



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

September 30, 2023

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

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

ASSETS	September 30, 2023	December 31, 2022
Current		
Cash and cash equivalents	\$ 128,004	\$ 170,307
Short-term investments	1,451	1,553
Receivables (Note 6)	141,861	191,887
Inventories (Note 7)	146,416	143,497
Derivative assets (Note 5)	26,101	19,981
Other assets (Note 9)	54,493	44,966
	498,326	572,191
Mineral properties, plant and equipment (Note 8)	5,184,989	4,706,311
Deferred income tax assets	48,483	38,704
Derivative assets (Note 5)	22,665	28,582
Other assets (Note 9)	29,138	35,120
Total assets	\$ 5,783,601	\$ 5,380,908
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 271,606	\$ 284,913
Current portion of long-term debt (Note 13)	12,100	—
Lease liabilities (Note 12)	33,638	28,928
Income taxes payable	52	10,946
Derivative liabilities (Note 5)	16,030	44,423
Other liabilities (Note 10)	67,640	39,322
	401,066	408,532
Long-term debt (Note 13)	917,743	599,075
Deferred revenue (Note 14)	152,113	160,462
Due to related party (Note 11)	165,377	60,000
Lease liabilities (Note 12)	97,818	74,969
Provisions (Note 16)	275,887	239,635
Deferred income tax liabilities (Note 15)	631,581	597,585
Derivative liabilities (Note 5)	1,112	10,066
Other liabilities (Note 10)	52,358	50,728
Total liabilities	\$ 2,695,055	\$ 2,201,052
EQUITY		
Share capital	\$ 2,450,335	\$ 2,447,377
Other reserves	44,217	41,328
Retained earnings	181,137	262,512
Total equity attributable to equity holders of the Company	2,675,689	2,751,217
Non-controlling interest (Note 11)	412,857	428,639
Total equity	3,088,546	3,179,856
Total liabilities and equity	\$ 5,783,601	\$ 5,380,908

See accompanying notes to these condensed interim consolidated financial statements.

Capstone Copper Corp.

Condensed Interim Consolidated Statements of (Loss) Income

Three and Nine Months Ended September 30, 2023 and 2022

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenue (Note 18)	\$ 322,242	\$ 309,204	\$ 991,776	\$ 933,934
Operating costs				
Production costs	(245,117)	(271,434)	(759,505)	(662,267)
Royalties	(2,682)	(2,190)	(8,688)	(7,119)
Depletion and amortization	(62,423)	(46,296)	(162,176)	(131,927)
Earnings (loss) from mining operations	12,020	(10,716)	61,407	132,621
General and administrative expenses	(5,611)	(6,289)	(18,476)	(18,829)
Exploration expenses (Note 8)	(1,861)	(1,777)	(4,706)	(7,041)
Share-based compensation expense (Note 17)	(1,329)	(2,309)	(15,736)	(8,071)
Income (loss) from operations	3,219	(21,091)	22,489	98,680
Other income (expense)				
Foreign exchange gain (Note 25)	13,462	9,260	4,781	15,857
Realized and unrealized gains on derivative instruments (Note 5)	4,274	77,760	10,909	175,023
(Loss) gain on extinguishment of debt (Note 13)	(2,721)	8,035	(2,721)	8,035
Surety bond utilization expense (Note 16)	—	—	(53,921)	—
Transaction costs (Note 4)	—	—	—	(19,433)
Other expense (Note 22)	(4,626)	(3,141)	(24,411)	(6,751)
Interest on long-term debt and surety bonds	(4,018)	(1,524)	(8,875)	(3,233)
Accretion expense (Note 23)	(6,409)	(4,899)	(16,925)	(15,317)
Income (loss) before income taxes	3,181	64,400	(68,674)	252,861
Income tax expense (Note 15)	(45,518)	(26,926)	(36,524)	(88,330)
Net (loss) income	\$ (42,337)	\$ 37,474	\$ (105,198)	\$ 164,531
Net (loss) income attributable to:				
Shareholders of Capstone Copper Corp.	\$ (32,903)	\$ 34,113	\$ (89,415)	\$ 143,146
Non-controlling interest (Note 11)	(9,434)	3,361	(15,783)	21,385
	\$ (42,337)	\$ 37,474	\$ (105,198)	\$ 164,531
Net (loss) earnings per share attributable to shareholders of Capstone Copper Corp.				
(Loss) earnings per share - basic (Note 19)	\$ (0.05)	\$ 0.05	\$ (0.13)	\$ 0.24
Weighted average number of shares - basic (Note 19)	694,029,762	687,376,497	693,289,092	604,534,669
(Loss) earnings per share - diluted (Note 19)	\$ (0.05)	\$ 0.05	\$ (0.13)	\$ 0.23
Weighted average number of shares - diluted (Note 19)	696,970,798	692,239,166	696,183,293	610,515,216

