



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

June 30, 2022

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

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

ASSETS	June 30, 2022	December 31, 2021
Current		
Cash and cash equivalents	\$ 348,185	\$ 262,094
Short-term investments	1,869	2,259
Receivables (Note 6)	121,324	33,489
Inventories (Note 7)	134,262	62,825
Derivative assets (Note 5)	25,444	543
Other assets (Note 9)	48,552	5,450
	679,636	366,660
Mineral properties, plant and equipment (Note 8)	4,532,002	1,310,870
Deferred income tax assets (Note 15)	30,032	30,593
Derivative assets (Note 5)	25,938	—
Other assets (Note 9)	29,153	19,839
Total assets	\$ 5,296,761	\$ 1,727,962
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 291,265	\$ 97,384
Current portion of long-term debt (Note 13)	28,875	—
Lease liabilities (Note 12)	29,385	3,410
Income taxes payable	9,829	29,375
Derivative liabilities (Note 5)	34,827	387
Other liabilities (Note 10)	62,638	99,671
	456,819	230,227
Long-term debt (Note 13)	428,885	—
Deferred revenue (Note 14)	163,186	165,740
Lease liabilities (Note 12)	81,514	12,631
Provisions	276,122	161,088
Deferred income tax liabilities (Note 15)	616,261	95,786
Derivative liabilities (Note 5)	23,611	—
Other liabilities (Note 10)	49,141	46,063
Total liabilities	\$ 2,095,539	\$ 711,535
EQUITY		
Share capital	\$ 2,445,843	\$ 849,409
Other reserves	39,701	39,008
Retained earnings	265,499	128,010
Total equity attributable to equity holders of the Company	2,751,043	1,016,427
Non-controlling interest (Note 11)	450,179	—
Total equity	3,201,222	1,016,427
Total liabilities and equity	\$ 5,296,761	\$ 1,727,962

Commitments (Note 20)

Subsequent Events (Note 13)

See accompanying notes to these condensed interim consolidated financial statements.

Capstone Copper Corp.

Condensed Interim Consolidated Statements of Income

Three and Six Months Ended June 30, 2022 and 2021

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Revenue (Note 17)	\$ 356,644	\$ 209,401	\$ 624,730	\$ 413,464
Operating costs				
Production costs	(263,779)	(82,627)	(390,833)	(167,274)
Royalties	(2,895)	(2,222)	(4,929)	(3,849)
Depletion and amortization	(52,658)	(21,780)	(85,631)	(47,119)
Earnings from mining operations	37,312	102,772	143,337	195,222
General and administrative expenses (Note 21)	(6,679)	(3,993)	(12,540)	(8,478)
Exploration expenses (Note 8)	(3,397)	(1,048)	(5,264)	(1,702)
Impairment reversal on mineral properties (Note 8)	—	—	—	92,392
Share-based compensation recovery (expense) (Note 16)	13,951	(18,731)	(5,762)	(45,839)
Income from operations	41,187	79,000	119,771	231,595
Other income (expense)				
Foreign exchange gain (loss)	7,571	(1,761)	6,597	(2,380)
Realized and unrealized gains on derivative instruments (Note 5)	94,972	555	97,263	25
Transaction costs (Note 4)	—	—	(19,433)	—
Other (expense) income (Note 22)	(4,337)	119	(3,563)	1,979
Interest on long-term debt and surety bonds (Note 23)	(1,195)	(1,005)	(2,276)	(2,849)
Other interest expense (Note 23)	(5,473)	(3,289)	(9,851)	(4,361)
Income before income taxes	132,725	73,619	188,508	224,009
Income tax expense (Note 15)	(40,738)	(24,216)	(61,404)	(47,596)
Net income	\$ 91,987	\$ 49,403	\$ 127,104	\$ 176,413
Net income attributable to:				
Shareholders of Capstone Copper Corp.	\$ 75,092	\$ 49,403	\$ 109,080	\$ 150,377
Non-controlling interest (Note 11)	16,895	—	18,024	26,036
	\$ 91,987	\$ 49,403	\$ 127,104	\$ 176,413
Net earnings per share				
Earnings per share - basic (Note 18)	\$ 0.11	\$ 0.12	\$ 0.19	\$ 0.37
Weighted average number of shares - basic (Note 18)	687,351,065	405,157,458	563,518,049	404,235,769
Earnings per share - diluted (Note 18)	\$ 0.11	\$ 0.12	\$ 0.19	\$ 0.36
Weighted average number of shares - diluted (Note 18)	693,502,628	414,905,516	569,974,273	413,634,091

See accompanying notes to these condensed interim consolidated financial statements.

Capstone Copper Corp.
Condensed Interim Consolidated Statements of Comprehensive Income
Three and Six Months Ended June 30, 2022 and 2021

unaudited - expressed in thousands of US dollars

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Net income	\$ 91,987	\$ 49,403	\$ 127,104	\$ 176,413
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 \$259 and \$551 (2021 - \$nil and \$nil)	(1,654)	2,031	(3,528)	2,721
Remeasurement for retirement benefit plans, net of tax of \$nil (2021 - \$nil)	6	—	(100)	—
	(1,648)	2,031	(3,628)	2,721
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation adjustment	(264)	127	(139)	234
	(264)	127	(139)	234
Total other comprehensive (loss) income for the period	(1,912)	2,158	(3,767)	2,955
Total comprehensive income	\$ 90,075	\$ 51,561	\$ 123,337	\$ 179,368
Total comprehensive income attributable to:				
Shareholders of Capstone Copper Corp.	\$ 73,180	\$ 51,561	\$ 105,313	\$ 153,332
Non-controlling interest (Note 11)	16,895	—	18,024	26,036
	\$ 90,075	\$ 51,561	\$ 123,337	\$ 179,368

See accompanying notes to these condensed interim consolidated financial statements.

Capstone Copper Corp.
Condensed Interim Consolidated Statements of Cash Flows
Three and Six Months Ended June 30, 2022 and 2021

