MANAGEMENT'S DISCUSSION AND ANALYSIS

AND

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022

(Expressed in US Dollars)

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF CAPSTONE COPPER CORP. FOR THE YEAR ENDED DECEMBER 31, 2022

Capstone Copper Corp. ("Capstone Copper" or the "Company" or "we") has prepared the following management's discussion and analysis (the "MD&A") as of February 17, 2023 and it should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2022. 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 and the impacts of the ongoing and evolving COVID-19 pandemic and the evolving geopolitical environment. Forward-looking statements include, but are not limited to, statements with respect to the execution of our future growth projects, our financial liquidity and development of our projects, the estimation of Mineral Resources and Mineral Reserves, the success of the underground paste backfill and tailings filtration projects at Cozamin, the timing and cost of the construction of the paste backfill and dry stack tailings plant at Cozamin, the success and timing of the Mantos Blancos Concentrator Debottlenecking Project, the timing and cost of the Mantoverde Development Project, the timing and results of the PV4 study, the expected reduction in capital requirements for the Santo Domingo project, the timing and success of the Cobalt Study for Santo Domingo, the timing and results of the integrated plan for Mantoverde - Santo Domingo, the realization of Mineral Reserve estimates, the timing and amount of estimated future production, the costs of production and capital expenditures and reclamation, the budgets for exploration at Cozamin, Santo Domingo, Pinto Valley, Mantos Blancos, Mantoverde and other exploration projects, the timing and success of the Copper Cities project, the success of our mining operations, the continuing success of mineral exploration, the estimations for potential quantities and grade of inferred resources and exploration targets, our ability to fund future exploration activities, our ability to finance the Santo Domingo project and other current or future projects and expansions, environmental risks, unanticipated reclamation expenses and title disputes, the success of the synergies and catalysts related to prior transactions, and the anticipated future production, costs of production, including the cost of sulphuric acid and oil and other fuel, capital expenditures and reclamation of the Company's operations and development projects and the risks included in our continuous disclosure filings on SEDAR at www.sedar.com. The potential effects of the COVID-19 pandemic on our business and operations are unknown at this time, including Capstone Copper's ability to manage challenges and restrictions arising from COVID-19 in the communities in which Capstone Copper operates and our ability to continue to safely operate. The impact of COVID-19 to Capstone Copper is dependent on a number of factors outside of our control and knowledge, including the effectiveness of the measures taken by public health and governmental authorities to combat the spread of the disease, global economic uncertainties and outlook due to the disease, supply chain delays resulting in lack of availability of supplies, goods and equipment, and evolving restrictions relating to mining activities and to travel in certain jurisdictions in which we operate.

In certain cases, forward-looking statements can be identified by the use of words such as "anticipates", "approximately", "believes", "budget", "estimates", expects", "forecasts", "guidance", intends", "plans", "scheduled", "target", or variations of such words and phrases, or statements that certain actions, events or results "be achieved", "could", "may", "might", "occur", "should", "will be taken" or "would" or the negative of these terms or comparable terminology. In this document certain forward-looking statements are identified by words including "anticipated", "expected", "guidance" and "plan". By their very nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, amongst others, risks related to inherent hazards associated with mining operations and closure of mining projects, future prices of copper and other metals, compliance with financial covenants, surety bonding, our ability to raise capital, Capstone 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 post divestiture, 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 outbreak including the COVID-19 pandemic; the impact of COVID-19 on our workforce, risks related to construction activities at our operations and development projects, suppliers and other essential resources and what effect those impacts, if they occur, would have on our business, including our ability to access goods and supplies, the ability to transport our products and impacts on employee productivity, the risks in connection with the operations, cash flow and results of Capstone Copper relating to the unknown duration and impact of the COVID-19 pandemic, 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 Mantos Blancos Concentrator Debottlenecking Project and 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.sedar.com. Although the Company has attempted to identify important factors that could cause our actual results, performance or achievements to differ materially from those described in our forward-looking statements, there may be other factors that cause our results, performance or achievements not to be as anticipated, estimated or intended. There can be no assurance that our forward-looking statements will prove to be accurate, as our actual results, performance or achievements could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on our forward-looking statements.

1.0 BUSINESS OVERVIEW

The accompanying consolidated financial statements have been prepared as at December 31, 2022, 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 kilometers northeast of the city of Antofagasta and the 70%-owned Mantoverde open-pit mine is located 50 kilometers 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. 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. 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.

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

2.0 Q4 2022 HIGHLIGHTS AND SIGNIFICANT ITEMS

2022 Annual and Q4 2022 Financial and Operational Highlights

- **Net income of $136.1 million, or $0.20 per share, for 2022, and net loss of $28.4 million, or $(0.03) per share for Q4 2022.**
- **Adjusted net income[1] of $84.5 million, or $0.14 per share for 2022, and $52.9 million or $0.06 per share for Q4 2022**. **Q4 2022** is down $20.3 million, or $0.12 per share, compared to the same quarter last year due to a lower copper price and inflationary pressure on costs.
- **Adjusted EBITDA[1] of $352.8 million for 2022 compared to $432.2 million for 2021. Adjusted EBITDA[1] of $80.5 million for Q4 2022, which includes a realized provisional pricing loss of $7.8 million relating to Q3 and Q2,** compared to Adjusted EBITDA[1] of $113.3 million in Q4 2021. The decrease in Adjusted EBITDA[1] is driven by a lower realized copper price and inflationary pressure on costs, particularly sulphuric acid and diesel fuel costs.
- **Operating cash flow before changes in working capital of $99.4 million in Q4 2022** compared to $104.9 million in Q4 2021.
- **Achieved production and cost guidance for the period from April 1, 2022 to December 31, 2022,** with consolidated copper production of 136.3 thousand tonnes at C1 cash costs[1] of $2.68/lb. **Consolidated copper production for Q4 2022 of 45.5 thousand tonnes at C1 cash costs[1] of $2.50/lb** of copper produced for Q4 2022, which consisted of 15.0 thousand tonnes at Pinto Valley, 5.8 thousand tonnes at Cozamin, 14.2 thousand tonnes at Mantos Blancos, and 10.5 thousand tonnes at Mantoverde.
- **Total available liquidity[1] of $697 million as at December 31, 2022**, composed of $172 million of cash and short-term investments, and $525 million of undrawn amounts on corporate revolving credit facility which was expanded during the fourth quarter to $600 million.
- **Mantos Blancos Concentrator Debottlenecking Project ("MB-CDP") completed ramp up to commercial production** in December, 2022.
- **MVDP remains on budget and on schedule**. Construction is progressing well on all key areas of the project. Total project spend inception-to-date was approximately $579 million at the end of December 2022 on a total budget of $825 million.
- **Mantoverde - Santo Domingo ("MV-SD") District Integration Plan** was presented during Q4 2022 outlining the approach Capstone is taking to maximize value creation (including synergies) across the district.

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

Operating Highlights

	Q4 2022	Q4 2021	2022	2021
Copper production (000s tonnes)				
Sulphides business				
Pinto Valley	**15.0**	16.8	**56.8**	60.5
Cozamin	**5.8**	6.6	**24.5**	24.4
Mantos Blancos	**10.0**	—	**29.0**	—
Total sulphides	**30.8**	23.4	**110.3**	84.9
Cathode business				
Mantos Blancos	**4.2**	—	**12.2**	—
Mantoverde[2]	**10.5**	—	**36.3**	—
Total cathodes	**14.7**	**—**	**48.5**	**—**
Consolidated	**45.5**	**23.4**	**158.8**	**84.9**
Copper sales				
Copper sold (000s tonnes)	**44.7**	21.2	**159.9**	81.1
Realized copper price[1] ($/pound)	**3.74**	4.61	**3.76**	4.42
C1 cash costs[1] ($/pound) produced				
Sulphides business				
Pinto Valley	**2.48**	2.00	**2.63**	2.16
Cozamin	**1.40**	0.99	**1.24**	0.96
Mantos Blancos	**1.82**	—	**2.16**	—
Total sulphides	**2.07**	1.72	**2.20**	1.81
Cathode business				
Mantos Blancos	**2.69**	—	**3.41**	—
Mantoverde	**3.65**	—	**3.63**	—
Total cathodes	**3.37**	—	**3.58**	—
Consolidated	**2.50**	1.72	**2.63**	1.81

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

Consolidated

Q4 2022 copper production of 45.5 thousand tonnes was higher than Q4 2021 primarily as a result of including production for the Mantos Blancos and Mantoverde mines.

2022 consolidated production of 158.8 thousand tonnes of copper is higher than the 84.9 thousand tonnes in 2021, primarily as a result of the addition of Mantos Blancos and Mantoverde production. Consolidated production for the nine month period from April 1, 2022 to December 31, 2022 of 136.3 thousand tonnes was within the guidance range.

Q4 2022 C1 cash costs[1] of $2.50/lb and 2022 C1 cash costs[1] of $2.63/lb are a mix of sulphide and cathode business units compared to 2021 which was predominately sulphide production. Consolidated C1 cash costs[1] are within the guidance range of $ 2.55 to $2.70 per pound payable copper.

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. Average sulphuric acid prices of $271 per tonne for the Company's cathode business unit in 2022 represented an historic high, and thus negatively impacted cash costs. 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 Mantoverde Development Project 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)	Q4 2022	Q4 2021	2022	2021	2020
Revenue	**362.1**	215.9	**1,296.0**	794.8	453.8
Net (loss) income	**(28.4)**	41.4	**136.1**	252.9	12.4
Net (loss) income attributable to shareholders	**(20.9)**	41.4	**122.2**	226.8	12.6
Net (loss) income attributable to shareholders per common share - basic ($)	***(0.03)***	*0.10*	***0.20***	*0.56*	*0.03*
Net (loss) income attributable to shareholders per common share - diluted ($)	***(0.03)***	*0.10*	***0.19***	*0.55*	*0.03*
Operating cash flow before changes in working capital[2]	**99.4**	104.9	**224.4**	556.3	131.2
Adjusted EBITDA[1]	**80.5**	113.3	**352.8**	432.2	139.2
Adjusted net income[1]	**52.9**	73.2	**84.5**	241.6	26.4
Adjusted net income attributable to shareholders[1]	**40.8**	73.2	**85.6**	242.1	26.4
Adjusted net income attributable to shareholders per common share - basic	***0.06***	*0.18*	***0.14***	*0.60*	*0.07*
Adjusted net income attributable to shareholders per common share - diluted	***0.06***	*0.18*	***0.14***	*0.58*	*0.07*
Realized copper price[1] ($/pound)	**3.74**	4.61	**3.76**	4.42	2.99
Net (debt) / cash[1]	**(483.1)**	264.4	**(483.1)**	264.4	(124.9)
Attributable net (debt) / cash [1]	**(339.9)**	264.4	**(339.9)**	264.4	(125.6)
Total assets	**5,380.9**	1,728.0	**5,380.9**	1,728.0	1,391.6
Total non-current financial liabilities	**709.5**	38.4	**709.5**	38.4	183.6

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

Mantos and Capstone Mining Transaction

On November 30, 2021, Capstone Mining announced it had entered into a definitive agreement (the "Agreement") with Mantos to combine, pursuant to a plan of arrangement.

The Transaction was completed on March 23, 2022 and the combined company was renamed Capstone Copper Corp. Capstone Copper is headquartered in Vancouver, B.C. and listed on the TSX. Pursuant to the Agreement, each Capstone Mining shareholder received one newly issued Capstone Copper share per Capstone Mining share (the "Exchange Ratio") and the existing Mantos shareholders maintained their Capstone Copper shares. At

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

completion of the Transaction, former Capstone Mining and Mantos shareholders collectively owned approximately 60.75% and 39.25% of Capstone Copper, respectively, on a fully-diluted basis. Refer to the business combination note in the consolidated financial statements.

Following completion of the Transaction, Capstone Copper operates four mines, including two mines run by Mantos Copper in Chile since 2015: The Mantos Blancos (100% owned) open-pit copper mine is located 45 kilometers northeast of Antofagasta in the Antofagasta Region and produces copper concentrate and copper cathodes. The Mantoverde (70% owned) open-pit mine is located 50 kilometers southeast of Chanaral, in the region of Atacama and produces copper cathodes. Mantoverde is the site of the MVDP sulphide expansion, currently in construction.

The new Capstone Copper has a broad portfolio of (largely permitted) brownfield projects located at our sites that facilitate disciplined capital allocation and a phased approach to growth.

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 235 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 36,000 to 40,000 tonnes of copper (cathodes only) in our current guidance for 2023 to ~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 $3.50/lb to $3.70/lb in the current guidance for 2023 to 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.

The Mantoverde Development Project is progressing well and remains on track for commissioning and feeding first ore to the mill in late 2023. Areas of focus in Q4 2022 were:

- Assembly and commissioning of the second electric rope shovel with commissioning of a third shovel planned for mid-Q1 2023;
- Critical equipment such as the SAG and ball mill shells, flotation cells, conveyor belts, components, and others, are already arrived at site; and
- Structural and mechanical assembly in the primary crusher, grinding, flotation, and tailings thickener area are in progress as planned.

As of December 31, 2022, 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 $579 million.

The majority of the total project capital cost of $825 million is fully encompassed by the turn-key contract with Ausenco. The EPC contract total budget is approximately $525 million of which $359 million has been spent as of December 31, 2022. In addition, major mining equipment for approximately $140 million was price fixed prior to the elevated inflationary pressures observed this year.

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

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

Mantos Blancos Concentrator Debottlenecking Project

The MB-CDP was completed in 2022 which increased throughput capacity at the sulphide concentrator plant from 11,000 tonnes per day ("tpd') to 20,000 tpd (or from 4.2 million tonnes per year to 7.3 million tonnes per year). MB-CDP completed ramp up to commercial production in December.

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 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 H2 2023, and the environmental DIA application was submitted in August 2022.

Mantoverde Phase II

Mantoverde is currently analyzing the next expansion of the sulphide concentrator. Capstone has identified that the major components of the comminution and flotation circuits of the Mantoverde Development Project are capable of throughput capacities higher than the 32,000 tonnes per day design, and an engineering study is being initiated to identify the upstream and downstream debottlenecking costs associated with the potential increase in nameplate capacity. Given the above, the Mantoverde Phase II study will now 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. A conceptual study is being prepared in Q1 2023 and pending positive results will be incorporated into a feasibility study targeted for H2 2023.

Santo Domingo

Since closing the Transaction, the Santo Domingo team has been integrated into the larger Capstone Copper team in Chile. The integrated project team was initially focused on identifying and evaluating the optimal integrated development plan for the Mantoverde - Santo Domingo district. The Mantoverde operation is located approximately ~35km southwest of the Santo Domingo project. In consideration of the Integration Plan submitted by the Company on November 10th, activities to better understand the full potential of the synergies and to maximize the outcome for the company through a optimized flowsheet are ongoing and a 2023 work plan has been developed to take advantage of the synergies associated with the proximity of Santo Domingo to the existing Mantoverde operation, existing infrastructure (including a desalination plant, roads, power, and pipelines), and integration of other assets, such as the Santo Domingo port. The outcomes of all of this are expected to be incorporated into an updated Santo Domingo feasibility study in H2 2023.

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. The Company 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.

The district integration synergies include the following:

- Water and Power Infrastructure – a plan to expand the existing Mantoverde desalination plant to 840 litres per second, utilization of existing water pipelines, and upgraded energy transmission capacity provides the infrastructure for Santo Domingo.
- Port Infrastructure – opportunity to reduce Mantoverde's concentrate trucking costs by $10 million per year by using the planned Santo Domingo port, located 65 kilometres from Mantoverde.
- Integrated Operations – potential to lower district operating costs by $20-30 million by streamlining the organizational chart across both operations, increasing purchasing power given district scale, and standardizing equipment to promote productivity gains.
- Santo Domingo Oxides – potential addition of 8,000-10,000 tpa of copper production over the first 10 years of production, by leaching copper oxides at Santo Domingo and processing the concentrated solutions at Mantoverde's underutilized SX-EW facility. The potential increase in production is expected to come from Santo Domingo's oxide mineralization, much of which is in the pre-strip, providing an operating cost advantage.
- Cobalt Opportunity – ability to reduce operating costs by approximately $45 million per year by building the cobalt and sulphuric acid production facility at Mantoverde that will process cobaltiferous pyrite

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

produced by both Mantoverde and Santo Domingo. The benefits would be realized through the neutralization of a weak acid by-product stream from the cobalt operation at the Mantoverde heap and dump leach operation, as well as through the elimination of port and trucking costs related to sulphuric acid use at Mantoverde.

- Withholding Tax – Potential to realize tax synergies between $150-200 million by re-investing cash flows to support our overall growth plan in Chile.

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 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. For the base case, the pyrite concentrate, which contains between 0.5% and 0.7% Co, is oxidized in a fluidized bed roaster to produce a cobalt calcine and a concentrated sulphuric acid by-product. The calcine is then subjected to various leaching, precipitation, solvent extraction and crystallization steps to produce battery grade cobalt sulphate heptahydrate. Capstone is also evaluating alternatives that may include the direct sale of some or all the cobalt as intermediate product, such as mixed hydroxide precipitate, to a partner, joint venture or an independent third-party refiner. At a combined MV-SD target of 6.0 to 6.5 thousand tonnes of cobalt production per year, this would be one of the largest and lowest cost cobalt producers in the world. Additional benefits of this project include the generation of carbon-free energy from waste heat emitted by the roaster, and the production of by-product sulphuric acid which can be used for heap or dump leaching to produce low-cost copper cathodes at Mantoverde, Mantos Blancos, or sold to other consumers within the district. Exploratory test-work has started at Mantoverde to confirm suitability of the Santo Domingo cobalt circuit flowsheet to process an integrated cobaltiferous pyrite feed.

Capstone is also examining the early production of cobalt from Mantoverde by oxidizing a pyrite concentrate from MVDP directly in the copper heap leach facilities. The pyrite concentrate would be recovered from MVDP waste streams and added to the oxide heap leach feed agglomerate drums. The pyrite would oxidize in the heap, producing by-product sulfuric acid in situ and solubilizing a significant fraction of the cobalt. A bleed stream containing cobalt in solution will then then be directed to a recovery plant consisting of various steps of impurity removal, continuous ion exchange, and hydroxide precipitation to produce a cobalt hydroxide precipitate. It is believed that this approach would require significantly less capital expenditure and could potentially accelerate the production of cobalt from the district. Test work will commence in Q1 2023 and a conceptual study will be available near the end of H2 2023.

PV4 Study

During the quarter, work progressed on the feasibility study ("FS") for PV4 which aims to maximize the conversion of approximately one billion tonnes of mineral resources to mineral reserves, significantly extending Pinto Valley's mine life and increasing the mine's copper production profile. The PV4 study is focused on an expansion of existing mill throughput and tailings impoundment facility, improvements to the metal recovery processes, and an extension of the life of mine. It is expected to be released in H1 2023 and considers the following process enhancements:

- A new tailings dam, TSF5, that would improve tailings water recovery while accommodating a longer mine life.
- Pyrite leach enhancement, with strong positive environmental, social and governance ("ESG") implications as it would divert acid-generating minerals including pyrite and chalcopyrite from tailings to the dump leach operation. Additional copper recovery and lower costs via the generation of acid would be key economic drivers for this project.
- Ball mill circuit upgrades, including ball mill shell replacements, motor upgrades, cyclone feed pump and cluster upgrades, and process control upgrades.
- Flotation circuit upgrades, including froth cameras on primary rougher banks, variable-speed drives on key slurry pumps, and potentially additional flotation capacity.
- Plant upgrades, including additional flotation capacity and process control in the molybdenum plant.

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

Corporate Exploration Update

Cozamin: The focus during Q4 2022 was on testing the Mala Noche Main Vein West Target with one underground rig from the west exploration crosscut station. Since the 2021-2022 exploration program started, approximately 54,650 meters of drilling have been completed from 71 holes. A proposed lower elevation mine cross-cut will allow for expedited infill drilling in 2023 to inform an updated mineral resource estimate in 2024. Surface drill testing of other targets along strike from the San Roberto mine area continued in Q4 2022 with one rig with 573 meters drilled in 2 holes.

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. Drilling with two surface rigs twinning historical drill holes was completed in 2022 with metallurgical testing continuing into 2023.

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"), commenced in Q4 2021 and continued in Q4 2022. Lara is conducting the work and will report results when appropriate.

2.1 2023 Guidance

The Company expects to produce between 170,000 and 190,000 tonnes of copper at C1 cash costs[1] of between $2.50 and $2.70 per payable pound of copper produced.

