86.2
EBITDA	**26.9**	192.4	**43.7**	286.8
Share-based compensation expense (recovery)	**2.4**	(14.0)	**14.4**	5.8
Inventory write-down	**(0.1)**	0.1	**3.7**	0.6
Realized (gain) loss on MVDP financing derivatives	**(0.6)**	19.7	**1.2**	25.1
Unrealized gain on derivatives	**(55.2)**	(114.6)	**(20.6)**	(122.3)
(Gain) loss on disposal of assets	**0.2**	(0.3)	**—**	(0.4)
Unrealized foreign exchange gain	**(2.1)**	(16.9)	**(1.4)**	(17.4)
Mantos acquisition transaction costs	**—**	—	**—**	19.4
Other expense - non-recurring fees	**14.1**	2.6	**14.3**	3.1
Surety bond utilization expense	**53.9**	—	**53.9**	—
Severance costs	**—**	2.7	**—**	2.7
Unrealized pricing and volume adjustments on revenue	**3.9**	45.5	**0.1**	39.2
Insurance proceeds received	**—**	(1.4)	**—**	(2.4)
Adjusted EBITDA	**43.4**	115.8	**109.3**	240.2
Adjusted EBITDA by mine				
Pinto Valley	**17.8**	48.1	**59.0**	119.2
Mantos Blancos	**12.0**	34.1	**49.4**	42.4
Mantoverde	**(11.8)**	5.8	**(15.8)**	13.0
Cozamin	**34.0**	36.7	**64.9**	81.4
Other	**(8.6)**	(8.9)	**(48.2)**	(15.8)
Adjusted EBITDA	**43.4**	115.8	**109.3**	240.2

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

Other Non-GAAP measures

Sustaining Capital

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

Expansionary Capital

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

Additional Information and Reconciliations

Sales from Operations

	2022					2023		
	Q1	**Q2**	**Q3**	**Q4**	**Total**	**Q1**	**Q2**	**Total**
Copper (tonnes)								
Concentrate								
Pinto Valley	14,888	12,884	13,058	13,417	54,247	12,196	11,385	23,581
Mantos Blancos	977	8,228	8,819	9,957	27,981	9,497	8,380	17,877
Cozamin	5,592	5,935	5,989	5,603	23,119	4,823	6,452	11,275
Total Concentrate	21,457	27,047	27,866	28,977	105,347	26,516	26,217	52,733
Cathode								
Pinto Valley	604	585	643	763	2,595	603	683	1,286
Mantos Blancos	699	3,638	4,097	4,147	12,581	3,474	3,570	7,044
Mantoverde	2,748	14,224	11,560	10,811	39,343	6,863	10,285	17,148
Total Cathode	4,051	18,447	16,300	15,721	54,519	10,940	14,538	25,478
Total Copper	25,508	45,494	44,166	44,698	159,866	37,456	40,755	78,211
Zinc (000 pounds)								
Cozamin	1,005	(11)	—	677	1,671	—	(10)	(10)
Molybdenum (tonnes)								
Pinto Valley	17	22	(2)	66	103	55	17	72
Silver (000s ounces)								
Cozamin	352	327	353	284	1,317	349	502	851
Mantos Blancos	—	378	252	312	942	330	248	578
Pinto Valley	66	68	54	57	245	58	49	106
Total	419	773	659	653	2,504	736	799	1,535
Gold (ounces)								
Pinto Valley	178	268	44	374	864	389	537	926
Total	178	268	44	374	864	389	537	926

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

6.0 SELECTED QUARTERLY FINANCIAL INFORMATION

($ millions, except per share data)	Q2 2023(i)	Q1 2023(ii)	Q4 2022(iii)	Q3 2022	Q2 2022(iv)	Q1 2022(v)	Q4 2021(vi)	Q3 2021
Revenue	**333.9**	335.6	362.1	308.7	356.6	268.1	215.9	165.4
Earnings (loss) from mining operations	**5.0**	44.4	75.7	(11.2)	37.3	106.0	102.5	62.8
Net (loss) income attributable to shareholders	**(36.5)**	(20.0)	(20.9)	34.1	75.1	34.0	41.4	35.0
Net (loss) income per share attributable to shareholders - basic	**(0.05)**	(0.03)	(0.03)	0.05	0.11	0.08	0.10	0.09
Net (loss) income per share attributable to shareholders - diluted	**(0.05)**	(0.03)	(0.03)	0.05	0.11	0.08	0.10	0.08
Operating cash flow before changes in non-cash working capital	**22.0**	41.7	99.4	13.9	40.7	70.4	104.9	67.1
Capital expenditures (including capitalized stripping)	**201.3**	209.4	204.9	148.5	206.6	111.5	42.2	36.0

(i) *Net Loss in Q2 2023 includes $59 million of Surety bond utilization expense.*
(ii) *Net Loss in Q1 2023 includes $44 million of net loss on derivative instruments.*
(iii) *Net loss in Q4 2022 includes $24 million of share unit expense and $64 million of net loss on derivative instruments.*
(iv) *Revenue, Earnings from mining operations, Net income and Operating cash flow before changes in working capital in Q2 2022 includes $45.5 million of negative non-cash provisional pricing adjustments.*
(v) *Net income in Q1 2022 includes $20 million of share unit expense and $19.9 million of transaction and integration costs as a result of the Mantos Transaction.*
(vi) *Net income in Q4 2021 includes $27 million of share unit expense.*

7.0 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 August 1, 2023:

Issued and outstanding	694,552,877
Share options outstanding at a weighted average exercise price of $3.18	5,116,805
Treasury share units outstanding at a weighted average exercise price of $5.55	2,712,331
Fully diluted	702,382,013

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 Copper.

8.0 MANAGEMENT'S REPORT ON INTERNAL CONTROLS AND OTHER INFORMATION

Disclosure Controls and Procedures ("DC&P")

As at June 30, 2023, Capstone Copper's management, with the participation of its Chief Executive Officer & Director and Senior Vice President & Chief Financial Officer, has designed DC&P which provide reasonable assurance that material information related to Capstone Copper is identified and communicated in a timely manner.

Internal Control Over Financial Reporting ("ICFR")

Capstone Copper's management, with the participation of its Chief Executive Officer & Director 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 Copper'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.

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

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.

There have been no changes in the Company's ICFR that materially affected, or are reasonably likely to materially affect, ICFR during the period ended in June 30, 2023.

Other Information

Approval

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

Additional Information

Additional information is available for viewing at the Company's website at www.capstonecopper.com or on the Company's profile on the SEDAR+ website at www.sedarplus.ca.

9.0 NATIONAL INSTRUMENT 43-101 COMPLIANCE

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

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

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

10.0 RISKS AND UNCERTAINTIES

For full details on the risks and uncertainties affecting the Company, please refer to the Annual Information Form dated March 29, 2023 (See section entitled "Risk Factors"). This document is available for viewing on the Company's website at www.capstonecopper.com or on the Company's profile on the SEDAR+ website at www.sedarplus.ca.

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 to Canadian laws and regulations regarding foreign trade, taxation and investment may negatively affect our operations and projects.

Changes in governmental leadership in the US, Chile, and Mexico, could impact Capstone's operations and local societal conditions. There may be additional risks and uncertainties following Chilean Presidential, Chamber and Senate elections. The President and the renovated Congress elected on November 21, 2021, took office on March 11, 2022. The Senate holds a 50/50 balance between right and left wing Senators. Although the government's legislative agenda is not yet fully known, it is known to include a tax reform as a priority. 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. On September 4, 2022, the newly proposed constitution was rejected by Chileans. As a result, the next 12 months will be important in determining whether the constitutional process will lead to further uncertainty and instability and Capstone cannot give assurance that future political developments in Chile will not adversely affect its business, results of operations or financial condition.

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, sabotage, war, civil disturbances and terrorist actions, arbitrary changes in law or policies of particular countries including nationalization of mines, government action or inaction on climate change, trade disputes, foreign taxation, royalties, price controls, delays in obtaining or renewing or the inability to obtain or renew necessary environmental permits, opposition to mining from local communities and environmental or other non-governmental organizations, social perception impacting our social licence to operate, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on mineral exports and increased financing costs. Local economic conditions, including but not limited to higher incidences of criminal activity and violence in areas, such as Mexico and Chile, can also adversely affect the security of our people, operations and the availability of supplies. Mexico and Chile are subject to increasing occurrences of theft of copper concentrates and cathodes. Capstone may experience theft of its products which may impact our financial results. 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, labour regimes, failures of security, policing and justice systems, corruption, and incidents such as hostage taking and expropriation. There are uncertainties regarding Mexico's 2019 reform of the Federal Labour Law which came into effect May 1, 2023 and Mining Law Reform, that may have an impact on Cozamin's operations and profitability, including but not limited to strike actions. On April 29 2023, the Mexican Congress approved a bill submitted by Mexico's President on March 28, 2023 amending several provisions of the Mining Law, the National Water Law, the General Law of Ecological Balance and Environmental Protection, and the General Law for the Prevention and Integral Management of Waste regarding mining and water concessions (the "Initiative"). It is Capstone's understanding that the legislation is not retroactive, therefore, existing mining concessions should remain in effect. The potential impact to our operations in order to comply with the new laws continue to be analyzed. The amended laws have considerable implications for future investment in the Mexican mining industry.

These risks in Mexico and Chile may limit or disrupt Capstone's projects, reduce financial viability of local operations, restrict the movement of funds, or result in the deprivation of contract rights or the taking of property by nationalization or expropriation without fair compensation.

There can be no assurance that changes in the government, including but not limited to the change in the federal administration of the United States, or laws or changes in the regulatory environment for mining companies or for non-domiciled companies will not be made that would adversely affect Capstone's business, financial condition, results of operation and prospects. There are uncertainties related to President Biden's Made in America Tax Plan which proposes corporate tax reforms that may increase Pinto Valley's future tax obligations. Differences in interpretation or application of tax laws and regulations or accounting policies and rules and Capstone's application of those tax laws and regulations or accounting policies and rules where the tax impact to the Company is materially different than contemplated may occur and adversely affect Capstone's business, financial condition, results of operation and prospects, including, but not limited to, carbon emissions taxes. There are uncertainties about the application of the new carbon emissions tax in Chile to Capstone's operations. Capstone is subject to a multitude of taxation regimes and any changes in law, policy or interpretation of law, policy may be difficult to react to in an efficient manner.

The maintenance and fostering of strong community relationships is integral to the success of Capstone's operations. Failure to manage relationships with local communities, government and non-governmental organizations may adversely affect Capstone's reputation, as well as its ability to bring projects into production, which could in turn adversely affect its business, results of operations or financial condition, potentially in a material manner.

Failure to recognize, respond and align to changing regulatory and stakeholder expectations and requirements regarding issues such as environment, social and governance matters, particularly linked to climate change, tailings dams and carbon emissions, could affect Capstone's growth opportunities and its future revenues and cash flows. Stakeholder requirements and expectations continue to evolve, and different stakeholder groups may have varying opposing requirements and expectations of Capstone.

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

The Mining Royalty has two components, an ad-valorem component and an operating margin component ("MOM"), and takes into account the level of sales and type of minerals and metals produced. The Mining Royalty includes a maximum limit to the total tax burden, consisting of (1) the corporate income tax paid in the respective year, (2) the Mining Royalty (both ad-valorem and MOM components) and (3) withholding taxes to which owners would be subject to to upon distribution of dividends. As a result of new Mining Royalty, we expect that our effective tax rate in Chile for Mantoverde and Mantos Blancos will increase. The Mining Royalty is not expected to have an impact on Santo Domingo which has 15 years of tax stability post commencement of commercial production as a result of Decree Law No. 600 ("DL 600"). The Chilean IRS is not expected to release their interpretation of the Mining Royalty until the second half of the year. The Company has made certain assumptions that are subject to change, when determining the expected impact. Official guidance from the Chilean IRS may differ from our interpretations.

Companies with tax stability agreements in place should be protected from the new Mining Royalty bill. Certain investment and other criteria need to be met to maintain the tax stability agreement at Santo Domingo. This 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.

Surety bonding risks.
Capstone secures its obligations for reclamation and closure costs with surety bonds provided by leading global insurance companies in favour of regulatory authorities in Arizona and Chile. The regulators could increase Capstone's bonding obligations or request additional financial guarantees for reclamation and closure activities. Further, these surety bonds include the right of the surety bond provider to terminate the relationship with Capstone or a Capstone subsidiary on providing notice of up to 90 days. The surety bond provider would, however, remain liable to the regulatory authorities for all bonded obligations existing prior to the termination of the bond in the event Capstone failed to deliver alternative security satisfactory to the regulator. There is no assurance that the Company will be successful in obtaining alternative surety bond providers or alternative financial guarantee mechanisms at satisfactory terms or at all and could have an impact on the Company's financial results and growth prospects. Failure to furnish a satisfactory financial guarantee to the regulators could result in a suspension of operations.