See accompanying notes to these condensed interim consolidated financial statements.

Capstone Copper Corp.

Condensed Interim Consolidated Statements of Comprehensive (Loss) Income

Three and Nine Months Ended September 30, 2023 and 2022

unaudited - expressed in thousands of US dollars

	Three months ended September		Nine months ended September	
	2023	2022	2023	2022
Net (loss) income	\$ (42,337)	\$ 37,474	\$ (105,198)	\$ 164,531
Other comprehensive loss ("OCI")				
Items that will not be reclassified subsequently to profit or loss				
Change in fair value of marketable securities, net of tax of \$nil and \$nil (2022 - \$289 and 262)	(431)	(679)	(730)	(4,207)
Remeasurement for retirement benefit plans, net of tax of \$nil (2022 - \$nil)	—	(18)	(79)	(118)
	(431)	(697)	(809)	(4,325)
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation adjustment	(185)	(507)	—	(646)
	(185)	(507)	—	(646)
Total other comprehensive loss for the period	(616)	(1,204)	(809)	(4,971)
Total comprehensive (loss) income	\$ (42,953)	\$ 36,270	\$ (106,007)	\$ 159,560
Total comprehensive (loss) income attributable to:				
Shareholders of Capstone Copper Corp.	\$ (33,519)	\$ 32,909	\$ (90,224)	\$ 138,175
Non-controlling interest (Note 11)	(9,434)	3,361	(15,783)	21,385
	\$ (42,953)	\$ 36,270	\$ (106,007)	\$ 159,560

See accompanying notes to these condensed interim consolidated financial statements.

Capstone Copper Corp.
Condensed Interim Consolidated Statements of Cash Flows
Three and Nine Months Ended September 30, 2023 and 2022