unaudited - expressed in thousands of US dollars

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Cash provided by (used in):				
Operating activities				
Net income	\$ 91,987	\$ 49,403	\$ 127,104	\$ 176,413
Adjustments for:				
Depletion and amortization	52,981	22,108	86,230	47,777
Deferred income and mining tax expense	40,738	24,216	61,404	47,596
Impairment reversal on mineral properties (Note 8)	—	—	—	(92,392)
Inventory write-down	141	—	566	—
Share-based compensation (recovery) expense	(13,951)	18,731	5,762	45,839
Net finance costs	7,426	4,294	12,885	7,210
Unrealized (gain) loss on foreign exchange	(17,960)	2,865	(17,036)	2,414
(Gain) loss on derivatives	(97,994)	(506)	(105,727)	487
Gain on disposal of assets and other	(300)	(3)	(391)	(34)
Changes in contingent consideration (Note 22)	—	(1,154)	—	(4,069)
Amortization of deferred revenue and variable consideration adjustments (Note 14)	(3,327)	(3,842)	(6,357)	(8,888)
Precious metal stream deposits received (Note 14)	—	30,000	—	180,000
Income taxes paid	(19,307)	(6,592)	(53,682)	(18,957)
Income taxes received	592	110	592	1,090
Other receipts	(343)	(95)	(321)	(77)
Operating cash flow before working capital	40,683	139,535	111,029	384,409
Changes in non-cash working capital (Note 19)	26,070	28,374	(60,678)	4,148
Other non-cash changes (Note 19)	(5,197)	635	1,434	263
Operating cash flow	61,556	168,544	51,785	388,820
Investing activities				
Mineral properties, plant and equipment additions	(178,220)	(41,755)	(222,826)	(64,093)
Interest capitalized on construction in progress	(6,140)	—	(8,087)	—
Cash acquired on business combination with Mantos (Note 4)	—	—	219,211	—
Payment on purchase of non-controlling interest (Note 11)	—	—	—	(17,141)
Proceeds from (purchase of) short-term investments	366	(74)	390	102
Other assets	25	(1,707)	(7,887)	(9,804)
Investing cash flow	(183,969)	(43,536)	(19,199)	(90,936)
Financing activities				
Proceeds from borrowings (Note 13)	100,000	—	100,000	32,000
Repayment of borrowings (Note 13)	(6,562)	—	(13,125)	(216,925)
KORES payment against promissory note (Note 11)	—	—	—	1,423
Repayment of lease obligations	(10,002)	(767)	(11,015)	(1,386)
Proceeds from the exercise of options	626	2,131	1,869	3,080
Payments for settlement of financial derivatives	(22,938)	—	(22,938)	(3,690)
Proceeds from settlement of financial derivatives	—	693	—	1,219
Interest paid on long-term debt and surety bonds	(480)	(602)	(966)	(2,104)
Financing cash flow	60,644	1,455	53,825	(186,383)
Effect of exchange rate changes on cash and cash equivalents	(909)	213	(320)	142
(Decrease in) increase in cash and cash equivalents	(62,678)	126,676	86,091	111,643
Cash and cash equivalents - beginning of period	410,863	41,547	262,094	56,580
Cash and cash equivalents - end of period	\$ 348,185	\$ 168,223	\$ 348,185	\$ 168,223

Supplemental cash flow information (Note 19)

See accompanying notes to these condensed interim consolidated financial statements.

Capstone Copper Corp.
Condensed Interim Consolidated Statements of Changes in Equity
Three and Six Months Ended June 30, 2022 and 2021
unaudited - expressed in thousands of US dollars, except share amounts

Attributable to equity holders of the Company

	Number of shares	Share capital	Reserve for equity settled share-based transactions	Revaluation reserve	Foreign currency translation reserve	Share purchase reserve	Retained Earnings	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 16)	2,633,321	2,755	(886)	—	—	—	—	1,869	—	1,869
Share-based compensation (Note 16)	—	—	2,976	—	—	—	—	2,976	—	2,976
Settlement of share units	—	—	—	—	—	2,616	12,266	14,882	—	14,882
Shares issued as compensation	131,775	1,000	—	—	—	—	—	1,000	—	1,000
Business Combination Between Capstone and Mantos (Note 4)	273,888,541	1,592,679	—	(246)	—	—	16,143	1,608,576	432,155	2,040,731
Change in fair value of marketable securities	—	—	—	(3,528)	—	—	—	(3,528)	—	(3,528)
Remeasurements for retirement benefit plans	—	—	—	(100)	—	—	—	(100)	—	(100)
Net income	—	—	—	—	—	—	109,080	109,080	18,024	127,104
Foreign currency translation	—	—	—	—	(139)	—	—	(139)	—	(139)
June 30, 2022	690,135,992	\$ 2,445,843	\$ 55,354	\$ 3,555	\$ (16,690)	\$ (2,518)	\$ 265,499	\$ 2,751,043	\$ 450,179	\$ 3,201,222
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 16)	2,964,230	4,691	(1,611)	—	—	—	—	3,080	—	3,080
Share-based compensation (Note 16)	—	—	863	—	—	—	—	863	—	863
Settlement of share units	—	—	—	—	—	1,377	3,323	4,700	—	4,700
Change in fair value of marketable securities	—	—	—	2,721	—	—	—	2,721	—	2,721
Purchase of non-controlling interest in Acquisition Co.	—	—	—	—	—	—	(5,155)	(5,155)	(136,145)	(141,300)
Net income	—	—	—	—	—	—	150,377	150,377	26,036	176,413
Foreign currency translation	—	—	—	—	234	—	—	234	—	234
June 30, 2021	411,848,350	\$ 847,480	\$ 52,830	\$ 6,150	\$ (16,354)	\$ (5,259)	\$ 51,031	\$ 935,878	\$ —	\$ 935,878

See accompanying notes to these condensed interim consolidated financial statements.

Capstone Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2022 and 2021

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

1. Nature of Operations

The accompanying condensed interim consolidated financial statements have been prepared as at June 30, 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 States ("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 continues to evaluate the potential impacts arising from COVID-19 on all aspects of its business. For the three and six months ended June 30, 2022 and 2021, there were no significant financial impacts on the Company.

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

The condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issuance on August 5, 2022.

2. Basis of preparation and consolidation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting using the same accounting policies and methods of application as the audited annual consolidated financial statements of Capstone for the year ended December 31, 2021, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), except as noted below in Note 3. Accordingly, certain information and footnote disclosures normally included in annual financial statements have been omitted or condensed.

These condensed interim 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 three and six months ended June 30, 2021, is solely that of Capstone Mining.

Capstone Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2022 and 2021

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

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

3. Significant Accounting Policies, Estimates and Judgements

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

In preparing the Company's condensed interim consolidated financial statements for the three and six months ended June 30, 2022, the Company applied the critical judgements and estimates disclosed in Note 2 of its consolidated financial statements for the year ended December 31, 2021, in addition to the accounting policies, critical judgements and estimates noted below.

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 condensed interim 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. After the Transaction, the combined entity changed its name to Capstone Copper Corp. and is listed on the Toronto Stock Exchange.

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.

Capstone Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2022 and 2021

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

New IFRS Pronouncements

In May 2020, the 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 condensed interim 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 January 2020, the International Accounting Standards Board ("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. The amendments are effective January 1, 2023, 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.

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.

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. The mine is increasing production via the ongoing Mantos Blancos Concentrator Debottlenecking Project which upon completion is expected to increase production from approximately 45,000 tonnes in 2021 to 54,000 tonnes in 2022. The property contains a land package consisting of 57,620 hectares.

Management has concluded that Mantos constitutes a business and, therefore, the acquisition is accounted for in accordance with IFRS 3 - Business Combinations.

Capstone Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2022 and 2021

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

The Company is completing a full and detailed valuation of the fair value of the net assets of Mantos with the assistance of independent valuation experts. Therefore, it is likely that the fair values of the assets acquired, and liabilities assumed will vary from those shown below and the differences may be material. The allocation of the purchase price is based on management's preliminary estimates and certain assumptions with respect to the fair value increment associated with the assets acquired and the liabilities assumed. The purchase price allocation is not final as the Company is continuing to obtain and verify information required to determine the fair value of assets and liabilities and the amount of deferred income taxes arising on their recognition. Consequently, the actual allocation of the purchase price may result in different adjustments than those in these unaudited condensed interim consolidated financial statements. IFRS 3 requires that, as of the acquisition date, the identifiable assets acquired and liabilities assumed should be classified or designated as necessary to apply the IFRS Accounting Standards going forward. The Company is in the process of completing those classifications or designations on the basis of the contractual terms, economic conditions, accounting policies and other relevant conditions as they existed as of the acquisition date of March 23, 2022.

Total transaction costs of \$nil and \$19.4 million related to the acquisition were expensed during the three and six months ended June 30, 2022.