Capstone's 2023 operating and capital guidance is as follows:

	Copper Production ('000s tonnes)	C1 Cash Costs[1] (US$ per payable lb Cu Produced)
Sulphides Business		
Pinto Valley	56.0 – 62.0	$2.40 – $2.60
Cozamin	23.0 – 25.0	$1.50 – $1.65
Mantos Blancos	45.0 – 51.0	$2.20 – $2.40
Total Sulphides	**124.0 – 138.0**	**$2.15 – $2.35**
Cathode Business		
Mantos Blancos	10.0 – 12.0	$2.85 – $3.00
Mantoverde[2]	36.0 – 40.0	$3.50 – $3.70
Total Cathodes	**46.0 – 52.0**	**$3.35 – $3.55**
Consolidated Cu Production	**170.0 – 190.0**	**$2.50 – $2.70**

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

Key C1 Cash costs[1] input assumptions:

CLP/USD: 800:1 MXN/USD: 20:1 Silver: $20/oz Molybdenum: $14/lb Gold: $1,700/oz

Consolidated C1 cash costs[1] are expected to decline in 2023 compared to 2022 due to an increased proportion of lower-cost copper production from concentrates versus higher-cost copper cathode. This will be driven primarily by increased throughput at the Mantos Blancos concentrator, after the completion of the ramp-up in 2022 of the Mantos Blancos Concentrator Debottlenecking Project. The decline in 2023 cathode production is a result of the anticipated grade decline in Mantoverde oxides. Helping to offset lower oxide grades are lower sulphuric acid prices, and we have secured over 70% of our 2023 requirement at prices in the $130 - $150 per tonne range, which is over $100 per tonne lower than the average price paid in 2022. Pinto Valley is expected to perform similarly year-over-year for production and costs.

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

C1 Cash costs[1] at the Cozamin mine are expected to increase to $1.50 to $1.65 per pound. Additional costs will be realized with the operation of the new paste backfill and dry stack tailings plant currently being commissioned and ramping up. We are also introducing cut-and-fill mining in certain areas of the mine this year. Some areas of the Mala Noche Footwall Zone will benefit from this change in mining method which will increase the realized mineral recovery in the mining process. A new technical report will be issued at the end of Q1 2023 outlining the incorporation of cut-and-fill to the mine plan. We anticipate that this method will provide future opportunity to convert more of the resource to the reserve and will provide a pathway to increase mine production in the future to better utilize the installed mill capacity of 4,400 tonnes per day. We intend to update the mine plan in 2024 to incorporate these improvement opportunities.

2023 Capital and Exploration Guidance

In 2023, the Company plans to spend a total of $400 million in sustaining[1] and expansionary[1] capital expenditures at its operating mines and the Santo Domingo Project. This is broken down into $140 million on sustaining capital and $260 million on expansionary capital, mainly related to the Mantoverde Development project. Pinto Valley sustaining capital is focused on bolstering process water availability and providing capacity for future tailings deposition.

	Pinto Valley	Mantos Blancos	Mantoverde[2]	Cozamin	Santo Domingo	Total
Capital Expenditure ($ millions)						
Sustaining Capital[1]	70	20	25	25	-	**140**
Expansionary Capital[1]	5	-	225	5	25	**260**
Total Capital Expenditures	**75**	**20**	**250**	**30**	**25**	**400**

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

In addition, the Company plans to spend a total of $220 million in capitalized stripping at its three open pit mines.

	Pinto Valley	Mantos Blancos	Mantoverde[2]	Total
Capitalized Stripping ($ millions)	25	75	120	**220**

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

A portion of waste material mined at the Mantos Blancos and Mantoverde mines in 2023 is considered eligible for capitalization as a stripping asset under Capstone's accounting policies. In the Mantoverde and Mantos Blancos technical reports dated November 29, 2021, the costs associated with mining this waste material were considered to be operating costs. Total mine movement has not increased compared to the technical reports, only the classification between operating costs and capitalized stripping.

Finally, the Company plans to spend $10 million in brownfield and greenfield exploration activities in 2023. The brownfield exploration is focused on resource conversion at Cozamin, Mantos Blancos and Mantoverde. The greenfield exploration relates to the high-grade Planalto project in Brazil.

	$ millions
Brownfield Exploration	**6**
Greenfield Exploration	**4**
Total Exploration	**10**

[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					2021				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Production (contained)[2]										
Copper in Concentrate (tonnes)	13,716	12,778	13,428	14,300	54,222	15,988	12,899	13,192	16,196	58,275
Cathode (tonnes)	636	556	719	711	2,622	527	497	538	622	2,184
Total Copper (tonnes)	14,352	13,334	14,147	15,011	56,844	16,515	13,396	13,730	16,818	60,459
Mining										
Waste (000s tonnes)	5,572	6,082	6,208	4,499	22,361	7,169	7,144	6,115	5,411	25,839
Ore (000s tonnes)	6,074	4,986	5,176	5,744	21,980	5,569	4,393	5,545	6,560	22,067
Total (000s tonnes)	11,646	11,068	11,384	10,243	44,341	12,738	11,537	11,660	11,971	47,906
Strip Ratio (Waste:Ore)	0.92	1.22	1.20	0.78	1.02	1.29	1.63	1.10	0.82	1.17
Processing										
Throughput (000s tonnes)	5,257	4,261	4,429	5,080	19,027	5,229	4,474	4,517	5,380	19,600
Tonnes per day	58,412	46,821	48,143	55,222	51,088	58,095	49,170	49,100	58,481	53,700
Grade (%)[3]	0.32	0.34	0.34	0.32	0.33	0.36	0.33	0.33	0.37	0.35
Recoveries (%)[3]	82.3	88.2	89.1	86.9	86.5	85.6	88.6	88.0	81.8	85.7
Payable copper produced (tonnes)	13,872	12,887	13,677	14,510	54,946	15,956	12,945	13,268	16,250	58,419
Copper C1 cash cost[1] ($/ pound payable copper produced)	2.60	2.82	2.60	2.48	2.63	1.94	2.33	2.44	2.00	2.16
Adjusted EBITDA[1] ($ millions)	71.1	48.1	16.7	32.0	167.9	88.3	82.5	35.9	74.3	281.0

[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.*

Q4-2022 vs Q4-2021 Insights

Copper production of 15.0 thousand tonnes in Q4 2022 was 11% lower than Q4 2021. Lower grades (Q4 2022 – 0.32% versus Q4 2021 - 0.37%) were offset partially by higher recoveries (Q4 2022 - 86.9% versus Q4 2021 - 81.8%). In addition, lower mill throughput during the quarter (Q4 2022 - 55,222 tpd versus Q4 2021 - 58,481 tpd) was a result of down time for a mill reline and lower ore supply from the pit due to low truck availability.

Q4 2022 C1 cash costs[1] of $2.48/lb in Q4 2022 were higher than Q4 2021 of $2.00/lb primarily due to lower production ($0.26/lb), increases in operating costs due to inflation ($0.23/lb) and treatment and refining costs ($0.05/lb), partially offset by higher capitalized stripping costs (-$0.12/lb).

YTD-2022 vs YTD-2021 Insights

2022 production was 6% lower than the same period last year primarily attributed to lower grades (2022 – 0.33% versus 2021 – 0.35%) and lower mill throughput (51,088 tpd in 2022 versus in 53,700 tpd 2021), partially offset by higher recoveries (2022 - 86.5% versus 2021 - 85.7%).

2022 C1 cash costs[1] of $2.63/lb were $0.47/lb higher compared to the same period last year of $2.16/lb primarily due to increased operating costs due to inflationary pressures on diesel, power, explosives, grinding media; and higher spend on rental equipment, mining equipment tools, contractors and dust suppression ($0.29/lb), lower production ($0.14/lb) and an increase in treatment and refining costs ($0.10/lb), partially offset by higher capitalized stripping costs (-$0.07/lb).

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

Capital Expenditures

Sustaining capital[1] in Q4 2022 of $27.2 million was spent primarily on mining equipment component replacements, mill feed wet scrubbers, investing in infrastructure upgrades that will increase water reclaim, tailings and environmental projects - including pond containment for contaminated storm water, mill water overflows and pipe leaks, peak well booster and tailings thickener pumping upgrades. Expansionary capital[1] in Q4 2022 of $1.7 million was primarily related to the PV4 studies. Deferred stripping increased in Q4 2022 compared to the same period last year as waste removal from the northwest section of phase 3 was started.

($ millions)	Q4 2022	Q4 2021	2022	2021
Deferred stripping	**5.6**	0.2	**22.7**	11.9
Sustaining capital[1]	**27.2**	11.9	**78.2**	43.8
Expansionary capital[1]	**1.7**	5.1	**10.8**	18.5
Right of use assets - non cash	**1.5**	—	**1.5**	8.7
Pinto Valley mine additions	**36.0**	17.2	**113.2**	82.9

[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				
	Q1[4]	Q2	Q3	Q4	Total
Production (contained metal and cathode)[2]					
Copper in Concentrate (tonnes)	704	8,685	9,593	9,975	28,957
Cathode (tonnes)	330	3,713	4,003	4,228	12,274
Total Copper (tonnes)	1,034	12,398	13,596	14,203	41,231
Mining					
Waste (000s tonnes)	—	11,671	10,837	17,112	39,620
Ore (000s tonnes)	—	8,409	8,559	4,713	21,681
Total (000s tonnes)	—	20,080	19,396	21,825	61,301
Strip Ratio (Waste:Ore)	—	1.39	1.27	3.63	1.83
Stockpile (000s tonnes)	—	801	1,425	1,794	4,020
Total material moved (000s tonnes)	—	20,881	20,821	23,619	65,321
Mill operations					
Tonnes per day	—	15,218	14,334	15,246	15,405
Grade (%)[3]	—	0.90	0.92	0.94	0.92
Recoveries (%)[3]	—	69.7	79.3	75.1	72.5
Dump operations					
Throughput (000s tonnes)	—	3,138	2,680	4,128	9,946
Grade (%)[3]	—	0.18	0.16	0.19	0.18
Silver					
Production contained (oz)	22	314	263	312	911
Payable copper produced (tonnes)	1,011	12,129	13,270	13,864	40,274
Sulphides C1 cash cost[1] ($/pound payable copper produced)	—	2.49	2.17	1.82	2.16
Cathode C1 cash cost[1] ($/pound payable copper produced)	—	3.67	3.87	2.69	3.41
Combined C1 cash cost[1] ($/pound payable copper produced)	3.33	2.85	2.68	2.09	2.54
Adjusted EBITDA[1] ($ millions)	8.3	34.1	8.8	27.3	78.5

[2] *Adjustments based on final settlements will be made in future quarters*
[3] *Grade and recoveries were estimated based on concentrate production and may be impacted by settlements from prior production periods.*
[4] *Includes nine days (from March 23 to March 31, 2022)*

Operational and C1 Cash Costs[1] Update

Sulphide and cathode copper production in Q4 2022 was 14.2 thousand tonnes. Q4 2022 throughput of 15,246 tpd was 6% higher than the previous quarter due to MB-CDP ramping up during the quarter and a higher mill feed grade of 0.94% versus 0.92% in Q3. 2022 copper production was 41.2 thousand tonnes.

The ramp-up was completed in December 2022 and the plant was handed over the from the project team to the operation team. Technical review of the year-to-date performance of the new Ball Mill #8 indicates that it is performing at higher-than expected milling efficiencies, indicating that concentrator throughput greater than the nominal 20,000 tpd may be sustainable with minimal capital expenditure.

Combined Q4 2022 C1 cash costs[1] were $2.09/lb ($1.82/lb sulphides and $2.69/lb cathodes).

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

Combined 2022 C1 cash costs[1] were $2.54/lb ($2.16/lb sulphides and $3.41/lb cathodes). The cathode costs were significantly impacted by high sulphuric acid prices of average $271/tonne in 2022.

Capital Expenditures

Sustaining capital[1] in Q4 2022 of $3.1 million was spent primarily on mining equipment component replacements, maintenance of pump systems for the oxide and concentrate plant. Deferred stripping in Q4 2022 was $23.5 million.

($ millions)	Q4 2022	2022
Deferred stripping	**23.5**	**57.7**
Sustaining capital[1]	**3.1**	**13.6**
Expansionary capital[1]	**—**	**28.0**
Capitalized interest on construction in progress	**—**	**4.2**
Right of use assets - non cash	**1.1**	**1.1**
Mantos Blancos mine additions	**27.7**	**104.6**

[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				
	Q1[4]	Q2	Q3	Q4	Total
Production (contained)[2, 3]					
Cathode (tonnes)	1,208	13,050	11,581	10,462	36,301
Mining					
Waste (000s tonnes)	—	13,501	15,020	17,113	45,634
Ore (000s tonnes)	—	5,876	5,816	6,644	18,336
Total (000s tonnes)	—	19,377	20,836	23,757	63,970
Strip Ratio (Waste:Ore)	—	2.30	2.58	2.58	2.49
Rehandled Ore (000s tonnes)	—	3,366	3,041	3,508	9,915
Total material moved (000s tonnes)	—	22,743	23,877	27,265	73,885
Heap operations					
Throughput (000s tonnes)	—	2,763	2,475	2,847	8,085
Grade (%)	—	0.49	0.45	0.40	0.45
Recoveries (%)	—	75.7	86.7	77.0	77.2
Dump operations					
Throughput (000s tonnes)	—	2,644	3,788	3,046	9,478
Grade (%)	—	0.17	0.17	0.15	0.16
Recoveries (%)	—	41.9	40.1	37.7	39.8
Payable copper produced (tonnes)	1,208	13,050	11,581	10,462	36,301
Copper C1 cash cost[1] ($/pound payable copper produced)	3.63	3.40	3.87	3.65	3.63
Adjusted EBITDA[1] ($ millions)	7.2	5.8	(17.7)	(4.6)	(9.3)

[2] *Adjustments based on final settlements will be made in future quarters*
[3] *Production shown on a 100% basis*
[4] *Includes nine days (from March 23 to March 31, 2022)*

Operational and C1 Cash Costs[1] Update

Q4 2022 copper production was 10.5 thousand tonnes.

2022 production was 36.3 thousand tonnes. Heap operation grade was 0.45% and recoveries 77.2%. Dump operations grade was 0.16% and recoveries 39.8%.

Q4 2022 C1 cash costs[1] were $3.65/lb, which were impacted by high sulphuric acid prices, averaging $271/tonne for 2022. More recently, sulphuric acid prices have significantly decreased with contract prices in the $130/tonne to $150/tonne range for 2023.

2022 C1 cash costs[1] were $3.63/lb, at the lower end of Mantoverde guidance range.

Capital Expenditures

Sustaining capital[1] in Q4 2022 of $14.0 million was spent primarily to enable a new leaching area (4th level), new South Dump II area and mining equipment component replacements. Expansionary capital[1] in Q4 2022 of $119.3 million related to MVDP.

The schedule remains intact and the target for construction completion remains late 2023. Work completed in Q4 2022 included:

- Assembly and commissioning of the second electric rope shovel with commissioning of a third shovel planned for mid-Q1 2023;

- Critical equipment such as the SAG and ball mill shells, flotation cells, conveyor belts, components, and others, are already on site; and
- Structural and mechanical assembly in the primary crusher, grinding, flotation, and tailings thickener area are in progress as planned.

($ millions)	Q4 2022	2022
Sustaining capital[1]	**14.0**	**27.7**
Expansionary capital[1]	**119.3**	**270.9**
Capitalized interest on construction in progress	**8.7**	**19.2**
Right of use assets - non cash	**7.1**	**31.8**
Mantoverde mine additions	**149.1**	**349.6**

[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					2021				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Production (contained)[2]										
Copper (tonnes)	5,921	6,397	6,357	5,776	24,451	5,166	6,250	6,420	6,582	24,418
Silver (000s ounces)	271	439	353	313	1,376	343	364	398	426	1,531
Zinc (000s pounds)	798	271	525	103	1,697	2,715	1,885	710	928	6,238
Mining										
Ore (000s tonnes)	342	346	350	316	1,354	328	332	345	353	1,358
Processing										
Milled (000s tonnes)	333	352	352	316	1,353	301	348	355	355	1,359
Tonnes per day	3,704	3,874	3,829	3,430	3,803	3,345	3,828	3,854	3,863	3,724
Copper										
Grade (%)[3]	1.84	1.88	1.86	1.89	1.87	1.79	1.86	1.87	1.92	1.86
Recoveries (%)	96.6	96.7	96.8	96.8	96.7	96.0	96.3	96.7	96.6	96.4
Silver										
Grade (%)[3]	41.9	36.4	37.9	37.4	38.4	43.8	39.6	41.8	45.1	42.5
Recoveries (%)	82.6	82.0	82.1	82.3	82.3	80.9	82.1	83.6	82.7	82.4
Zinc										
Grade (%)[3]	0.43	0.33	0.36	0.32	0.36	0.84	0.53	0.45	0.48	0.56
Recoveries (%)	25.4	10.7	18.9	4.6	15.8	48.6	46.7	20.3	24.7	37.0
Payable copper produced (tonnes)	5,690	6,144	6,108	5,544	23,486	4,957	6,002	6,169	6,325	23,453
Copper C1 cash cost[1] ($/pound payable copper produced)	1.12	1.25	1.20	1.40	1.24	0.91	1.00	0.93	0.99	0.96
Adjusted EBITDA[1] ($ millions)	44.7	36.7	23.9	32.6	137.9	34.7	50.0	41.2	45.8	171.7

[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.

Q4-2022 vs Q4-2021 Insights

Q4 2022 copper production of 5.8 thousand tonnes was lower than the same period prior year mainly on lower mill throughput (3,430 tpd in Q4 2022 versus 3,863 tpd in Q4 2021) as a result of lower ore mined due to the implementation of a new mining method (cut-and-fill) and ground support improvement project in late Q4 2022. Q4 2022 recoveries and grades were consistent with Q4 2021.

Q4 2022 C1 cash costs[1] were 41% higher than the same period last year mainly due to a decrease in by-product credits ($0.17/lb) as a result of lower zinc production as well as lower silver production and prices, inflationary price increases on the main consumables ($0.13/lb) and lower copper production ($0.13/lb).

YTD-2022 vs YTD-2021 Insights

Full year 2022 production was slightly higher than 2021 full year due to higher throughput as a result of upgrades to the mill in Q1 2022 (3,803 in 2022 versus 3,724 in 2021), slightly higher grades (1.87% in 2022 versus 1.86% in 2021) and recoveries.

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

2022 C1 cash costs[1] were 29% higher than the same period last year primarily due to inflationary price increases in steel (grinding media), explosives and insurance premiums, planned higher spend on mechanical parts to increase equipment availability and reliability ($0.13/lb), lower zinc by-product credits due to planned lower zinc production, as well as lower silver prices ($0.13/lb).

The paste backfill and dry stack tailings project remains on target and will facilitate the mine's planned long-term sustainability with project completion expected in Q1 2023 and ramp-up in the first half of 2023. Inception-to-date, we have invested $52 million of a total $55 million budget for the project.

Capital Expenditures

Sustaining capital[1] and expansionary capital[1] spending at Cozamin totaled $19.8 million for Q4 2022. Sustaining capital[1] was related to mine development and mine equipment. Capital spending included $11.0 million of expansionary capital[1] on the filtered (dry stack) tailings and paste backfill facility project.

Capitalized exploration expenditures totaled $0.5 million for Q4 2022. This was spent primarily on testing the Mala Noche Main Vein West Target with one underground rig from the west exploration crosscut station.

($ millions)	**Q4 2022**	**Q4 2021**	**2022**	**2021**
Sustaining capital[1]	**8.8**	8.5	**31.3**	25.3
Expansionary capital[1]	**11.0**	5.4	**38.7**	13.1
Brownfield exploration	**0.5**	1.5	**3.3**	5.3
Right of use assets-non cash	**—**	—	**0.3**	—
Cozamin mine additions	**20.3**	15.4	**73.6**	43.7

[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)

Investing Activities

Since closing the Transaction, the Santo Domingo team has been integrated into the larger Capstone Copper team in Chile. The integrated project team was initially focused on identifying and evaluating the optimal integrated development plan for the Mantoverde - Santo Domingo district. The Mantoverde operation is located approximately ~35km southwest of the Santo Domingo project. In consideration of the Integration Plan submitted by the Company on November 10th, activities to better understand the full potential of the synergies and to maximize the outcome for the company through a optimized flowsheet are ongoing and a 2023 work plan has been developed to take advantage of the synergies associated with the proximity of Santo Domingo to the existing Mantoverde operation, existing infrastructure (including a desalination plant, roads, power, and pipelines), and integration of other assets, such as the Santo Domingo port. The outcomes of all of this are expected to be incorporated into an updated Santo Domingo feasibility study in H2 2023.

Project development costs related to early works as required by the Environmental Permit to include flora and fauna relocation, basic and detailed engineering, land tenure costs, the industrial water pipeline and relocation of Regional Highway C-17. In Q3 2021, Capstone Mining commenced major earthworks with respect to the C17 highway by-pass road which provides site access, and work on the electrical substation connection. Capstone Copper has also completed a brownfield expansion drilling program and an update of the geology model and mineral resource, including the new mineralization identified between the Santo Domingo and Iris Norte Pits.