unaudited - expressed in thousands of US dollars

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Cash provided by (used in):				
Operating activities				
Net (loss) income	\$ (42,337)	\$ 37,474	\$ (105,198)	\$ 164,531
Adjustments for:				
Depletion and amortization	62,800	46,510	161,980	132,740
Income tax expense (Note 15)	45,518	26,926	36,524	88,330
Inventory (reversal) write-down (Note 7)	(2,800)	3,449	954	4,015
Share-based compensation expense (Note 17)	1,329	2,309	15,736	8,071
Net finance costs	10,427	6,793	25,800	19,678
Unrealized gain on foreign exchange	(5,739)	(10,523)	(7,157)	(27,560)
Unrealized gain on derivatives	(5,527)	(77,640)	(26,133)	(183,367)
Loss (gain) on extinguishment of debt (Note 13)	2,721	(8,035)	2,721	(8,035)
Gain on disposal of assets and other	(95)	—	(71)	(391)
Amortization of deferred revenue and variable consideration adjustments (Note 14)	(3,241)	(3,769)	(12,541)	(10,126)
Surety bond utilization and bad debt provision	—	—	58,921	—
Income taxes paid	(3,086)	(9,215)	(24,859)	(62,897)
Income taxes received	—	—	—	592
Other receipts (payments)	(762)	109	(2,401)	(212)
Operating cash flow before working capital and other non-cash changes	59,208	14,388	124,276	125,369
Changes in non-cash working capital (Note 20)	15,718	(207)	(40,109)	(60,838)
Other non-cash changes (Note 20)	(18,171)	(2,980)	(27,781)	(1,545)
Operating cash flow	56,755	11,201	56,386	62,986
Investing activities				
Mineral properties, plant and equipment additions	(172,972)	(185,273)	(484,455)	(408,099)
Finance costs capitalized on construction in progress	(17,488)	(6,569)	(45,046)	(14,656)
Cash acquired on business combination with Mantos (Note 4)	—	—	—	219,211
Proceeds from short-term investments	—	(3)	102	387
Other assets	5	135	2,121	(7,752)
Investing cash flow	(190,455)	(191,710)	(527,278)	(210,909)
Financing activities				
Proceeds from borrowings (Note 13)	146,500	195,000	450,375	295,000
Repayment of borrowings (Note 13)	(24,500)	(131,625)	(95,375)	(144,750)
Proceeds from related party (Note 11)	33,000	22,900	102,000	22,900
Payment on purchase of non-controlling interest (Note 11)	—	(34,731)	—	(34,731)
Repayment of lease obligations	(11,688)	(9,568)	(31,407)	(20,583)
Proceeds from the exercise of options	54	627	2,958	2,496
Net payments for settlement of derivatives	1,583	(12,947)	311	(35,885)
Interest paid on long-term debt and surety bonds	(2,669)	(1,524)	(3,563)	(2,490)
Financing cash flow	142,280	28,132	425,299	81,957
Effect of exchange rate changes on cash and cash equivalents	3,288	(1,351)	3,290	(1,671)
Increase in (decrease in) cash and cash equivalents	11,868	(153,728)	(42,303)	(67,637)
Cash and cash equivalents - beginning of period	116,136	348,185	170,307	262,094
Cash and cash equivalents - end of period	\$ 128,004	\$ 194,457	\$ 128,004	\$ 194,457
Supplemental cash flow information (Note 20)				

See accompanying notes to these condensed interim consolidated financial statements.

Capstone Copper Corp.

Condensed Interim Consolidated Statements of Changes in Equity

Three and Nine Months Ended September 30, 2023 and 2022

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

Attributable to equity holders of the Company

	Number of shares	Share capital	Reserve for equity settled share-based transactions	Revaluation reserve	Foreign currency translation reserve	Share purchase reserve	Retained earnings (accumulated deficit)	Total attributable to equity holders	Non-controlling interest	Total equity
January 1, 2023	691,639,972	\$ 2,447,377	\$ 56,752	\$ 4,178	\$ (17,102)	\$ (2,499)	\$ 262,512	\$ 2,751,218	\$ 428,639	\$ 3,179,857
Shares issued on exercise of options (Note 17)	2,863,723	2,754	(879)	—	—	—	—	1,875	—	1,875
Shares issued under TSUP	61,836	204	(204)	—	—	—	—	—	—	—
Share-based compensation (Note 17)	—	—	3,000	—	—	—	—	3,000	—	3,000
Settlement of share units	—	—	—	—	—	1,780	8,041	9,821	—	9,821
Change in fair value of marketable securities	—	—	—	(730)	—	—	—	(730)	—	(730)
Remeasurements for retirement benefit plans	—	—	—	(79)	—	—	—	(79)	—	(79)
Net loss	—	—	—	—	—	—	(89,415)	(89,415)	(15,783)	(105,198)
September 30, 2023	694,565,531	\$ 2,450,335	\$ 58,669	\$ 3,369	\$ (17,102)	\$ (719)	\$ 181,137	\$ 2,675,689	\$ 412,857	\$ 3,088,546
January 1, 2022	413,482,355	849,409	53,264	7,429	(16,551)	(5,134)	128,010	1,016,427	—	1,016,427
Shares issued on exercise of options (Note 17)	2,673,449	2,786	(895)	—	—	—	—	1,891	—	1,891
Share-based compensation	—	—	4,201	—	—	—	—	4,201	—	4,201
Settlement of share units	—	—	—	—	—	2,626	12,277	14,903	—	14,903
Shares issued as compensation	131,775	624	—	—	—	—	—	624	—	624
Acquisition of Mantos Copper (Note 4)	273,888,541	1,592,679	—	—	—	—	—	1,592,679	417,356	2,010,035
Change in fair value of marketable securities	—	—	—	(4,207)	—	—	—	(4,207)	—	(4,207)
Remeasurements for retirement benefit plans	—	—	—	(118)	—	—	—	(118)	—	(118)
Net income	—	—	—	—	—	—	143,146	143,146	21,385	164,531
September 30, 2022	690,176,120	\$ 2,445,498	\$ 56,570	\$ 3,104	\$ (16,551)	\$ (2,508)	\$ 283,433	\$ 2,769,546	\$ 438,741	\$ 3,208,287