Capstone Mining and Capstone Copper are each an Indemnitor for Minto's surety bond obligations in the Yukon. During Q2 2023, Minto ceased operations and the Yukon government took over all reclamation activities. Minto has defaulted on the surety bond, and as a result Capstone is liable for demands made against the bond, including but not limited to, the costs up to the total amount of the bond. Minto may also face challenges with respect to claims for remediation work required beyond the value of the bond. Although Capstone believes that its indemnification of reclamation liabilities is capped at the total amount of the bond, there can be no assurance that further claims are not made against Capstone. Capstone may incur additional costs as a result of demands made against the bond or additional claims, including but not limited to legal fees and administrative costs.

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.

Land reclamation and mine closure requirements may be burdensome and costly.
Land reclamation and mine closure requirements are generally imposed on mining companies, which require Capstone, amongst other things, to minimize the effects of land disturbance. Additionally, Capstone has lease agreements, and may enter into agreements in the future, which may require environmental restoration activities at transportation, storage and shipping facilities such as the Skagway Ore Terminal and the San Manuel Transload Facility or other properties. Capstone Mining remained a party to the User Agreement at the Skagway Ore Terminal, and the obligations thereunder, jointly with Minto and Pembridge Resources PLC as part of the Share Purchase Agreement for Minto Explorations Ltd up until the agreement expiry on March 16, 2023. Further, the San Manuel Arizona Railroad Company may have increased reclamation requirements as a rail transportation company. Such requirements may include controlling the discharge of potentially dangerous effluents from a site and restoring a site's landscape to its pre-exploration form.

The actual costs of reclamation and mine closure are uncertain and planned expenditures may differ from the actual expenditures required. Through acquisition activities Capstone may discover or inherit historic tailings or waste deposits which may require further remediation activities, including but not limited to the historic mining and processing operations at Chiripa-La Gloria arroyo at the Cozamin Mine. Therefore, the amount that we are required to spend could be materially higher than current estimates. Any additional amounts required to be spent on reclamation and mine closure may have a material adverse effect on our financial performance, financial position and results of operations and may cause the Company to alter its operations. Although we include liabilities for estimated reclamation and mine closure costs in our financial statements and Life of Mine models, it may be necessary to spend more than what is projected to fund required reclamation and mine closure activities.

There are uncertainties and risks related to the MVDP.
Successful implementation of the MVDP is subject to various risks throughout procurement, construction, commissioning, testing, start-up and ramp-up to design capacity, many of which are not within Capstone's control, that may materially and adversely affect our growth prospects and profitability. These factors include, among others:

- the availability, terms, conditions and timing of the delivery of plant, equipment and other materials necessary for the construction, commissioning, testing, start-up and/or operation of the relevant facility;
- Capstone may encounter delays or higher than expected costs in obtaining the necessary equipment, machinery, materials, supplies, labour or services and in implementing new technologies to execute a project;
- the availability of acceptable arrangements for the procurement of materials and services and particularly transportation and construction contracts;
- the timely and satisfactory performance of engineering and construction contractors, mining contractors, suppliers and consultants, including under Capstone's existing engineering;
- management of the engineering, procurement and construction contracts for the MVDP;
- failure to obtain, or experience delays or higher than expected costs in obtaining, the required agreements, authorizations, licences, approvals and permits to develop a project, including the prior consultation procedure and agreements with local communities;
- changes in market conditions or regulations may make a project less profitable than expected at the time the work was initiated;
- pandemics, accidents, natural disasters and infrastructure and equipment failures or damages;
- commissioning delays, design constraints, or adverse mining conditions that may delay and hamper Capstone's ability to produce the expected quantities and qualities of minerals upon which the project was budgeted;
- conflicts with local communities, contractual disputes, strikes or other labour disputes may delay the implementation or the development of the project; and
- other factors such as adverse weather conditions affecting access to the development site or the development process and Capstone's access to adequate infrastructure generally, including a reliable power and water supply.

Labour disruptions involving Capstone Copper employees or the employees of its independent contractors could affect its production levels and costs. Our operations will be adversely affected if we fail to maintain satisfactory labour relations.
Approximately 97% of employees at Mantos Blancos and 96% of employees at Mantoverde are covered by agreements with one of the labour unions with a presence at the mining operations. The labour agreement at Mantoverde was renewed at the end of 2022 and will be in effect until October 31, 2025. The labour agreement at Mantos Blancos was signed in May 2023 and will be in effect from July 1, 2023 to June 30, 2026. In addition, contractors or subcontractors form a significant part of Mantos Blancos and Mantoverde workforce, making up approximately 38% of the total workforce. Pursuant to Chilean regulations, labour negotiations with a contractor's workforce are the responsibility of the relevant contractors. Mantos Blancos and Mantoverde may experience work slowdowns or disruptions in the future, whether of its own workforce or a contractor's workforce, and there can be no assurance that a work slowdown or work stoppage will not occur prior to or upon the expiration of the current long term labour agreements. In 2016, the Government of Chile promulgated an extensive labour reform law (the "Labour Reform Law"), which became effective in 2017. The labour Reform Law prevents Chilean companies from hiring temporary replacements for striking employees and also prevents the replacement of striking employees with other existing employees of the company. This may have an adverse effect on Capstone Copper's overall employment and operating costs and may increase the likelihood of business disruptions in Chile.

Approximately 424 of the hourly employees at the Pinto Valley Mine are represented by six unions, governed by one collective bargaining agreement negotiated by the United Steelworkers Union which is in effect until August 31, 2026. Additional groups of non-union employees may seek union representation in the future. Further, relations with employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in jurisdictions where Capstone Copper conducts business. Changes in such legislation or otherwise in our relationship with our employees may result in higher ongoing labour costs, employee turnover, strikes, lockouts or other work stoppages, any of which could have a material adverse effect on our business, results of operations and financial condition.

Concentration of Share Ownership of Capstone Copper.

As at the date hereof, Orion Fund JV Limited, Orion Mine Finance Fund II LP and Orion Mine Finance (Master) Fund 1-A LP (collectively, "Orion") own approximately 23.75% of the outstanding Common Shares and Hadrian Capital Partners Inc. owns approximately 14.51% of the outstanding Common Shares. See news release "Capstone Copper and Orion Announce Closing of C$328 Million Secondary Bought Deal Offering of Common Shares" dated March 31, 2023. As long as these shareholders maintain their significant positions in Capstone, they will have the ability to exercise influence with respect to the affairs of Capstone and significantly affect the outcome of matters upon which shareholders are entitled to vote. Furthermore, there is a risk that Capstone's securities are less liquid and trade at a relative discount compared to circumstances where these shareholders did not have the ability to influence or determine matters affecting Capstone. Moreover, there is a risk that their significant interests in Capstone discourages transactions involving a change of control of Capstone, including transaction in which an investor, as a holder of Capstone's securities, would otherwise receive a premium for its Capstone's securities over the then-current market price. A disposition of shares by these shareholders could adversely affect the market price of the Common Shares.

Pursuant to the Registration and Nomination Rights Agreement between Capstone Mining and Orion dated March 23, 2022, provided Orion maintains certain levels of ownership of the Common Shares, Orion: (i) has rights to nominate up to two individuals to sit on the Board of Directors and (ii) may demand we file one or more prospectuses or otherwise facilitate sales of Orion's shares. Orion currently has two nominees who serve on the Board of Directors. See "Material Contracts" in the AIF for further information regarding the Registration and Nomination Rights Agreement.

Capstone Copper Corp.

Condensed Interim Consolidated Statements of Financial Position

unaudited - expressed in thousands of US dollars

ASSETS		**June 30, 2023**		December 31, 2022
Current				
Cash and cash equivalents	**$**	**116,136**	$	170,307
Short-term investments		**1,451**		1,553
Receivables *(Note 6)*		**160,479**		191,887
Inventories *(Note 7)*		**141,462**		143,497
Derivative assets *(Note 5)*		**24,980**		19,981
Other assets *(Note 9)*		**63,550**		44,966
		508,058		572,191
Mineral properties, plant and equipment *(Note 8)*		**5,032,962**		4,706,311
Deferred income tax assets		**48,109**		38,704
Derivative assets *(Note 5)*		**22,961**		28,582
Other assets *(Note 9)*		**30,354**		35,120
Total assets	**$**	**5,642,444**	$	5,380,908
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**280,280**	$	284,913
Lease liabilities *(Note 12)*		**30,528**		28,928
Income taxes payable		**53**		10,946
Derivative liabilities *(Note 5)*		**22,408**		44,423
Other liabilities *(Note 10)*		**25,686**		39,322
		358,955		408,532
Long-term debt *(Note 13)*		**822,067**		599,075
Deferred revenue *(Note 14)*		**153,565**		160,462
Due to related party *(Note 11)*		**130,438**		60,000
Lease liabilities *(Note 12)*		**83,590**		74,969
Provisions *(Note 16)*		**316,735**		239,635
Deferred income tax liabilities		**594,124**		597,585
Derivative liabilities *(Note 5)*		**—**		10,066
Other liabilities *(Note 10)*		**52,554**		50,728
Total liabilities	**$**	**2,512,028**	$	2,201,052
EQUITY				
Share capital	**$**	**2,450,281**	$	2,447,377
Other reserves		**43,874**		41,328
Retained earnings		**213,971**		262,512
Total equity attributable to equity holders of the Company		**2,708,126**		2,751,217
Non-controlling interest *(Note 11)*		**422,290**		428,639
Total equity		**3,130,416**		3,179,856
Total liabilities and equity	**$**	**5,642,444**	$	5,380,908

See accompanying notes to these condensed interim consolidated financial statements.

Capstone Copper Corp.
Condensed Interim Consolidated Statements of (Loss) Income
Three and Six Months Ended June 30, 2023 and 2022
unaudited - expressed in thousands of US dollars, except share and per share amounts

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Revenue *(Note 18)*	**$ 333,938**	$ 356,644	**$ 669,534**	$ 624,730
Operating costs				
Production costs	**(274,007)**	(263,779)	**(514,388)**	(390,833)
Royalties	**(3,056)**	(2,895)	**(6,006)**	(4,929)
Depletion and amortization	**(51,874)**	(52,658)	**(99,753)**	(85,631)
Earnings from mining operations	**5,001**	37,312	**49,387**	143,337
General and administrative expenses	**(7,223)**	(6,679)	**(12,865)**	(12,540)
Exploration expenses *(Note 8)*	**(1,646)**	(3,397)	**(2,845)**	(5,264)
Share-based compensation (expense) recovery *(Note 17)*	**(2,389)**	13,951	**(14,407)**	(5,762)
(Loss) income from operations	**(6,257)**	41,187	**19,270**	119,771
Other income (expense)				
Foreign exchange gain (loss) *(Note 25)*	**581**	7,571	**(8,681)**	6,597
Realized and unrealized gains on derivative instruments *(Note 5)*	**51,470**	94,972	**6,635**	97,263
Surety bond utilization expense *(Note 16)*	**(53,921)**	—	**(53,921)**	—
Transaction costs *(Note 4)*	**—**	—	**—**	(19,433)
Other expense *(Note 22)*	**(17,069)**	(4,337)	**(19,785)**	(3,563)
Interest on long-term debt and surety bonds	**(2,455)**	(912)	**(4,857)**	(1,710)
Accretion expense *(Note 23)*	**(5,036)**	(5,756)	**(10,516)**	(10,417)
(Loss) income before income taxes	**(32,687)**	132,725	**(71,855)**	188,508
Income tax (expense) recovery *(Note 15)*	**(1,224)**	(40,738)	**8,994**	(61,404)
Net (loss) income	**$ (33,911)**	$ 91,987	**$ (62,861)**	$ 127,104
Net (loss) income attributable to:				
Shareholders of Capstone Copper Corp.	**$ (36,510)**	$ 75,092	**$ (56,512)**	$ 109,080
Non-controlling interest *(Note 11)*	**2,599**	16,895	**(6,349)**	18,024
	$ (33,911)	$ 91,987	**$ (62,861)**	$ 127,104
Net (loss) earnings per share				
(Loss) earnings per share - basic *(Note 19)*	**$ (0.05)**	$ 0.11	**$ (0.08)**	$ 0.19
Weighted average number of shares - basic *(Note 19)*	**693,783,922**	687,351,065	**692,823,554**	563,518,049
(Loss) earnings per share - diluted *(Note 19)*	**$ (0.05)**	$ 0.11	**$ (0.08)**	$ 0.19
Weighted average number of shares - diluted *(Note 19)*	**696,694,428**	693,502,628	**695,707,267**	569,974,273

See accompanying notes to these condensed interim consolidated financial statements.