($ millions)	Q4 2022	Q4 2021	2022	2021
Capitalized project costs	**3.7**	9.1	**27.3**	27.9

3.6 Exploration

($millions)	Q4 2022	Q4 2021	2022	2021
Greenfield exploration (expensed to income statement)	**2.5**	1.0	**9.6**	1.7
Brownfield exploration (capitalized to mineral properties) - Cozamin	**0.5**	1.4	**3.3**	2.4
Brownfield exploration (capitalized to mineral properties) – Santo Domingo	**—**	1.7	**—**	1.7
Total exploration	**3.0**	4.1	**12.9**	5.8

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 Income Analysis

Net (Loss) Income for the Three Months Ended December 31, 2022 and 2021

The Company recorded net loss of $28.4 million for the three months ended December 31, 2022 compared with net income of $41.4 million in Q4 2021. The major differences are outlined below:

The difference quarter-over-quarter was driven by:

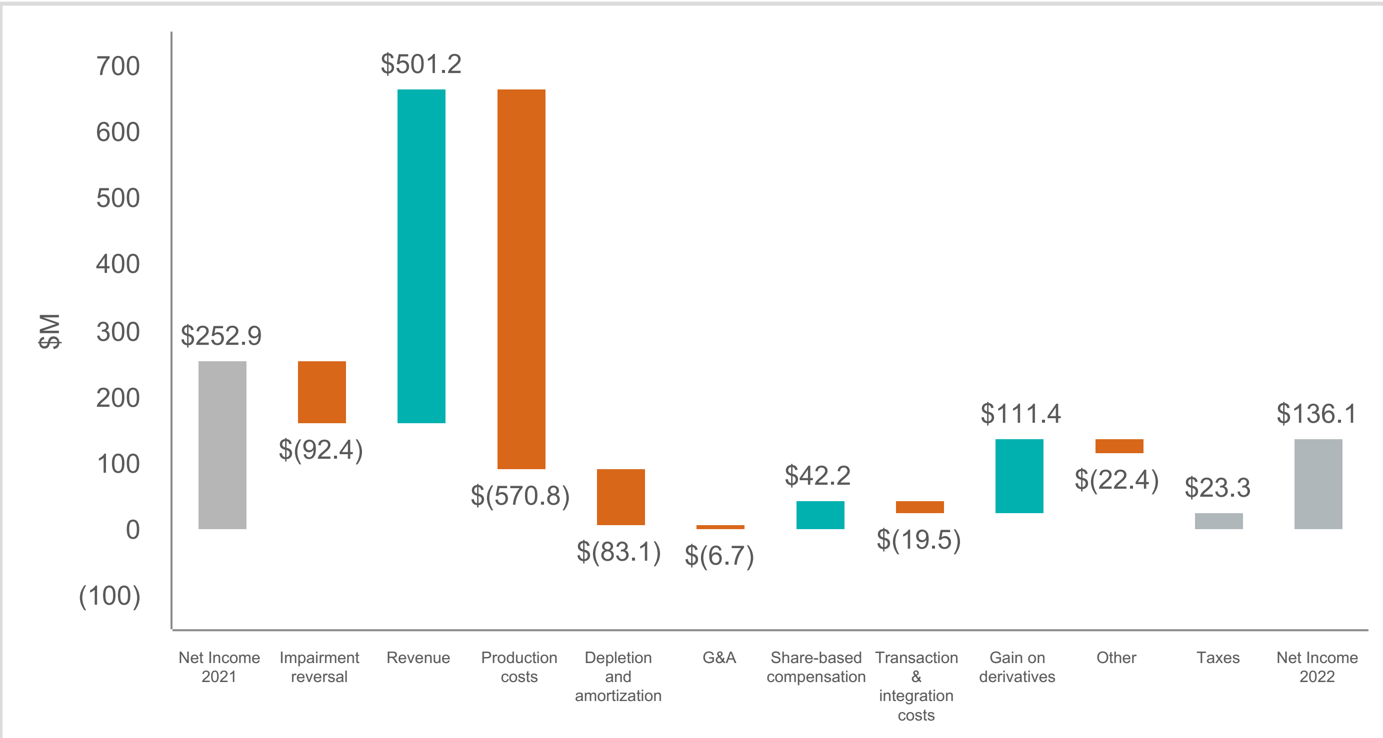
- Revenue: $146.2 million or 68% of the increase was driven by higher copper volumes sold due to the addition of Mantos Blancos and Mantoverde (Q4 2022 – 44.7 thousand tonnes, Q4 2021 – 21.2 thousand tonnes), and partially offset by lower realized copper prices[1] (Q4 2022 - $3.74 per pound, Q4 2021 - $4.61 per pound). Gross copper revenue increased by $170.8 million ($238.4 million increase on higher volume sold and reduced by $67.6 million on lower price).
- Production costs: $154.8 million increase primarily driven by the addition of Mantos Blancos and Mantoverde:
  - Pinto Valley recorded $3.2 million higher production costs in Q4 2022 compared to Q4 2021 as a result of higher costs driven by inflationary impacts on supplies and diesel.
  - Cozamin recorded $1.5 million higher production costs in Q4 2022 compared to Q4 2021 as a result of higher mining costs.
  - Mantos Blancos recorded $65.6 million production costs in Q4 2022 on 14.1 thousand tonnes of copper volumes sold.
  - Mantoverde recorded $84.0 million production costs in Q4 2022 on 10.8 thousand tonnes of copper volumes sold.
- Depletion and amortization: $18.6 million increase primarily due to the addition of Mantos Blancos and Mantoverde of $18.2 million.
- Loss on derivatives: $64.3 million increase primarily due to net loss of $42.2 million on the operating derivatives (copper commodity and foreign exchange), and the $21.7 million net loss on MVDP's financing derivative portfolio (copper commodity, interest rates, and foreign currency swaps). Copper forward curve prices increased from $3.43/lb as at September 30, 2022 to $3.80/lb as at December 31, 2022, resulting in an unrealized loss on copper hedges of $83.3 million.

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

- Foreign exchange: $13.1 million change primarily due to additional foreign exchange impacts from Mantos Blancos and Mantoverde as a result of a strengthening Chilean Peso.
- Income taxes: $46.4 million decrease due to a net loss during Q4 2022 compared to a net income during Q4 2021.

Net Income for the Years Ended December 31, 2022 and 2021

The Company recorded net income of $136.1 million for the year ended December 31, 2022 compared with net income of $252.9 million in 2021. The major differences are outlined below:



The difference year-over-year was driven by:

- Revenue: $501.2 million or 63% of the increase was driven by higher copper volumes sold due to the addition of Mantos Blancos and Mantoverde (2022 – 159.9 thousand tonnes, 2021 – 81.1 thousand tonnes), and partially offset by lower realized copper prices[1] (2022 - $3.76 per pound, 2021 - $4.42 per pound). Gross copper revenue increased by $553.1 million ($767.0 million increase on higher volume sold and reduced by $213.9 million on lower price).
- Production costs: $570.8 million increase primarily driven by inclusion of Mantos Blancos and Mantoverde:
  - Pinto Valley recorded $31.2 million higher production costs in 2022 compared to 2021 as a result of higher costs driven by inflationary impacts on supplies and diesel and additional spend on rental equipment and contractors.
  - Cozamin recorded $5.0 million higher production costs in 2022 compared to 2021 as a result of higher mining costs.
  - Mantos Blancos recorded $215.5 million production costs in 2022 on 40.6 thousand tonnes of copper volumes sold.
  - Mantoverde recorded $317.0 million production costs in 2022 on 39.3 thousand tonnes of copper volumes sold.
- Depletion and amortization: $83.1 million increase primarily due to the addition of Mantos Blancos and Mantoverde of $74.3 million, and $8.8 million from the increase in copper volumes sold.
- Impairment reversal of $92.4 million on mineral properties related to Santo Domingo recorded during Q1 2021.
- Share-based compensation: $42.2 million decrease primarily due to decrease in share price in 2022 (C$5.58 opening price to C$4.94 closing price as at December 31, 2022 vs. C$2.38 opening price to C$5.58 closing price as at December 31, 2021).

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

- Gain on derivatives: $111.4 million increase primarily due to the $150.5 million unrealized net gain on MVDP's financing derivative portfolio (copper commodity, interest rates, and foreign currency swaps), partially offset by the realized net loss of $41.0 million on the portfolio, and a net gain of $1.6 million on the operating derivatives (copper commodity and foreign exchange). Copper forward curve prices dropped from $4.41/lb as at December 31, 2021 to $3.80/lb as at December 31, 2022, resulting in an unrealized gain on copper hedges of $100.8 million.
- Transaction & Integration costs : $19.5 million increase primarily due to the transaction ($19.4 million) and integration costs ($3.4 million) incurred as a result of the Transaction.
- Income taxes: $23.3 million decrease due to a lower pre-tax income compared to 2021.

4.2 Revenue Analysis

Revenue increased quarter-on-quarter ($362.1 million versus $215.9 million in Q4 2021) primarily due to higher copper volumes sold (44.7 thousand tonnes versus 21.2 thousand tonnes in Q4 2021) as a result of the additional sales from Mantos Blancos and Mantoverde mines, partially offset by a lower realized copper price[1] ($3.74 per pound versus $4.61 per pound in Q4 2021).

YTD revenue increased year-on-year ($1,296.0 million versus $794.8 million in 2021) due to additional 78.8 thousand tonnes higher copper volumes sold (159.9 thousand tonnes versus 81.1 thousand tonnes in 2021) as a result of the sales from Mantos Blancos and Mantoverde mines, and partially offset by a lower realized copper price[1] ($3.76 per pound versus $4.42 per pound in 2021).

Revenue by Mine

($ millions)	Q4 2022[2]		Q4 2021[2]		2022[2]		2021[2]	
Pinto Valley	**122.5**	**33.8 %**	148.1	68.6 %	**473.6**	**36.5 %**	546.8	68.8 %
Mantos Blancos	**115.0**	**31.8 %**	—	—	**307.3**	**23.7 %**	—	—
Mantoverde	**87.8**	**24.2 %**	—	—	**315.4**	**24.3 %**	—	—
Cozamin	**54.6**	**15.1 %**	67.8	31.4 %	**217.0**	**16.7 %**	248	31.2 %
Corporate[3]	**(17.8)**	**(4.9)%**	—	—	**(17.3)**	**(1.2)%**	—	—
Total revenue	**362.1**	**100.0 %**	215.9	100.0 %	**1296.0**	**100.0 %**	794.8	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 year ended December 31, 2022 includes 55.0 thousand tonnes of copper sold subject to final settlement. Of this, the prices for 7.7 thousand tonnes are final at a weighted average price of $3.78 per pound. The remaining 47.3 thousand tonnes are subject to price change upon final settlement at the end of the applicable quotational period, as follows:

						($/pound)
Quotational Period	**Pinto Valley**	**Mantos Blancos**	**Mantoverde**	**Cozamin**	**Total**	**Provisional Price**
Jan-2023	5.7	4.3	2.8	1.8	14.6	3.80
Feb-2023	10.5	4.2	3.3	1.8	19.8	3.80
Mar-2023	2.8	3.5	—	2.2	8.5	3.80
Apr-2023	2.7	—	—	1.7	4.4	3.80
Total	21.7	12.0	6.1	7.5	47.3	3.80

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

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

final price. The provisional pricing gains or losses and the offsetting derivative gains or losses are recognized in pricing and volume adjustments in revenue.

Realized Copper Prices[1]

($/pound)	2022				2021			
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Pinto Valley	4.81	3.66	3.30	4.02	4.15	4.85	4.10	4.66
Mantos Blancos	4.84	3.57	3.25	3.92	—	—	—	—
Mantoverde	4.64	3.78	3.30	3.74	—	—	—	—
Cozamin	4.75	3.52	3.31	4.06	4.02	4.62	4.24	4.48
Consolidated	4.78	3.66	3.29	3.74	4.12	4.78	4.15	4.61
LME Average	4.53	4.31	3.51	3.63	3.86	4.40	4.25	4.40
LME Close	4.69	3.74	3.47	3.80	4.01	4.26	4.10	4.40

The realized copper price[1] in Q4 2022 of $3.74 per pound was higher than the LME average of $3.63 per pound mainly due to 47.3 thousand tonnes of copper provisionally priced at an average of $3.80 per pound at December 31, 2022, which was higher than Q4 2022 average prices.

The realized copper price[1] in 2022 of $3.76 per pound was lower than the LME average of $4.00 per pound mainly due to prior period shipments which final settled or second provisionally invoiced at lower average prices during the second and third quarter of 2022 when copper prices declined.

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

Reconciliation of Realized Copper Price[1]

($ millions, except as noted)	Q4 2022	Q4 2021	2022	2021
Gross copper revenue				
Gross copper revenue on new shipments	**357.7**	207.3	**1,383.4**	762.1
Gross copper revenue on prior shipments	**(7.8)**	2.5	**(50.5)**	31.5
Gross copper revenue	**349.9**	209.8	**1,332.9**	793.6
Pricing and volume adjustments on copper revenue	**19.0**	**6.1**	**(8.2)**	**(4.6)**
Gross copper revenue including pricing and volume adjustments	**368.9**	215.9	**1,324.7**	789.0
Gross copper revenue on new shipments ($/pound)	**3.63**	4.43	**3.93**	4.27
Gross copper revenue on prior shipments ($/pound)	**(0.08)**	0.05	**(0.15)**	0.18
Pricing and volume adjustments on copper revenue ($/pound)	**0.19**	0.13	**(0.02)**	(0.03)
Realized copper price[1] ($/pound)	**3.74**	4.61	**3.76**	4.42
LME average copper price ($)	**3.63**	4.40	**4.00**	4.23
Gross copper revenue - reconciliation to financials				
Gross copper revenue including pricing and volume adjustments	**368.9**	215.9	**1,324.7**	789.0
Revenue from other metals	**12.5**	11.6	**43.5**	49.6
Treatment and selling	**(19.3)**	(11.6)	**(72.2)**	(43.8)
Revenue per financials	**362.1**	215.9	**1,296.0**	794.8
Payable copper sold (tonnes)	**44,698**	21,244	**159,863**	81,065

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

4.3 Consolidated Cash Flow Analysis[2]

($ millions)	Q4 2022	Q4 2021	2022	2021
Operating cash flow before changes in working capital[3]	**99.4**	104.9	**224.4**	556.3
Changes in non-cash working capital	**(73.0)**	(4.8)	**(133.4)**	21.8
Other non-cash changes	**(2.0)**	(5.6)	**(3.6)**	(24.8)
Total cash flow from operating activities	**24.4**	94.5	**87.4**	553.3
Total cash flow used in investing activities	**(159.8)**	(37.5)	**(370.7)**	(143.7)
Total cash flow from (used in) financing activities	**110.2**	(1.1)	**192.1**	(204.3)
Effect of foreign exchange rates on cash and cash equivalents	**1.1**	0.1	**(0.6)**	0.2
Net change in cash and cash equivalents	**(24.1)**	56.0	**(91.8)**	205.5
Opening cash and cash equivalents	**194.4**	206.1	**262.1**	56.6
Closing cash and cash equivalents	**170.3**	262.1	**170.3**	262.1

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

Changes in Cash Flows for the Three Months Ended December 31, 2022 and 2021

The net change in cash was $(24.1) million in Q4 2022 compared to $56.0 million in Q4 2021. The change was primarily due to:

- Cash flow from operating activities before changes in working capital was lower by $5.5 million. Revenue less production costs were lower in Q4 2022 versus Q4 2021 by $8.0 million (Q4 2022 revenue of $362.1 million less production costs of $240.8 million compared to Q4 2021 revenue of $215.9 million less production costs of $86.6 million), which was offset by receipts on derivative contracts.
- Changes in non-cash working capital in Q4 2022 was $68.2 million lower compared to the same period last year primarily due an increase in accounts receivable, partially offset by an increase in accounts payable .
- Cash flows used in investing activities were $122.3 million higher in Q4 2022 mainly due to addition of capital expenditures of the Mantos Blancos and Mantoverde mines, including MVDP spend.
- Cash flows from financing activities were $111.3 million higher in Q4 2022 primarily due to a $90.0 million net proceeds from RCF, Mantoverde Development project facility and a related party advance from MMC of $37.1 million under the cost overrun facility ("COF"), partially offset by payments on derivative contracts associated with the MVDP Finance facility, and higher lease payments resulting from the business combination with Mantos.

Changes in Cash Flows for the Years Ended December 31, 2022 and 2021

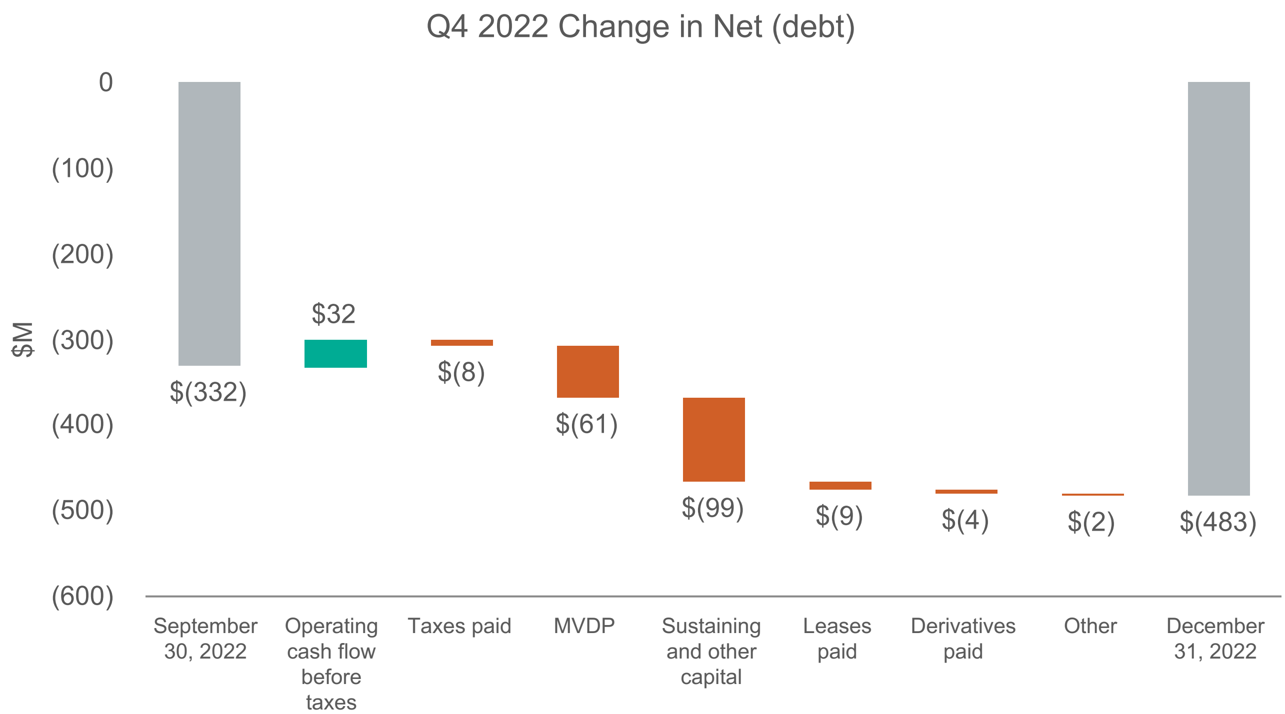
The net change in cash was $(91.8) million in 2022 compared to $205.5 million in 2021. The change was primarily due to:

- Operating cash flow before changes in working capital was lower by $331.9 million. Revenue less production costs were lower in 2022 versus 2021 by $67.4 million (2022 revenue of $1,296.0 million less production costs of $903.1 million compared to 2021 revenue of $794.8 million less production costs of $334.5 million) due to lower copper prices and inflationary pressure on production costs. Also, $180.0 million proceeds were received in 2021 under a Silver and Gold Stream Agreements versus nil in 2022. Moreover, Mexican tax installments, based on prior year income, paid in 2022 were $36.2 million higher than in 2021, $36.4 million on one-off Mantos transaction costs, higher general and administrative expenses, exploration and royalty payments.
- Changes in non-cash working capital was lower by $155.2 million primarily due to a decrease in accounts payable and accrued liabilities, resulting from timing of payments made to vendors and withholding taxes, and an increase in accounts receivable, partially offset by a decrease in inventories.
- Cash flows used in investing activities were $227.0 million higher in 2022 mainly due to addition of Mantos Blancos and Mantoverde mines including MVDP spend. Cash used in investing activities for capital asset additions was offset by $219.2 million of cash and cash equivalents assumed on the Transaction.
- Cash flows from financing activities were $396.4 million higher in 2022 primarily due to $184.9 million of net repayments on the Revolving Credit Facility ("RCF") in 2021 compared to 2022 net proceeds of $240.3 million from the RCF, Mantoverde Development project facility, and $60.0 million related party advance from MMC under the cost overrun facility, partially offset by a $34.7 million payment to KORES for the second tranche as

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

required under the 2021 Share Purchase Agreement, $39.4 million of net payments on derivative contracts associated with the MVDP finance facility, and higher incremental lease payments as a result of the business combination with Mantos.