See accompanying notes to these condensed interim consolidated financial statements.

Capstone Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2023 and 2022

(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 September 30, 2023, after giving effect to the business combination between Capstone Mining Corp. ("Capstone Mining") and Mantos Copper (Bermuda) Ltd. ("Mantos"), which was completed on March 23, 2022 (the "Transaction") (Note 4). After the Transaction, the combined entity changed its name to Capstone Copper Corp. (the "Company" or "Capstone Copper"). The Company is listed on the Toronto Stock Exchange.

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

Capstone Mining was engaged in the production of and exploration for base metals in the United 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. Minera Santo Domingo SCM, a wholly owned Chilean subsidiary of Acquisition Co, holds the Santo Domingo copper-iron development project in Chile. Capstone Mining Chile SpA, a wholly owned Chilean subsidiary, is performing exploration for base metal deposits in Chile.

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

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issuance on November 2, 2023.

2. Basis of preparation and consolidation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting using the same accounting policies and methods of application as the audited annual consolidated financial statements of Capstone for the year ended December 31, 2022, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). The condensed interim consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value. The policies were consistently applied to all of the periods presented, except as noted below.

These condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2022.

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

Capstone Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2023 and 2022

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

3. Material Accounting Policy Information, Estimates and Judgements

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

In preparing the Company's condensed consolidated financial statements for the three and nine months ended September 30, 2023, the Company applied the critical judgements and estimates disclosed in Note 2 of its consolidated financial statements for the year ended December 31, 2022, in addition to the accounting policies noted below.

New IFRS Pronouncements

Issued and effective January 1, 2023

In February 2021, the IASB issued amendments to IAS 1, Presentation of Financial Statements and the IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on the application of materiality judgments to accounting policy disclosures. The amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Guidance and illustrative examples are added in the Practice Statement to assist in the application of materiality concepts when making judgments about accounting policy disclosures. The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. Prospective application is required on adoption. We do not expect these amendments to have a material effect on our annual financial statements. However, we do expect changes to the accounting policy information disclosed.

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

In May 2023, the IASB issued amendments to IAS 12, Income Taxes (IAS 12), to clarify the application of IAS 12 to income taxes arising from tax law enacted or substantively enacted related to the Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD).

The amendments require a mandatory temporary exception which prohibits the accounting for deferred taxes arising from tax law that implements the Pillar Two model rules. This amendment was effective immediately upon its release.

The amendments also require disclosures that explain an entity's exposure to Pillar Two income taxes. These disclosure requirements are effective for annual reporting periods beginning on or after January 1, 2023, but are not required for interim periods before December 31, 2023.