Capstone Copper Corp.
Condensed Interim Consolidated Statements of Comprehensive (Loss) Income
Three and Six Months Ended June 30, 2023 and 2022
unaudited - expressed in thousands of US dollars

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Net (loss) income	**$ (33,911)**	$ 91,987	**$ (62,861)**	$ 127,104
Other comprehensive loss ("OCI")				
Items that will not be reclassified subsequently to profit or loss				
Change in fair value of marketable securities, net of tax of $nil and $nil (2022 - $259 and 551)	**(764)**	(1,654)	**(299)**	(3,528)
Remeasurement for retirement benefit plans, net of tax of $nil (2022 - $nil)	**—**	6	**(79)**	(100)
	(764)	(1,648)	**(378)**	(3,628)
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation adjustment	**179**	(264)	**185**	(139)
	179	(264)	**185**	(139)
Total other comprehensive loss for the period	**(585)**	(1,912)	**(193)**	(3,767)
Total comprehensive (loss) income	**$ (34,496)**	$ 90,075	**$ (63,054)**	$ 123,337
Total comprehensive (loss) income attributable to:				
Shareholders of Capstone Copper Corp.	**$ (37,095)**	$ 73,180	**$ (56,705)**	$ 105,313
Non-controlling interest *(Note 11)*	**2,599**	16,895	**(6,349)**	18,024
	$ (34,496)	$ 90,075	**$ (63,054)**	$ 123,337

See accompanying notes to these condensed interim consolidated financial statements.

Capstone Copper Corp.
Condensed Interim Consolidated Statements of Cash Flows
Three and Six Months Ended June 30, 2023 and 2022
unaudited - expressed in thousands of US dollars

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Cash provided by (used in):				
Operating activities				
Net (loss) income	**$ (33,911)**	$ 91,987	**$ (62,861)**	$ 127,104
Adjustments for:				
Depletion and amortization	**53,901**	52,981	**99,180**	86,230
Income tax (recovery) expense *(Note 15)*	**1,224**	40,738	**(8,994)**	61,404
Inventory write-down *(Note 7)*	**(131)**	141	**3,754**	566
Share-based compensation expense *(Note 17)*	**2,389**	(13,951)	**14,407**	5,762
Net finance costs	**7,491**	7,426	**15,373**	12,885
Unrealized gain on foreign exchange	**(2,096)**	(17,960)	**(1,418)**	(17,036)
Unrealized loss (gain) on derivatives	**(55,181)**	(97,994)	**(20,606)**	(105,727)
Gain on disposal of assets and other	**224**	(300)	**24**	(391)
Amortization of deferred revenue and variable consideration adjustments *(Note 14)*	**(6,859)**	(3,327)	**(9,300)**	(6,357)
Surety bond utilization and bad debt provision	**58,921**	—	**58,921**	—
Income taxes paid	**(2,051)**	(19,307)	**(21,773)**	(53,682)
Income taxes received	**—**	592	**—**	592
Other receipts (payments)	**(1,959)**	(343)	**(1,639)**	(321)
Operating cash flow before working capital and other non-cash changes	**21,962**	40,683	**65,068**	111,029
Changes in non-cash working capital *(Note 20)*	**(13,647)**	26,070	**(55,827)**	(60,678)
Other non-cash changes *(Note 20)*	**(10,519)**	(5,197)	**(9,610)**	1,434
Operating cash flow	**(2,204)**	61,556	**(369)**	51,785
Investing activities				
Mineral properties, plant and equipment additions	**(137,135)**	(178,220)	**(311,483)**	(222,826)
Finance costs capitalized on construction in progress	**(15,258)**	(6,140)	**(27,558)**	(8,087)
Cash acquired on business combination with Mantos *(Note 4)*	**—**	—	**—**	219,211
Proceeds from short-term investments	**102**	366	**102**	390
Other assets	**343**	25	**2,116**	(7,887)
Investing cash flow	**(151,948)**	(183,969)	**(336,823)**	(19,199)
Financing activities				
Proceeds from borrowings *(Note 13)*	**176,875**	100,000	**303,875**	100,000
Repayment of borrowings *(Note 13)*	**(40,875)**	(6,562)	**(70,875)**	(13,125)
Proceeds from related party *(Note 11)*	**45,000**	—	**69,000**	—
Repayment of lease obligations	**(10,145)**	(10,002)	**(19,719)**	(11,015)
Proceeds from the exercise of options	**533**	626	**2,904**	1,869
Net payments for settlement of derivatives	**(196)**	(22,938)	**(1,272)**	(22,938)
Interest paid on long-term debt and surety bonds	**(398)**	(480)	**(894)**	(966)
Financing cash flow	**170,794**	60,644	**283,019**	53,825
Effect of exchange rate changes on cash and cash equivalents	**(4)**	(909)	**2**	(320)
Increase in (decrease in) cash and cash equivalents	**16,638**	(62,678)	**(54,171)**	86,091
Cash and cash equivalents - beginning of period	**99,498**	410,863	**170,307**	262,094
Cash and cash equivalents - end of period	**$ 116,136**	$ 348,185	**$ 116,136**	$ 348,185
Supplemental cash flow information ***(Note 20)***				

See accompanying notes to these condensed interim consolidated financial statements.

Capstone Copper Corp.
Condensed Interim Consolidated Statements of Changes in Equity
Three and Six Months Ended June 30, 2023 and 2022
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, 2023	**691,639,972**	**$ 2,447,377**	**$ 56,752**	**$ 4,178**	**$ (17,102)**	**$ (2,499)**	**$ 262,512**	**$ 2,751,218**	**$ 428,639**	**$ 3,179,857**
Shares issued on exercise of options *(Note 17)*	**2,851,069**	**2,700**	**(862)**	**—**	**—**	**—**	**—**	**1,838**	**—**	**1,838**
Shares issued under TSUP	**61,836**	**204**	**(204)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Share-based compensation *(Note 17)*	**—**	**—**	**1,965**	**—**	**—**	**—**	**—**	**1,965**	**—**	**1,965**
Settlement of share units	**—**	**—**	**—**	**—**	**—**	**1,839**	**7,971**	**9,810**	**—**	**9,810**
Change in fair value of marketable securities	**—**	**—**	**—**	**(299)**	**—**	**—**	**—**	**(299)**	**—**	**(299)**
Remeasurements for retirement benefit plans	**—**	**—**	**—**	**(79)**	**—**	**—**	**—**	**(79)**	**—**	**(79)**
Net loss	**—**	**—**	**—**	**—**	**—**	**—**	**(56,512)**	**(56,512)**	**(6,349)**	**(62,861)**
Foreign currency translation	**—**	**—**	**—**	**—**	**185**	**—**	**—**	**185**	**—**	**185**
June 30, 2023	**694,552,877**	**$ 2,450,281**	**$ 57,651**	**$ 3,800**	**$ (16,917)**	**$ (660)**	**$ 213,971**	**$ 2,708,126**	**$ 422,290**	**$ 3,130,416**

	Number of shares	Share capital	Reserve for equity settled share based transactions	Revaluation reserve	Foreign currency translation reserve	Reserves	Retained Earnings	Total attributable to equity holders	Non-controlling interest	Total equity
January 1, 2022	413,482,355	$ 849,409	$ 53,264	$ 7,429	$ (16,551)	$ (5,134)	$ 128,010	$ 1,016,427	$ —	$ 1,016,427
Shares issued on exercise of options (Note 17)	2,633,321	2,755	(886)	—	—	—	—	1,869	—	1,869
Share-based compensation	—	—	2,976	—	—	—	—	2,976	—	2,976
Settlement of share units	—	—	—	—	—	2,616	12,266	14,882	—	14,882
Shares issued as compensation	131,775	1,000	—	—	—	—	—	1,000	—	1,000
Acquisition of Mantos Copper (Note 4)	273,888,541	1,592,679	—	(246)	—	—	16,143	1,608,576	432,155	2,040,731
Change in fair value of marketable securities	—	—	—	(3,528)	—	—	—	(3,528)	—	(3,528)
Remeasurements for retirement benefit plans	—	—	—	(100)	—	—	—	(100)	—	(100)
Net income	—	—	—	—	—	—	109,080	109,080	18,024	127,104
Foreign currency translation	—	—	—	—	(139)	—	—	(139)	—	(139)
June 30, 2022	690,135,992	$ 2,445,843	$ 55,354	$ 3,555	$ (16,690)	$ (2,518)	$ 265,499	$ 2,751,043	$ 450,179	$ 3,201,222

See accompanying notes to these condensed interim consolidated financial statements.

1. Nature of Operations

The accompanying condensed interim consolidated financial statements have been prepared as at June 30, 2023, after giving effect to the business combination between Capstone Mining Corp. ("Capstone Mining") and Mantos Copper (Bermuda) Ltd. ("Mantos") which was completed on March 23, 2022 (the "Transaction") (Note 4). After the Transaction, the combined entity changed its name to Capstone Copper Corp. (the "Company" or "Capstone Copper"). The Company is listed on the Toronto Stock Exchange.

Mantos was incorporated on August 15, 2015 and migrated to British Columbia, Canada on March 22, 2022, as part of the Transaction. Mantos, through a wholly owned Chilean subsidiary, Mantos Copper S.A., owned and operated the Mantos Blancos mine, located forty-five kilometers northeast of Antofagasta, Chile and the 70%-owned Mantoverde mine, through a Chilean subsidiary, Mantoverde S.A., located fifty kilometers southeast of Chanaral, Chile.

Capstone Mining was engaged in the production of and exploration for base metals in the United Sates ("US"), Mexico, and Chile, with a focus on copper. Pinto Valley Mining Corp. ("Pinto Valley"), a wholly owned US subsidiary, owns and operates the Pinto Valley mine located in Arizona, US. Capstone Gold, S.A. de C.V. ("Capstone Gold"), a wholly owned Mexican subsidiary, owns and operates the Cozamin Mine located in Zacatecas, Mexico, and has a portfolio of exploration properties in Mexico. Minera Santo Domingo SCM, a wholly owned Chilean subsidiary of Acquisition Co, holds the Santo Domingo copper-iron development project in Chile. Capstone Mining Chile SpA, a wholly owned Chilean subsidiary, is performing exploration for base metal deposits in Chile.

The Company's 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 August 1, 2023.

2. 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 Capstone for the year ended December 31, 2022, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). The condensed interim consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value. The policies were consistently applied to all of the periods presented, except as noted below.

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, 2022.

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

3. Material Accounting Policy Information, Estimates and Judgements

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 consolidated financial statements for the three and six months ended June 30, 2023, the Company applied the critical judgements and estimates disclosed in Note 2 of its consolidated financial statements for the year ended December 31, 2022, in addition to the accounting policies, critical judgements and estimates noted below.

<u>New IFRS Pronouncements</u>

Issued and effective January 1, 2023

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 became effective January 1, 2023. On adoption of this amendment, the Company assessed the impact of the amendment and determined it does not have a significant effect on the Company's financial statements.

Issued but not yet effective

In January 2020 and October 2022, the IASB issued amendments to International Accounting Standards 1 ("IAS 1"), Presentation of Financial Statements, to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities should be classified as non-current if a company has a substantive right to defer settlement for at least 12 months at the end of the reporting period. Rights are in existence if covenants are complied with at the end of the reporting period. Settlement refers to the transfer to the counterparty of cash, equity instruments, or other assets or services. In addition, the amendment required entities to disclose information to enable users of the financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.The amendments will be effective January 1, 2024, with early adoption permitted. Retrospective application is required on adoption. The Company is in the process of assessing the impact of this amendment to the Company's financial statements and does not expect it to have a significant effect on the Company's financial statements.

In September 2022, the IASB issued amendments to IFRS 16, Lease Liability in a Sale and Leaseback. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to sale and leaseback transactions entered into after the date of initial application. The amendments will be effective January 1, 2024, with early adoption permitted.The Company is in the process of assessing the impact of this amendment to the Company's financial statements and does not expect it to have a significant effect on the Company's financial statements.

4. Business Combination Between Capstone and Mantos

Description of the Transaction

On March 23, 2022, Capstone Mining, from an accounting point of view, completed the acquisition of Mantos with the deemed issuance of 273,888,541 common shares with a fair value of $5.82 per share.

The combined entity owns and operates the Mantos Blancos and Mantoverde mines, located in the Antofagasta and Atacama regions, respectively, of Chile. The Mantoverde mine, in which Mitsubishi Material Corp. has a 30% interest, has a current 21-year expected mine life. Mantos Blancos produces copper concentrate and has a 17-year expected mine life.