4.4 Liquidity and Financial Position



The increase in Net (debt)[1] as at December 31, 2022, 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 December 31, 2022, 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

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

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, it is currently expected that the MVDP facility which references LIBOR will need to be negotiated to agree on the new benchmark rate to be used. This negotiation has not yet occurred.

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. The COF carries an interest rate of LIBOR plus 1.70% and amortizing over 37 quarters from the earlier of September 30, 2024 or three quarters after project completion. As at December 31, 2022, the amount drawn on the COF was $60.0 million. 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 the second quarter thus resulting in draws on the COF during the third and fourth quarter. As a result of Interest Rate Benchmark Reform, it is currently expected that the COF which references LIBOR will need to be negotiated to agree on the new benchmark rate to be used. This negotiation has not yet occurred.

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 December 31, 2022 was adjusted term SOFR of 4.83% plus 1.875% (2021 - US LIBOR plus 2.50%) with a standby fee of 0.42% (2021 – 0.56%) payable on the undrawn balance (adjustable in certain circumstances).

The RCF in effect as of December 31, 2022 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 December 31, 2022. As at December 31, 2022, the balance of the RCF is $75.0 million (December 31, 2021 - nil), excluding deferred financing fees of $3.4 million (December 31, 2021 - nil).

Mantos Blancos Concentrator Development Project Debt Facility
A subsidiary of the Company entered into a $150 million debt facility with Glencore Chile SpA ("Glencore") in connection with the Mantos Blancos CDP, with an associated off-take agreement with Complejo Metalúrgico Altonorte S.A. for 75% of the concentrates produced including the silver contained (both agreements expire on December 31, 2026). Interest on borrowings under the Mantos Blancos CDP Facility was payable quarterly at a variable rate of 3-month US$ LIBOR plus a margin of 4.5% per annum and repayment terms require that the Company make repayment installments quarterly, equal to a percentage of the aggregate loans outstanding at the end of the period. On July 22, 2022, the Company fully repaid the Mantos Blancos CDP debt facility and the facility was cancelled. The gain on extinguishment of the debt of $8.0 million was recognized in the income statement for the period ending December 31, 2022.

As at December 31, 2022, Capstone Copper is in a net (debt)[1] position of $483.1 million with $595.0 million long-term debt drawn in total plus $60.0 million drawn on the COF which is noted as Due to Related Party. As at December 31, 2022, the $595.0 million of long term debt consists of $520.0 million drawn on the MVDP facility and $75.0 million was drawn on the RCF.

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

Hedging

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

- In Q3 2022, 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 27,500 tonnes of copper covering the period from January 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 fixed-for-floating swaps for a total of 37,375 tonnes of copper covering the period from January 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. At December 31, 2022, the fair value of these derivatives is $(16.9) million.

- In Q2 2022, the Company entered into 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 26,700 tonnes of copper covering the period from May 2022 through December 2022, and have a floor and weighted average ceiling price of $4.00/lb and $4.86/lb, respectively. The intent is to ensure balance sheet protection and sufficient liquidity to complete MVDP. There was a realized gain on the zero cost collars of $18.9 million for the year ended December 31, 2022.

- The Company entered into copper time-spread swaps in order to manage the risk associated with provisional pricing in terms of copper concentrate sales agreements. The contracts were for a total of 46,306 tonnes of copper covering the period from September 2022 to March 2023 at an weighted average of cost of $59.75 per tonne. There was a realized loss on the swaps of $7.9 million for the year ended December 31, 2022 which offset against gains on provisional pricing adjustments to achieve LME average price.

- Financial hedges were executed on foreign exchange rates to protect approximately 75% of the Company's Mexican Peso exposure through to December 2022, through Mexican Peso to US dollar exchange rate zero cost collars (being purchased puts and sold calls with offsetting values at inception). There was a realized gain on these Mexican Peso zero cost collars of $0.1 million for the year ended December 31, 2022.

- Financial hedges were executed on foreign exchange rates to protect approximately 75% of the Santo Domingo's Chilean Peso exposure through to December 2022 and to protect approximately 50% of the Company's attributable Chilean Peso exposure on operating costs at Mantoverde and Mantos Blancos from April 2022 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 a realized loss on the Chilean Peso zero cost collars of $0.1 million for the year ended December 31, 2022.

- Financial hedges were executed on foreign exchange rates to protect the Company's CAD dollar exposure through to February 2023 all through US dollar to CAD dollar exchange rate forward contracts. There was no realized loss on the CAD dollar forward contracts for the year ended December 31, 2022.

- Financial hedges were executed on foreign exchange rates to protect the Company's CAD dollar exposure 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 no realized loss on the CAD dollar collars for the year ended December 31, 2022.

- 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 727.4 and notional amount of approximately $104 million that mature in May 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 loss on Mantoverde's derivative portfolio was $41.0 million for the year ended December 31, 2022.

- Pinto Valley contracted for fixed diesel prices with a supplier on its expected 2022 diesel consumption at $2.13/gallon. The contracted diesel prices have resulted in cost savings of $13.0 million during the year ended December 31, 2022.

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, $525 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 December 31, 2022 was $696.9 million, which included $171.9 million of cash and cash equivalents and short-term investments, and $525 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.

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 4.6 million silver ounces since contract inception until December 31, 2022.

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.

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

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") up to the end of December 2025.

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 thousand 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 20,000 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 December 31, 2022, capital expenditures committed, but not yet incurred, were $265.9 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 2028 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.

Minto surety bond indemnification
On June 3, 2019, the Company completed the sale of its 100% interest in the Minto mine ("Minto") to Pembridge Resources PLC (“Pembridge”). In conjunction with completion of the sale, Pembridge has 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 and could be liable for the bonded obligations in the event Minto does not satisfy those obligations. Pembridge has put C$10 million into a control account which is to be applied against the reclamation if the surety bond is called. The Company continues to monitor Minto’s financial situation, any uncertainty in Minto's ability to meet the obligation may trigger an event that may create a possible obligation in the future related to the financial exposure on the surety bond indemnification. No amount has been recognized as a liability as at December 31, 2022, as there is no present obligation that is probable.

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.

Contractual Obligations and Commitments

The following table summarizes certain contractual obligations for the periods specified as at December 31, 2022:

	Total	2023	2024	2025	2026	After 2026
Accounts payable and accrued liabilities*	$ 284,913	$ 284,913	$ —	$ —	$ —	$ —
Long term debt	$ 595,000	—	—	—	75,000	520,000
Leases and other contracts	$ 114,656	34,748	27,915	16,059	14,051	21,883
Due to related party	$ 60,000	—	3,243	6,486	6,486	43,785
	$ 1,054,569	$ 319,661	$ 31,158	$ 22,545	$ 95,537	$ 585,668

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

Provisions

Provisions of $239.6 million at December 31, 2022 includes the following:

- $199.7 million for reclamation and closure cost obligations at Capstone Copper's operating mines;
- $29.9 million related to other long-term obligations at the Cozamin and Chilean mines; and
- $10.0 million for the long-term portion of the share-based payment obligations associated with the Share Unit Plan. The current portion of the share-based payment obligations of $30.5 million is recorded in other liabilities.

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 1.35 million silver ounces since contract inception until December 31, 2022.

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 December 31, 2022, the amount of the deferred revenue liability recognized as revenue was $12.9 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 December 31, 2022, there was no amortization of the deferred revenue liability recognized as revenue.

The non-current portion of the deferred revenue liability for both stream arrangements on the balance sheet at December 31, 2022 was $160.5 million.

Purchase of Non-Controlling Interest from KORES

At December 31, 2022, a liability of $40.4 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 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 year ended December 31, 2022, $3.5 million of accretion was recorded in other interest expense in the consolidated statements of income.

Off Balance Sheet Arrangements

As at December 31, 2022, the Company had no off-balance-sheet arrangements other than the following:

- those disclosed under Commitments in the consolidated financial statements for the year ended December 31, 2022;
- capital expenditure commitments totaling $265.9 million;
- seven surety bonds totaling $223.3 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:

- MMC has a 30% non-controlling interest in Mantoverde S.A. as part of the project financing for Mantoverde's Development Project.
- MMC agreed to provide a $60 million COF in exchange for additional off-take of copper concentrate production under a 10-year contract. The COF carries an interest rate of LIBOR plus 1.70% and amortizing over 37 quarters from the earlier of September 30, 2024 or three quarters after project completion. As at December 31, 2022, the amount drawn on the COF was $60.0 million.
- Orion Resource Partners ("Orion") were Mantos' largest shareholder and on completion of the Transaction hold approximately 32% shareholder interest in Capstone Copper. The amounts previously reported as Due from a related party included a loan granted by Capstone Copper (previously Mantos Copper (Bermuda) Ltd.) to Orion Fund JV Ltd. Amounts previously reported as Due to a related party included a loan granted by Orion Fund JV Limited to Mantos Copper Holdings SpA. These amounts were settled during June 2022 via a non-cash assignment and offset agreement.

4.7 Accounting Changes

In May 2020, the International Accounting Standards Board ("IASB") issued an amendment to IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The amendment clarifies that the costs of fulfilling a contract when assessing whether a contract is onerous comprise both the incremental costs and an allocation of other costs that relate directly to fulfilling the contract. The amendment became effective January 1, 2022 and applies to contracts existing at the date when the amendments are first applied. 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.

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

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

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

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. 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.

Changes in Accounting Policies and Critical Accounting Estimates and Judgments

Significant accounting policies as well as any changes in accounting policies are discussed in Note 2 "Significant Accounting Policies, Estimates and Judgements" of the December 31, 2022 consolidated financial statements.

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.

C1 Cash Costs Per Payable Pound of Copper Produced

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

All-in Sustaining Costs Per Payable Pound of Copper Produced

All-in sustaining costs per payable pound of copper produced is an extension of the C1 cash costs measure discussed above and is also a 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.

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), Due to related parties, Cash and cash equivalents and Short-term investments.

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.

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 undrawn amounts on 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.

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

Adjusted Net Income
Adjusted net income is a non-GAAP measure of net (loss) income 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.

Adjusted net income attributable to shareholders
Adjusted net 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.

EBITDA
EBITDA is a non-GAAP measure of net (loss) income before net finance expense, tax expense, and depletion and amortization.

Adjusted EBITDA
Adjusted EBITDA is non-GAAP measure of EBITDA before the pre-tax effect of the adjustments made to adjusted net 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 Adjusted net income and Adjusted EBITDA allow management and readers to analyze our results more clearly and understand the cash generating potential of the Company.

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.

Realized copper price (per pound)
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.

Breakdown of C1 Cash Costs and All-in Sustaining Cost Per Pound of Payable Copper Produced
Three Months Ended December 31, 2022

	Q4 2022				
	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	Total
Payable copper produced (000s pounds)	**31,989**	**30,565**	**23,067**	**12,222**	**97,843**
($ millions)					
Production costs of metal produced (per financials)	**72.3**	**65.6**	**84.0**	**19.0**	**240.9**
Transportation cost to point of sale	**(6.4)**	**—**	**—**	**(1.4)**	**(7.8)**
Inventory (write-down) reversal	**—**	**—**	**(0.9)**	**—**	**(0.9)**
Inventory working capital adjustments	**1.5**	**(7.7)**	**0.2**	**(0.9)**	**(6.9)**
Cash production costs of metal produced	**67.4**	**57.9**	**83.3**	**16.7**	**225.3**
($/pound)					
Production costs					
Mining	**0.63**	**0.29**	**0.47**	**0.81**	**0.50**
Milling/Processing	**1.16**	**1.43**	**2.94**	**0.29**	**1.56**
G&A	**0.29**	**0.18**	**0.20**	**0.26**	**0.23**
C1P sub-total	**2.08**	**1.90**	**3.61**	**1.36**	**2.29**
By-product credits	**(0.10)**	**(0.02)**	**—**	**(0.27)**	**(0.07)**
Treatment and selling costs	**0.50**	**0.21**	**0.04**	**0.31**	**0.28**
C1 cash cost ($/pound produced)	**2.48**	**2.09**	**3.65**	**1.40**	**2.50**
($/pound)					
Royalties	**0.01**	**0.06**	**—**	**0.07**	**0.03**
Production-phase capitalized stripping / Mineralized drift	**—**	**0.69**	**—**	**0.03**	**0.22**
Sustaining capital	**0.94**	**0.44**	**0.55**	**0.69**	**0.65**
Sustaining leases	**0.02**	**0.11**	**0.07**	**—**	**0.06**
Accretion of reclamation obligation	**0.02**	**0.05**	**0.05**	**0.01**	**0.04**
Amortization of reclamation asset	**0.02**	**—**	**—**	**0.01**	**0.01**
Corporate G&A, excluding depreciation					**0.08**
All-in sustaining cost adjustments	**1.01**	**1.35**	**0.67**	**0.81**	**1.09**
All-in sustaining cost ($/pound produced)	**3.49**	**3.44**	**4.32**	**2.21**	**3.59**

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

Three Months Ended December 31, 2021

	Q4 2021		
	Pinto Valley	Cozamin	Total
Payable copper produced (000s pounds)	35,826	13,945	49,771
($ millions)			
Production costs of metal produced (per financials)	69.1	17.5	86.6
Transportation cost to point of sale	(9.7)	(1.3)	(11.0)
Inventory (write-down) reversal	0.3	—	0.3
Realized gain on Mexican Peso derivatives	—	(0.6)	(0.6)
Inventory working capital adjustments	2.1	(0.5)	1.6
Cash production costs of metal produced	61.8	15.1	76.9
($/pound)			
Production costs			
Mining	0.56	0.64	0.58
Milling/Processing	0.96	0.26	0.76
G&A	0.21	0.19	0.21
C1P sub-total	1.73	1.09	1.55
By-product credits	(0.12)	(0.39)	(0.20)
Treatment and selling costs	0.39	0.29	0.37
C1 cash cost ($/pound produced)	2.00	0.99	1.72
($/pound)			
Royalties	0.02	0.13	0.05
Production-phase capitalized stripping / Mineralized drift	—	0.03	0.01
Sustaining capital	0.33	0.58	0.39
Sustaining leases	0.02	—	0.02
Accretion of reclamation obligation	—	0.01	—
Amortization of reclamation asset	0.01	0.01	0.01
Corporate G&A, excluding depreciation			0.13
All-in sustaining cost adjustments	0.38	0.76	0.61
All-in sustaining cost ($/pound produced)	2.38	1.75	2.33

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

Breakdown of C1 Cash Costs and All-in Sustaining Cost Per Pound of Payable Copper Produced
Twelve Months Ended December 31, 2022

	2022				
	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	Total
Payable copper produced (000s pounds)	**121,135**	**88,788**	**80,030**	**51,777**	**341,730**
($ millions)					
Production costs of metal produced (per financials)	**300.6**	**215.5**	**317.0**	**70.0**	**903.1**
Transportation cost to point of sale	**(23.8)**	**—**	**—**	**(4.8)**	**(28.6)**
Inventory write-down	**(0.1)**	**—**	**(0.9)**	**—**	**(1.0)**
Inventory working capital adjustments	**(8.0)**	**(6.7)**	**(28.9)**	**(0.4)**	**(44.0)**
Cash production costs of metal produced	**268.7**	**208.8**	**287.2**	**64.8**	**829.5**
($/pound)					
Production costs					
Mining	**0.64**	**0.63**	**0.78**	**0.75**	**0.68**
Milling/Processing	**1.27**	**1.53**	**2.62**	**0.28**	**1.51**
G&A	**0.31**	**0.19**	**0.19**	**0.22**	**0.24**
C1P sub-total	**2.22**	**2.35**	**3.59**	**1.25**	**2.43**
By-product credits	**(0.10)**	**(0.02)**	**—**	**(0.31)**	**(0.09)**
Treatment and selling costs	**0.51**	**0.21**	**0.04**	**0.30**	**0.29**
C1 cash cost ($/pound produced)	**2.63**	**2.54**	**3.63**	**1.24**	**2.63**
($/pound)					
Royalties	**0.02**	**0.05**	**—**	**0.07**	**0.03**
Production-phase capitalized stripping / Mineralized drift	**0.01**	**0.61**	**—**	**0.03**	**0.17**
Sustaining capital	**0.67**	**0.27**	**0.33**	**0.57**	**0.46**
Sustaining leases	**0.02**	**0.12**	**0.08**	**—**	**0.06**
Accretion of reclamation obligation	**0.01**	**0.03**	**0.02**	**0.02**	**0.02**
Amortization of reclamation asset	**0.02**	**—**	**0.01**	**0.01**	**0.01**
Corporate G&A, excluding depreciation					**0.08**
All-in sustaining cost adjustments	**0.75**	**1.08**	**0.44**	**0.70**	**0.83**
All-in sustaining cost ($/pound produced)	**3.38**	**3.62**	**4.07**	**1.94**	**3.46**

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

Twelve Months Ended December 31, 2021

	2021		
	Pinto Valley	Cozamin	Total
Payable copper produced (000s pounds)	128,794	51,706	180,500
($ millions)			
Production costs of metal produced (per financials)	269.4	65.0	334.4
Transportation cost to point of sale	(28.1)	(4.3)	(32.4)
Inventory write-down	—	—	—
Realized gain on Mexican Peso derivatives	—	(2.6)	(2.6)
Inventory working capital adjustments	(0.9)	(0.4)	(1.3)
Cash production costs of metal produced	240.4	57.7	298.1
($/pound)			
Production costs			
Mining	0.57	0.66	0.60
Milling/Processing	1.07	0.27	0.84
G&A	0.23	0.19	0.22
C1P sub-total	1.87	1.12	1.66
By-product credits	(0.10)	(0.45)	(0.20)
Treatment and selling costs	0.39	0.29	0.35
C1 cash cost ($/pound produced)	2.16	0.96	1.81
($/pound)			
Royalties	0.01	0.13	0.05
Production-phase capitalized stripping / Mineralized drift	0.05	0.04	0.04
Sustaining capital	0.33	0.45	0.38
Sustaining leases	0.02	—	0.01
Accretion of reclamation obligation	—	0.01	0.01
Amortization of reclamation asset	0.01	0.01	0.01
Corporate G&A, excluding depreciation			0.10
All-in sustaining cost adjustments	0.42	0.64	0.60
All-in sustaining cost ($/pound produced)	2.58	1.60	2.41

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

Reconciliation of Net (debt) / Net cash

($ millions)	December 31, 2022	December 31, 2021
Long term debt (per financials), excluding deferred financing costs of 3.4 and nil and PPA fair value adjustments of 7.5 and nil	**(595.0)**	—
Due to related party (per financials)	**(60.0)**	—
Add:		
Cash and cash equivalents (per financials)	**170.3**	262.1
Short term investments (per financials)	**1.6**	2.3
Net (debt)/cash	**(483.1)**	264.4

Reconciliation of Attributable Net (debt) / Net cash

($ millions)	December 31, 2022	December 31, 2021
Attributable Long term debt, excluding deferred financing costs of 3.4 and nil and PPA fair value adjustments of 7.7 and nil	**(439.0)**	—
Attributable Due to related party	**(42.0)**	—
Add:		
Attributable Cash and cash equivalents	**139.5**	262.1
Attributable Short term investments	**1.6**	2.3
Attributable Net (debt)/cash	**(339.9)**	264.4

Reconciliation of Available Liquidity

($ millions)	December 31, 2022	December 31, 2021
Revolving credit facility capacity	**600.0**	225.0
MVDP debt facility	**520.0**	—
Long term debt (per financials), excluding deferred financing costs of 3.4 and nil and PPA fair value adjustments of 7.5 and nil	**(595.0)**	—
	525.0	225.0
Cash and cash equivalents (per financials)	**170.3**	262.1
Short term investments (per financials)	**1.6**	2.3
Available liquidity	**696.9**	489.4

Reconciliation of Cash Flow from Operating Activities per Common Share

($ millions, except share and per share amounts)	Q4 2022	Q4 2021	2022	2021
Cash flow from operating activities (per financials)	**24.4**	94.5	**87.4**	553.3
Weighted average common shares - basic (per financials)	**687,628,025**	407,588,618	**625,434,676**	405,800,210
Cash flow from operating activities per share	**0.04**	0.23	**0.14**	1.36

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

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

($ millions, except share and per share amounts)	Q4 2022	Q4 2021	2022	2021
Operating cash flow (per financials)	**24.4**	94.5	**87.4**	553.3
Adjustment for changes in working capital (per financials)	**73.0**	4.8	**133.4**	(21.8)
Other non-cash changes	**2.0**	5.6	**3.6**	24.8
Operating cash flow before changes in working capital[2]	**99.4**	104.9	**224.4**	556.3
Weighted average common shares - basic (per financials)	**687,628,025**	407,588,618	**625,434,676**	405,800,210
Operating cash flow before changes in working capital[1] per share ($)	**0.14**	0.26	**0.36**	1.37