Capstone Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2023 and 2022

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

Issued but not yet effective

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

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

In May 2023, the IASB issued amendments to IAS 7, Statement of Cash Flows and IFRS 7, Financial Instruments Disclosures to provide guidance on disclosures related to supplier finance arrangements that enable users of financial statements to assess the effects of these arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The amendments are effective for annual periods beginning on or after January 1, 2024, with early adoption permitted. The Company is in the process of assessing the impact of the potential disclosure requirements of these amendments.

In August 2023, Finance Canada released, for public consultation, the draft legislation to implement the OECD's Pillar Two global minimum tax regime. As of the end of the third quarter of 2023, there was no tax legislation enacted or substantively enacted related to the Pillar Two model in the jurisdictions we operate. The Company is currently assessing the potential effect of these amendments on our annual 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 "Transaction Date").

Management has concluded that Mantos constitutes a business and, therefore, the acquisition is accounted for in accordance with IFRS 3 - Business Combinations. The Company began consolidating the operating results and net assets of Mantos from March 23, 2022 onwards.

The Company has completed a full and detailed valuation of the fair value of the net assets of Mantos acquired using the income, market and cost valuation methods with the assistance of an independent third party. As at December 31, 2022, the Company finalized its full and detailed assessment of the fair value of net assets of Mantos acquired.

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

Capstone Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2023 and 2022

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

Consideration and Purchase Price Allocation

Total consideration for the acquisition was valued at \$1,593 million on the Transaction Date. The final purchase price allocated to the identifiable assets and liabilities based on their estimated fair values on the Transaction Date is summarized 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	Final as reported December 31, 2022	
Cash and cash equivalents	\$	219,211
Receivables		129,383
Inventories		111,602
Due from related party (i)		259,843
Mineral properties, plant and equipment		2,907,689
Other assets		27,663
Derivative assets		26,804
Accounts payable and accrued liabilities		(230,846)
Due to related party (i)		(259,843)
Income taxes payable		(9,983)
Long-term debt		(371,642)
Derivative liabilities		(155,386)
Lease liabilities		(78,146)
Deferred income tax liabilities		(484,678)
Provisions		(84,293)
Net assets acquired before non-controlling interest	\$	2,007,378
Non-controlling interest (Note 11)		(414,699)
Net assets acquired	\$	1,592,679

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

The Company used discounted cash flow models to determine the fair value of the depletable mining interests. The expected future cash flows are based on estimates of future copper prices, estimated quantities of ore reserves and mineral resources, expected future production costs and capital expenditures based on the life of mine plans at the Transaction 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.

Capstone Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2023 and 2022

(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.

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.

Capstone Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2023 and 2022

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

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

	Level 1	Level 2	Level 3	Total
Financial assets				
Short-term investments	\$ 1,451	\$ —	\$ —	\$ 1,451
Copper concentrate receivables (Note 6)	—	52,461	—	52,461
Copper cathode receivables (Note 6)	—	46,825	—	46,825
Derivative assets	—	48,766	—	48,766
Investment in marketable securities (Note 9)	918	—	—	918
	\$ 2,369	\$ 148,052	\$ —	\$ 150,421
Financial liabilities				
Derivative liabilities	\$ —	\$ 17,142	\$ —	\$ 17,142
	\$ —	\$ 17,142	\$ —	\$ 17,142

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

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

	September 30, 2023			
	Fair value through profit or loss	Fair value through OCI	Amortized cost	Total
Cash and cash equivalents	\$ —	\$ —	\$ 128,004	\$ 128,004
Short-term investments	1,451	—	—	1,451
Copper concentrate receivables (Note 6)	52,461	—	—	52,461
Copper cathode receivables (Note 6)	46,825	—	—	46,825
Other receivables (Note 6)	—	—	12,959	12,959
Derivative assets	48,766	—	—	48,766
Investment in marketable securities (Note 9)	—	918	—	918
	\$ 149,503	\$ 918	\$ 140,963	\$ 291,384