Consideration and Purchase Price Allocation

Total consideration for the acquisition was valued at \$1,593 million on the acquisition date. The preliminary purchase price allocation, which is subject to final adjustments, is estimated as follows:

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 June 30, 2022		
	\$			\$		
Cash and cash equivalents	\$	219,211	\$	—	\$	219,211
Receivables (i)		118,028		10,663		128,691
Inventories		77,136		11,719		88,855
Due from related party (Note 25)		259,843		—		259,843
Mineral properties, plant and equipment		3,006,687		9,099		3,015,786
Other assets		36,376		(11,209)		25,167
Derivative assets		25,504		—		25,504
Deferred income tax assets		176,747		—		176,747
Accounts payable and accrued liabilities		(268,100)		4,013		(264,087)
Due to related party (Note 25)		(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)		—		(81,865)
Deferred income tax liabilities		(661,300)		—		(661,300)
Provisions		(111,409)		—		(111,409)
Net assets acquired before non-controlling interest	\$	2,017,208	\$	7,081	\$	2,024,289
Non-controlling interest (Note 11)		(424,529)		(7,081)		(431,610)
Net assets acquired	\$	1,592,679	\$	—	\$	1,592,679

Capstone Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2022 and 2021

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

- i. Trade receivables acquired as part of the acquisition have a fair value of \$101.7 million which is equal to their gross contractual value. Other receivables acquired have a fair value of \$27.0 million which is equal to their gross contractual value. Trade and other receivables are expected to be collected during the next 12 months.

Financial and operating results of Mantos are included in the Company's condensed interim consolidated financial statements effective March 23, 2022. During the three and six months ended June 30, 2022, the acquisition of Mantos contributed \$205.5 million and \$250.6 million of revenue and \$63.1 million and \$72.0 million of net income, respectively.

Had the business combination been effected at January 1, 2022, revenue and net income for the six months ended June 30, 2022, would have been \$633.2 million, and \$262.5 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

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.

Capstone Copper Corp.

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As of June 30, 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	\$ —	\$ 1,869	\$ —	\$ 1,869
Copper concentrate receivables (Note 6)	—	19,547	—	19,547
Copper cathode receivables (Note 6)	—	59,176	—	59,176
Derivative assets	—	51,382	—	51,382
Investment in marketable securities (Note 9)	2,281	—	—	2,281
	\$ 2,281	\$ 131,974	\$ —	\$ 134,255
Financial liabilities				
Derivative liabilities	\$ —	\$ 58,438	\$ —	\$ 58,438
	\$ —	\$ 58,438	\$ —	\$ 58,438

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between Level 1, Level 2 and Level 3 during the three and six months ended June 30, 2022.

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

	June 30, 2022			
	Fair value through profit or loss	Fair value through OCI	Amortized cost	Total
Cash and cash equivalents	\$ —	\$ —	\$ 348,185	\$ 348,185
Short-term investments	1,869	—	—	1,869
Copper concentrate receivables (Note 6)	19,547	—	—	19,547
Copper cathode receivables (Note 6)	59,176	—	—	59,176
Other receivables (Note 6)	—	—	10,659	10,659
Derivative assets	51,382	—	—	51,382
Investment in marketable securities (Note 9)	—	2,281	—	2,281
Receivable on sale of Minto (Note 6)	—	—	5,000	5,000
	\$ 131,974	\$ 2,281	\$ 363,844	\$ 498,099

	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
Receivable on sale of Minto (Note 6)	—	—	5,000	5,000
	\$ 27,488	\$ 6,079	\$ 268,386	\$ 301,953

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

	June 30, 2022		
	Fair value through profit or loss	Amortized cost	Total
Accounts payable and accrued liabilities	\$ —	\$ 291,265	\$ 291,265
Payable on purchase of non-controlling interest (Note 10)	—	83,871	83,871
Long-term debt (Note 13)	—	457,760	457,760
Derivative liabilities	61,891	—	61,891
	\$ 61,891	\$ 832,896	\$ 894,787

	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 three and six months ended June 30, 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.

Observable and unobservable inputs that would have been impacted by the COVID-19 pandemic have been appropriately considered into the fair value measurements of the Company's financial instruments for the three and six months ended June 30, 2022.

Financial instruments and related risks

The Company's activities expose it to financial risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are commodity price risk, credit risk, foreign exchange risk, liquidity risk and interest rate risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis. There have been no significant changes in the Company's exposure to these financial risks. During the three and six months ended June 30, 2022, the Company's exposure to these financial risks has not been significantly impacted by COVID-19.

Derivative instruments

As at June 30, 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 collar ("ZCC") and swap contracts and share purchase warrants.

(a) Commodity Price Risk Management

As part of the Mantoverde Development Project 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 total of 46,036 metric tonnes consisting of 13,463 metric tonnes for the remainder of 2022, 20,310 metric tonnes in 2023 and 12,263 metric tonnes in the first half of 2024 at average price of \$7,578 per tonne. At June 30, 2022, the fair value of these derivatives is \$(29.7) million (2021 - \$nil).

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The Company 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. The intent is to ensure positive operating margins on the production of cathodes. At June 30, 2022, the fair value of these derivatives is \$15.2 million (2021 - \$nil).

The Company's outstanding commodity derivative instruments as of June 30, 2022, are as follows:

Type	Inception	Maturity	Average price per tonne	Notional
Fixed-for-Floating Swaps Copper	March-2021	June-2024	\$7,578	46,036

Type	Remaining term	Notional	Put strike (floor)	Call strike (ceiling)
ZCC - Call and Put Option Contracts	July - December 2022	20,000	\$4.00/lb	\$4.86/lb

(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 Mantoverde Development Project. To mitigate the risk of movements in interest rates, and in compliance with a covenant in the Mantoverde Development Project financing, a subsidiary of the Company entered into a fixed-for-floating LIBOR swap at 1.015% until March 2030, with a 0% floor on the LIBOR rate until September 2025.

The Company's outstanding interest rate derivative instruments as of June 30, 2022 are as follows:

Type	Inception	Maturity	Fixed Rate	Notional
Fixed-for-floating swaps	March-2021	March-2030	1.015%	7,280,968
Floor options	March-2021	Sept-2025	0%	5,705,320

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 June 30, 2022, the fair value of the fixed-for-floating swaps and floor option derivative contracts is \$35.6 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 Fomento ("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 substantial 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 Mantoverde Development Project financing, a subsidiary of the Company, entered into derivative instruments in February 2021 to hedge the foreign exchange risk related to the capital expenditures for the MVDP.

At June 30, 2022, the fair value of these derivatives is \$(23.7) million (2021 - \$nil).

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The Company's outstanding foreign exchange forwards and swaps as of June 30, 2022, are as follows:

Type	Inception	Maturity	Average Price	Notional
Foreign Exchange Forwards - CLP	Feb-21	Mar-24	727.7	32,657,991
Foreign Exchange Swaps - UF	Feb-21	May-24	41.7	2,610

The Company's outstanding foreign exchange zero cost collars are as follows:

In 2021, the Company entered into zero cost collars CLP to US dollar foreign exchange option contracts whereby it sold a series of call option contracts and purchased a series of put option contracts with equal and offsetting values at inception. The contracts were for a total of 27.5 billion CLP (\$30.5 million) 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 zero cost collars CLP to US dollar foreign exchange option contracts whereby it sold a series of call option contracts and purchased a series of put option contracts with equal and offsetting values at inception. The contracts were for a total of 105.8 billion CLP (\$115 million) covering the period from April 2022 through December 2023, representing approximately 50% of Mantoverde's and Mantos Blancos' expected CLP operating costs during this period.