Management has concluded that Mantos constitutes a business and, therefore, the acquisition is accounted for in accordance with IFRS 3 - Business Combinations. The Company began consolidating the operating results and net assets of Mantos from March 23, 2022 onwards.
The Company has completed a full and detailed valuation of the fair value of the net assets of Mantos acquired using the income, market and cost valuation methods with the assistance of an independent third party. As at December 31, 2022, the Company has finalized its full and detailed assessment of the fair value of net assets of Mantos acquired.

Total transaction costs of $19.4 million related to the acquisition were expensed during the year ended December 31, 2022.

Consideration and Purchase Price Allocation

Total consideration for the acquisition was valued at $1,593 million on the acquisition date. The final purchase price allocated to the identifiable assets and liabilities based on their estimated fair values on the acquisition date is summarized as follows:

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

Total Consideration		
273,888,541 shares deemed issued to Mantos' shareholders with a fair value of US$5.82 per share	**$**	**1,592,679**
Total consideration	**$**	**1,592,679**

Allocation of Purchase Price		**Final as reported December 31, 2022**
Cash and cash equivalents	**$**	**219,211**
Receivables		**129,383**
Inventories		**111,602**
Due from related party *(i)*		**259,843**
Mineral properties, plant and equipment		**2,907,689**
Other assets		**27,663**
Derivative assets		**26,804**
Accounts payable and accrued liabilities		**(230,846)**
Due to related party *(i)*		**(259,843)**
Income taxes payable		**(9,983)**
Long-term debt		**(371,642)**
Derivative liabilities		**(155,386)**
Lease liabilities		**(78,146)**
Deferred income tax liabilities		**(484,678)**
Provisions		**(84,293)**
Net assets acquired before non-controlling interest	**$**	**2,007,378**
Non-controlling interest *(Note 11)*		**(414,699)**
Net assets acquired	**$**	**1,592,679**

i. The amounts previously due from a related party relates to a loan granted by Capstone Copper (previously Mantos Copper (Bermuda) Ltd.) to Orion Fund JV Limited, a shareholder of the Company. Amounts previously due to a related party relates to a loan granted by Orion Fund JV Ltd. to Mantos Copper Holding SpA. These amounts were settled during June 2022 via a non-cash assignment and offset agreement.

The Company used discounted cash flow models to determine the fair value of the depletable mining interests. The expected future cash flows are based on estimates of future copper prices, estimated quantities of ore reserves and mineral resources, expected future production costs and capital expenditures based on the life of mine plans at the acquisition date. The discounted cash flow models used discount rates of 8.5% for Mantos Blancos and 9.25% for Mantoverde based on the Company's assessment of country risk, project risk and other potential risks specific to the acquired mining interests.

The significant assumptions used in the determination of the fair value of the mining interests were as follows:

	Mantoverde	**Mantos Blancos**
Short-term copper price	$3.85/lb	$3.85/lb
Long-term copper price	$3.50/lb	$3.50/lb
Discount rate	9.25%	8.50%
Mine life (years)	21	17
Average copper grade over life of mine	0.60%	0.69%
Average copper recovery rate	88.3%	83.6%

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

The Company used a market approach to determine the fair value of resource and exploration potential by comparing the costs of other precedent market transactions within the industry on a dollar per pound basis. Those amounts were used to determine the range of in-situ resource multiples implied within the value of transactions by other market participants. Management made a significant assumption in the determination of the fair value of resource and exploration potential by using an implied in-situ multiple of $0.032 for a total of $321.6 million at Mantoverde and $57.1 million at Mantos Blancos. The Company accounted for resource and exploration potential through inclusion within non-depletable mineral interest.

5. Financial Instruments

Fair value of financial instruments

Certain of the Company's financial assets and liabilities are measured at fair value on a recurring basis and classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis. There are three levels of fair value hierarchy that prioritize the inputs to the valuation techniques used to measure fair value, with Level 1 having the highest priority. The levels and valuations techniques used to value the financial assets and liabilities are as follows:

Level 1 – Fair values measured using unadjusted quoted prices in active markets for identical instruments.

Short term investments and marketable securities are valued using quoted market prices in active markets. Accordingly, these items are included in Level 1 of the fair value hierarchy.

Level 2 – Fair values measured using directly or indirectly observable inputs, other than those included in Level 1.

Derivative instruments and embedded derivatives are included in Level 2 of the fair value hierarchy as they are valued using pricing models or discounted cash flow models. These models require a variety of inputs, including, but not limited to, market prices, forward price curves, yield curve and credit spreads. These inputs are obtained from or corroborated with the market. Also included in Level 2 are receivables from provisional pricing on copper concentrate and cathode sales because they are valued using quoted market prices derived based on forward curves for the respective commodities and published priced assessments.
Level 3 – Fair values measured using inputs that are not based on observable market data.

As of June 30, 2023 the Company's classification of financial instruments within the fair value hierarchy are summarized below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Short-term investments	$ 1,451	$ —	$ —	$ 1,451
Copper concentrate receivables ***(Note 6)***	—	46,672	—	46,672
Copper cathode receivables ***(Note 6)***	—	60,443	—	60,443
Derivative assets	—	47,941	—	47,941
Investment in marketable securities ***(Note 9)***	1,376	—	—	1,376
	$ 2,827	$ 155,056	$ —	$ 157,883
Financial liabilities				
Derivative liabilities	$ —	$ 22,408	$ —	$ 22,408
	$ —	$ 22,408	$ —	$ 22,408

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between Level 1, Level 2 and Level 3 during the three and six months ended June 30, 2023.

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

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

	June 30, 2023			
	Fair value through profit or loss	**Fair value through OCI**	**Amortized cost**	**Total**
Cash and cash equivalents	**$ —**	**$ —**	**$ 116,136**	**$ 116,136**
Short-term investments	**1,451**	**—**	**—**	**1,451**
Copper concentrate receivables *(Note 6)*	**46,672**	**—**	**—**	**46,672**
Copper cathode receivables *(Note 6)*	**60,443**	**—**	**—**	**60,443**
Other receivables *(Note 6)*	**—**	**—**	**15,188**	**15,188**
Derivative assets	**47,941**	**—**	**—**	**47,941**
Investment in marketable securities *(Note 9)*	**—**	**1,376**	**—**	**1,376**
	$ 156,507	**$ 1,376**	**$ 131,324**	**$ 289,207**

	December 31, 2022			
	Fair value through profit or loss	Fair value through OCI	Amortized cost	Total
Cash and cash equivalents	$ —	$ —	$ 170,307	$ 170,307
Short-term investments	1,553	—	—	1,553
Copper concentrate receivables *(Note 6)*	72,720	—	—	72,720
Copper cathode receivables *(Note 6)*	70,814	—	—	70,814
Other receivables *(Note 6)*	—	—	11,763	11,763
Derivative assets	48,563	—	—	48,563
Investment in marketable securities *(Note 9)*	—	1,628	—	1,628
Other asset	—	—	5,000	5,000
	$ 193,650	$ 1,628	$ 187,070	$ 382,348

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

	June 30, 2023		
	Fair value through profit or loss	**Amortized cost**	**Total**
Accounts payable and accrued liabilities	**$ —**	**$ 280,280**	**$ 280,280**
Short-term bank indebtedness *(Note 10)*	**—**	**10,144**	**10,144**
Payable on purchase of non-controlling interest *(Note 10)*	**—**	**41,364**	**41,364**
Long-term debt *(Note 13)*	**—**	**822,067**	**822,067**
Due to related party *(Note 11)*	**—**	**130,438**	**130,438**
Derivative liabilities	**22,408**	**—**	**22,408**
	$ 22,408	**$ 1,284,293**	**$ 1,306,701**

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

	December 31, 2022		
	Fair value through profit or loss	Amortized cost	Total
Accounts payable and accrued liabilities	$ —	$ 284,913	$ 284,913
Payable on purchase of non-controlling interest *(Note 10)*	—	40,364	40,364
Long-term debt *(Note 13)*	—	599,075	599,075
Due to related party *(Note 11)*	—	60,000	60,000
Derivative liabilities	54,489	—	54,489
	$ 54,489	$ 984,352	$ 1,038,841

There have been no changes during the three and six months ended June 30, 2023, in how the Company categorizes its financial assets and liabilities by fair value through profit or loss, fair value through OCI, and amortized cost.

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.

Derivative instruments

As at June 30, 2023, the Company's derivative financial instruments are composed of copper commodity swap contracts, copper zero-cost collar contracts, interest rate swap contracts, foreign currency zero-cost collars ("ZCC"), forward and swap contracts, quotational pricing contracts and share purchase warrants.

The Company operates on an international basis and therefore, foreign exchange risk exposures arise from transactions denominated in a foreign currency. The Company's foreign exchange risk arises primarily with respect to the Chilean Peso ("CLP"), the Chilean Unidad de Fometo ("UF"), the Mexican Peso ("MXN") and the Canadian dollar ("CDN"). The UF is an artificial inflation-indexed monetary unit used in Chile to denominate certain contracts. The Company's cash flows from Chilean and Mexican operations are exposed to foreign exchange risk, as commodity sales are denominated in US dollars and a certain portion of operating and capital expenses is denominated in local currencies. As such, the group may use foreign exchange forward and swap contracts and ZCCs to mitigate changes in foreign exchange rates.

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

The Company's outstanding derivative instruments as of June 30, 2023, are as follows:

Type	Contract description	Remaining term	Put strike	Call strike / Fixed rate	Notional tonnes / Quantity
Commodity (i)	Fixed-for-Floating Swaps Copper	July 2023 - June 2024	$—	$3.41/lb	22,443 tonnes
Commodity (ii)	Fixed-for-Floating Swaps Copper	July - December 2023	$—	$3.64/lb	18,688 tonnes
Commodity (ii)	Fixed-for-Floating Swaps Copper	January - June 2024	$—	$3.79/lb	6,000 tonnes
Commodity (ii)	ZCC - Call and Put Option Contracts - Copper	July - December 2023	$3.20/lb	$4.15/lb	13,750 tonnes
Commodity (ii)	ZCC - Call and Put Option Contracts - Copper	January - June 2024	$3.61/lb	$4.39/lb	6,500 tonnes
Interest rate (iii)	Fixed-for-floating swaps adjusted SOFR	July 2023 - March 2030	—	1.015%	$520 million USD
Interest rate (iii)	Floor options adjusted SOFR	July 2023 - September 2025	—	0%	$520 million USD
Foreign currency (iv)	Foreign Exchange Swaps - CLP	July 2023 - March 2024	0	727.70	4.8 billion CLP
Foreign currency (iv)	Foreign Exchange Swaps - UF	July 2023 - May 2024	0	41.70	0.2 million UF
Foreign currency (iv)	Foreign exchange ZCC - CLP	July - December 2023	775.0	965.0 - 1,046.0	26.1 billion CLP
Foreign currency (v)	Foreign exchange ZCC - CAD	July - December 2023	1.35	1.40	$8.8 million CAD
Quotational pricing contracts (vi)	Copper time-spread swaps	July - September 2023	—	—	18,117 tonnes

i. As part of the Mantoverde Development Project ("MVDP") financing arrangements, Mantos was required to enter into a number of fixed-for-floating swaps to hedge LME copper prices. Under the agreements, a subsidiary of the Company has remaining hedge of 22,443 metric tonnes consisting of 10,180 metric tonnes in 2023 and 12,263 metric tonnes in the first half of 2024. At June 30, 2023, the fair value of these derivatives is $(17.4) million (December 31, 2022 - $(26.0) million).

ii. The Company has fixed-for-floating swaps for 18,688 metric tonnes for 2023 at average price of $3.64/lb. In April 2023, the company entered into fixed-for-floating swaps for 6,000 metric tonnes for the first half of 2024 at average price of $3.79/lb. The Company also entered into zero cost collar ("ZCC") contracts whereby it sold a series of call options contracts and purchased a series of put option contracts for $nil cash premium consisting of 13,750 metric tonnes in 2023 and 6,500 metric tonnes in the first half of 2024.. At June 30, 2023, the fair value of these derivatives is $(4.6) million (December 31, 2022 - $(16.9) million).

iii. To mitigate the risk of movements in interest rates, and in compliance with a covenant in the MVDP financing, a subsidiary of the Company entered into a fixed-for-floating LIBOR swap at 1.015% until March 2030, with a 0% floor on the LIBOR rate until September 2025. The fixed for floating swap notional represents the notional amount as of the reporting period. The derivative instruments are a series of quarterly contracts, with notional amounts in line with planned quarterly balances based on expected project finance debt drawdown and expected amortization. At June 30, 2023, the fair value of the fixed-for-floating swaps and floor option derivative contracts is $46.0 million (December 31, 2022 - $48.3 million). Before the quarter-end, the fixed-for-floating LIBOR swap was transitioned to a fixed-for-floating SOFR (SOFR compounded daily to a 3-month period plus 0.2616%) swap according to the fall-back provisions contained in the swap agreement.