	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

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

	September 30, 2023		
	Fair value through profit or loss	Amortized cost	Total
Accounts payable and accrued liabilities	\$ —	\$ 271,606	\$ 271,606
Working capital facility (Note 10)	—	25,631	25,631
Payable on purchase of non-controlling interest (Note 10)	—	41,873	41,873
Long-term debt (Note 13)	—	929,813	929,813
Due to related party (Note 11)	—	165,377	165,377
Derivative liabilities	17,142	—	17,142
	\$ 17,142	\$ 1,434,300	\$ 1,451,442

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

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

Financial instruments and related risks

The Company's activities expose it to financial risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are commodity price risk, credit risk, foreign exchange risk, liquidity risk and interest rate risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis. There have been no significant changes in the Company's exposure to these financial risks.

Derivative instruments

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

The Company operates on an international basis and therefore, foreign exchange risk exposures arise from transactions denominated in a foreign currency. The Company's foreign exchange risk arises primarily with respect to the Chilean Peso ("CLP"), the Chilean Unidad de 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 certain portion of operating and capital expenses is denominated in local currencies. As such, the group may use foreign exchange forward and swap contracts and ZCCs to mitigate changes in foreign exchange rates.

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

Type	Contract description	Remaining term	Put strike	Call strike / Fixed rate	Notional tonnes / Quantity
Commodity (i)	Fixed-for-Floating Swaps Copper	October 2023 - June 2024	\$—	\$3.40/lb	17,609 tonnes
Commodity (ii)	Fixed-for-Floating Swaps Copper	October - December 2023	\$—	\$3.64/lb	9,344 tonnes
Commodity (ii)	Fixed-for-Floating Swaps Copper	January - June 2024	\$—	\$3.79/lb	6,000 tonnes
Commodity (ii)	ZCC - Call and Put Option Contracts - Copper	October - December 2023	\$3.20/lb	\$4.15/lb	6,875 tonnes
Commodity (ii)	ZCC - Call and Put Option Contracts - Copper	January - June 2024	\$3.69/lb	\$4.33/lb	14,000 tonnes
Interest rate (iii)	Fixed-for-floating swaps adjusted SOFR	October 2023 - March 2030	—	1.015%	\$520 million USD
Interest rate (iii)	Floor options adjusted SOFR	October 2023 - September 2025	—	0%	\$520 million USD
Foreign currency (iv)	Foreign Exchange Swaps - CLP	October 2023 - March 2024	—	727.70	1.3 billion CLP
Foreign currency (iv)	Foreign Exchange Swaps - UF	October 2023 - May 2024	—	41.70	0.1 million UF
Foreign currency (iv)	Foreign exchange ZCC - CLP	October - December 2023	775.0	965.0 - 1,046.0	14.7 billion CLP
Foreign currency (iv)	Foreign exchange ZCC - CLP	January - December 2024	825.0 - 835.0	925.0 - 955.0	126.5 billion CLP
Foreign currency (v)	Foreign exchange ZCC - CAD	October - December 2023	1.35	1.40	\$4.4 million CAD
Quotational pricing contracts (vi)	Copper time-spread swaps	October - December 2023	—	—	20,377 tonnes

- i. As part of the Mantoverde Development Project ("MVDP") financing arrangements, Mantos was required to enter into a number of fixed-for-floating swaps to hedge LME copper prices. Under the agreements, a subsidiary of the Company has remaining hedges of 17,609 metric tonnes consisting of 5,346 metric tonnes in 2023 and 12,263 metric tonnes in the first half of 2024. At September 30, 2023, the fair value of these derivatives was \$(13.7) million (December 31, 2022 - \$(26.0) million).
- ii. The Company has fixed-for-floating swaps for 9,344 metric tonnes for 2023 at average price of \$3.64/lb. In April 2023, the company entered into fixed-for-floating swaps for 6,000 metric tonnes for the first half of 2024 at average price of \$3.79/lb. The Company also entered into zero cost collar ("ZCC") contracts whereby it sold a series of call options contracts and purchased a series of put option contracts for \$nil cash premium consisting of 6,875 metric tonnes in 2023 and 14,000 metric tonnes in the first half of 2024. At September 30, 2023, the fair value of these derivatives was \$1.2 million (December 31, 2022 - \$(16.9) million).