[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".*

Reconciliation of Adjusted Net Income

($ millions, except share and per share amounts)	Q4 2022	Q4 2021	2022	2021
Net (loss) income (per financials)	**(28.4)**	41.4	**136.1**	252.9
Inventory (reversal) write-down	**(1.2)**	1.7	**2.8**	2.0
Unrealized loss (gain) on derivative contracts	**66.8**	0.3	**(133.2)**	2.5
Share-based compensation expense	**23.7**	27.0	**31.8**	74.0
Unrealized foreign exchange loss (gain)	**4.9**	0.1	**(23.0)**	0.6
Mantos acquisition transaction costs	**—**	—	**19.4**	—
Other expense - non-recurring fees	**14.8**	3.6	**26.9**	3.8
Severance costs	**1.4**	—	**4.2**	—
Change in fair value of contingent receivable (RE:Minto)	**—**	—	**—**	(5.1)
Loss (gain) on disposal of assets	**0.2**	—	**(0.2)**	—
Gain on extinguishment of debt	**—**	—	**(8.0)**	—
Reversal of impairment on mineral properties (RE: Santo Domingo)	**—**	—	**—**	(92.4)
Non-recurring fees on streaming transactions	**—**	0.1	**—**	1.1
G&A - care and maintenance	**—**	0.1	**0.3**	0.4
Insurance proceeds received	**(0.4)**	—	**(2.8)**	—
Tax effect on the above adjustments	**(28.9)**	(1.1)	**30.2**	1.8
Adjusted net income	**52.9**	73.2	**84.5**	241.6
Adjusted net income attributable to:				
Shareholders of Capstone Copper Corp.	**40.8**	73.2	**85.6**	242.1
Non-controlling interests	**12.1**	—	**(1.1)**	(0.5)
	52.9	73.2	**84.5**	241.6
Weighted average common shares - basic (per financials)	**687,628,025**	407,588,618	**625,434,676**	405,800,210
Adjusted net income attributable to shareholders of Capstone Copper Corp. per common share - basic ($)	**0.06**	0.18	**0.14**	0.60
Weighted average common shares - diluted (per financials)	**691,984,440**	416,178,876	**630,179,251**	414,093,484
Adjusted net income attributable to shareholders of Capstone Copper Corp. per common share - diluted ($)	**0.06**	0.18	**0.14**	0.58

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

Reconciliation of Adjusted EBITDA

($ millions)

	Q4 2022	Q4 2021	2022	2021
Net (loss) income (per financials)	**(28.4)**	41.4	**136.1**	252.9
Net finance costs	**9.3**	6.3	**27.8**	18.7
Taxes	**(30.7)**	15.7	**57.6**	80.9
Depletion and amortization	**43.3**	24.7	**176.2**	93.2
EBITDA	**(6.5)**	88.1	**397.7**	445.7
Share-based compensation expense	**23.7**	27.0	**31.8**	74.0
Inventory (reversal) write-down	**(1.2)**	1.7	**2.8**	2.0
Realized loss on MVDP financing derivatives	**5.4**	—	**41.0**	—
Unrealized loss (gain) on derivatives	**66.8**	0.3	**(133.2)**	2.5
(Gain) loss on disposal of assets	**0.2**	—	**(0.2)**	—
Gain on extinguishment of debt	**—**	—	**(8.0)**	—
Unrealized foreign exchange loss (gain)	**4.9**	0.1	**(23.0)**	0.6
Mantos acquisition transaction costs	**—**	—	**19.4**	—
Other expense - non-recurring fees	**14.8**	3.6	**26.9**	3.8
Severance costs	**1.4**	—	**4.2**	—
Unrealized provisional pricing adjustment (revenue)	**(37.8)**	(6.5)	**(9.4)**	4.9
Unrealized loss on QP hedges	**10.0**	—	**9.5**	—
Insurance proceeds received	**(0.4)**	—	**(2.8)**	—
Reversal of impairment on mineral properties	**—**	—	**—**	(92.4)
Amortization of deferred revenue - non-cash	**(0.8)**	(1.1)	**(3.9)**	(4.9)
Non-recurring financing fees on streaming	**—**	0.1	**—**	1.1
Change in fair value of contingent receivable	**—**	—	**—**	(5.1)
Adjusted EBITDA	**80.5**	113.3	**352.8**	432.2
Adjusted EBITDA by mine				
Pinto Valley	**32.0**	74.3	**167.9**	281.0
Mantos Blancos	**27.3**	—	**78.5**	—
Mantoverde	**(4.6)**	—	**(9.3)**	—
Cozamin	**32.6**	45.8	**137.9**	171.7
Other	**(6.8)**	(6.8)	**(22.2)**	(20.5)
Adjusted EBITDA	**80.5**	113.3	**352.8**	432.2

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

Additional Information and Reconciliations

Continuity Schedule of Concentrate and Cathode Inventories

	Pinto Valley*		Mantos Blancos		Mantoverde	Cozamin
	Copper (dmt)	Cathode (tonnes)	Copper (dmt)	Cathode (tonnes)	Cathode (tonnes)	Copper (dmt)
Dec. 31, 2020	14,514	34	—	—	—	1,199
Production	63,935	527	—	—	—	19,897
Sales	(71,056)	(485)	—	—	—	(19,779)
Mar. 31, 2021	7,393	76	—	—	—	1,317
Production	49,738	497	—	—	—	23,583
Sales	(53,236)	(502)	—	—	—	(23,761)
Jun. 30, 2021	3,895	71	—	—	—	1,139
Production	46,553	538	—	—	—	23,792
Sales	(46,071)	(443)	—	—	—	(23,491)
Sep. 30, 2021	4,377	166	—	—	—	1,440
Production	64,133	621	—	—	—	24,379
Sales	(59,016)	(666)	—	—	—	(25,054)
Dec. 31, 2021	9,494	121	—	—	—	765
Production	56,676	636	—	—	—	21,982
Sales	(62,216)	(603)	—	—	—	(21,938)
Mar. 31, 2022	3,954	154	146	949	3,284	809
Production	50,308	555	8,652	3,714	12,687	24,102
Sales	(51,278)	(584)	(8,543)	(3,637)	(14,223)	(23,646)
Jun. 30, 2022	2,984	125	255	1,026	1,748	1,265
Production	49,015	719	9,593	4,003	11,593	23,642
Sales	(48,672)	(643)	(9,036)	(4,097)	(11,560)	(23,701)
Sep. 30, 2022	3,327	201	812	932	1,781	1,206
Production	52,360	711	9,975	4,182	10,413	22,071
Sales	(50,516)	(763)	(10,206)	(4,147)	(10,811)	(23,076)
Dec. 31, 2022	5,171	149	581	967	1,383	201

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

Sales from Operations

	2022					2021				
	Q1	**Q2**	**Q3**	**Q4**	**Total**	**Q1**	**Q2**	**Q3**	**Q4**	**Total**
Copper (tonnes)										
Concentrate										
Pinto Valley	14,888	12,884	13,058	13,417	54,247	17,017	13,150	11,516	14,292	55,975
Mantos Blancos	977	8,228	8,819	9,957	27,981	—	—	—	—	—
Cozamin	5,592	5,935	5,989	5,603	23,119	4,799	5,919	5,989	6,286	22,993
Total Concentrate	21,457	27,047	27,866	28,977	105,347	21,816	19,069	17,505	20,578	78,968
Cathode										
Pinto Valley	604	585	643	763	2,595	485	503	443	666	2,097
Mantos Blancos	699	3,638	4,097	4,147	12,581	—	—	—	—	—
Mantoverde	2,748	14,224	11,560	10,811	39,343	—	—	—	—	—
Total Cathode	4,051	18,447	16,300	15,721	54,519	485	503	443	666	2,097
Total Copper	25,508	45,494	44,166	44,698	159,866	22,301	19,572	17,948	21,244	81,065
Zinc (000 pounds)										
Cozamin	1,005	(11)	—	677	1,671	2,110	1,789	505	386	4,790
Lead (000 pounds)										
Cozamin	—	—	—	—	—	302	82	—	(1)	383
Molybdenum (tonnes)										
Pinto Valley	17	22	(2)	66	103	—	—	—	—	—
Silver (000s ounces)										
Cozamin	352	327	353	284	1,316	309	355	363	399	1,426
Mantos Blancos	—	378	252	312	942	—	—	—	—	—
Pinto Valley	66	68	54	57	245	86	55	57	72	270
Total	418	773	659	653	2,503	395	410	420	471	1,696
Gold (ounces)										
Pinto Valley	178	268	44	374	864	630	156	369	537	1,692
Cozamin	—	—	—	—	—	1	—	—	—	1
Total	178	268	44	374	864	631	156	369	537	1,693

[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)	Q4 2022[i]	Q3 2022	Q2 2022[ii]	Q1 2022[iii]	Q4 2021[iv]	Q3 2021	Q2 2021[v]	Q1 2021[vi]
Revenue	**362.1**	308.7	356.6	268.1	215.9	165.4	209.4	204.1
Earnings (loss) from mining operations	**75.7**	(11.2)	37.3	106.0	102.5	62.8	102.8	92.5
Net (loss) income attributable to shareholders	**(20.9)**	34.1	75.1	34.0	41.4	35.0	49.4	101.0
Net (loss) income per share attributable to shareholders - basic	**(0.03)**	0.05	0.11	0.08	0.10	0.09	0.12	0.25
Net (loss) income per share attributable to shareholders - diluted	**(0.03)**	0.05	0.11	0.08	0.10	0.08	0.12	0.24
Operating cash flow before changes in non-cash working capital	**99.4**	13.9	40.7	70.4	104.9	67.1	140.4	244.5
Capital expenditures (including capitalized stripping)	**204.9**	148.5	206.6	111.5	42.2	36.0	50.4	28.4

(i) *Net loss in Q4 2022 includes $24 million of share unit expense and $64 million of net loss on derivative instruments.*
(ii) *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.*
(iii) *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.*
(iv) *Net income in Q4 2021 includes $27 million of share unit expense.*
(v) *Net income in Q2 2021 includes $19 million of share unit expense.*
(vi) *Net income in Q1 2021 includes $92 million of impairment reversal on mineral properties as well as $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 February 17, 2023:

Issued and outstanding	691,756,046
Share options outstanding at a weighted average exercise price of $1.95	7,134,253
Treasury share units outstanding at a weighted average exercise price of $5.40	1,951,011
Fully diluted	700,841,310

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")

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.

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

Management performed an evaluation of Capstone Copper's ICFR and concluded that, as at December 31, 2022, ICFR were designed and operating effectively so as to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards (“IFRS”).

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.sedar.com.

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.sedar.com.

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.sedar.com. Each Disclosure Document was prepared by or under the supervision of a qualified person (a “Qualified Person”) as defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators (“NI 43-101”). Readers are encouraged to review the full text of the Disclosure Documents which qualifies the Technical Information. Readers are advised that Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The Disclosure Documents are each intended to be read as a whole, and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

Disclosure Documents include the National Instrument 43-101 compliant technical reports titled "NI 43-101 Technical Report on the Cozamin Mine, Zacatecas, Mexico" effective October 31, 2020, “NI 43-101 Technical Report on the Pinto Valley Mine, Arizona, USA” effective March 31, 2021, “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 Company's Management Information Circular dated December 19, 2022 and Preliminary Short Form Base Shelf Prospectus dated February 3, 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.sedar.com.

CAPSTONE COPPER

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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

Management's Report

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

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

(Signed) John MacKenzie
Chief Executive Officer & Director

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

Vancouver, British Columbia, Canada
February 17, 2023

Independent Auditor’s Report

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

Opinion
We have audited the consolidated financial statements of Capstone Copper Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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

Key Audit Matter
A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Acquisition of Mantos Copper (Bermuda) Ltd. (“Mantos”) – Refer to Note 4 to the financial statements

Key Audit Matter Description

On March 23, 2022, Capstone Mining Corp. from an accounting perspective, completed the acquisition of Mantos with the deemed issuance of 273,888,541 common shares with a fair value of $5.82 per share. Subsequently, the combined entity changed its name to Capstone Copper Corp. The Company accounted for the business combination using the acquisition method. The purchase price was allocated to assets acquired, including mineral properties and liabilities assumed based on their respective fair value at the date of acquisition. Management used a discounted cashflow model to determine the fair value of depletable mineral interests acquired. This required management to make significant estimates and assumptions related to future copper, silver and gold prices, quantities of reserves, expected future production costs and capital expenditures based on the life of mine plans, discount rate and the in-situ resource multiples implied within the value of transactions by other market participants to determine the fair value of non-depletable mineral interest.

While there are several estimates and assumptions that are required to determine the fair value of the mining interest, the estimates and assumptions with the highest degree of subjectivity are future copper prices and discount rate. This required a high degree of auditor judgment and an increased extent of audit effort, including the involvement of fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

With the assistance of fair value specialist, our audit procedures related to the future copper prices and discount rate used to determine the fair value of the mining interest included the following, among others:

- Evaluated the reasonableness of future copper prices by comparing management forecasts to third party forecasts.
- Evaluated the reasonableness the discount rate by testing the source information underlying the determination of the discount rate and developing a range of independent estimates of the discount rate and comparing those to the discount rate selected by management.

Other Information

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

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

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, British Columbia
February 17, 2023

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

ASSETS		2022		2021
Current				
Cash and cash equivalents	**$**	**170,307**	$	262,094
Short-term investments		**1,553**		2,259
Receivables *(Note 6)*		**191,887**		28,489
Inventories *(Note 7)*		**143,497**		62,825
Derivative assets *(Note 5)*		**19,981**		543
Other assets *(Note 9)*		**44,966**		5,450
		572,191		361,660
Mineral properties, plant and equipment *(Note 8)*		**4,706,311**		1,310,870
Deferred income tax assets *(Note 15)*		**38,704**		30,593
Derivative assets *(Note 5)*		**28,582**		—
Other assets *(Note 9)*		**35,120**		24,839
Total assets	**$**	**5,380,908**	$	1,727,962
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**284,913**	$	97,384
Lease liabilities *(Note 12)*		**28,928**		3,410
Income taxes payable		**10,946**		29,375
Derivative liabilities *(Note 5)*		**44,423**		387
Other liabilities *(Note 10)*		**39,322**		99,671
		408,532		230,227
Long-term debt *(Note 13)*		**599,075**		—
Deferred revenue *(Note 14)*		**160,462**		165,740
Due to related party *(Note 11)*		**60,000**		—
Lease liabilities *(Note 12)*		**74,969**		12,631
Provisions *(Note 16)*		**239,635**		161,088
Deferred income tax liabilities *(Note 15)*		**597,585**		95,786
Derivative liabilities *(Note 5)*		**10,066**		—
Other liabilities *(Note 10)*		**50,728**		46,063
Total liabilities	**$**	**2,201,052**	$	711,535
EQUITY				
Share capital	**$**	**2,447,377**	$	849,409
Other reserves		**41,328**		39,008
Retained earnings		**262,512**		128,010
Total equity attributable to equity holders of the Company		**2,751,217**		1,016,427
Non-controlling interest *(Note 11)*		**428,639**		—
Total equity		**3,179,856**		1,016,427
Total liabilities and equity	**$**	**5,380,908**	$	1,727,962

Commitments *(Note 23)*

See accompanying notes to these consolidated financial statements.

Capstone Copper Corp.
Consolidated Statements of Income
Years Ended December 31, 2022 and 2021
expressed in thousands of US dollars, except share and per share amounts

	2022	2021
Revenue *(Note 18)*	**$ 1,296,024**	$ 794,769
Operating costs		
Production costs	**(903,060)**	(334,454)
Royalties	**(10,177)**	(7,946)
Depletion and amortization	**(174,991)**	(91,925)
Earnings from mining operations	**207,796**	360,444
General and administrative expenses	**(26,244)**	(19,531)
Exploration expenses *(Note 8)*	**(9,578)**	(3,061)
Impairment reversal on mineral properties *(Note 8)*	**—**	92,392
Share-based compensation expense *(Note 17)*	**(31,756)**	(74,011)
Income from operations	**140,218**	356,233
Other income (expense)		
Foreign exchange gain (loss)	**2,066**	(1,794)
Realized and unrealized gains (loss) on derivative instruments *(Note 5)*	**111,087**	(309)
Gain on extinguishment of debt *(Note 13)*	**8,035**	—
Transaction costs *(Note 4)*	**(19,433)**	(3,259)
Other (expense) income *(Note 24)*	**(20,442)**	1,623
Interest on long-term debt and surety bonds	**(5,621)**	(3,739)
Other non-cash interest expense *(Note 25)*	**(22,189)**	(14,974)
Income before income taxes	**193,721**	333,781
Income tax expense *(Note 15)*	**(57,582)**	(80,916)
Net income	**$ 136,139**	$ 252,865
Net income attributable to:		
Shareholders of Capstone Copper Corp.	**$ 122,199**	$ 226,829
Non-controlling interest *(Note 11)*	**13,940**	26,036
	$ 136,139	$ 252,865
Net earnings per share		
Earnings per share - basic *(Note 19)*	**$ 0.20**	$ 0.56
Weighted average number of shares - basic *(Note 19)*	**625,434,676**	405,800,210
Earnings per share - diluted *(Note 19)*	**$ 0.19**	$ 0.55
Weighted average number of shares - diluted *(Note 19)*	**630,179,251**	414,093,484

See accompanying notes to these consolidated financial statements.

Capstone Copper Corp.
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2022 and 2021
expressed in thousands of US dollars

	2022	2021
Net income	**$ 136,139**	$ 252,865
Other comprehensive (loss) income ("OCI")		
Items that will not be reclassified subsequently to profit or loss		
Change in fair value of marketable securities, net of tax of $262 (2021 - (441))	**(4,356)**	2,823
Remeasurement for retirement benefit plans, net of tax of $nil (2021 - $(423))	**1,104**	1,177
	(3,252)	4,000
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustment	**(550)**	37
	(550)	37
Total other comprehensive (loss) income for the year	**(3,802)**	4,037
Total comprehensive income	**$ 132,337**	$ 256,902
Total comprehensive income attributable to:		
Shareholders of Capstone Copper Corp.	**$ 118,397**	$ 230,866
Non-controlling interest *(Note 11)*	**13,940**	26,036
	$ 132,337	$ 256,902

See accompanying notes to these consolidated financial statements.

Capstone Copper Corp.
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021
expressed in thousands of US dollars

	2022	2021
Cash provided by (used in):		
Operating activities		
Net income	$ 136,139	$ 252,865
Adjustments for:		
Depletion and amortization *(Note 21)*	176,173	93,245
Income tax expense *(Note 15)*	57,582	80,916
Impairment reversal on mineral properties *(Note 8)*	—	(92,392)
Inventory write-down *(Note 7)*	2,809	2,029
Share-based compensation expense *(Note 17)*	31,756	74,011
Net finance costs	27,810	18,713
Gain on extinguishment of debt *(Note 13)*	(8,035)	—
Unrealized (gain) loss on foreign exchange	(21,821)	1,093
(Gain) loss on derivatives	(111,087)	309
Gain on disposal of assets and other	(226)	—
Changes in contingent consideration *(Note 24)*	—	(5,067)
Amortization of deferred revenue and variable consideration adjustments *(Note 14)*	(12,885)	(16,490)
Precious metal stream deposits received *(Note 14)*	—	180,000
Income taxes paid	(70,534)	(34,366)
Income taxes received	592	1,097
Net proceeds on settlement of derivatives	17,491	1,075
Other receipts (payments)	(1,384)	(700)
Operating cash flow before working capital	224,380	556,338
Changes in non-cash working capital *(Note 21)*	(133,383)	21,782
Other non-cash changes *(Note 21)*	(3,575)	(24,775)
Operating cash flow	87,422	553,345
Investing activities		
Mineral properties, plant and equipment additions	(559,752)	(133,425)
Interest capitalized on construction in progress	(23,401)	—
Cash acquired on business combination with Mantos *(Note 4)*	219,211	—
Proceeds on disposal of assets	391	—
Proceeds from short-term investments	706	1,166
Other assets	(7,896)	(11,435)
Investing cash flow	(370,741)	(143,694)
Financing activities		
Proceeds from borrowings *(Note 13)*	482,242	32,000
Repayment of borrowings *(Note 13)*	(241,992)	(216,925)
Proceeds from related party borrowings *(Note 11)*	60,000	—
Payment on purchase of non-controlling interest *(Note 11)*	(34,731)	(17,141)
KORES payment against promissory note *(Note 11)*	—	1,423
Repayment of lease obligations	(29,473)	(3,291)
Proceeds from the exercise of options	3,112	4,358
Net payments for settlement of derivatives	(39,426)	(1,181)
Interest paid on long-term debt and surety bonds	(7,594)	(3,521)
Financing cash flow	192,138	(204,278)
Effect of exchange rate changes on cash and cash equivalents	(606)	141
(Decrease in) increase in cash and cash equivalents	(91,787)	205,514
Cash and cash equivalents - beginning of year	262,094	56,580
Cash and cash equivalents - end of year	$ 170,307	$ 262,094
Supplemental cash flow information *(Note 21)*		

See accompanying notes to these consolidated financial statements.