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

iv. As a covenant in the MVDP financing, a subsidiary of the Company, entered into foreign exchange forward and swap contracts in February 2021 to hedge the foreign exchange risk related to the capital expenditures for the MVDP. In February 2022, the Company also entered into ZCCs CLP to US dollar foreign exchange option contracts covering the period from April 2022 through December 2023, representing approximately 50% of Mantoverde's and Mantos Blancos' expected CLP operating costs during this period. At June 30, 2023, the fair value of the outstanding CLP and UF contracts is $(0.1) million (December 31, 2022 - $(2.1) million).

v. In October 2022, the Company entered into CAD zero cost collars to US dollar foreign exchange option contracts covering the period from January through December 2023, representing approximately 75% of the expected CAD general and administrative costs during this period. At June 30, 2023, the fair value of the outstanding CAD contracts is $0.2 million (December 31, 2022 - $0.2 million).

vi. The Company enters into copper time-spread swaps in order to manage the risk associated with provisional pricing terms in copper concentrate sales agreements. As at June 30, 2023, the Company had 18,117 metric tonnes of copper swaps outstanding at an effective average cost of $6.25 per tonne and settling across July to September 2023. At June 30, 2023, the fair value of the outstanding contracts is $1.5 million (December 31, 2022 - $(9.5) million).

Set out below are the Company's derivative financial assets and financial liabilities:

	June 30, 2023	December 31, 2022
Derivative financial assets:		
Foreign currency contracts	**$ 417**	$ 247
Interest rate swap contracts	**23,086**	19,734
Quotational pricing contracts	**1,477**	—
Total derivative financial assets - current	**24,980**	19,981
Interest rate swap contracts	**22,961**	28,582
Total derivative financial assets - non-current	**$ 22,961**	$ 28,582
Derivative financial liabilities:		
Foreign currency contracts	**388**	2,073
Copper commodity contracts	**22,020**	32,888
Quotational pricing contracts	**—**	9,462
Total derivative financial liabilities - current	**$ 22,408**	$ 44,423
Foreign currency contracts	**—**	46
Copper commodity contracts	**—**	10,020
Total derivative financial liabilities - non-current	**$ —**	$ 10,066

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

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Unrealized gain (loss) on derivative financial instruments:				
Foreign currency contracts	**$ (1,059)**	$ (13,562)	**$ 1,900**	$ (10,111)
Copper commodity contracts	**51,132**	121,093	**20,888**	122,250
Interest rate swap contracts	**5,108**	7,212	**(2,182)**	10,588
Unrealized loss on warrants	**—**	(135)	**—**	(387)
Total unrealized (loss) gain on derivative financial instruments	**55,181**	114,608	**20,606**	122,340
Realized gain (loss) on derivative financial instruments:				
Foreign currency contracts	**(134)**	(7,133)	**751**	(7,133)
Copper commodity contracts	**(8,811)**	(12,496)	**(24,320)**	(17,937)
Interest rate swap contracts	**5,234**	(7)	**9,598**	(7)
Total realized loss on derivative financial instruments	**(3,711)**	(19,636)	**(13,971)**	(25,077)
Total unrealized and realized gain on derivative financial instruments:	**$ 51,470**	$ 94,972	**$ 6,635**	$ 97,263

6. Receivables

Details are as follows:

	June 30, 2023	December 31, 2022
Copper cathode	**$ 60,443**	$ 70,814
Copper concentrate	**46,672**	72,720
Value added taxes and other taxes receivable	**19,130**	31,535
Income taxes receivable	**19,046**	5,055
Other	**15,188**	11,763
Total receivables	**$ 160,479**	$ 191,887

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

7. Inventories

Details are as follows:

		June 30, 2023		December 31, 2022
Current:				
Raw materials and consumables	**$**	**74,096**	$	68,121
Ore stockpiles		**12,214**		13,296
Work-in-progress		**22,354**		29,386
Finished goods - copper cathode		**12,680**		19,057
Finished goods - copper concentrate		**20,118**		13,637
Total inventories - current	**$**	**141,462**	$	143,497
Non-current:				
Ore stockpiles *(Note 9) (i)*		**5,892**		—
Total inventories - non-current	**$**	**5,892**	$	—

i. Non-current inventory is comprised of ore stockpiles at the Mantos Blancos mine.

During the three and six months ended June 30, 2023, concentrate and cathode inventories recognized as production costs, including depletion and amortization, amounted to $325.9 million and $614.1 million (2022 – $315.6 million and $476.5 million).

During the three and six months ended June 30, 2023, the Company recorded net reversals of write-downs and write-downs of $(0.1) million and $3.7 million related to Mantoverde's cathode inventories and Pinto Valley's copper concentrate and supplies inventories which were recorded as production costs.

During the three and six months ended June 30, 2022, the Company recorded write-downs of $0.1 million and $0.6 million related to Pinto Valley's ore stockpile and supplies inventories which were recorded as production costs.

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

8. Mineral Properties, Plant and Equipment

Details are as follows:

	Mineral properties			Plant and equipment			
	Depletable		Non-depletable	Subject to amortization		Not subject to amortization	
	Producing mineral properties	Deferred stripping	Mineral exploration and development properties	Plant & equipment	Right of use assets	Construction in progress	Total
At January 1, 2023, net	$ 1,709,157	$ 137,563	$ 828,276	$ 1,050,652	$ 91,743	$ 888,920	$ 4,706,311
Additions	58,355	48,361	22,490	193	25,656	255,587	410,642
Disposals	—	—	—	—	—	(345)	(345)
Rehabilitation provision adjustments	21,506	—	—	—	—	—	21,506
Reclassifications	28,961	1,017	(28,454)	71,455	(6,777)	(66,202)	—
Depletion and amortization	(36,662)	(22,715)	—	(39,143)	(6,632)	—	(105,152)
At June 30, 2023, net	$ 1,781,317	$ 164,226	$ 822,312	$ 1,083,157	$ 103,990	$ 1,077,960	$ 5,032,962
At June 30, 2023:							
Cost	$ 2,238,852	$ 293,359	$ 822,312	$ 2,740,992	$ 209,156	$ 1,077,960	$ 7,382,631
Accumulated amortization and impairment	(457,535)	(129,133)	—	(1,657,835)	(105,166)	—	(2,349,669)
Net carrying amount	$ 1,781,317	$ 164,226	$ 822,312	$ 1,083,157	$ 103,990	$ 1,077,960	$ 5,032,962

During the three and six months ended June 30, 2023, the Company capitalized $17.0 million and $30.0 million, respectively, of finance costs to Construction in Progress, at a weighted average interest rate of 7.8%.

During the three and six months ended June 30, 2023, the Company capitalized $50.7 million and $97.5 million million, respectively, of capitalized stripping costs to mineral properties. During the three and six months ended June 30, 2023, the Company capitalized $nil and $9.1 million, respectively, of pre-stripping costs to Construction in Progress related to MVDP.

The Company's exploration costs were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Exploration capitalized to mineral properties	**$ 518**	$ 1,522	**$ 866**	$ 2,380
Greenfield exploration expensed to the statement of (loss) income	**1,646**	3,397	**2,845**	5,264
	$ 2,164	$ 4,919	**$ 3,711**	$ 7,644

Exploration capitalized to mineral properties during the three and six months ended June 30, 2023 and 2022, relates to brownfield exploration at the Cozamin mine. Greenfield exploration expenses during the three and six months ended June 30, 2023 and 2022 relates primarily to exploration efforts in the US and Brazil.

As at June 30, 2023, construction in progress primarily relates to capital costs incurred in connection with the MVDP, expansionary and sustaining capital at the Mantos Blancos, Pinto Valley and Cozamin mines and the development at the Santo Domingo project. Capital expenditures committed as at June 30, 2023, but not yet incurred, is $92.4 million (December 31, 2022 - $265.9 million).

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

As at June 30, 2023, the Revolving Credit Facility ("RCF") *(Note 13)* was secured by the Pinto Valley, Cozamin and Mantos Blancos mineral properties, and plant and equipment with a net carrying value of $1,982.2 million (December 31, 2022 – $1,934.7 million).

9. Other Assets

Details are as follows:

	June 30, 2023	December 31, 2022
Current:		
Prepaids	$ **60,947**	$ 37,926
Deposits	**—**	4,500
Other	**2,603**	2,540
Total other assets - current	$ **63,550**	$ 44,966
Non-current:		
Prepayments	**18,045**	18,045
Ore stockpiles	**5,892**	—
Investments in marketable securities	**1,376**	1,628
Finance lease receivable	**241**	431
Deposits	**394**	8,177
Other	**4,406**	6,839
Total other assets - non-current	$ **30,354**	$ 35,120

10. Other Liabilities

Details are as follows:

	June 30, 2023	December 31, 2022
Current:		
Current portion of share-based payment obligations (*Note 16*)	$ **2,462**	$ 30,497
Current portion of deferred revenue *(Note 14)*	**11,046**	8,524
Short-term bank indebtedness	**10,144**	—
Other	**2,034**	301
Total other liabilities - current	$ **25,686**	$ 39,322
Non-current:		
Retirement benefit liabilities	$ **6,933**	$ 6,411
Non-current portion of payable on purchase of NCI	**41,364**	40,364
Other	**4,257**	3,953
Total other liabilities - non-current	$ **52,554**	$ 50,728

Short-Term Bank Indebtedness

During the six months ended June 30, 2023, one of the Company's Chilean subsidiaries entered into a three-month facility with Banco Crédito e Inversiones with a fixed interest rate of 6.41% for the purposes of working capital management. As at June 30, 2023 the balance of the facility was $10.1 million, including interest of $0.1 million.

Payable on purchase of NCI

On March 24, 2021, Capstone Mining completed a Share Purchase Agreement (the “SPA”) with Korea Resources Corporation (“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 the Company's consolidation of 100% ownership in Santo Domingo.

As at June 30, 2023, an unsecured liability of $41.4 million (December 31, 2022 - $40.4 million) has been recognized in the condensed interim consolidated statement of financial position equal to the discounted amount of the remaining $45 million of cash consideration to be paid on March 24, 2025. The discounted amount of the remaining $45 million will be accreted up to its face value at 5% per annum. During the three and six months ended June 30, 2023, $0.5 million and $1.0 million (June 30, 2022 - $1.0 million and $2.0 million) of accretion was recorded in accretion expense in the condensed interim consolidated statements of (loss) income.

11. Non-Controlling Interest

Mitsubishi Materials Corporation ("MMC")

As part of the financing for the MVDP, MMC acquired a 30% non-controlling interest in Mantoverde S.A., and agreed to make an additional $20 million contingent payment upon satisfaction of certain technical requirements relating to the expansion of the tailings storage facility.

In addition to the contingent arrangement, MMC agreed to provide a $60 million Cost Overrun Facility ("COF") in exchange for additional off-take of copper concentrate production under a 10-year contract (Note 21). The COF carries an interest rate of 3-month US$ LIBOR plus 1.70% and amortizing over 37 quarters from the earlier of September 30, 2024 or three quarters after project completion. 3-month LIBOR at June 30, 2023 was 5.34%. As at June 30, 2023, the COF was fully drawn. As a result of Interest Rate Benchmark Reform, the Company has completed the transition from LIBOR to an adjusted SOFR with MMC by June 30, 2023. The transition resulted in a variable rate of SOFR compounded daily to a 3-month period plus 0.2616% per annum, with margins unchanged.

In addition to the COF, MMC advanced their pro-rata share which amounted to an additional $70.4 million to Mantoverde in the form of a shareholder loan forming part of the financing for the MVDP. Total funds advanced by MMC, including accrued interest, at June 30, 2023 was $130.4 million (December 31, 2022 - $60 million).

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

12. Lease Liabilities

Details are as follows:

		Total
Balance, December 31, 2021	$	91,248
Additions		44,479
Payments		(37,328)
Accretion expense		5,446
Foreign currency translation adjustment		52
Balance, December 31, 2022	**$**	**103,897**
Additions		**25,655**
Payments		**(19,719)**
Accretion expense		**3,875**
Foreign currency translation adjustment		**410**
Balance, June 30, 2023	**$**	**114,118**
Less: current portion		(30,528)
Non-current portion	**$**	**83,590**

13. Long-Term Debt

Details of the long-term debt balances are as follows:

		June 30, 2023		December 31, 2022
Mantoverde Development Project Facility (i)	**$**	**527,042**	$	527,498
Revolving Credit Facility		**295,025**		71,577
Long-term debt	**$**	**822,067**	$	599,075

i. At June 30, 2023, $520 million was drawn on the facility with the remaining $7.0 million recognized as an adjustment to record the debt at its fair value as required as part of the accounting for the business combination with Mantos (December 31, 2022 - $520 million and $7.5 million). This fair value adjustment amortizes down to its historical cost over the duration of the facility.