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- iii. To mitigate the risk of movements in interest rates, and in compliance with a covenant in the MVDP financing, a subsidiary of the Company entered into a fixed-for-floating LIBOR swap at 1.015% until March 2030, with a 0% floor on the LIBOR rate until September 2025. The fixed for floating swap notional represents the notional amount as of the reporting period. The derivative instruments are a series of quarterly contracts, with notional amounts in line with planned quarterly balances based on expected project finance debt drawdown and expected amortization. At September 30, 2023, the fair value of the fixed-for-floating swaps and floor option derivative contracts was \$45.5 million (December 31, 2022 - \$48.3 million). During the nine months ended September 30, 2023, the fixed-for-floating LIBOR swap was transitioned to a fixed-for-floating SOFR (SOFR compounded daily to a 3-month period plus 0.2616%) swap according to the fall-back provisions contained in the swap agreement.
- iv. As a covenant in the MVDP financing, a subsidiary of the Company, entered into foreign exchange forward and swap contracts in February 2021 to hedge the foreign exchange risk related to the capital expenditures for the MVDP. In February 2022, the Company also entered into ZCCs CLP to US dollar foreign exchange option contracts covering the period from April 2022 through December 2023, representing approximately 50% of Mantoverde's and Mantos Blancos' expected CLP operating costs during this period. In Q3 2023, the Company also entered into ZCCs CLP to US dollar foreign exchange option contracts covering the period from January 2024 through December 2024, representing approximately 75% of Mantoverde's and Mantos Blancos' expected CLP operating costs during the period. At September 30, 2023, the fair value of the outstanding CLP and UF contracts was \$(3.4) million (December 31, 2022 - \$(2.1) million).
- v. In October 2022, the Company entered into CAD zero cost collars to US dollar foreign exchange option contracts covering the period from January through December 2023, representing approximately 75% of the expected CAD general and administrative costs during this period. At September 30, 2023, the fair value of the outstanding CAD contracts was \$nil (December 31, 2022 - \$0.2 million).
- vi. The Company enters into copper time-spread swaps in order to manage the risk associated with provisional pricing terms in copper concentrate sales agreements. As at September 30, 2023, the Company had 20,377 metric tonnes of copper swaps outstanding at an effective average cost of \$3.46 per tonne and settling across October to December 2023. At September 30, 2023, the fair value of the outstanding contracts was \$2.0 million (December 31, 2022 - \$(9.5) million).

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

	September 30, 2023		December 31, 2022	
Derivative financial assets:				
Foreign currency contracts	\$	10	\$	247
Interest rate swap contracts		22,883		19,734
Copper commodity contracts		1,167		—
Quotational pricing contracts		2,041		—
Total derivative financial assets - current		26,101		19,981
Interest rate swap contracts		22,665		28,582
Total derivative financial assets - non-current	\$	22,665	\$	28,582
Derivative financial liabilities:				
Foreign currency contracts		2,332		2,073
Copper commodity contracts		13,698		32,888
Quotational pricing contracts		—		9,462
Total derivative financial liabilities - current	\$	16,030	\$	44,423
Foreign currency contracts		1,112		46
Copper commodity contracts		—		10,020
Total derivative financial liabilities - non-current	\$	1,112	\$	10,066