At June 30, 2022, contracts remain outstanding for 100 billion CLP (\$108.7 million) and the fair value of these derivatives is \$(5.1) million (2021 - \$(0.4) million).

The details of the Chilean Peso contracts outstanding at June 30, 2022 are as follows:

Quantity	Remaining term	Put strike (floor)	Call strike (ceiling)
40.2 billion CLP	July - December 2022	750.0	931 - 976
59.8 billion CLP	January - December 2023	775.0	965 - 1046

In 2021, the Company entered into MXN zero cost collars to US dollar foreign exchange option contracts whereby it sold a series of call option contracts and purchased a series of put option contracts with equal and offsetting values at inception. The contracts were for a total of 504 million MXN (\$25.0 million) covering the period from January through December 2022, representing approximately 75% of the expected MXN costs of the Cozamin mine during this period.

At June 30, 2022, the fair value of outstanding MXN contracts is \$0.1 million (December 31, 2021 - \$0.1 million).

The details of the Mexican Peso contracts outstanding at June 30, 2022 are as follows:

Quantity	Remaining term	Put strike (floor)	Call strike (ceiling)
252 million MXN	July - December 2022	20.0	24.75

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

	June 30, 2022	December 31, 2021
Derivative financial assets:		
Foreign currency contracts	\$ 126	\$ 76
Interest rate swap contracts	10,155	—
Copper commodity contracts	15,163	—
Share purchase warrants	—	467
Total derivative financial assets - current	25,444	543
Interest rate swap contracts	25,938	—
Total derivative financial assets - non-current	\$ 25,938	\$ —
Derivative financial liabilities:		
Copper commodity contracts	12,807	—
Foreign currency contracts	22,020	387
Total derivative financial liabilities - current	\$ 34,827	\$ 387
Copper commodity contracts	16,856	—
Foreign currency contracts	6,755	—
Total derivative financial liabilities - non-current	\$ 23,611	\$ —

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Unrealized gain (loss) on derivative financial instruments:				
Foreign currency contracts	\$ (13,562)	\$ (358)	\$ (10,111)	\$ (1,495)
Copper commodity contracts	121,093	—	122,250	—
Interest rate swap contracts	7,212	—	10,588	—
Unrealized (loss) gain on warrants	(135)	171	(387)	231
Total unrealized gain (loss) on derivative financial instruments	114,608	(187)	122,340	(1,264)
Realized gain (loss) on derivative financial instruments:				
Foreign currency contracts	(7,133)	742	(7,133)	1,338
Copper commodity contracts	(12,496)	—	(17,937)	—
Interest rate swap contracts	(7)	—	(7)	(49)
Total realized (loss) gain on derivative financial instruments	(19,636)	742	(25,077)	1,289
Total unrealized and realized gain on derivative financial instruments:	\$ 94,972	\$ 555	\$ 97,263	\$ 25

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6. Receivables

Details are as follows:

	June 30, 2022	December 31, 2021
Copper cathode	\$ 59,176	\$ —
Copper concentrate	19,547	24,686
Value added taxes and other taxes receivable	23,673	2,135
Income taxes receivable	3,269	—
Receivable on sale of Minto	5,000	5,000
Other	10,659	1,668
Total receivables	\$ 121,324	\$ 33,489

7. Inventories

Details are as follows:

	June 30, 2022	December 31, 2021
Raw materials and consumables	\$ 68,715	\$ 41,290
Work-in-progress	34,100	4,463
Finished goods - copper cathode	21,709	635
Finished goods - copper concentrate	9,738	16,437
Total inventories	\$ 134,262	\$ 62,825

During the three and six months ended June 30, 2022, concentrate and cathode inventories recognized as production costs, including depletion and amortization, amounted to \$315.6 million and \$476.5 million (2021 – \$104.4 million and \$214.4 million).

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8. Mineral Properties, Plant and Equipment

Details are as follows:

	Mineral properties			Plant and equipment			Total
	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	
At January 1, 2022, net	\$ 413,573	\$ 89,245	\$ 411,154	\$ 293,938	\$ 14,622	\$ 88,338	\$ 1,310,870
Acquisition of Mantos	1,803,889	—	317,394	117,991	81,865	694,647	3,015,786
Additions	52,611	23,878	22,060	349	20,772	170,922	290,592
Reclassifications	23,943	—	(23,943)	21,674	234	(21,908)	—
Depletion and amortization	(34,420)	(15,612)	—	(25,118)	(10,096)	—	(85,246)
At June 30, 2022, net	\$ 2,259,596	\$ 97,511	\$ 726,665	\$ 408,834	\$ 107,397	\$ 931,999	\$ 4,532,002
At June 30, 2022:							
Cost	\$ 2,640,362	\$ 190,963	\$ 726,665	\$ 1,963,817	\$ 211,560	\$ 931,999	\$ 6,665,366
Accumulated amortization and impairment	(380,766)	(93,452)	—	(1,554,983)	(104,163)	—	(2,133,364)
Net carrying amount	\$ 2,259,596	\$ 97,511	\$ 726,665	\$ 408,834	\$ 107,397	\$ 931,999	\$ 4,532,002

The Company's exploration costs were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Exploration capitalized to mineral properties	\$ 1,522	\$ 2,977	\$ 2,380	\$ 4,089
Greenfield exploration expensed to the statement of income	3,397	1,048	5,264	1,702
	\$ 4,919	\$ 4,025	\$ 7,644	\$ 5,791

Exploration capitalized to mineral properties during the three and six months ended June 30, 2022 and 2021, relates primarily to brownfield exploration at the Cozamin mine. Greenfield exploration expenses during the three and six months ended June 30, 2022 and 2021 relate primarily to exploration efforts in Mexico and Brazil.

As at June 30, 2022, construction in progress primarily relates to capital costs incurred in connection with the Mantos Blancos Concentrator Development Project ("Mantos Blancos CDP") and the Mantoverde Development Project ("Mantoverde DP") and 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 June 30, 2022, but not yet incurred is \$275.3 million (December 31, 2021 - \$21.5 million).

As at June 30, 2022, the Revolving Credit Facility ("RCF") (Note 13) was secured by mineral properties, plant and equipment with a net carrying value of \$943.0 million (December 31, 2021 - \$920.1 million).

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Mineral property impairment reversal

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

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

The recoverable amount of \$368.0 million for the Santo Domingo CGU, 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

9. Other Assets

Details are as follows:

	June 30, 2022	December 31, 2021
<i>Current:</i>		
Prepays and other	\$ 43,419	\$ 5,450
Other	5,133	—
Total other assets - current	\$ 48,552	\$ 5,450
<i>Non-current:</i>		
Prepayments	\$ 18,046	\$ 12,046
Investments in marketable securities	2,281	6,079
Finance lease receivable	653	861
Capitalized finance fees (Note 13) (i)	—	566
Deposits	8,173	287
Total other assets - non-current	\$ 29,153	\$ 19,839

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10. Other Liabilities

Details are as follows:

	June 30, 2022	December 31, 2021
<i>Current:</i>		
Current portion of share-based payment obligations	10,445	50,140
Current portion of payable on purchase of NCI (Note 11)	44,485	43,401
Current portion of deferred revenue (Note 14)	7,327	6,130
Other	381	—
Total other liabilities - current	\$ 62,638	\$ 99,671
<i>Non-current:</i>		
Retirement benefit liabilities	7,307	5,105
Non-current portion of payable on purchase of NCI (Note 11)	39,386	38,428
Other	2,448	2,530
Total other liabilities - non-current	\$ 49,141	\$ 46,063

11. Non-Controlling Interest

Mitsubishi Materials Corporation ("MMC")

As part of the financing for the Mantoverde Development Project, 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, MCC agreed to provide a \$60 million cost overrun facility 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 cost overrun facility provided by MCC in connection with the Mantoverde Development Project. The agreement between MCC 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.