Mantoverde Development Project Facility

Mantoverde secured $572 million in debt financing facility to fund the construction of the MVDP. The debt facility comprises a senior secured amortizing project debt facility in an aggregate amount of $520 million (the “Covered Facility” $250 million, the “Uncovered Facility” $210 million, and the “ECA Direct Facility” $60 million) and a $52 million senior secured mine closure bonding facility (the “Bonding Facility”). These project finance facilities are subject to affirmative, financial and restrictive covenants that include obligations to maintain the security interests in favour of the lenders over substantially all of the respective project’s property and shares, insurance coverage, maintenance of off-take agreements, compliance with environmental and social matters, restrictions on new financial indebtedness, distributions and dispositions, and compliance with certain financial ratios. As at June 30, 2023, the Company was in compliance with these covenants.

As a condition to the financing facilities, the Company was required to effect certain hedging strategies as detailed in the lending agreement. The agreement indicates that the Company must implement hedging programs related to copper prices, foreign exchange rates and interest rates during the financing period. The Company has complied with all obligations related to the financing agreements and the financing for the MVDP.

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

Interest on borrowings under the MVDP Facility is payable quarterly at a variable rate of 3-month US$ LIBOR plus a margin per annum (i.e., 1.65% for the Covered Facility and, with respect to the Uncovered Facility, a rate of 3.75% and with respect to the ECA Direct Facility, a rate of 4.00% pre-completion of the MVDP, and decreasing to 3.50% and 3.75% respectively post-completion of the MVDP). Pursuant to the Covered Facility, an export credit agency guaranteed premium of 2.05% per annum is also payable quarterly and calculated over amounts outstanding under the Covered Facility. The MVDP is secured by a comprehensive security package covering substantially all of Mantoverde's assets. These facilities amortize from the earlier of September 30, 2024 and 180 days after project completion. The Uncovered Facility amortizes over a 10 year period and the Covered Facility and ECA Direct Facility amortize over 12 years. As a result of Interest Rate Benchmark Reform, the Company has completed the transition from LIBOR to an adjusted SOFR for its MVDP debt financing facility by June 30, 2023. The transition resulted in a variable rate of SOFR compounded daily to a 3-month period plus 0.2616% per annum, with margins unchanged.

Revolving Credit Facility

On May 12, 2022, Capstone Mining amended its corporate RCF. The amended RCF was increased to $500 million, plus $100 million accordion option available 180 days after closing, and has a maturity of four years from closing and an interest cost of adjusted term Secured Overnight Financing Rate ("SOFR") plus a margin of 1.875% - 2.75% depending on the total net leverage ratio. The amended RCF became effective on July 22, 2022 after all the required security was in place and customary closing conditions were met. On December 12, 2022, Capstone exercised the $100 million accordion option, which resulted in the maximum Credit Limit being $600 million.

The interest rate at June 30, 2023 was one-month adjusted term SOFR of 5.20% plus 1.875% (2022 - US LIBOR plus 2.50%) with a standby fee of 0.42% (2022 – 0.56%) payable on the undrawn balance (adjustable in certain circumstances).

The RCF in effect as of June 30, 2023 is secured against the present and future real and personal property, assets and undertakings of Capstone Copper (other than defined excluded entities, Acquisition Co., Far West Mining Ltd., Minera Santo Domingo SCM, Capstone Resources MSD Ltd., FWM Exploration (Chile) Ltd., and Far West Exploration S.A., Mantoverde Holding SpA, Mantoverde S.A., Mantos Copper Delaware LLC and subject to certain exclusions for Capstone Mining Chile SpA).

The credit facility requires Capstone to maintain certain financial ratios relating to debt and interest coverage. Capstone was in compliance with these covenants as at June 30, 2023. As at June 30, 2023, the balance of the RCF was $295.0 million (December 31, 2022 - $71.6 million).

Details of the balance are as follows:

	June 30, 2023	December 31, 2022
Balance drawn on the RCF	**$ 298,000**	$ 75,000
Deferred financing fees	**(2,975)**	(3,423)
Total RCF balance	**$ 295,025**	$ 71,577

Surety Bonds

As at June 30, 2023, there were seven surety bonds totaling $235.9 million to support various reclamation obligation bonding requirements. This comprises $167.5 million securing reclamation obligations at Pinto Valley, $4.0 million provided as security as part of a power supply agreement at Pinto Valley, $2.1 million related to the construction of a port for the Santo Domingo development project in Chile, $28.0 million at Mantoverde, and $34.3 million at Mantos Blancos, respectively, securing reclamation obligations.

14. Deferred Revenue

Silver Precious Metals Purchase Arrangement ("Silver PMPA")

On February 19, 2021, Capstone Mining concluded the Silver PMPA with Wheaton whereby Capstone received an upfront cash consideration of $150 million against delivery of 50% of the silver production from the 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, the Company receives cash payments equal to 10% of the spot silver price at the time of delivery for each ounce delivered to Wheaton. The Silver PMPA is effective December 1, 2020. Wheaton has been provided certain security in support of the Company's obligations under the Silver PMPA.

The Company recorded the upfront cash consideration received of $150 million as deferred revenue and recognizes amounts in revenue as silver is delivered under the Silver PMPA. Capstone determines the amortization of deferred revenue to the condensed interim consolidated statements of (loss) income on a per unit basis using the estimated total number of silver ounces expected to be delivered over the life of the Cozamin mine. The amortization rate requires the use of proven and probable mineral reserves and certain mineral resources which management is reasonably confident will be transferred to mineral reserves. The Company estimates the current portion of deferred revenue based on deliveries anticipated over the next twelve months. During the three and six months ended June 30, 2023, the Company delivered 174,521 and 286,385 ounces (2022 - 152,446 and 293,894 ounces) of silver to Wheaton under the Silver PMPA.

Gold Precious Metals Purchase Arrangement ("Gold PMPA")

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

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

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

(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, 2021	$ 140,510	$ 31,360	$ 171,870
Accretion expense	7,869	2,132	10,001
Recognized as revenue on delivery of silver and gold	(12,885)	—	(12,885)
Balance, December 31, 2022	**$ 135,494**	**$ 33,492**	**$ 168,986**
Accretion expense	**3,786**	**1,139**	**4,925**
Recognized as revenue on delivery of silver and gold	**(6,733)**	**—**	**(6,733)**
Variable consideration adjustment	**(2,567)**	**—**	**(2,567)**
Balance, June 30, 2023	**$ 129,980**	**$ 34,631**	**$ 164,611**
Less: current portion (*Note 10*)	(11,046)	—	(11,046)
Non-current portion	**$ 118,934**	**$ 34,631**	**$ 153,565**

15. Income Taxes

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
(Loss) income before income taxes	**$ (32,687)**	$ 132,725	**$ (71,855)**	$ 188,508
Canadian federal and provincial income tax rates	**27.00 %**	27.00 %	**27.00 %**	27.00 %
Income tax (recovery) expense based on the above rates	**(8,825)**	35,836	**(19,401)**	50,897
Increase (decrease) due to:				
Non-deductible expenditures	**3,491**	8,300	**3,834**	9,656
Effects of different statutory tax rates on losses (income) of subsidiaries	**1,485**	152	**1,742**	(110)
Mexican and Chilean mining royalty taxes	**(249)**	4,066	**955**	6,064
Current period losses for which deferred tax assets were not recognized	**16,618**	(9,160)	**16,993**	(5,807)
Adjustments to tax estimates in prior years	**(8,540)**	—	**(8,540)**	(6)
Foreign exchange and other translation adjustments	**(2,598)**	673	**(5,062)**	(365)
Other	**(158)**	871	**485**	1,075
Income tax expense (recovery)	**$ 1,224**	$ 40,738	**$ (8,994)**	$ 61,404
Current income and mining tax expense	**$ 5,762**	$ 9,024	**$ 3,875**	$ 23,601
Deferred income tax (recovery) expense	**(4,538)**	31,714	**(12,869)**	37,803
Income tax expense (recovery)	**$ 1,224**	$ 40,738	**$ (8,994)**	$ 61,404

Changes in tax laws and rates may affect recorded deferred tax assets and liabilities and our effective tax rate in the future. In July 2023, the Constitutional Court in Chile approved a new Mining Royalty Bill that will proceed to the President of Chile for promulgation and then publishing in the Official Gazette. As a change in tax law is accounted for in the period of enactment, we expect the effect of the change to be recognized in our results for the three and nine months ended September 30, 2023.

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

16 Provisions

The reclamation and closure cost obligations relate to the operations of the Pinto Valley, Cozamin, Mantos Blancos and Mantoverde mines.

Details of changes in the balances are as follows:

	Reclamation & closure cost obligations	Surety bond utilization provision	Other long-term provisions	Share-based payment obligations	Total
Balance, January 1, 2023	**$ 199,739**	**$ —**	**$ 29,929**	**$ 40,464**	**$ 270,132**
Additions	**—**	**53,921**	**—**	**—**	**53,921**
Share-based payment expense *(Note 17)*	**—**	**—**	**—**	**12,442**	**12,442**
Change in estimates	**11,794**	**—**	**2,023**	**—**	**13,817**
Interest expense from discounting obligations	**4,711**	**—**	**752**	**—**	**5,463**
Payments during the year	**(1,126)**	**—**	**(2,264)**	**(45,576)**	**(48,966)**
Currency translation adjustments	**9,713**	**—**	**2,253**	**422**	**12,388**
Balance, December 31, 2023	**$ 224,831**	**$ 53,921**	**$ 32,693**	**$ 7,752**	**$ 319,197**
Less: Current portion of share-based payment obligations included within other liabilities *(Note 10)*	**—**	**—**	**—**	**(2,462)**	**(2,462)**
Total provisions - non-current	**$ 224,831**	**$ 53,921**	**$ 32,693**	**$ 5,290**	**$ 316,735**
Balance, January 1, 2022	$ 129,249	$ —	$ 3,714	$ 78,265	$ 211,228
Acquisitions - Business combination with Mantos *(Note 17)*	58,914	—	25,379	—	84,293
Share-based payment expense *(Note 17)*	—	—	—	26,716	26,716
Change in estimates	8,648	—	1,928	—	10,576
Interest expense from discounting obligations	5,554	—	2,639	—	8,193
Payments during the year	(2,411)	—	(2,090)	(63,253)	(67,754)
Currency translation adjustments	(215)	—	(1,641)	(1,264)	(3,120)
Balance, December 31, 2022	$ 199,739	$ —	$ 29,929	$ 40,464	$ 270,132
Less: Current portion of share-based payment obligations included within other liabilities *(Note 10)*	—	—	—	(30,497)	(30,497)
Total provisions - non-current	$ 199,739	$ —	$ 29,929	$ 9,967	$ 239,635

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

Surety Bond Utilization Provision

In May 2023, Minto Metals Corp. ("Minto") announced that they had ceased all operations at the Minto Mine located within the Selkirk First Nation's territory in central Yukon Territories and that the Yukon Government assumed care and control of the site. In conjunction with the sale, Minto posted a surety bond to cover potential future reclamation liabilities. While this surety bond is outstanding, the Company remains an Indemnitor to the surety bond provider. As Minto has defaulted on the surety bond, Capstone recognized a liability of approximately US$55 million (C$72 million) related to the Company's obligations towards the issuer of the surety bond. In estimating the provision, the Company has made assumptions regarding the timing of cash outflows, long-term inflation rates and discount rate. Due to the associated uncertainty of the timing of cash outflows, it is possible that estimates may need to be revised. While a range of outcomes is possible, the Company believes its potential exposure on calls against the surety bond is capped at approximately C$72 million therefore the timing of cash outflows and changes in the CDN$:US$ exchange rate are the largest contributors to the measurement uncertainty.

As part of the Company's sale of Minto in 2019, the Company was to receive up to $20 million in staged payments. The final $5 million, which was due in series of payments to collected by mid-2024, was outstanding at the time Minto ceased operations and has been deemed uncollectible, and therefore has been fully provided for.

17. Share Capital

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

On March 23, 2022, Capstone Mining, from an accounting point of view, completed the acquisition of Mantos with the deemed issuance of 273,888,541 common shares with a fair value of $5.82 per share.