Capstone Copper Corp.
Consolidated Statements of Changes in Equity
Years Ended December 31, 2022 and 2021
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**	**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)*	**4,130,553**	**4,637**	**(1,553)**	**—**	**—**	**—**	**—**	**3,084**	**—**	**3,084**
Share-based compensation *(Note 17)*	**—**	**—**	**5,040**	**—**	**—**	**—**	**—**	**5,040**	**—**	**5,040**
Settlement of share units	**—**	**—**	**—**	**—**	**—**	**2,634**	**12,303**	**14,937**	**—**	**14,937**
Shares issued as compensation	**138,523**	**652**	**—**	**—**	**—**	**—**	**—**	**652**	**—**	**652**
Business Combination Between Capstone and Mantos *(Note 4)*	**273,888,541**	**1,592,679**	**—**	**—**	**—**	**—**	**—**	**1,592,679**	**414,699**	**2,007,378**
Change in fair value of marketable securities	**—**	**—**	**—**	**(4,355)**	**—**	**—**	**—**	**(4,355)**	**—**	**(4,355)**
Remeasurements for retirement benefit plans	**—**	**—**	**—**	**1,104**	**—**	**—**	**—**	**1,104**	**—**	**1,104**
Net income	**—**	**—**	**—**	**—**	**—**	**—**	**122,199**	**122,199**	**13,940**	**136,139**
Foreign currency translation	**—**	**—**	**—**	**—**	**(550)**	**—**	**—**	**(550)**	**—**	**(550)**
December 31, 2022	**691,639,972**	**$ 2,447,377**	**$ 56,751**	**$ 4,178**	**$ (17,101)**	**$ (2,500)**	**$ 262,512**	**$ 2,751,217**	**$ 428,639**	**$ 3,179,856**
January 1, 2021	408,884,120	$ 842,789	$ 53,578	$ 3,429	$ (16,588)	$ (6,636)	$ (97,514)	$ 779,058	$ 110,109	$ 889,167
Shares issued on exercise of options *(Note 17)*	4,705,334	6,620	(2,262)	—	—	—	—	4,358	—	4,358
Share-based compensation	—	—	1,948	—	—	—	—	1,948	—	1,948
Settlement of share units	—	—	—	—	—	1,502	3,850	5,352	—	5,352
Change in fair value of marketable securities	—	—	—	2,823	—	—	—	2,823	—	2,823
Purchase of non-controlling interest in Acquisition Co.	—	—	—	—	—	—	(5,155)	(5,155)	(136,145)	(141,300)
Shares returned and cancelled	(107,099)	—	—	—	—	—	—	—	—	—
Net income	—	$ —	$ —	$ —	$ —	$ —	$ 226,829	$ 226,829	$ 26,036	$ 252,865
Foreign currency translation	—	$ —	$ —	$ —	$ 37	$ —	$ —	$ 37	$ —	$ 37
December 31, 2021	413,482,355	$ 849,409	$ 53,264	$ 7,429	$ (16,551)	$ (5,134)	$ 128,010	$ 1,016,427	$ —	$ 1,016,427

See accompanying notes to these consolidated financial statements.

1. Nature of Operations

The accompanying consolidated financial statements have been prepared as at December 31, 2022, 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. Capstone Mining Chile SpA, a wholly owned Chilean subsidiary, is performing exploration for base metal deposits in Chile.

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

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 consolidated financial statements were approved by the Board of Directors and authorized for issuance on February 17, 2023.

2. Basis of preparation and consolidation

a) Basis of preparation and consolidation

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

These consolidated financial statements have been prepared in accordance with the accounting policies presented below and are based on IFRS and IFRS Interpretations Committee ("IFRIC") interpretations issued and effective as of December 31, 2022. The policies set out below were consistently applied to all of the periods presented.

These consolidated financial statements are prepared as a continuation of the financial statements of Capstone Mining, but reflecting the continuation of the share capital of Mantos. As a result, comparative information included from the year ended December 31, 2021, is solely that of Capstone Mining.
Certain comparative figures have been reclassified to conform with changes in the presentation of the current year.

Business combination between Capstone and Mantos (Note 4)

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the notional number of equity instruments that the legal subsidiary would have had to issue to the legal parent to give the owners of the legal parent the same percentage ownership in the combined entity. The results of businesses acquired during the year are included in the consolidated financial statements from the effective date when control is obtained. The identifiable assets, liabilities and contingent liabilities of the business which can be measured reliably are recorded at provisional fair values at the date of acquisition. These provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. Provisional fair values are finalized at the earlier of (i) the date as soon as the acquirer received the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not available; or (ii) twelve months from the acquisition date. Acquisition related costs are expensed as incurred.

Goodwill arising in a business combination is measured as the excess of the sum of consideration transferred and the amount of any non-controlling interest over the net identifiable assets acquired and liabilities assumed.

As part of the Transaction, Mantos, the legal acquirer, issued 414.3 million shares to Capstone Mining shareholders.

IFRS 3 requires that one of Capstone Mining and Mantos be designated as the acquirer for accounting purposes. As such, Capstone Mining will be treated as the acquiring entity for accounting purposes. In making this assessment, factors such as the voting rights of the outstanding equity instruments, the corporate governance structure of the combined entity, the composition of senior management of the combined company and the relative size and net asset values of each of the companies were taken into consideration. No single factor was the sole determinant in the overall conclusion; rather all factors were considered in arriving at the conclusion.

b) Use of estimates and judgments

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

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

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

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

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

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

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

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

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

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

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

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

The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is probable that the Company will benefit from these prior losses and other deferred tax assets. The tax rates expected to be in effect when temporary differences reverse are 21% for US, 27% for Canada, 30% for Mexico and 27% for Chile. The Company is subject to certain mining royalties which are referenced in Note 15. The tax rate on the mining royalties in Chile is 4.75% and Mexico is 7.5%. Changes in economic conditions, metal prices, applicable tax laws and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

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

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

vi. *Amortization rate for property, plant and equipment and depletion rates for mining interests*
Depletion and amortization expenses are allocated based on estimated asset lives. Should the asset life, depletion rates, or amortization rates differ from the initial estimate, an adjustment would be made in the consolidated statement of income on a prospective basis.

vii. *Impairment of mineral properties, plant and equipment*
Management considers both external and internal sources of information in assessing whether there are any indications that the Company’s mineral properties, plant and equipment are impaired and whether previously recorded impairments should be reversed. External sources of information management considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of its mineral properties, plant and equipment. Internal sources of information that management considers include the manner in which mineral properties, plant and equipment are being used or are expected to be used and indications of economic performance of the assets. Management concluded that there were no indicators of impairment for the years ended December 31, 2022 and 2021.

In determining the recoverable amounts of the Company's mineral properties, plant and equipment, management makes estimates of the future operating results and discounted net cash flows expected to be derived from the Company's mining properties, costs to sell the mining properties and the appropriate discount rate. Changes in metal price forecasts, estimated future costs of production, estimated future non-expansionary capital expenditures, fair value due to strategic processes, the amount of recoverable mineral reserves, mineral resources, and exploration potential, and/or changes in current economics, regulatory or legal requirements and comparable market transactions can result in a write-down or a reversal of a previous write-down of the carrying amounts of the Company's mineral properties, plant and equipment. Management concluded that there were no indicators of impairment, or reversal of impairments previously recorded, for the years ended December 31, 2022 and 2021, respectively.

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

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

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

xi. *Accounting for acquisitions*
Determining the fair value of assets acquired and liabilities assumed and resulting goodwill, if any, requires that management make certain judgements and estimate taking into account information available at the time of acquisition about future events, including, but not restricted to, future metal prices, estimates of mineral reserves and resources acquired, expected future production costs and capital expenditures based on the life of mine plans, long-term foreign exchange rates, discount rates, and in-situ multiples to determine non-depletable mineral property. Changes to the provisional values of assets acquired and liabilities assumed, deferred income taxes and resulting goodwill, if any, are retrospectively adjusted when the final measurements are determined if related to conditions existing at the date of acquisition (within one year of acquisition).

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

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

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

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

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

ii. *Cash, and cash equivalents*

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

iii. *Inventories*

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

iv. *Investments*

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

v. *Mineral properties, plant and equipment*

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

vi. *Producing mineral properties*

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

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

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

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

vii. *Deferred stripping*

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

viii. *Mineral exploration and development properties*

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

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

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

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

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

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

ix. *Plant and equipment*

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

x. *Construction in progress*

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

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

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

Depletion and amortization is computed using the following rates:

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

xii. *Borrowing costs*

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

xiii. *Impairment of long-lived assets*

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

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

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

xiv. *Income taxes*

Current tax

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

Deferred tax

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

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

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

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

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

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

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

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

xvii. *Derivatives*
Derivatives are initially recognized at fair value when the Company becomes a party to the derivative contract and are subsequently re-measured to fair value at the end of each reporting period. The resulting gain or loss is recognized in the consolidated statement of income immediately unless the derivative is designated and effective as a hedging instrument. Derivatives with positive fair value are recognized as assets; derivatives with negative fair value are recognized as liabilities.

Derivative contracts that are entered to economically hedge a risk exposure but are not designated as a hedging instrument for hedge accounting purposes, and are physically settled are initially and subsequently measured at fair value. Subsequent movements in fair value are recognized in the same line item in the consolidated income statement as the item the contract is economically hedging.

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

xix. Financial instruments

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

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

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

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

xx. Impairment and uncollectibility of financial assets

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

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

xxi. Deferred revenue

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

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

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

xxii. *Leases*

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

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

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

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

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

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

xxiii. *Reclamation and closure cost obligations*

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

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

xxiv. Provisions

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

xxv. Share capital

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

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

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

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

xxvi. Share-based payments

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

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

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

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

xxvii. Revenue recognition

Sales of metal concentrates and cathode are recognized and revenue is recorded at market prices following the transfer of control to the customer, provided that the Company has a present right to payment, has transferred physical possession of the asset to the customer, and the customer has the significant risks and rewards of ownership. Capstone satisfies its performance obligations upon delivery of the metal concentrates and cathode. The Company's metal concentrates are sold under a pricing arrangement where final prices are determined by quoted market prices in a period subsequent to the date of sale. Until prices are final, revenues are recorded based on forward commodity prices of metals for the expected period of final settlement. Subsequent variations in the final determination of the metal concentrate weight, assay and price are recognized as revenue adjustments as they occur until finalized. The Company enters into copper time-spread swaps in order to manage the risk associated with final prices in terms of copper concentrate sales agreements. The associated gain/ losses are recorded in Revenue in order to follow the nature of the transaction to which it is linked.

xxviii. Earnings per share

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

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

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

The accounting policies adopted in the preparation of these consolidated financial statements have been prepared on the basis of all IFRS and interpretations effective as at December 31, 2022.

In May 2020, the International Accounting Standards Board ("IASB") issued an amendment to IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The amendment clarifies that the costs of fulfilling a contract when assessing whether a contract is onerous comprise both the incremental costs and an allocation of other costs that relate directly to fulfilling the contract. The amendment became effective January 1, 2022 and applies to contracts existing at the date when the amendments are first applied. 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.

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

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

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. 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.

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 determination of the fair value of assets acquired and liabilities assumed was previously reported based on the preliminary estimates at the Acquisition Date and subject to change for up to one year from the Acquisition Date. 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 of the date of the audited annual consolidated financial statements, the allocation of purchase price with respect to the fair value increment of asset acquired and liabilities assumed have been updated to reflect new information obtained that existed at the Acquisition. 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 revised and 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		**Preliminary as reported March 31, 2022**		**Adjustments**		**Revised as reported December 31, 2022**
Cash and cash equivalents	$	219,211	$	—	$	219,211
Receivables *(i)*		118,028		11,355		129,383
Inventories		77,136		34,466		111,602
Due from related party *(ii)*		259,843		—		259,843
Mineral properties, plant and equipment		3,006,687		(98,998)		2,907,689
Other assets		36,376		(8,713)		27,663
Derivative assets		25,504		1,300		26,804
Accounts payable and accrued liabilities		(268,100)		37,254		(230,846)
Due to related party *(ii)*		(259,843)		—		(259,843)
Income taxes payable		(9,983)		—		(9,983)
Long-term debt		(354,438)		(17,204)		(371,642)
Derivative liabilities		(155,386)		—		(155,386)
Lease liabilities		(81,865)		3,719		(78,146)
Deferred income tax liabilities		(484,553)		(125)		(484,678)
Provisions		(111,409)		27,116		(84,293)
Net assets acquired before non-controlling interest	**$**	**2,017,208**	**$**	**(9,830)**	**$**	**2,007,378**
Non-controlling interest *(Note 11)*		(424,529)		9,830		(414,699)
Net assets acquired	**$**	**1,592,679**	**$**	**—**	**$**	**1,592,679**

i. Trade receivables acquired as part of the acquisition have a fair value of $63.3 million which is equal to their gross contractual value. Other receivables acquired have a fair value of $66.1 million which is equal to their gross contractual value. Trade and other receivables are expected to be collected during the next 12 months.
ii. 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 Holdings 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.

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

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%

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.

Financial and operating results of Mantos are included in the Company's consolidated financial statements effective March 23, 2022. During the year ended December 31, 2022, the acquisition of Mantos contributed $622.7 million of revenue and $84.4 million of net income, respectively.

Had the business combination been effected at January 1, 2022, revenue and net income contributed from the acquisition of Mantos for the year ended December 31, 2022, would have been $808.2 million, and $94.9 million, respectively.

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.

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

As of December 31, 2022 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	$ 1,553	$ —	$ —	$ 1,553
Copper concentrate receivables *(Note 6)*	—	72,720	—	72,720
Copper cathode receivables *(Note 6)*	—	70,814	—	70,814
Derivative assets	—	48,563	—	48,563
Investment in marketable securities *(Note 9)*	1,628	—	—	1,628
	$ 3,181	$ 192,097	$ —	**$ 195,278**
Financial liabilities				
Derivative liabilities	$ —	$ 54,488	$ —	$ 54,488
	$ —	$ 54,488	$ —	**$ 54,488**

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

	Level 1	Level 2	Level 3	Total
Short-term investments	$ 2,259	$ —	$ —	$ 2,259
Concentrate receivables *(Note 6)*	—	24,686	—	24,686
Derivative assets - current *(Note 9)*	—	543	—	543
Investment in marketable securities *(Note 9)*	6,079	—	—	6,079
	$ 8,338	$ 25,229	$ —	$ 33,567

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between Level 1, Level 2 and Level 3 during the year ended December 31, 2022 or 2021.

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

	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**

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

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

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

	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**

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

Apart from the assessment and categorization of the financial assets and liabilities acquired during the Mantos acquisition, there have been no changes during the year ended December 31, 2022, in how the Company categorizes its financial assets and liabilities by fair value through profit or loss, fair value through OCI, and amortized cost.

At December 31, 2022 and 2021, the carrying amounts of accounts receivable not arising from sales of metal concentrates, accounts payable and accrued liabilities, and other current assets and current liabilities are considered to be reasonable approximations of their fair values due to the short-term nature of these instruments. The fair value of the Company's long-term debt is approximated by its carrying value since the contractual interest rates are comparable to current market interest rates.

Observable and unobservable inputs that would have been impacted by the COVID-19 pandemic have been appropriately considered into the fair value measurements of the Company's financial instruments for the year ended December 31, 2022.

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

Financial instruments and related risks

The Company's activities expose it to financial risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are commodity price risk, credit risk, foreign exchange risk, liquidity risk and interest rate risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis. There have been no significant changes in the Company's exposure to these financial risks. During the year ended December 31, 2022, the Company's exposure to these financial risks has not been significantly impacted by COVID-19.

Derivative instruments

As at December 31, 2022, 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.

(a) Commodity Price Risk Management

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 hedged a total of 32,573 metric tonnes consisting of 20,310 metric tonnes in 2023 and 12,263 metric tonnes in the first half of 2024. At December 31, 2022, the fair value of these derivatives is $(26.0) million (2021 - $nil).

In addition, the Company entered into fixed-for-floating swaps for 37,375 metric tonnes for 2023 at average price of $3.64/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 27,500 metric tonnes in 2023. At December 31, 2022, the fair value of these derivatives is $(16.9) million (2021 - $nil).

The Company's outstanding commodity derivative instruments as of December 31, 2022, are as follows:

Type	Remaining term	Average price per pound	Notional
Fixed-for-Floating Swaps Copper	January 2023 - June 2024	$3.41	32,573
Fixed-for-Floating Swaps Copper	January - December 2023	$3.64	37,375

Type	Remaining term	Put strike (floor)	Call strike (ceiling)	Notional
ZCC - Call and Put Option Contracts	January - December 2023	$3.20/lb	$4.15/lb	27,500

(b) Interest Rate Risk Management

The Company has exposure to interest rates, specifically the 3-month US$ London Inter-bank Offered Rate ("LIBOR") rate related to the debt financing facility associated with the MVDP and 1-month Secured Overnight Financing Rate ("SOFR") plus a margin of 1.875 - 2.75% depending on total net leverage ratio. 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. As a result of Interest Rate Benchmark Reform, it is currently expected that the Company's derivative instruments which reference LIBOR will need to be negotiated to agree on the new benchmark rate to be used. This negotiation has not yet occurred.

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

The Company's outstanding interest rate derivative instruments as of December 31, 2022 are as follows:

Type	Remaining term	Fixed Rate	Notional
Fixed-for-floating swaps	January 2023 - March 2030	1.015%	6,449,484
Floor options	January 2023 - September 2025	0%	4,873,836

Fixed for floating swap notional represents 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 December 31, 2022, the fair value of the fixed-for-floating swaps and floor option derivative contracts is $48.3 million (2021 - $nil).

(c) *Foreign Currency Risk Management*

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 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. As a covenant in the MVDP financing, a subsidiary of the Company, entered into contracts in February 2021 to hedge the foreign exchange risk related to the capital expenditures for the MVDP.

The Company's outstanding foreign exchange forwards and swaps as of December 31, 2022, are as follows:

Type	Remaining term	Average Price	Notional
Foreign Exchange Forwards - CLP	January 2023 - March 2024	727.7	7,080,469
Foreign Exchange Swaps - UF	January 2023 - May 2024	41.7	650

The details of the foreign exchange ZCCs outstanding at December 31, 2022 are as follows:

Quantity	Remaining term	Put strike (floor)	Call strike (ceiling)
55.8 billion CLP	January - December 2023	775.0	965.0 - 1,046.0

In 2021, the Company entered into ZCCs CLP to US dollar foreign exchange option contracts covering the period from January through December 2022, representing approximately 75% of Santo Domingo's expected CLP capital costs during this period.

In February 2022, the Company 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 December 31, 2022, the fair value of the outstanding CLP and UF contracts is $(2.1) million (2021 - $(0.4) million).

In 2021, the Company entered into MXN zero cost collars to US dollar foreign exchange option contracts covering the period from January through December 2022, representing approximately 75% of the expected MXN costs of the Cozamin mine during this period.

At December 31, 2022, the fair value of outstanding MXN contracts is $nil (December 31, 2021 - $0.1 million).

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

In September 2022, the Company entered into US dollar to CAD foreign exchange forward contracts whereby it purchased $12.2 million CAD and sold $8.9 million USD at an average rate of 1.372. The contracts mature in Q1 2023.

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.

Quantity	Remaining term	Put strike (floor)	Call strike (ceiling)
17.6 million CAD	January - December 2023	1.35	1.40

At December 31, 2022, the fair value of the outstanding CAD contracts is $0.2 million (2021 - $nil).

(d) Quotational pricing contracts

The Company enters into copper time-spread swaps in order to manage the risk associated with provisional pricing in terms of copper concentrate sales agreements. As at December 31, 2022, the Company had 26,318 metric tonnes of copper swaps outstanding at an effective average cost of $66 per tonne and settling across January 2023 to March 2023. At December 31, 2022, the fair value of the outstanding contracts is $(9.5) million.