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

	June 30, 2022
Cash	118,586
Mineral properties, plant and equipment	2,272,311
Accounts payable and accrued liabilities	123,877
Long-term debt	317,945
Deferred income tax liabilities	418,538
Equity attributable to owners of the Company	602,972
Non-controlling interest	450,179

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	Three months ended June 30, 2022	Six months ended June 30, 2022
Revenue	\$ 117,189	\$ 144,962
Earnings (loss) from mining operations	(1,710)	2,186
Realized and unrealized gain on derivative instruments	86,012	87,153
Income tax and other expense	(22,856)	(24,520)
Net income for the period ended June 30, 2022	56,316	60,081
Profit attributable to owners of the Company	39,421	42,057
Profit attributable to the non-controlling interest	16,895	18,024
Profit for the period	\$ 56,316	\$ 60,081
Business combination with Mantos (Note 4)	433,284	432,155
Share of profit for the period ended June 30, 2022	16,895	18,024
Balance at June 30, 2022	\$ 450,179	\$ 450,179

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).

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

- \$30 million paid on closing (paid \$17.1 million to KORES net of withholding taxes of \$12.9 million on March 24, 2021)
- \$45 million payable 18 months following closing; (Note 10) and
- \$45 million payable 48 months following closing (Note 10)

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	\$ —

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If Capstone Mining subsequently sells Santo Domingo within 18 months of the purchase of the NCI, and the sale meets any of the triggering events set out in the SPA, then the second deferred payment to KORES of \$45 million shall be accelerated. As at June 30, 2022, an unsecured liability of \$83.9 million (December 31, 2021 - \$81.8 million) has been recognized in the condensed interim consolidated statement of financial position equal to the discounted amount of the remaining \$90 million to be paid (current portion of payable on purchase of NCI - \$44.5 million, non-current portion of payable on purchase of NCI - \$39.4 million) (Note 10). The discounted amount of the remaining \$90 million will be accreted up to its face value at 5% per annum. During the three and six months ended June 30, 2022, \$1.0 million and \$2.0 million (June 30, 2021 - \$1.0 million & \$1.0 million) of accretion was recorded in other interest expense in the condensed interim consolidated statements of income.

The net income attributable to the NCI during the three and six months ended June 30, 2022 was \$nil and \$nil (2021 - \$nil and \$26.0 million), which resulted from the 30% interest owned by KORES in Acquisition Co. prior to this transaction. During the three and six months ended June 30, 2022, Acquisition Co.'s net (loss) income was \$(0.4) million and \$(2.2) million (2021 - \$(0.9) million and \$85.9 million).

12. Lease Liabilities

Details are as follows:

	June 30, 2022	December 31, 2021
Lease liabilities (i)	\$ 110,899	\$ 16,041
Less: current portion	(29,385)	(3,410)
Non-current portion	\$ 81,514	\$ 12,631

- i. \$81.9 million in lease liabilities were acquired through the business combination between Capstone and Mantos.

Undiscounted lease payments:

	June 30, 2022
Not later than 1 year	\$ 33,197
Later than 1 year and not later than 5 years	71,531
Later than 5 years	15,546
	\$ 120,274

13. Long-Term Debt

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

	June 30, 2022
Mantos Blancos CDP debt facility	\$ 139,815
Mantoverde DP debt facility	317,945
Long-term debt	\$ 457,760
Less: current portion of Mantos Blancos CDP debt facility	(28,875)
Non-current portion	\$ 428,885

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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 Concentrator Development Project, 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 is 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. The repayment installment required as at June 30, 2022 was equal to 4.375% of the aggregate loan balance. The loans are secured by a comprehensive security package covering substantially all of Mantos Copper S.A.'s assets.

At June 30, 2022, \$131.6 million was drawn on the facility. Subsequent to June 30, 2022, the Company fully repaid the Mantos Blancos CDP debt facility.

These agreements include affirmative and negative covenants and grant the counterparties security interests over specified assets of the Company. If certain events of default occur, Glencore could terminate their respective agreements in exchange for potentially substantial termination payments. As at June 30, 2022, the Company was in compliance with these covenants.

Mantoverde Development Project Facility

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

Interest on borrowings under the Mantoverde Development Project 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 Mantoverde Development Project). 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 Mantoverde Development Project 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 part of the financing for the Mantoverde Development Project, the Group 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 Mantoverde Development Project, 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. The price of the full copper content is based on LME prices and subject to certain

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adjustments based on the percentage of copper content. The amount payable for gold is determined by LBMA prices, subject to certain terms. In addition, MMC agreed to provide a \$60 million cost over run facility ("COF"), with 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. The COF was provided in exchange for additional off take of copper concentrate production under a 10-year contract.

At June 30, 2022, \$310 million was drawn on the facility. Subsequent to June 30, 2022, the Company drew a further \$100 million on the facility.

Revolving Credit Facility ("RCF")

On May 12, 2022, Capstone Mining amended its corporate RCF. The amended RCF is 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.

The interest rate at June 30, 2022 was US LIBOR plus 2.50% (2021 - US LIBOR plus 2.50%) with a standby fee of 0.56% (2021 - 0.56%) payable on the undrawn balance (adjustable in certain circumstances).

The RCF in effect as of June 30, 2022 is secured against the present and future real and personal property, assets and undertakings of Capstone Mining (other than defined excluded entities, Acquisition Co., Far West Mining Ltd., Minera Santo Domingo SCM, and Far West Exploration S.A., and subject to certain exclusions for Capstone Mining Chile SpA). Companies that are not part of the Capstone Mining subgroup, including but not limited to Capstone Copper, Mantos Copper Holding SpA, Mantos Copper Delaware LLC, Mantoverde S.A., and Mantos Copper S.A., are not part of Capstone's \$225 million RCF.

The credit facility requires Capstone to maintain certain financial ratios relating to debt and interest coverage. Capstone was in compliance with these covenants as at June 30, 2022. As at June 30, 2022, the balance of the RCF was \$nil (December 31, 2021 - \$nil).

As at June 30, 2022, there were seven surety bonds totaling \$228.4 million to support various reclamation obligation bonding requirements. This comprises \$163.3 million securing reclamation obligations at Pinto Valley, \$4.0 million provided as security as part of a power supply agreement at Pinto Valley, \$1.7 million related to the construction of a port for the Santo Domingo development project in Chile, \$35.2 million at Mantoverde, and \$24.2 million at Mantos Blancos, respectively, securing reclamation obligations.

Subsequent to June 30, 2022, the Company drew on the RCF to repay the existing Mantos Blancos CDP debt facility.

14. Deferred Revenue

Silver Precious Metals Purchase Arrangement ("Silver PMPA")

On February 19, 2021, the Capstone Mining closed 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.

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The Company recorded the upfront cash consideration received of \$150 million as deferred revenue and recognizes amounts in revenue as silver is delivered under the Silver PMPA. Capstone determines the amortization of deferred revenue to the condensed interim consolidated statements of income on a per unit basis using the estimated total number of silver ounces expected to be delivered over the life of the Cozamin mine. The amortization rate requires the use of proven and probable mineral reserves and certain mineral resources which management is reasonably confident will be transferred to mineral reserves. The Company estimates the current portion of deferred revenue based on deliveries anticipated over the next twelve months. During the three and six months ended June 30, 2022, the Company delivered 293,894 and 152,447 ounces (2021 - 166,344 and 384,765 ounces) of silver to Wheaton under the Silver PMPA.