Stock options
Pursuant to the Company's amended stock option plan, directors may authorize the granting of options to directors, officers and employees of the Company to a maximum of 10% of the issued and outstanding common shares at the time of grant, with a maximum of 5% of the Company's issued and outstanding shares reserved for any one person annually. Options granted under the plan have a term not to exceed five years, with the vesting term at the discretion of the Board. 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, 2022	7,223,699	$ 1.97
Granted	888,774	6.01
Exercised	(2,851,069)	0.88
Forfeited	(126,140)	5.54
Outstanding, June 30, 2023	5,116,805	$ 3.18

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

As at June 30, 2023, 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)
$0.57 - $0.91	2,448,263	$ 0.69	1.6	2,448,263	$ 0.69	1.6
$3.47 - $3.90	857,280	3.88	2.7	570,575	3.89	2.7
$4.43 - $4.72	61,507	4.63	4.1	20,502	4.63	4.1
$5.08 - $5.79	211,438	5.13	3.9	76,600	5.17	3.8
$6.00 - $6.97	1,538,317	$ 6.40	4.2	340,549	$ 6.83	3.7
	5,116,805	$ 3.18	2.7	3,456,489	$ 1.95	2.1

During the three and six months ended June 30, 2023, the total fair value of options granted was $0.1 million and $2.0 million (2022 – $0.4 million and $2.1 million) and had a weighted average grant-date fair value of C$3.16 and C$2.99 (2022 – C$2.38 and C$2.99) per option. During the three and six months ended June 30, 2023, the weighted average share price of the 0.5 million and 2.4 million options exercised during the period was C$6.48 and C$6.30 (2022 - 1.0 and 2.6 million options and C$6.08 and C$6.37), respectively.

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Risk-free interest rate	**3.09 %**	2.62 %	**2.99 %**	1.88 %
Expected dividend yield	**nil**	nil	**nil**	nil
Expected share price volatility	**63 %**	61 %	**63 %**	61 %
Expected forfeiture rate	**6.35 %**	6.24 %	**6.35 %**	6.24 %
Expected life	**3.9 years**	3.8 years	**3.9 years**	3.8 years

Other share-based compensation plans

Under the Share Unit Plan ("SUP"), the Company grants Performance Share Units ("PSUs") and Restricted Share Units ("RSUs"). PSUs granted to executives vest after three years and are subject to a performance measure of 0% to 200%. RSUs granted to executives and employees vest 1/3 per year starting on the first anniversary of the grant date. 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.

Deferred Share Units

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

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

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

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

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

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

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

During the three and six months ended June 30, 2023, the total fair value of DSUs, RSUs, and PSUs granted under the SUP was $0.2 million and $6.5 million (2022 – $1.9 million and $5.3 million), and had a weighted average grant-date fair value of C$6.32 and C$6.01 (2022 – C$6.97 and C$6.97) per unit.

Beginning in 2021, PSUs and RSU’s awarded to executives have been granted under a 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 six months ended June 30, 2023, the total fair value of units granted under the TSUP was $nil and $2.4 million (2022 – $1.0 million and $3.5 million), and had a weighted average grant-date fair value of C$5.77 (2022 – C$4.39 and C$4.53) per unit.

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Risk-free interest rate	**N/A**	2.06 %	**2.76 %**	1.90 %
Expected dividend yield	**N/A**	nil	**nil**	nil
Expected share price volatility	**N/A**	60 %	**64 %**	60 %
Expected forfeiture rate	**N/A**	nil	**nil**	nil
Expected life	**N/A**	9.2 years	**8.7 years**	9.2 years

No Capstone shares were purchased by the Share Purchase Trust during the three and six months ended June 30, 2023 and 2022.

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

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, 2022	2,319,325	2,830,391	3,429,260	659,409	1,345,733
Granted	125,603	1,251,547	89,947	275,929	551,853
Forfeited	—	(182,401)	—	(4,408)	(44,308)
Settled	(1,487,597)	(2,079,239)	(3,335,447)	(71,877)	—
Outstanding, June 30, 2023	957,331	1,820,298	183,760	859,053	1,853,278

Share-based compensation expense:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Share-based compensation expense related to stock options	**$ 389**	$ 361	**$ 877**	$ 2,198
Share-based compensation expense related to RSUs and PSUs (TSUP)	**594**	842	**1,088**	1,154
Share-based compensation expense (recovery) related to DSUs, RSUs and PSUs (SUP)	**1,406**	(15,154)	**12,442**	2,410
Total share-based compensation expense (recovery)	**$ 2,389**	$ (13,951)	**$ 14,407**	$ 5,762

18. Revenue

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Copper concentrate	**$ 210,975**	$ 253,600	**$ 474,083**	$ 474,758
Copper cathode	**119,942**	157,477	**221,583**	199,224
Silver	**12,709**	8,904	**20,046**	18,334
Molybdenum	**(610)**	753	**3,132**	1,925
Gold	**1,076**	817	**1,857**	902
Zinc	**(24)**	(80)	**(24)**	1,747
Total gross revenue	**344,068**	421,471	**720,677**	696,890
Less: treatment and selling costs	**(12,305)**	(19,316)	**(33,038)**	(32,950)
Less: pricing and volume adjustments	**2,175**	(45,511)	**(18,105)**	(39,210)
Revenue	**$ 333,938**	$ 356,644	**$ 669,534**	$ 624,730

Pricing and volume adjustments represent mark-to-market adjustments on initial estimates of provisionally priced sales, offsetting realized and unrealized changes to fair value for time swaps, and adjustments to originally invoiced weights and assays.

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

19. (Loss) Earnings Per Share

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
(Loss) earnings per share				
Basic	**$ (0.05)**	$ 0.11	**$ (0.08)**	$ 0.19
Diluted	**(0.05)**	0.11	**(0.08)**	0.19
Net (loss) earnings				
Net (loss) earnings attributable to common shareholders - basic and diluted	**$ (36,510)**	$ 75,092	**$ (56,512)**	$ 109,080
Weighted average shares outstanding - basic	**693,783,922**	687,351,065	**692,823,554**	563,518,049
Dilutive securities				
Stock options	**2,545,795**	5,909,994	**2,530,590**	6,129,532
TSUP units	**364,711**	241,569	**353,123**	326,692
Weighted average shares outstanding - diluted	**696,694,428**	693,502,628	**695,707,267**	569,974,273
Potentially dilutive securities excluded (as anti-dilutive)				
Stock options	**2,571,010**	2,796,067	**2,586,215**	2,576,529
TSUP units	**2,347,620**	1,777,035	**2,359,208**	1,691,912

20. Supplemental Cash Flow Information

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Receivables	**$ 13,209**	$ 27,566	**$ 37,167**	$ 34,596
Inventories	**16,966**	(9,012)	**3,302**	(4,914)
Other assets	**(5,227)**	3,471	**(13,311)**	(10,326)
Accounts payable and accrued liabilities	**(41,358)**	3,346	**(58,131)**	(43,811)
Other liabilities	**2,763**	699	**(24,854)**	(36,223)
Net change in non-cash working capital	**$ (13,647)**	$ 26,070	**$ (55,827)**	$ (60,678)

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
VAT receivable	**$ (36)**	$ (130)	**$ (36)**	$ (166)
Other non-current assets	**(8,238)**	(5,546)	**(7,972)**	(2)
Other non-current liabilities	**(2,245)**	479	**(1,602)**	1,602
Net change in other non-cash items	**$ (10,519)**	$ (5,197)	**$ (9,610)**	$ 1,434

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

Below is a reconciliation of depreciation in operating cash-flows in the consolidated statement of cash-flows to the Mineral Properties, Plant and Equipment (Note 8):

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Depreciation and depletion per mineral properties, plant and equipment (*Note 8)*	**49,933**	54,133	**105,152**	85,246
Depreciation included in general and administrative expense	**58**	166	**196**	332
Depreciation included in care and maintenance	**177**	156	**275**	267
Non-cash inventory reversal (write-down)	**1,791**	—	**(1,044)**	—
Change in depreciation and depletion capitalized to inventory, capitalized stripping and construction in progress	**1,942**	(1,474)	**(5,399)**	385
Depreciation and depletion expense	**$ 53,901**	$ 52,981	**$ 99,180**	$ 86,230

Below is a reconciliation of additions in investing cash-flows in the consolidated statement of cash-flows to the Mineral Properties, Plant and Equipment (Note 8):

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Additions / expenditures on mining interests *(Note 8)*	**(201,264)**	(188,126)	**(410,642)**	(290,592)
Non-cash additions to right-of-use assets *(Note 8)*	**17,126**	16,839	**25,656**	20,772
Changes in working capital *(i)*	**31,745**	(13,073)	**45,945**	38,907
Expenditures on mining interests *(ii)*	**$ (152,393)**	$ (184,360)	**$ (339,041)**	$ (230,913)

i. The changes in working capital relate to the movement in accounts payable and prepayments related primarily to capital expenditures on the MVDP.
ii. For the three and six months ended, includes $15.3 million and $27.6 million of capitalized finance costs, respectively.

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
(Increase) decrease in accounts payable and accrued liabilities related to mineral properties, plant and equipment	**$ (1,423)**	$ 13,754	**$ (22,756)**	$ (9,544)
Amortization of mining equipment capitalized to deferred stripping assets	**449**	1,396	**536**	1,975
Fair value of stock options allocated to share capital upon exercise	**162**	295	**862**	886
Fair value of TSUP units allocated to share capital upon exercise	**16**	—	**204**	—
Business combination with Mantos (*Note 4)*	**—**	—	**—**	1,592,679
	$ (796)	$ 15,445	**$ (21,154)**	$ 1,585,996

21. Commitments

Royalty Agreements

Under the terms of the December 2003 option agreement with Grupo Minera Bacis S.A. de C.V. (“Bacis”), Capstone Mining assumed a 100% interest in the Cozamin Mine with a 3% net smelter royalty paid to Bacis on all payable metal sold from production on the property covered by the agreement.
In connection with the financing of the Mantos Blancos Debottlenecking Development Project, Mantos Copper S.A. entered into a royalty agreement with Southern Cross Royalties Limited ("Southern Cross"). Southern Cross is entitled to a 1.525% net smelter royalty on copper production. The royalty is for a period initially through January 1, 2035 that may be extended by Southern Cross at its sole discretion through the duration of the mining rights and is subject to the Company's option to reduce the royalty amount by 50% any time after January 1, 2023, subject to a one-time payment.

Agreement with Osisko Bermuda Limited ("Osisko")

Pursuant to a long-term streaming agreement made in 2015, that covers the life of mine, the Company delivers 100% of the payable silver sold by Mantos Blancos to Osisko Bermuda Limited ("Osisko"). Osisko pays a cash price of 8% of the spot price at the time of each delivery, in addition to an upfront acquisition price previously paid. After 19.3 million ounces of silver have been delivered under the agreement, the stream will be reduced to one-third. Mantos Blancos has delivered 5.2 million silver ounces since contract inception until June 30, 2023.

Agreement with Jetti Resources, LLC (“Jetti”)

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

Off-take agreements

The Company has sales commitments of copper concentrate production at Mantos Blancos under off-take agreements with Glencore (Note 13).

The Company has sales commitments equal to 100% of its copper cathode production at Mantoverde and Mantos Blancos under off-take agreements with Anglo American Marketing Limited ("AAML") under a multi year agreement.

The Company has concentrate off-take agreements with third parties whereby they will purchase 100% of the copper concentrate produced by the Cozamin Mine up to the end of December 2023.

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

The Company entered into an off-take agreement with Boliden Commercial AB (“Boliden”) for 75,000 tonnes of copper concentrates in each contract year. The off-take agreement expires ten years after the commencement of commercial production at the MVDP, subject to potential extension if less than 750 thousand tonnes of copper concentrates have been delivered at the contract term and subject to termination if commercial production does not commence by December 31, 2024.

MMC agreed to provide a $60 million COF in exchange for additional off-take of copper concentrate production under a 10-year contract. The off-take agreement includes Mantoverde agreeing to sell 30% of its annual copper production per year delivered for its equivalent in copper concentrates, plus an additional amount per annum of up to 30,000 tonnes of copper concentrate depending on the amount that is drawn by Mantoverde under the COF provided by MMC in connection with the MVDP. The agreement between MMC and Mantoverde to sell 30% of its annual copper production is for the duration of Mantoverde's commercial mine life. The amount payable for copper is based on average LME prices, subject to certain terms (Note 11).

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

Other

The Company has a contractual agreement extending until 2033 to purchase water for operations at Mantos Blancos.

The Company has contractual agreements for the purchase of power for operations at Mantos Blancos and Mantoverde, extending until 2038 and 2039, respectively.

The Company has contractual arrangements at Mantos Blancos and Mantoverde for the purchase of acid in 2023 and 2024 of 325,000 tonnes and 420,000 tonnes, respectively.

Included in value added taxes ("VAT") and other taxes receivable is $0.9 million of VAT related to Minera Santo Domingo. The Company has provided a guarantee to the Chilean Internal Revenue Service that all VAT amounts refunded, plus interest, will be repaid if construction of the Santo Domingo development project is not completed by August 31, 2026.