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

	Year ended December 31,	
	2022	2021
Derivative financial assets:		
Foreign currency contracts	**$ 247**	$ 76
Interest rate swap contracts	**19,734**	—
Share purchase warrants	**—**	467
Total derivative financial assets - current	**19,981**	543
Interest rate swap contracts	**28,582**	—
Total derivative financial assets - non-current	**$ 28,582**	$ —
Derivative financial liabilities:		
Foreign currency contracts	**2,073**	387
Copper commodity contracts	**32,888**	—
Quotational pricing contracts	**9,462**	—
Total derivative financial liabilities - current	**$ 44,423**	$ 387
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:

	Year ended December 31, **2022**	2021
Unrealized gain (loss) on derivative financial instruments:		
Foreign currency contracts	**$ 9,998**	$ (3,104)
Copper commodity contracts	**100,834**	—
Interest rate swap contracts	**22,725**	380
Unrealized (loss) gain on warrants	**(387)**	271
Total unrealized gain (loss) on derivative financial instruments	**133,170**	**(2,453)**
Realized gain (loss) on derivative financial instruments:		
Foreign currency contracts	**(24,881)**	2,585
Copper commodity contracts	**(1,384)**	(12)
Interest rate swap contracts	**4,182**	(429)
Total realized (loss) gain on derivative financial instruments	**(22,083)**	**2,144**
Total unrealized and realized gain (loss) on derivative financial instruments:	**$ 111,087**	**$ (309)**

Valuation methodologies for Level 2 financial instruments

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

Derivative assets and liabilities consist of the mark-to-market adjustments to record the fair values of the outstanding zero cost collar and forward foreign currency contracts, commodity swaps and interest rate swaps. At December 31, 2022 derivative assets consist of zero cost collar and forward foreign currency contracts, interest rate swap contracts and warrants. Derivative liabilities consist of zero cost collar foreign currency contracts, copper commodity contracts and quotational pricing contracts. All of the Company's derivative assets and liabilities are marked-to-market based on a valuation model which uses quoted observable inputs.

Valuation methodologies for Level 3 financial instruments

The promissory note receivable is valued based on its carrying value, as given its demand nature, the carrying value approximates its fair value (*Note 11*).

Commodity price risk

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

Credit risk

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

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

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

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

As at December 31, 2022, the Company's maximum exposure to credit risk is the carrying value of its cash and cash equivalents, short-term investments, receivables, derivative assets, receivable on sale of Minto and investment in marketable securities.

Foreign exchange risk

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

As at December 31, 2022, the Company is exposed to foreign exchange risk through the following financial assets and liabilities denominated in currencies other than the functional currency of the applicable subsidiary:

	Canadian dollar	Mexican peso	Chilean peso
Cash	$ 533	$ 167	$ 21,605
Receivables and other current assets	247	263	13,593
Deposits and other long-term assets	96	108	26
Total assets	876	538	35,224
Accounts payable and accrued liabilities	6,208	13,117	49,235
Total liabilities	6,208	13,117	49,235
Net (liabilities) assets	**$ (5,332)**	**$ (12,579)**	**$ (14,011)**

Based on the above net exposures at December 31, 2022, a 10% appreciation in the Canadian dollar against the US dollar would result in a $0.5 million decrease in the Company's income before taxes. A 10% appreciation of the Mexican peso against the US dollar would result in a $1.3 million decrease in the Company's income before taxes. A 10% appreciation of the Chilean peso against the US dollar would result in a $1.4 million decrease in the Company's income before taxes.

Liquidity risk

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

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

As of December 31, 2022, the Company's liabilities that have contractual maturities are as follows:

	Total	2023	2024	2025	2026	After 2026
Accounts payable and accrued liabilities*	$ 284,913	$ 284,913	$ —	$ —	$ —	$ —
Long term debt	$ 595,000	—	—	—	75,000	520,000
Leases and other contracts	$ 114,656	34,748	27,915	16,059	14,051	21,883
Due to related party *(Note 11)*	$ 60,000	—	3,243	6,486	6,486	43,785
	$ 1,054,569	$ 319,661	$ 31,158	$ 22,545	$ 95,537	$ 585,668

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

Interest rate risk

The Company's long-term debt is based on variable interest rates. Variable interest rates are currently based on US dollar LIBOR and SOFR plus a variable margin. From time to time, the Company has entered into derivative contracts to manage this risk. Based on the utilized Mantoverde Development Project Facility, Cost Overrun Facility and Revolving Credit Facility and balances of $520.0 million, $60.0 million and $75.0 million at December 31, 2022, respectively, a 0.1% increase in the LIBOR and SOFR rates would result in a $0.2 million decrease in annual net income before taxes. The Company is also exposed to interest rate risk with respect to the interest it earns on its cash balances and short-term investments. A 0.1% change in interest rates would have a nominal effect on the Company's interest income.

6. Receivables

Details are as follows:

	December 31, 2022	December 31, 2021
Copper cathode	**$ 70,814**	$ —
Copper concentrate	**72,720**	24,686
Value added taxes and other taxes receivable	**31,535**	2,135
Income taxes receivable	**5,055**	—
Other	**11,763**	1,668
Total receivables	**$ 191,887**	$ 28,489

7. Inventories

Details are as follows:

	December 31, 2022	December 31, 2021
Raw materials and consumables	**$ 68,121**	$ 37,356
Ore stockpiles	**13,296**	3,934
Work-in-progress	**29,386**	4,463
Finished goods - copper cathode	**19,057**	635
Finished goods - copper concentrate	**13,637**	16,437
Total inventories	**$ 143,497**	$ 62,825

During the year ended December 31, 2022, concentrate and cathode inventories recognized as production costs, including depletion and amortization, amounted to $1,078.1 million (2021 – $426.4 million).

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

During the year ended December 31, 2022, the Company recorded write-downs of $2.9 million related to Mantoverde's cathode inventories and Pinto Valley's ore stockpile and supplies inventories. Of the $2.9 million of write-downs during the year ended December 31, 2022, $2.8 million and $0.1 million was recorded as production costs and depletion and amortization, respectively.

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

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, 2022, net	$ 413,573	$ 89,245	$ 411,154	$ 293,938	$ 14,622	$ 88,338	$ 1,310,870
Business combination with Mantos *(Note 4)*	1,264,631	—	378,856	496,931	71,821	695,450	2,907,689
Additions	67,711	80,406	53,251	3,512	37,996	428,595	671,471
Disposals	—	—	(135)	(30)	—	—	(165)
Rehabilitation provision adjustments *(Note 16)*	13,955	—	—	—	—	—	13,955
Reclassifications	23,943	—	(23,901)	325,156	(9,186)	(316,012)	—
Depletion and amortization	(74,656)	(32,088)	—	(67,255)	(23,510)	—	(197,509)
At December 31, 2022, net	$ 1,709,157	$ 137,563	$ 819,225	$ 1,052,252	$ 91,743	$ 896,371	$ 4,706,311
At December 31, 2022:							
Cost	$ 2,130,178	$ 247,491	$ 819,225	$ 2,665,873	$ 186,355	$ 896,371	$ 6,945,493
Accumulated amortization and impairment	(421,021)	(109,928)	—	(1,613,621)	(94,612)	—	(2,239,182)
Net carrying amount	$ 1,709,157	$ 137,563	$ 819,225	$ 1,052,252	$ 91,743	$ 896,371	$ 4,706,311

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

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

The Company's exploration costs were as follows:

	Year ended December 31,	
	2022	2021
Exploration capitalized to mineral properties	**$ 3,278**	$ 7,620
Greenfield exploration expensed to the statement of income	**9,578**	3,061
	$ 12,856	$ 10,681

Exploration capitalized to mineral properties during the year ended December 31, 2022 and 2021, relates to brownfield exploration at the Cozamin mine. Greenfield exploration expenses during the year ended December 31, 2022 and 2021 relate primarily to exploration efforts in the US and Brazil.

As at December 31, 2022, construction in progress primarily relates to capital costs incurred in connection with the Mantos Blancos Concentrator Development Project ("Mantos Blancos CDP"), the MVDP, expansionary and sustaining capital at the Pinto Valley and Cozamin mines and the exploration at the Santo Domingo development project. As at December 31, 2021, construction in progress primarily relates to capital costs incurred in connection with sustaining capital at the Pinto Valley and Cozamin mines and the exploration and the Santo Domingo development project. Capital expenditures committed as at December 31, 2022, but not yet incurred, is $265.9 million (December 31, 2021 - $21.5 million).

As at December 31, 2022, the Revolving Credit Facility ("RCF") *(Note 13)* was secured by the Pinto Valley, Cozamin and Mantos Blancos mineral properties, plant and equipment with a net carrying value of $1,934.7 million (December 31, 2021 – $920.1 million).

Mineral property impairment reversal

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

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

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

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

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

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

Management concluded that there were no indicators of reversal of impairments previously recorded for the year ended December 31, 2022

9. Other Assets

Details are as follows:

		December 31, 2022		December 31, 2021
Current:				
Prepaids	**$**	**37,926**	$	5,450
Deposits		**4,500**		—
Other		**2,540**		—
Total other assets - current	**$**	**44,966**	$	5,450
Non-current:				
Prepayments		**18,045**		12,046
Investments in marketable securities		**1,628**		6,079
Finance lease receivable		**431**		861
Capitalized finance fees *(Note 13)*		**—**		566
Deposits		**8,177**		287
Other		**6,839**		5,000
Total other assets - non-current	**$**	**35,120**	$	24,839

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

10. Other Liabilities

Details are as follows:

	December 31, 2022	December 31, 2021
Current:		
Current portion of share-based payment obligations *(Note 16)*	**30,497**	50,140
Current portion of payable on purchase of NCI *(Note 11)*	**—**	43,401
Current portion of deferred revenue *(Note 14)*	**8,524**	6,130
Other	**301**	—
Total other liabilities - current	**$ 39,322**	$ 99,671
Non-current:		
Retirement benefit liabilities	**6,411**	5,105
Non-current portion of payable on purchase of NCI *(Note 11)*	**40,364**	38,428
Other	**3,953**	2,530
Total other liabilities - non-current	**$ 50,728**	$ 46,063

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. The COF carries an interest rate of LIBOR plus 1.70% and amortizing over 37 quarters from the earlier of September 30, 2024 or three quarters after project completion. As at December 31, 2022, the COF was fully drawn. As a result of Interest Rate Benchmark Reform, it is currently expected that the COF which references LIBOR will need to be negotiated to agree on the new benchmark rate to be used. This negotiation has not yet occurred.

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 20,000 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 23).

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

The table below presents a condensed summary of the financial information for Mantoverde S.A. shown on a 100% basis:

		December 31, 2022
Cash and cash equivalents	$	102,746
Mineral properties, plant and equipment		2,352,804
Other assets		184,922
Total assets		**2,640,472**
Accounts payable and accrued liabilities		138,743
Long-term debt		527,498
Amounts due to related party - Cost Overrun Facility		60,000
Deferred income tax liabilities		395,030
Other liabilities		91,530
Total liabilities		**1,212,801**
Equity attributable to owners of Mantoverde SA		999,032
Non-controlling interest		428,639

		Year ended December 31, 2022
Net Revenue	$	315,428
Production costs		(317,041)
Depletion and amortization		(35,369)
Loss from mining operations		(36,982)
Realized and unrealized gain on derivative instruments		109,468
Income tax and other expense		(26,021)
Net income for the year ended December 31, 2022		**46,465**
Profit attributable to owners of Mantoverde SA		32,525
Profit attributable to the non-controlling interest		13,940
Profit for the period	**$**	**46,465**
Business combination with Mantos (*Note 4)*		414,699
Share of profit for the year ended December 31, 2022		13,940
Balance at December 31, 2022	**$**	**428,639**

Purchase of Non-Controlling Interest from KORES

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

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

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

a. $30 million paid on closing (paid $17.1 million to KORES net of withholding taxes of $12.9 million on March 24, 2021);
b. $45 million payable 18 months following closing (paid $34.7 million to KORES net of withholding taxes of $10.3 million on September 26, 2022); *and*
c. $45 million payable 48 months following closing

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

Details of the purchase price allocation are as follows:

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

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

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

If Capstone Mining subsequently sold Santo Domingo within 18 months of the purchase of the NCI, and the sale met any of the triggering events set out in the SPA, then the second deferred payment to KORES of $45 million would have been accelerated. As at December 31, 2022, an unsecured liability of $40.4 million (December 31, 2021 - $81.8 million) has been recognized in the consolidated statement of financial position equal to the discounted amount of the remaining $45 million to be paid *(Note 10)*. The discounted amount of the remaining $45 million will be accreted up to its face value at 5% per annum. During the year ended December 31, 2022, $3.5 million (December 31, 2021 - $3.0 million) of accretion was recorded in other non-cash interest expense in the consolidated statements of income.

The net income attributable to the NCI during the year ended December 31, 2022 was $nil (2021 – $26.0 million), which resulted from the 30% interest owned by KORES in Acquisition Co. prior to this transaction. During the year ended December 31, 2022, Acquisition Co.'s net (loss) income was $(3.5) million (2021 - $86.7 million).

12. Lease Liabilities

Details are as follows:

		December 31, 2022		December 31, 2021
Lease liabilities *(i)*	**$**	**103,897**	$	16,041
Less: current portion		**(28,928)**		(3,410)
Non-current portion	**$**	**74,969**	$	12,631

i. $78.1 million in lease liabilities were acquired through the business combination between Capstone and Mantos (*Note 4*).

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

Undiscounted lease payments:

		December 31, 2022
Not later than 1 year	$	34,799
Later than 1 year and not later than 5 years		69,572
Later than 5 years		15,448
	$	119,819

13. Long-Term Debt

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

		December 31, 2022
Mantoverde Development Project Facility [i]	$	527,498
Revolving Credit Facility		71,577
Long-term debt	$	599,075

i. At December 31, 2022, $520 million was drawn on the facility with the remaining $7.5 million an adjustment to record the debt at its fair value as required as part of the accounting for the business combination with Mantos. 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 December 31, 2022, 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, it is currently expected that the MVDP facility which references LIBOR will need to be negotiated to agree on the new benchmark rate to be used. This negotiation has not yet occurred.

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

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 December 31, 2022 was adjusted term SOFR of 4.83% plus 1.875% (2021 - US LIBOR plus 2.50%) with a standby fee of 0.42% (2021 – 0.56%) payable on the undrawn balance (adjustable in certain circumstances).

The RCF in effect as of December 31, 2022 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 December 31, 2022. As at December 31, 2022, the balance of the RCF was $71.6 million (December 31, 2021 - $nil).

Details of the balance are as follows:

		December 31, 2022
Balance drawn on the RCF	$	**75,000**
Deferred financing fees		**(3,423)**
Total RCF balance	$	**71,577**

As at December 31, 2022, there were seven surety bonds totaling $223.3 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, $1.9 million related to the construction of a port for the Santo Domingo development project in Chile, $22.4 million at Mantoverde, and $27.5 million at Mantos Blancos, respectively, securing reclamation obligations.

Mantos Blancos Concentrator Development Project Debt Facility

A subsidiary of the Company entered into a $150 million debt facility with Glencore Chile SpA ("Glencore") in connection with the Mantos Blancos CDP, with an associated off-take agreement with Complejo Metalúrgico Altonorte S.A. for 75% of the concentrates produced including the silver contained (both agreements expire on December 31, 2026). Interest on borrowings under the Mantos Blancos CDP Facility was payable quarterly at a variable rate of 3-month US$ LIBOR plus a margin of 4.5% per annum and repayment terms require that the Company make repayment installments quarterly, equal to a percentage of the aggregate loans outstanding at the end of the period. On July 22, 2022, the Company fully repaid the Mantos Blancos CDP debt facility and the facility was cancelled. The gain on extinguishment of the debt of $8.0 million was recognized in the income statement for the period ending December 31, 2022.

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

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 consolidated statements of income on a per unit basis using the estimated total number of silver ounces expected to be delivered over the life of the Cozamin mine. The amortization rate requires the use of proven and probable mineral reserves and certain mineral resources which management is reasonably confident will be transferred to mineral reserves. The Company estimates the current portion of deferred revenue based on deliveries anticipated over the next twelve months. During the year ended December 31, 2022, the Company delivered 593,062 ounces (2021 - 755,699 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.

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

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

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

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.

Details of the deferred revenue balance are as follows:

	December 31, 2022	December 31, 2021
Deferred revenue	**$ 168,986**	$ 171,870
Less: current portion *(Note 10)*	**(8,524)**	(6,130)
Non-current portion	**$ 160,462**	$ 165,740

15. Income Taxes

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

	Year ended December 31, 2022					
	Canada	**US**	**Mexico**	**Chile**	**Other**	**Total**
Current income and mining tax expense	**$ —**	**$ 2,168**	**$ 41,357**	**$ 2,178**	**$ 6**	**$ 45,709**
Deferred income tax (recovery) expense	**(7,849)**	**2,311**	**(3,615)**	**21,026**	**—**	**11,873**
Income tax (recovery) expense	**$ (7,849)**	**$ 4,479**	**$ 37,742**	**$ 23,204**	**$ 6**	**$ 57,582**

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

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

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

	Year ended December 31, **2022**	2021
Income before income taxes	**$ 193,721**	$ 333,781
Canadian federal and provincial income tax rates	**27.00 %**	27.00 %
Income tax expense based on the above rates	**52,305**	90,121
Increase (decrease) due to:		
Non-deductible expenditures	**3,994**	1,700
Effects of different statutory tax rates on losses (income) of subsidiaries	**1,258**	(4,331)
Mexican and Chilean mining royalty taxes	**6,173**	7,120
Current period losses for which deferred tax assets (were) were not recognized	**(177)**	10,414
Non-recognition of tax liabilities related to impairment reversal	**—**	(24,699)
Withholding taxes	**2,711**	1,211
Adjustments to tax estimates in prior years	**554**	(1,772)
Foreign exchange and other translation adjustments	**(2,449)**	425
Impact of Mexican inflation	**(1,482)**	(605)
Other	**(5,305)**	1,332
Income tax expense	**$ 57,582**	$ 80,916

	2022	2021
Current income and mining tax expense	**$ 45,710**	$ 52,881
Deferred income tax expense	**11,872**	28,035
Income tax expense	**$ 57,582**	$ 80,916

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

	2022	2021
Net deferred tax liability, January 1	**$ 65,193**	$ 36,294
Business combination with Mantos *(Note 4)*	**484,678**	—
Deferred income tax expense for the year	**11,872**	28,035
Deferred income tax charged against other comprehensive income	**65**	864
Other	**$ (2,927)**	$ —
Net deferred tax liability, December 31	**$ 558,881**	$ 65,193

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

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

	December 31, 2022	December 31, 2021
Deferred income tax assets:		
Non-capital losses	**$ 82,444**	$ 30,931
Capital leases and other liabilities	**62,725**	—
Derivatives and other	**10,832**	—
Receivables and other current items	**—**	24,108
Share issue costs and other	**—**	729
Mineral properties, plant and equipment	**2,134**	1,730
Deferred revenue	**4,480**	1,980
Asset retirement obligation	**26,902**	—
Deferred income tax assets	**189,517**	59,478
Deferred income tax liabilities:		
Mineral properties, plant and equipment	**730,116**	123,477
Inventories and other	**4,468**	1,194
Derivative instruments	**5,582**	—
Deferred revenue	**8,232**	—
Deferred income tax liabilities	**748,398**	124,671
Net deferred income tax liability	**$ 558,881**	$ 65,193
Breakdown of net deferred income tax liability:		
Asset	**$ (38,704)**	$ (30,593)
Liability	**597,585**	95,786
	$ 558,881	$ 65,193

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

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

The composition of the deferred tax expense is as follows:

	Year ended December 31, **2022**	2021
Deferred income tax assets:		
Non-capital losses	**$ (12,944)**	$ 9,202
Accounts payable and other current items	**1,102**	—
Derivatives and other	**24,435**	—
Receivables and other current items	**—**	(9,673)
Share issue costs and other	**—**	1,875
Mineral properties, plant and equipment	**—**	(263)
Capital leases and long-term debt	**—**	(1,980)
Asset retirement obligation	**(11,682)**	—
Deferred income tax liabilities:		
Mineral properties, plant and equipment	**10,818**	31,578
Inventories and other	**435**	(603)
Derivative instruments	**5,582**	(651)
Deferred revenue	**(5,874)**	—
Unrealized foreign exchange gains	**—**	(1,450)
Deferred tax expense	**$ 11,872**	$ 28,035

At December 31, 2022, $38.7 million (2021 – $30.6 million) was recognized as a deferred tax asset based on management's forecasts of future income in certain entities.

As at December 31, 2022, the Company had tax losses of $62.1 million (2021 – $60.5 million) with a tax benefit of $16.7 million (2021 – $16.3 million) that are not recognized as deferred tax assets. The Company recognizes the benefit of tax losses only to the extent that it anticipates future taxable income that can be reduced by the tax losses. The $10.9 million (2021 – $10.6 million) of the tax losses for which a tax benefit has not been recorded expire from 2031 to 2042 while the remaining $51.2 million (2021 – $49.9 million) of the tax losses have no expiry date.

The summary of unrecognized deductible temporary differences is as follows:

	Year ended December 31, **2022**	2021
Accounts payable and other	**$ 3,665**	$ 39,967
Mineral properties, plant and equipment	**68,602**	44,370
Unrealized foreign exchange losses	**—**	5,062
Investments	**2,659**	—
Reclamation and closure cost obligations	**100,102**	129,249
	$ 175,028	$ 218,648

As at December 31, 2022, the Company has $175.0 million (2021 – $218.6 million) of deductible temporary differences with a tax benefit of $42.6 million (2021 – $52.3 million) that are not recognized as deferred tax assets. It is not probable that future taxable income will be available against which the Company can utilize these benefits. The majority of these benefits do not have an expiry date.