Gold Precious Metals Purchase Arrangement ("Gold PMPA")

On April 21, 2021, the 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, 2021	\$ 140,510	\$ 31,360	\$ 171,870
Non-cash finance costs	3,934	1,066	5,000
Recognized as revenue on delivery of silver and gold	(6,357)	—	(6,357)
Balance, June 30, 2022	\$ 138,087	\$ 32,426	\$ 170,513

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:

	June 30, 2022	December 31, 2021
Deferred revenue	\$ 170,513	\$ 171,870
Less: current portion (Note 10)	(7,327)	(6,130)
Non-current portion	\$ 163,186	\$ 165,740

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15. Income Taxes

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Income before income taxes	\$ 132,725	\$ 73,619	\$ 188,508	\$ 224,009
Canadian federal and provincial income tax rates	27.00 %	27.00 %	27.00 %	27.00 %
Income tax expense based on the above rates	35,836	19,877	50,897	60,482
Increase (decrease) due to:				
Non-deductible expenditures	8,300	531	9,656	640
Effects of different statutory tax rates on losses (income) of subsidiaries	152	(1,499)	(110)	(3,616)
Mexican and Chilean mining royalty taxes	4,066	2,263	6,064	3,628
Current period losses for which deferred tax assets (were) were not recognized	(9,160)	3,035	(5,807)	6,743
Recognition (Non-recognition) of tax liabilities related to impairment reversal	—	—	—	(20,991)
Withholding taxes	—	263	—	526
Adjustments to tax estimates in prior years	—	(279)	(6)	(552)
Foreign exchange and other translation adjustments	673	(261)	(365)	379
Other	871	286	1,075	357
Income tax expense	\$ 40,738	\$ 24,216	\$ 61,404	\$ 47,596
Current income and mining tax expense	\$ 9,024	\$ 14,241	\$ 23,601	\$ 22,811
Deferred income tax expense	31,714	9,975	37,803	24,785
Income tax expense	\$ 40,738	\$ 24,216	\$ 61,404	\$ 47,596

16. Share Capital

Authorized

An unlimited number of common voting shares without par value.

Stock options

Pursuant to the Company's amended stock option plan, directors may authorize the granting of options to directors, officers 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\$").

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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	999,834	6.44
Exercised	(2,633,321)	0.89
Expired	(6,389)	3.90
Forfeited	(97,950)	1.54
Outstanding, June 30, 2022	8,706,061	\$ 1.81

As at June 30, 2022, the following options were outstanding and outstanding and exercisable:

Exercise prices (C\$)	Outstanding			Outstanding & exercisable		
	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	5,757,773	\$ 0.67	2.4	4,271,012	\$ 0.66	2.3
\$1.44	871,773	1.44	0.7	871,773	1.44	0.7
\$3.90	1,058,316	3.90	3.7	414,541	3.90	3.7
\$4.72	41,939	4.72	4.9	—	—	—
\$5.08 - \$6.97	976,260	\$ 6.50	4.7	37,040	\$ 6.08	4.4
	8,706,061	\$ 1.81	2.7	5,594,366	\$ 1.06	2.2

During the three and six months ended June 30, 2022, the total fair value of options granted was \$0.4 million and \$2.1 million (2021 – \$nil and \$1.4 million) and had a weighted average grant-date fair value of C\$2.38 and C\$2.99 (2021 – C\$2.43 and C\$1.65) per option. During the three and six months ended June 30, 2022, the weighted average share price of the 1.0 million and 2.6 million options exercised during the period was C\$6.08 and C\$6.37 (2021 - 1.8 million and 3.0 million and C\$5.22 and C\$4.63, respectively).

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Risk-free interest rate	2.62 %	0.74 %	1.88 %	0.34 %
Expected dividend yield	nil	nil	nil	nil
Expected share price volatility	61 %	59 %	61 %	59 %
Expected forfeiture rate	6.24 %	6.14 %	6.24 %	6.14 %
Expected life	3.8 years	3.7 years	3.8 years	3.7 years

Other share-based compensation plans

Under the Share Unit Plan (“SUP”), the Company grants Performance Share Units (“PSUs”) and Restricted Share Units (“RSUs”). PSUs granted to executives vest after three years and are subject to a performance measure of 0% to 200%. RSUs granted to executives and employees vest 1/3 per year starting on the first anniversary of the grant date. Under the Director’s Deferred Share Unit Plan, the Company grants Deferred Share Units (“DSUs”). DSUs granted to directors vest upon issuance but are not redeemable until cessation of service on the Board.

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Under the SUP, PSU and RSU obligations can be settled in cash, shares delivered from a Share Purchase Trust or a combination thereof, as determined by and at the discretion of the Human Resources and Compensation Committee of the Company's Board of Directors. DSU obligations, under the Director's Deferred Share Unit Plan, are redeemed in cash.

During the three and six months ended June 30, 2022, the total fair value of DSUs, RSUs, and PSUs granted under the SUP was \$1.9 million and \$5.3 million (2021 – \$0.1 million and \$3.2 million), and had a weighted average grant-date fair value of C\$6.97 and C\$6.97 (2021 – C\$5.63 C\$3.94) per unit.

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

During the three and six months ended June 30, 2022, the total fair value of units granted under the TSUP was \$1.0 million and \$3.5 million (2021 – \$nil and \$2.1 million), and had a weighted average grant-date fair value of C\$4.39 and C\$4.53 (2021 – \$nil and C\$2.61) per unit.

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Risk-free interest rate	2.06 %	N/A	1.90 %	0.67 %
Expected dividend yield	nil	N/A	nil	nil
Expected share price volatility	60 %	N/A	60 %	60 %
Expected forfeiture rate	nil	N/A	nil	nil
Expected life	9.2 years	N/A	9.2 years	10 years

No Capstone shares were purchased by the Share Purchase Trust during the three and six months ended June 30, 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	65,102	860,780	44,843	350,323	700,640
Transferred		24,485	48,970	(24,485)	(48,970)
Forfeited	—	(82,038)	—	—	—
Settled	(909,702)	(6,085,834)	(2,766,920)	—	—
Outstanding, June 30, 2022	2,271,741	3,011,799	3,429,260	672,871	1,345,733

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Share-based compensation expense

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Share-based compensation expense related to stock options	\$ 361	\$ 310	\$ 2,198	\$ 543
Share-based compensation expense related to RSUs and PSUs (TSUP)	842	240	1,154	320
Share-based compensation (recovery) expense related to DSUs, RSUs and PSUs (SUP)	(15,154)	18,181	2,410	44,976
Total share-based compensation (recovery) expense	\$ (13,951)	\$ 18,731	\$ 5,762	\$ 45,839

17. Revenue

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Copper concentrate	\$ 212,692	\$ 201,463	\$ 439,655	\$ 399,932
Copper cathode	153,933	4,888	195,654	9,076
Silver	8,454	10,804	17,920	20,567
Molybdenum	689	—	1,922	—
Zinc	(263)	2,529	1,712	5,277
Gold	455	316	817	1,385
Lead	—	88	—	366
Total gross revenue	375,960	220,088	657,680	436,603
Less: treatment and selling costs	(19,316)	(10,687)	(32,950)	(23,139)
Revenue	\$ 356,644	\$ 209,401	\$ 624,730	\$ 413,464