22. Other Expense

Details are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Mantos integration costs	**$ —**	$ 2,647	**$ —**	$ 3,120
Collective bargaining costs	**8,923**	—	**8,923**	—
Other expense	**8,146**	1,690	**10,862**	443
	$ 17,069	$ 4,337	**$ 19,785**	$ 3,563

23. Accretion Expense

Details of other non-cash interest are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Interest accretion on deferred revenue *(Note 14)*	**$ 2,474**	$ 2,500	**$ 4,925**	$ 5,000
Accretion on payable on purchase of NCI *(Note 10)*	**503**	1,024	**1,000**	2,036
Accretion on asset retirement obligations	**2,437**	716	**4,711**	1,145
Accretion on leases *(i)*	**630**	1,246	**1,257**	1,554
Amortization of financing fees	**262**	283	**529**	566
Other interest (income) expense	**(1,270)**	(13)	**(1,906)**	116
	$ 5,036	$ 5,756	**$ 10,516**	$ 10,417

i. A portion of accretion on leases has been capitalized to Construction in Progress related to the MVDP.

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

24. Segmented Information

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

Operating segment details are as follows:

	Three months ended June 30, 2023						
	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	Santo Domingo	Other	Total
Revenue							
Copper concentrate	$ 92,520	$ 67,241	$ —	$ 51,214	$ —	$ —	$ 210,975
Copper cathode	5,854	30,032	84,056	—	—	—	119,942
Silver	1,150	576	—	10,983	—	—	12,709
Molybdenum	(610)	—	—	—	—	—	(610)
Zinc	1,076	—	—	—	—	—	1,076
Gold	—	—	—	(24)	—	—	(24)
Treatment and selling costs	(7,539)	(996)	(379)	(3,391)	—	—	(12,305)
Pricing and volume adjustments	(4,307)	(2,187)	(359)	(83)	—	9,111	2,175
Net revenue	88,144	94,666	83,318	58,699	—	9,111	333,938
Production costs	(74,470)	(81,474)	(93,460)	(24,603)	—	—	(274,007)
Royalties	(747)	(1,345)	—	(964)	—	—	(3,056)
Depletion and amortization	(17,227)	(17,805)	(9,892)	(6,950)	—	—	(51,874)
(Loss) income from mining operations	(4,300)	(5,958)	(20,034)	26,182	—	9,111	5,001
General and administrative expenses	(32)	—	—	(28)	(19)	(7,144)	(7,223)
Exploration expenses	—	—	—	(31)	(2)	(1,613)	(1,646)
Share-based compensation expense	—	—	—	—	—	(2,389)	(2,389)
Loss from operations	(4,332)	(5,958)	(20,034)	26,123	(21)	(2,035)	(6,257)
Realized and unrealized gains on derivative instruments	—	—	26,613	—	—	24,857	51,470
Other (expense) income - net	(470)	(9,262)	(1,676)	1,353	(149)	(60,205)	(70,409)
Net finance costs	(778)	(1,708)	489	(2,266)	(482)	(2,746)	(7,491)
Loss before income taxes	(5,580)	(16,928)	5,392	25,210	(652)	(40,129)	(32,687)
Income tax recovery (expense)	2,626	3,667	(1,251)	(4,646)	—	(1,620)	(1,224)
Total net loss	$ (2,954)	$ (13,261)	$ 4,141	$ 20,564	$ (652)	$ (41,749)	$ (33,911)
Mineral properties, plant & equipment additions	$ 30,812	$ 19,963	$ 130,153	$ 15,367	$ 4,969	$ —	$ 201,264

i. Included in pricing and volume adjustments are realized and unrealized gains (losses) on the Company's quotational pricing copper contracts.

ii. Intersegment sales and transfers are eliminated in the table above. For the three months ended June 30, 2022, intersegment revenue for Cozamin and the Other segment was $4.1 million and $0.5 million (2022 - $3.2 million and $0.3 million), respectively.

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

	Three months ended June 30, 2022						
	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	Santo Domingo	Other	Total
Revenue							
Copper concentrate	$ 126,640	$ 74,352	$ —	$ 52,611	$ —	$ —	$ 253,603
Copper cathode	5,591	31,263	120,622	—	—	—	157,476
Silver	1,391	559	—	6,953	—	—	8,903
Molybdenum	753	—	—	—	—	—	753
Zinc	—	—	—	(81)	—	—	(81)
Gold	817	—	—	—	—	—	817
Treatment and selling costs	(9,628)	(5,603)	(1,348)	(2,737)	—	—	(19,316)
Pricing and volume adjustments	(24,165)	(12,250)	(2,085)	(7,011)	—	—	(45,511)
Net revenue	101,399	88,321	117,189	49,735	—	—	356,644
Production costs	67,606	(66,281)	(103,393)	39,987	—	—	(62,081)
Royalties	(391)	(1,308)	—	(1,196)	—	—	(2,895)
Depletion and amortization	(20,445)	(12,745)	(15,506)	(3,962)	—	—	(52,658)
Income from mining operations	4,081	7,987	(1,710)	26,954	—	—	37,312
General and administrative expenses	(351)	—	—	(31)	(42)	(6,255)	(6,679)
Exploration expenses	—	—	—	(32)	23	(3,388)	(3,397)
Share-based compensation recovery	—	—	—	—	—	13,951	13,951
Income from operations	3,730	7,987	(1,710)	26,891	(19)	4,308	41,187
Unrealized and realized gains on derivative instruments	—	—	86,013	—	—	555	86,568
Other (expense) income - net	(415)	9,759	(4,266)	80	(619)	(1,305)	3,234
Net finance costs	(590)	(466)	(863)	(2,180)	(889)	(1,680)	(6,668)
Income before income taxes	2,725	17,280	79,174	24,791	(1,527)	10,282	132,725
Income tax recovery (expense)	643	(5,577)	(22,856)	(9,116)	7,547	(3,832)	(33,191)
Total net income (loss)	$ 3,368	$ 11,703	$ 56,318	$ 15,675	$ (1,527)	$ 6,450	$ 91,987
Mineral properties, plant & equipment additions	22,779	33,880	109,146	16,338	5,982	1	188,126

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

	Six months ended June 30, 2023						
	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	Santo Domingo	Other	Total
Revenue							
Copper concentrate	$ 214,524	$ 159,947	$ —	$ 99,612	$ —	$ —	$ 474,083
Copper cathode	11,306	63,222	147,055	—	—	—	221,583
Silver	2,502	1,100	—	16,444	—	—	20,046
Molybdenum	3,132	—	—	—	—	—	3,132
Gold	1,857	—	—	—	—	—	1,857
Zinc	—	—	—	(24)	—	—	(24)
Treatment and selling costs	(16,930)	(8,850)	(1,307)	(5,951)	—	—	(33,038)
Pricing and volume adjustments *(i)*	(4,194)	(4,598)	(1,461)	(762)	—	(7,090)	(18,105)
Net revenue	212,197	210,821	144,287	109,319	—	(7,090)	669,534
Production costs	(156,726)	(157,230)	(157,053)	(43,379)	—	—	(514,388)
Royalties	(1,066)	(3,120)	—	(1,820)	—	—	(6,006)
Depletion and amortization	(38,737)	(30,634)	(17,549)	(12,833)	—	—	(99,753)
Income (loss) from mining operations	15,668	19,837	(30,315)	51,287	—	(7,090)	49,387
General and administrative expenses	(52)	—	—	(51)	(54)	(12,708)	(12,865)
Exploration expenses	(1)	—	—	(42)	(40)	(2,762)	(2,845)
Share-based compensation expense	—	—	—	—	—	(14,407)	(14,407)
Income (loss) from operations	15,615	19,837	(30,315)	51,194	(94)	(36,967)	19,270
Realized and unrealized loss on derivative instruments	—	—	6,374	—	—	261	6,635
Other (expense) income - net	(906)	(15,462)	(7,503)	2,519	(246)	(60,789)	(82,387)
Net finance costs	(1,550)	(3,339)	418	(4,504)	(1,041)	(5,357)	(15,373)
Income (loss) before income taxes	13,159	1,036	(31,026)	49,209	(1,381)	(102,852)	(71,855)
Income tax recovery (expense)	805	(736)	9,860	(9,649)	—	8,714	8,994
Total net income (loss)	$ 13,964	$ 300	$ (21,166)	$ 39,560	$ (1,381)	$ (94,138)	$ (62,861)
Mineral properties, plant & equipment additions	$ 41,241	$ 43,209	$ 292,239	$ 25,106	$ 8,847	$ —	$ 410,642

i. Included in pricing and volume adjustments are realized and unrealized gains (losses) on the Company's quotational pricing copper contracts.
ii. Intersegment sales and transfers are eliminated in the table above. For the six months ended June 30, 2023, intersegment revenue for Cozamin and the Other segment was $6.6 million and $0.7 million (2022 - $7.1 million and $0.7 million), respectively.

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

	Six months ended June 30, 2022						
	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	Santo Domingo	Other	Total
Revenue							
Copper concentrate	$ 280,082	$ 84,531	$ —	$ 110,147	$ —	$ —	$ 474,760
Copper cathode	11,647	38,842	148,735	—	—	—	199,224
Silver	3,136	559	—	14,638	—	—	18,333
Molybdenum	1,925	—	—	—	—	—	1,925
Zinc	—	—	—	1,747	—	—	1,747
Gold	901	—	—	—	—	—	901
Treatment and selling costs	(19,369)	(6,196)	(1,669)	(5,716)	—	—	(32,950)
Pricing and volume adjustments	(19,087)	(12,133)	(2,104)	(5,886)	—	—	(39,210)
Net revenue	259,235	105,603	144,962	114,930	—	—	624,730
Production costs	(157,614)	(75,225)	(124,111)	(33,883)	—	—	(390,833)
Royalties	(1,237)	(1,308)	—	(2,384)	—	—	(4,929)
Depletion and amortization	(44,863)	(13,872)	(18,665)	(8,231)	—	—	(85,631)
Income from mining operations	55,521	15,198	2,186	70,432	—	—	143,337
General and administrative expenses	(376)	—	—	(59)	(54)	(12,051)	(12,540)
Exploration expenses	—	—	—	(51)	(35)	(5,178)	(5,264)
Share-based compensation expense	—	—	—	—	—	(5,762)	(5,762)
Income (loss) from operations	55,145	15,198	2,186	70,322	(89)	(22,991)	119,771
Unrealized and realized gain on derivative instruments	—	—	87,153	—	—	10,110	97,263
Other (expense) income - net	(664)	10,057	(3,702)	(599)	(394)	(21,097)	(16,399)
Net finance costs	(1,176)	(646)	(1,036)	(4,425)	(1,066)	(3,778)	(12,127)
Income (loss) before income taxes	53,305	24,609	84,601	65,298	(1,549)	(37,756)	188,508
Income tax expense	(6,695)	(7,798)	(24,520)	(20,912)	—	(1,479)	(61,404)
Total net income (loss)	$ 46,610	$ 16,811	$ 60,081	$ 44,386	$ (1,549)	$ (39,235)	$ 127,104
Mineral properties, plant & equipment additions	40,430	54,748	144,217	35,707	15,475	15	290,592

	As at June 30, 2023						
	Pinto Valley	**Mantos Blancos**	**Mantoverde**	**Cozamin**	**Santo Domingo**	**Other**	**Total**
Mineral properties, plant and equipment	**$ 736,124**	**$ 988,377**	**$ 2,623,313**	**$ 257,677**	**$ 426,827**	**$ 644**	**$5,032,962**
Total assets	**$ 837,631**	**$1,112,042**	**$ 2,873,173**	**$ 307,793**	**$ 477,648**	**$ 34,157**	**$5,642,444**
Total liabilities	**$ 217,936**	**$ 305,028**	**$ 1,311,606**	**$ 226,204**	**$ 5,943**	**$ 445,311**	**$2,512,028**

	As at December 31, 2022						
	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	Santo Domingo	Other	Total
Mineral properties, plant and equipment	$ 734,797	$ 963,166	$ 2,352,804	$ 236,724	$ 417,980	$ 840	$4,706,311
Total assets	$ 850,320	$1,100,281	$ 2,640,472	$ 279,454	$ 477,433	$ 32,948	$5,380,908
Total liabilities	$ 220,547	$ 303,578	$ 1,212,801	$ 220,226	$ 38,962	$ 204,938	$2,201,052

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

25. Foreign Exchange

Details of foreign exchange gain (loss) are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Unrealized foreign exchange gain	**$ 2,096**	$ 16,927	**$ 1,418**	$ 17,447
Realized foreign exchange loss	**(1,515)**	(9,356)	**(10,099)**	(10,850)
Total foreign exchange gain (loss)	**$ 581**	$ 7,571	**$ (8,681)**	$ 6,597

The foreign exchange gain (loss) for the three and six months ended June 30, 2023 has primarily been impacted by the strengthening Chilean Peso and Mexican Peso. Unrealized foreign exchange gain is based on the revaluation of monetary assets and liabilities denominated in foreign currencies.