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

As at December 31, 2022, the Company has not recognized deferred taxes on approximately 485.0 million 2021 – $371.0 million) of retained earnings of its foreign subsidiaries, as it is the Company's intention to invest these earnings to maintain and expand the business of these subsidiaries. As at December 31, 2022, the Company has $nil (2021 – $190.7 million) of capital losses. The capital losses were no longer available for use after the transaction.

16. Provisions

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

Details of changes in the balances are as follows:

	Reclamation & closure cost obligations	Other long-term provisions	Share-based payment obligations	Total
Balance, January 1, 2022	**$ 129,249**	**$ 3,714**	**$ 78,265**	**$ 211,228**
Acquisitions - Business combination with Mantos *(Note 4)*	**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**
Settlements 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**
Balance, January 1, 2021	$ 115,996	$ 3,565	$ 30,507	$ 150,068
Share-based payment expense (recovery) *(Note 17)*	—	—	72,063	72,063
Change in estimates	13,148	652	—	13,800
Interest expense from discounting obligations	670	—	—	670
Payments during the year	(112)	(28)	(23,912)	(24,052)
Currency translation adjustments	(453)	(475)	(393)	(1,321)
Balance, December 31, 2021	$ 129,249	$ 3,714	$ 78,265	$ 211,228
Less: Current portion of share-based payment obligations included within other liabilities *(Note 10)*	—	—	(50,140)	(50,140)
Total provisions - non-current	$ 129,249	$ 3,714	$ 28,125	$ 161,088

The change in estimates during the year ended December 31, 2022, related to reclamation and closure cost obligations of $8.6 million (2021 – $13.1 million). The change in estimates were recorded as an increase to mineral properties of $9.4 million (2021 – $11.7 million) *(Note 8)* and to the consolidated statement of income of $(0.8) million (2021 – $1.4 million).

A reclamation and closure cost obligation has been recognized in respect of the mining operations of the Pinto Valley Mine, including associated infrastructure and buildings as well as the rail operations of the San Manuel Arizona Railroad Company. The estimated undiscounted cash flows required to satisfy the Pinto Valley reclamation and closure cost obligation as at December 31, 2022 were $105.1 million (2021 – $105.0 million), which have been adjusted for inflation and uncertainty of the cash flows and then discounted using the current market-based pre-tax discount rate of 3.97% (2021 - nil). The resulting reclamation and closure cost obligation for the Pinto Valley Mine at December 31, 2022 totalled $87.9 million (2021 – $115.5 million). The Company has $171.5 million in surety bonds outstanding at December 31, 2022 (2021 - $163.3 million) to support current and future reclamation obligations.

A reclamation and closure cost obligation has been recognized in respect of the mining operations of the Cozamin Mine, including associated infrastructure and buildings. The estimated undiscounted cash flows required to satisfy the Cozamin reclamation and closure cost obligation as at December 31, 2022 were 328.8 million Mexican pesos (2021 – 351.6 million Mexican pesos), which were adjusted for inflation and uncertainty of the cash flows and then discounted using current market-based pre-tax discount rate 9.14% (2021 – 7.06% to 7.79%). The resulting reclamation and closure cost obligation for Cozamin at December 31, 2022 totalled $12.2 million (2021 – $13.8 million), with an additional $3.9 million (2021 – $3.2 million) of other mine closure costs related primarily to a defined benefit obligation.

Reclamation and closure cost obligations have been recognized in respect of the mining operations of the Mantos Blancos and Mantoverde Mines, including associated infrastructure and buildings. The estimated undiscounted cash flows required to satisfy these reclamation and closure cost obligations as at December 31, 2022, were $126.9 million (2021 - $nil), which were adjusted for inflation and uncertainty of the cash flows and then discounted using current market-based pre-tax discount rates ranging from 5.19% - 5.20% (2021 – nil). The resulting reclamation and closure cost obligation for Mantos Blancos and Mantoverde at December 31, 2022, totalled $99.6 million (2021 – $nil), with an additional $25.6 million (2021 – $nil) of other mine closure costs related primarily to a defined benefit obligation. The Company has $49.9 million in surety bonds outstanding at December 31, 2022 (2021 - $nil) to support current and future reclamation obligations.

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

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

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$").

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

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

	Options outstanding	Weighted average exercise price (C$)
Outstanding, December 31, 2021	10,443,887	$ 1.14
Granted	1,075,858	6.24
Exercised	(4,130,553)	0.97
Expired	(12,364)	3.90
Forfeited	(153,129)	1.91
Outstanding, December 31, 2022	7,223,699	$ 1.97

As at December 31, 2022, the following options were outstanding and outstanding and exercisable:

	Outstanding			Outstanding & exercisable		
Exercise prices (C$)	Number of options	Weighted average exercise price (C$)	Weighted average remaining life (years)	Number of options	Weighted average exercise price (C$)	Weighted average remaining life (years)
$0.54 - $0.91	5,099,449	$ 0.67	1.9	3,797,037	$ 0.66	1.8
$3.23 - $3.90	1,096,847	3.88	3.3	462,896	3.90	3.2
$4.43 - $4.72	61,507	4.63	4.6	—	—	—
$5.08 - $6.97	965,896	$ 6.49	4.2	141,040	$ 6.74	4.1
	7,223,699	$ 1.97	2.5	4,400,973	$ 1.20	2.0

During the year ended December 31, 2022, the total fair value of options granted was $2.2 million (2021 – $1.4 million) and had a weighted average grant-date fair value of C$2.90 (2021 – C$1.65) per option. During the year ended December 31, 2022, the weighted average share price of the 4.1 million options exercised during the period was C$5.71 (2021 - 4.7 million options and C$5.04, respectively).

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

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

	Year ended December 31,	
	2022	2021
Risk-free interest rate	**2.00 %**	0.34 %
Expected dividend yield	**nil**	nil
Expected share price volatility	**61 %**	59 %
Expected forfeiture rate	**6.24 %**	6.14 %
Expected life	**3.8 years**	3.7 years

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

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.

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 year ended December 31, 2022, the total fair value of DSUs, RSUs, and PSUs granted under the SUP was $5.7 million (2021 – $3.2 million), and had a weighted average grant-date fair value of C$6.63 (2021 – C$3.95) per unit.

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

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 year ended December 31, 2022, the total fair value of units granted under the TSUP was $3.5 million (2021 – $2.1 million), and had a weighted average grant-date fair value of C$4.53 (2021 – C$2.61) per unit.

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

	Year ended December 31,	
	2022	2021
Risk-free interest rate	**1.90 %**	0.67 %
Expected dividend yield	**nil**	nil
Expected share price volatility	**60 %**	60 %
Expected forfeiture rate	**nil**	nil
Expected life	**9.2 years**	10 years

No Capstone shares were purchased by the Share Purchase Trust during the year ended December 31, 2022 and 2021.

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, 2021	3,116,341	8,294,406	6,102,367	347,033	694,063
Granted	112,686	927,770	44,843	350,323	700,640
Transferred		24,485	48,970	(24,485)	(48,970)
Forfeited	—	(190,280)	—	—	—
Settled	(909,702)	(6,225,990)	(2,766,920)	(13,462)	—
Outstanding, December 31, 2022	2,319,325	2,830,391	3,429,260	659,409	1,345,733

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

Share-based compensation expense

	Year ended December 31,	
	2022	2021
Share-based compensation expense related to stock options	**$ 2,931**	$ 1,149
Share-based compensation expense related to RSUs and PSUs (TSUP)	**2,109**	799
Share-based compensation expense related to DSUs, RSUs and PSUs (SUP)	**26,716**	72,063
Total share-based compensation expense	**$ 31,756**	$ 74,011

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

18. Revenue

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

	Year ended December 31, **2022**	2021
Copper concentrate	$ **891,208**	$ 773,914
Copper cathode	**441,694**	19,705
Silver	**33,920**	39,608
Molybdenum	**4,815**	—
Zinc	**2,673**	6,786
Gold	**1,809**	3,100
Lead	**—**	375
Total gross revenue	**1,376,119**	843,488
Less: treatment and selling costs	**(72,186)**	(43,797)
Less: pricing and volume adjustments	$ **(7,909)**	$ (4,922)
Revenue	$ **1,296,024**	$ 794,769

Customer details are as follows:

	Year ended December 31, 2022					2021		
	Pinto Valley USA	**Mantos Blancos Chile**	**Mantoverde Chile**	**Cozamin Mexico**	**Total**	Pinto Valley USA	Cozamin Mexico	Total
Customer #1	**$ —**	**$ 59,927**	**$ 192,133**	**$ 936**	**$ 252,996**			$ —
Customer #2	**—**	**—**	**—**	**224,193**	**224,193**			—
Customer #3	**—**	**223,919**	**—**	**—**	**223,919**			—
Customer #4	**—**	**35,281**	**89,126**	**—**	**124,407**			—
Customer #5	**—**	**—**	**—**	**—**	**—**	127,867	235,423	363,290
Customer #6	**—**	**—**	**—**	**—**	**—**	93,240	—	93,240
Customer #7	**—**	**—**	**—**	**—**	**—**	91,175	925	92,100
Customer #8	**—**		**—**	**—**	**—**	87,532	—	87,532
Other *(i)*	**507,591**	**4,008**	**35,736**	**3,269**	**550,604**	182,793	24,533	207,326
Total gross revenue	**$ 507,591**	**$ 323,135**	**$ 316,995**	**$ 228,398**	**$ 1,376,119**	$ 582,607	$ 260,881	$ 843,488

i. No other single customer meets the 10% disclosure threshold.

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

19. Earnings Per Share

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

	Year ended December 31, **2022**	2021
Earnings per share		
Basic	**$ 0.20**	$ 0.56
Diluted	**0.19**	0.55
Net earnings		
Net earnings attributable to common shareholders - basic and diluted	**$ 122,199**	$ 226,829
Weighted average shares outstanding - basic	**625,434,676**	405,800,210
Dilutive securities		
Stock options	**4,576,508**	8,066,105
TSUP units	**168,067**	227,169
Weighted average shares outstanding - diluted	**630,179,251**	414,093,484
Potentially dilutive securities excluded (as anti-dilutive)		
Stock options	**2,647,191**	2,377,782
TSUP units	**1,837,075**	813,927

20. Related Party Balances and Transactions

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

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

Name	Location	Ownership	Status	Functional Currency
Pinto Valley	US	100.0%	Consolidated	US dollar
Mantos Blancos	Chile	100.0%	Consolidated	US dollar
Mantoverde	Chile	70.0%	Consolidated	US dollar
Capstone Gold	Mexico	100.0%	Consolidated	US dollar
Minera Santo Domingo SCM	Chile	100.0%	Consolidated	US dollar

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

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

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

Compensation of Key Management Personnel

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

	Year ended December 31,	
	2022	2021
Salaries and short-term benefits	**$ 10,972**	$ 4,691
Share-based payments	**21,554**	47,396
	$ 32,526	$ 52,087

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

The total salaries and benefits incurred by the Company during 2022 were $180.2 million (2021 – $90.6 million).

21. Supplemental Cash Flow Information

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

	Year ended December 31,	
	2022	2021
Receivables	**$ (35,519)**	$ (8,695)
Inventories	**54,024**	(5,003)
Other assets	**(11,852)**	4,538
Accounts payable and accrued liabilities	**(101,481)**	2,346
Other liabilities	**(38,555)**	28,596
Net change in non-cash working capital	**$ (133,383)**	$ 21,782

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

	Year ended December 31,	
	2022	2021
VAT receivable	**$ (303)**	$ 6,155
Other non-current assets	**(7,105)**	10,391
Other non-current liabilities	**3,833**	(41,321)
Net change in other non-cash items	**$ (3,575)**	$ (24,775)

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

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

	Year ended December 31,	
	2022	2021
Mineral properties, plant and equipment addition for change in estimate of reclamation and closure cost obligations *(Note 8)*	**$ 13,955**	$ (11,714)
Decrease (increase) in accounts payable and accrued liabilities related to mineral properties, plant and equipment	**55,629**	(1,580)
Amortization of mining equipment capitalized to deferred stripping assets	**5,355**	(3,058)
Depreciation included in care and maintenance expense	**609**	626
Depreciation included in general and administrative expense	**573**	694
Fair value of stock options allocated to share capital upon exercise	**1,553**	(2,262)
Business combination with Mantos (*Note 4)*	**1,592,679**	—
	$ 1,670,353	$ (17,294)

As at December 31, 2022, cash on hand was $169.0 million (2021 – $260.6 million), and cash equivalents was $1.3 million (2021 – $1.5 million).

22. Capital Management

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

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

The RCF and MVDP debt facility contain various affirmative, financial and restrictive covenants, including: interest coverage ratios, leverage ratios, other financial ratios and 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, as well as effecting certain hedging strategies as detailed in the lending agreement. As at December 31, 2022, the Company was in compliance with the covenants and requirements of the RCF and MVDP debt facility.

23. 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 4.6 million silver ounces since contract inception until December 31, 2022.

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") up to the end of December 2025.

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 thousand 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 20,000 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)

Minto surety bond indemnification

On June 3, 2019, the Company completed the sale of its 100% interest in the Minto mine ("Minto") to Pembridge Resources PLC (“Pembridge”). In conjunction with completion of the sale, Pembridge has 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 and could be liable for the bonded obligations in the event Minto does not satisfy those obligations. Pembridge has put C$10 million into a control account which is to be applied against the reclamation if the surety bond is called. The Company continues to monitor Minto’s financial situation, any uncertainty in Minto's ability to meet the obligation may trigger an event that may create a possible obligation in the future related to the financial exposure on the surety bond indemnification. No amount has been recognized as a liability as at December 31, 2022, as there is no present obligation that is probable.

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 2028 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 $2.0 million of VAT related to Minera Santo Domingo which has been reclassified from non-current other assets (Note 6). The Company has provided a guarantee to the Chilean Internal Revenue Service that all VAT amounts refunded, plus interest, will be repaid if construction of the Santo Domingo development project is not completed by August 31, 2026.

24. Other Expense (Income)

Details are as follows:

	Year ended December 31, **2022**	2021
Mantos integration costs	**$ 3,401**	$ —
Collective bargaining costs	**6,605**	—
Severance costs	**4,161**	—
Streaming arrangement transaction costs	**—**	1,101
Business development costs	**—**	1,454
Other expense (income)	**6,275**	(4,178)
	$ 20,442	$ (1,623)

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

25. Finance Costs

Details of other non-cash interest are as follows:

	Year ended December 31,	
	2022	2021
Interest accretion on deferred revenue *(Note 14) (i)*	**$ 10,001**	$ 8,360
Accretion on payable on purchase of NCI *(Note 11) (ii)*	**3,528**	2,962
Accretion on asset retirement obligations	**5,554**	2,101
Accretion on leases	**1,952**	655
Amortization of financing fees	**1,048**	1,133
Other interest expense (income)	**106**	(237)
	$ 22,189	$ 14,974

26. 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. The business combination with Mantos was completed on March 23, 2022, therefore no results for the Mantos Blancos and Mantoverde segments are reflected in the prior period comparative figures. Early stage exploration, other and corporate operations are reported in the Other segment. Intercompany revenue and expense amounts have been eliminated within each segment in order to report on the basis that management uses internally for evaluating segment performance. Total assets and liabilities do not reflect intercompany balances, which have been eliminated on consolidation. Segments are operations reviewed by the CEO, who is considered to be the chief operating decision maker.

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

	Year ended December 31, 2022						
	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	Santo Domingo	Other	Total
Revenue							
Copper concentrate	473,221	219,929	—	198,058	—	—	891,208
Copper cathode	22,810	101,890	316,994	—	—	—	441,694
Silver	4,936	1,317	—	27,667	—	—	33,920
Molybdenum	4,815	—	—	—	—	—	4,815
Zinc	—	—	—	2,673	—	—	2,673
Gold	1,809	—	—	—	—	—	1,809
Treatment and selling costs	(36,636)	(19,500)	(4,544)	(11,506)	—	—	(72,186)
Pricing and volume adjustments *(i)*	2,679	3,633	2,978	129	—	(17,328)	(7,909)
Net revenue	473,634	307,269	315,428	217,021	—	(17,328)	1,296,024
Production costs	(300,565)	(215,484)	(317,041)	(69,970)	—	—	(903,060)
Royalties	(2,076)	(4,478)	—	(3,623)	—	—	(10,177)
Depletion and amortization	(84,195)	(38,953)	(35,369)	(16,474)	—	—	(174,991)
Income (loss) from mining operations	86,798	48,354	(36,982)	126,954	—	(17,328)	207,796
General and administrative expenses	(579)	—	—	(105)	(113)	(25,447)	(26,244)
Exploration expenses	—	(241)	(1,455)	(69)	(71)	(7,742)	(9,578)
Share-based compensation expense	—	—	—	—	—	(31,756)	(31,756)
Income (loss) from operations	86,219	48,113	(38,437)	126,780	(184)	(82,273)	140,218
Realized and unrealized gains on derivative instruments	—	—	109,468	—	—	1,619	111,087
Other (expense) income	(1,916)	6,110	(11,860)	(447)	(841)	(20,820)	(29,774)
Net finance costs	(2,861)	(4,087)	(1,730)	(8,582)	(2,132)	(8,418)	(27,810)
Income (loss) before income taxes	81,442	50,136	57,441	117,751	(3,157)	(109,892)	193,721
Income tax (expense) recovery	(4,479)	(12,229)	(10,976)	(35,025)	—	5,127	(57,582)
Total net income (loss)	$ 76,963	$ 37,907	$ 46,465	$ 82,726	$ (3,157)	$ (104,765)	$ 136,139
Mineral properties, plant & equipment additions	$ 113,244	$ 97,062	$ 360,296	$ 73,561	$ 27,293	$ 15	$ 671,471

i. Included in pricing and volume adjustments are realized and unrealized losses on the Company's quotational pricing copper contracts.
ii. Intersegment sales and transfers are eliminated in the table above. For the year ended December 31, 2021, intersegment revenue for Cozamin and the Other segment was $13.5 million and $1.3 million (2021 - $14.6 million and $1.9 million), respectively.

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

	Year ended December 31, 2021				
	Pinto Valley	Cozamin	Santo Domingo	Other	Total
Revenue					—
Copper	553,047	220,869	—	—	773,916
Cathode	19,702	—	—	—	19,702
Silver	6,760	32,849	—	—	39,609
Zinc	—	6,785	—	—	6,785
Gold	3,098	2	—	—	3,100
Lead	—	375	—	—	375
Treatment and selling costs	(31,009)	(12,788)	—	—	(43,797)
Pricing and volume adjustments	(4,757)	(164)	—	—	(4,921)
Net revenue	546,841	247,928	—	—	794,769
Production costs	(269,441)	(65,013)	—	—	(334,454)
Royalties	(1,534)	(6,412)	—	—	(7,946)
Depletion and amortization	(76,657)	(15,268)	—	—	(91,925)
Earnings from mining operations	199,209	161,235	—	—	360,444
General and administrative expenses	(1,312)	(491)	(86)	(17,642)	(19,531)
Exploration expenses	—	(1,076)	(28)	(1,957)	(3,061)
Impairment reversal on mineral properties	—	—	92,392	—	92,392
Share-based compensation expense	—	—	—	(74,011)	(74,011)
Earnings (loss) from operations	197,897	159,668	92,278	(93,610)	356,233
Unrealized and realized gain on derivative instruments	—	—	—	(309)	(309)
Other income (expense)	(913)	1,562	(851)	(3,228)	(3,430)
Net finance costs	(3,419)	(7,806)	(1,360)	(6,128)	(18,713)
Earnings (loss) before income taxes	$ 193,565	$ 153,424	$ 90,067	$ (103,275)	$ 333,781
Income tax (expense) recovery	(35,931)	(47,409)	—	2,424	(80,916)
Total net income (loss)	$ 157,634	$ 106,015	$ 90,067	$ (100,851)	$ 252,865
Mineral properties, plant & equipment additions	82,908	43,698	30,203	206	157,015

	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**

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

27. Contingencies

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

On June 3, 2019, the Company completed the sale of its 100% interest in the Minto mine ("Minto") to Pembridge Resources PLC ("Pembridge"). The Company remains an Indemnitor for Minto's C$72 million surety bond obligation in the Yukon. The Company could be liable for the bonded obligations up to C$72 million if Minto does not satisfy those obligations. Minto has put C$10 million into a control account to be applied against the reclamation if the surety calls the bond for reclamation. The Company continues to monitor Minto's financial situation, any uncertainty regarding the financial health of Minto may trigger an event and create an obligation in the future related to the financial exposure on the surety bond indemnification. No amount has been recognized as a liability as at December 31, 2022, as there is no present obligation that is probable.