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Copper concentrate	\$ (40,908)	\$ (10,142)	\$ (35,103)	\$ (15,165)
Copper cathode	(3,544)	—	(3,570)	7
Silver	(450)	(279)	(414)	(976)
Gold	(362)	(193)	(85)	(264)
Zinc	(183)	34	(35)	69
Lead	—	2	—	(2)
Molybdenum	(64)	—	(3)	—
Revenue adjustments from provisional pricing arrangements	\$ (45,511)	\$ (10,578)	\$ (39,210)	\$ (16,331)

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18. Earnings Per Share

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Earnings per share				
Basic	\$ 0.11	\$ 0.12	\$ 0.19	\$ 0.37
Diluted	0.11	0.12	0.19	0.36
<i>Net earnings</i>				
Net earnings attributable to common shareholders - basic and diluted	\$ 75,092	\$ 49,403	\$ 109,080	\$ 150,377
Weighted average shares outstanding - basic	687,351,065	405,157,458	563,518,049	404,235,769
Dilutive securities				
Stock options	5,909,994	9,748,058	6,129,532	9,398,322
TSUP units	241,569	—	326,692	—
Weighted average shares outstanding - diluted	693,502,628	414,905,516	569,974,273	413,634,091
<i>Potentially dilutive securities excluded (as anti-dilutive)</i>				
Stock options	2,796,067	2,552,466	2,576,529	2,902,202
TSUP units	1,777,035	1,041,096	1,691,912	1,041,096

19. Supplemental Cash Flow Information

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Receivables	\$ 27,566	\$ 5,466	\$ 34,596	\$ 10,213
Inventories	(9,012)	2,414	(4,914)	6,641
Other assets	3,471	2,268	(10,326)	2,932
Accounts payable and accrued liabilities	3,346	19,118	(43,811)	(4,869)
Other liabilities	699	(892)	(36,223)	(10,769)
Net change in non-cash working capital	\$ 26,070	\$ 28,374	\$ (60,678)	\$ 4,148

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
VAT receivable	\$ (130)	\$ (453)	\$ (166)	\$ (923)
Other non-current assets	(5,546)	108	(2)	206
Other non-current liabilities	479	980	1,602	980
Net change in other non-cash items	\$ (5,197)	\$ 635	\$ 1,434	\$ 263

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Decrease (increase) in accounts payable and accrued liabilities related to mineral properties, plant and equipment	\$ 13,754	\$ (4,288)	\$ (9,544)	\$ 5,877
Amortization of mining equipment capitalized to deferred stripping assets	\$ 1,396	\$ 1,610	\$ 1,975	\$ 2,223
Fair value of stock options allocated to share capital upon exercise	\$ 295	\$ 1,131	\$ 886	\$ 1,611
Business combination with Mantos (Note 4)	\$ —	\$ —	\$ 1,592,679	\$ —
	\$ 15,447	\$ (1,545)	\$ 1,585,998	\$ 9,713

20. 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 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").

The Company has a concentrate off-take agreement with a third party whereby the third party will purchase 100% of the copper concentrate produced by the Cozamin Mine up to the end of December 2022.

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.

Purchase Commitments

The Company has a contractual arrangement extending until 2038 to purchase power for our Mantos Blancos operations. This arrangement requires payments of approximately \$25 million per year.

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The Company has a contractual arrangement extending until 2039 to purchase power for our Mantoverde operations. This arrangement requires payments of approximately \$48 million per year.

The Company has a contractual arrangement extending until 2033 to purchase water for our Mantos Blancos operations. This arrangement requires payments of approximately \$20 million per year.

Included in value added taxes ("VAT") and other taxes receivable is \$1.4 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.

21. General & Administrative Expenses

Details are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
General & administrative	\$ 6,515	\$ 3,838	\$ 12,211	\$ 8,149
Corporate depreciation	164	155	329	329
	\$ 6,679	\$ 3,993	\$ 12,540	\$ 8,478

22. Other (Expense) Income

Details are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Mantos integration costs	\$ (2,647)	\$ —	\$ (3,120)	\$ —
Insurance proceeds	1,345	—	2,368	—
Mark-to-market gain on contingent consideration (Note 9)	—	1,154	—	4,069
Streaming arrangement transaction costs	—	(89)	—	(929)
Other expense	(3,035)	(946)	(2,811)	(1,161)
	\$ (4,337)	\$ 119	\$ (3,563)	\$ 1,979

23. Finance Costs

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Interest and standby fees on RCF and surety bonds	\$ 912	\$ 722	\$ 1,710	\$ 2,283
Amortization of financing fees (Note 9)	283	283	566	566
	\$ 1,195	\$ 1,005	\$ 2,276	\$ 2,849

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Details of other interest are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Interest accretion on deferred revenue (Note 14)				
(i)	\$ 2,500	\$ 2,100	\$ 5,000	\$ 2,800
Interest on leases	1,246	161	1,554	305
Accretion on payable on purchase of NCI (Note 11) (ii)	1,024	975	2,036	975
Accretion on asset retirement obligations	716	170	1,145	336
Other interest expense (income)	(13)	(117)	116	(55)
	\$ 5,473	\$ 3,289	\$ 9,851	\$ 4,361

24. Segmented Information

The Company is engaged in mining, exploration and development of mineral properties, and has operating mines in the US, Chile and Mexico. The Company has six reportable segments as identified by the individual mining operations of Pinto Valley (US), Mantos Blancos (Chile), Mantoverde (Chile), Cozamin (Mexico), as well as the Santo Domingo development project (Chile) and Other. 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.

Operating segment details are as follows:

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Three and Six Months Ended June 30, 2022 and 2021

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

	Three months ended June 30, 2022						
	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	Santo Domingo	Other	Total
Revenue							
Copper concentrate	\$ 103,117	\$ 63,560	\$ —	\$ 46,015	\$ —	\$ —	\$ 212,692
Copper cathode	5,591	29,805	118,537	—	—	—	153,933
Silver	1,175	559	—	6,720	—	—	8,454
Molybdenum	689	—	—	—	—	—	689
Zinc	—	—	—	(263)	—	—	(263)
Gold	455	—	—	—	—	—	455
Treatment and selling costs	(9,628)	(5,603)	(1,348)	(2,737)	—	—	(19,316)
Net revenue	101,399	88,321	117,189	49,735	—	—	356,644
Production costs	(76,482)	(66,281)	(103,393)	(17,623)	—	—	(263,779)
Royalties	(391)	(1,308)	—	(1,196)	—	—	(2,895)
Depletion and amortization	(20,445)	(12,745)	(15,506)	(3,962)	—	—	(52,658)
Income from mining operations	4,081	7,987	(1,710)	26,954	—	—	37,312
General and administrative expenses	(351)	—	—	(31)	(42)	(6,255)	(6,679)
Exploration expenses	—	—	—	(32)	23	(3,388)	(3,397)
Share-based compensation recovery	—	—	—	—	—	13,951	13,951
Income from operations	3,730	7,987	(1,710)	26,891	(19)	4,308	41,187
Realized and unrealized gains on derivative instruments	—	—	86,013	—	—	8,959	94,972
Other (expense) income	(415)	9,759	(4,266)	80	(619)	(1,305)	3,234
Net finance costs	(590)	(466)	(863)	(2,180)	(889)	(1,680)	(6,668)
Income before income taxes	2,725	17,280	79,174	24,791	(1,527)	10,282	132,725
Income tax recovery (expense)	643	(5,577)	(22,856)	(9,116)	—	(3,832)	(40,738)
Total net income (loss)	\$ 3,368	\$ 11,703	\$ 56,318	\$ 15,675	\$ (1,527)	\$ 6,450	\$ 91,987
Mineral properties, plant & equipment additions	\$ 22,779	\$ 33,880	\$ 109,146	\$ 16,338	\$ 5,982	\$ 1	\$ 188,126

- i. Intersegment sales and transfers are eliminated in the table above. For the three months ended June 30, 2022, intersegment revenue for Cozamin and the Other segment was \$3.2 million and \$0.3 million (2021 - \$4.2 million and \$0.4 million), respectively.

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

	Three months ended June 30, 2021				
	Pinto Valley	Cozamin	Santo Domingo	Other	Total
Revenue					
Copper Concentrate	\$ 141,138	\$ 60,325	\$ —	\$ —	\$ 201,463
Copper Cathode	4,888	—	—	—	4,888
Silver	1,611	9,193	—	—	10,804
Zinc	—	2,529	—	—	2,529
Gold	316	—	—	—	316
Lead	—	88	—	—	88
Treatment and selling costs	(7,185)	(3,502)	—	—	(10,687)
Net revenue	140,768	68,633	—	—	209,401
Production costs	(66,098)	(16,529)	—	—	(82,627)
Royalties	(194)	(2,028)	—	—	(2,222)
Depletion and amortization	(17,923)	(3,857)	—	—	(21,780)
Earnings from mining operations	56,553	46,219	—	—	102,772
General and administrative expenses	(123)	(50)	(1)	(3,819)	(3,993)
Exploration expenses	—	(616)	(3)	(429)	(1,048)
Share-based compensation expense	—	—	—	(18,731)	(18,731)
Earnings (loss) from operations	56,430	45,553	(4)	(22,979)	79,000
Unrealized and realized gains on derivative instruments	—	—	—	555	555
Other expense	(292)	(290)	(62)	(998)	(1,642)
Net finance costs	(484)	(2,303)	—	(1,507)	(4,294)
Earnings (loss) before income taxes	55,654	42,960	(66)	(24,929)	73,619
Income tax (expense) recovery	(10,026)	(14,644)	—	454	(24,216)
Total net income (loss)	\$ 45,628	\$ 28,316	\$ (66)	\$ (24,475)	\$ 49,403
Mineral properties, plant & equipment additions	\$ 29,700	\$ 13,133	\$ 7,547	\$ 53	\$ 50,433

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Three and Six Months Ended June 30, 2022 and 2021

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

	Six months ended June 30, 2022						
	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	Santo Domingo	Other	Total
Revenue							
Copper concentrate	261,257	73,868	—	104,530	—	—	439,655
Copper cathode	11,651	37,372	146,631	—	—	—	195,654
Silver	2,957	559	—	14,404	—	—	17,920
Molybdenum	1,922	—	—	—	—	—	1,922
Zinc	—	—	—	1,712	—	—	1,712
Gold	817	—	—	—	—	—	817
Treatment and selling costs	(19,369)	(6,196)	(1,669)	(5,716)	—	—	(32,950)
Net revenue	259,235	105,603	144,962	114,930	—	—	624,730
Production costs	(157,614)	(75,225)	(124,111)	(33,883)	—	—	(390,833)
Royalties	(1,237)	(1,308)	—	(2,384)	—	—	(4,929)
Depletion and amortization	(44,863)	(13,872)	(18,665)	(8,231)	—	—	(85,631)
Income from mining operations	55,521	15,198	2,186	70,432	—	—	143,337
General and administrative expenses	(376)	—	—	(59)	(54)	(12,051)	(12,540)
Exploration expenses	—	—	—	(51)	(35)	(5,178)	(5,264)
Share-based compensation expense	—	—	—	—	—	(5,762)	(5,762)
Income (loss) from operations	55,145	15,198	2,186	70,322	(89)	(22,991)	119,771
Realized and unrealized gains on derivative instruments	—	—	87,153	—	—	10,110	97,263
Other (expense) income	(664)	10,057	(3,702)	(599)	(394)	(21,097)	(16,399)
Net finance costs	(1,176)	(646)	(1,036)	(4,425)	(1,066)	(3,778)	(12,127)
Income (loss) before income taxes	53,305	24,609	84,601	65,298	(1,549)	(37,756)	188,508
Income tax expense	(6,695)	(7,798)	(24,520)	(20,912)	—	(1,479)	(61,404)
Total net income (loss)	\$ 46,610	\$ 16,811	\$ 60,081	\$ 44,386	\$ (1,549)	\$ (39,235)	\$ 127,104
Mineral properties, plant & equipment additions	\$ 40,430	\$ 54,748	\$ 144,217	\$ 35,707	\$ 15,475	\$ 15	\$ 290,592

- i. Intersegment sales and transfers are eliminated in the table above. For the six months ended June 31, 2022, intersegment revenue for Cozamin and the Other segment was \$7.1 million and \$0.7 million (2021 - \$6.6 million and \$1.0 million), respectively.

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	Six months ended June 30, 2021				
	Pinto Valley	Cozamin	Santo Domingo	Other	Total
Revenue					
Copper Concentrate	297,124	102,808	—	—	399,932
Copper Cathode	9,076	—	—	—	9,076
Silver	3,721	16,846	—	—	20,567
Zinc	—	5,277	—	—	5,277
Gold	1,383	2	—	—	1,385
Lead	—	366	—	—	366
Treatment and selling costs	(16,381)	(6,758)	—	—	(23,139)
Net revenue	294,923	118,541	—	—	413,464
Production costs	(136,840)	(30,434)	—	—	(167,274)
Royalties	(337)	(3,512)	—	—	(3,849)
Depletion and amortization	(39,336)	(7,783)	—	—	(47,119)
Earnings from mining operations	118,410	76,812	—	—	195,222
General and administrative expenses	(181)	(178)	(1)	(8,118)	(8,478)
Exploration expenses	—	(1,028)	(42)	(632)	(1,702)
Impairment reversal on mineral properties	—	—	92,392	—	92,392
Share-based compensation expense	—	—	—	(45,839)	(45,839)
Earnings (loss) from operations	118,229	75,606	92,349	(54,589)	231,595
Unrealized and realized gain on derivative instruments	—	—	—	25	25
Other (expense) income	(566)	262	(159)	62	(401)
Net finance costs	(961)	(3,208)	—	(3,041)	(7,210)
Earnings (loss) before income taxes	116,702	72,660	92,190	(57,543)	224,009
Income tax (expense) recovery	(20,663)	(23,772)	(3,961)	800	(47,596)
Total net income (loss)	\$ 96,039	\$ 48,888	\$ 88,229	\$ (56,743)	\$ 176,413
Mineral properties, plant & equipment additions	\$ 45,113	\$ 18,739	\$ 14,884	\$ 57	\$ 78,793

	As at June 30, 2022						
	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	Santo Domingo	Other	Total
Mineral properties, plant and equipment	\$ 733,591	\$ 910,673	\$ 2,272,311	\$ 208,180	\$ 406,166	\$ 1,081	\$4,532,002
Total assets	\$ 887,296	\$1,048,668	\$ 2,548,575	\$ 294,005	\$ 477,154	\$ 41,063	\$5,296,761
Total liabilities	\$ 243,633	\$ 433,084	\$ 1,046,652	\$ 221,358	\$ 36,178	\$ 114,634	\$2,095,539

	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

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25. Amounts due to / from Related Party

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.