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Unrealized gain (loss) on derivative financial instruments:				
Foreign currency contracts	\$ (3,462)	\$ 769	\$ (1,562)	\$ (9,342)
Copper commodity contracts	9,489	61,918	30,377	184,168
Interest rate swap contracts	(500)	14,953	(2,682)	25,541
Unrealized loss on warrants	—	—	—	(387)
Total unrealized (loss) gain on derivative financial instruments	5,527	77,640	26,133	199,980
Realized gain (loss) on derivative financial instruments:				
Foreign currency contracts	(266)	(11,577)	485	(18,710)
Copper commodity contracts	(6,933)	10,457	(31,253)	(7,480)
Interest rate swap contracts	5,946	1,240	15,544	1,233
Total realized gain (loss) on derivative financial instruments	(1,253)	120	(15,224)	(24,957)
Total unrealized and realized gain on derivative financial instruments:	\$ 4,274	\$ 77,760	\$ 10,909	\$ 175,023

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6. Receivables

Details are as follows:

	September 30, 2023	December 31, 2022
Copper cathode	\$ 46,825	\$ 70,814
Copper concentrate	52,461	72,720
Value added taxes and other taxes receivable	16,332	31,535
Income taxes receivable	13,284	5,055
Other	12,959	11,763
Total receivables	\$ 141,861	\$ 191,887

As part of the Company's sale of its previously-owned Minto mine to Pembridge Resources PLC ("Pembridge") in 2019, the Company was to receive up to \$20 million in staged payments. The final \$5 million, which was due in series of payments to be collected by mid-2024, was outstanding at the time the Minto mine ceased operations and has been deemed uncollectible, and therefore was fully provided for in Q2 2023.

7. Inventories

Details are as follows:

	September 30, 2023	December 31, 2022
<i>Current:</i>		
Raw materials and consumables	\$ 76,298	\$ 68,121
Ore stockpiles	14,049	13,296
Work-in-progress	28,620	29,386
Finished goods - copper cathode	8,969	19,057
Finished goods - copper concentrate	18,480	13,637
Total inventories - current	\$ 146,416	\$ 143,497
<i>Non-current:</i>		
Ore stockpiles (Note 9) (i)	5,892	—
Total inventories - non-current	\$ 5,892	\$ —

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

During the three and nine months ended September 30, 2023, concentrate and cathode inventories recognized as production costs, including depletion and amortization, amounted to \$307.5 million and \$921.7 million (2022 – \$273.0 million and \$749.4 million).

During the three and nine months ended September 30, 2023, the Company recorded net reversals of write-downs and write-downs of \$(2.8) million and \$1.0 million related to Mantoverde's cathode and supplies inventories, Mantos Blancos' supplies inventories and Pinto Valley's copper concentrate and supplies inventories which were recorded as production costs.

During the three and nine months ended September 30, 2022, the Company recorded write-downs of \$3.4 million and \$4.6 million related to Mantoverde's cathode inventories and Pinto Valley's ore stockpile and supplies inventories, which were recorded as production costs.

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8. Mineral Properties, Plant and Equipment

Details are as follows:

	Mineral properties			Plant and equipment			Total
	Depletable		Non-depletable Mineral exploration and development properties	Subject to amortization		Not subject to amortization	
	Producing mineral properties	Deferred stripping		Plant & equipment	Right of use assets		
At January 1, 2023, net	\$ 1,709,157	\$ 137,563	\$ 828,276	\$ 1,050,652	\$ 91,743	\$ 888,920	\$ 4,706,311
Additions	72,473	86,809	35,868	1,127	52,541	390,095	638,913
Disposals	—	—	(19)	—	—	—	(19)
Rehabilitation provision adjustments	9,132	—	—	—	—	—	9,132
Reclassifications	36,109	1,767	(35,631)	129,276	(11,216)	(120,305)	—
Depletion and amortization	(64,843)	(34,430)	—	(60,353)	(9,722)	—	(169,348)
At September 30, 2023, net	\$ 1,762,028	\$ 191,709	\$ 828,494	\$ 1,120,702	\$ 123,346	\$ 1,158,710	\$ 5,184,989
At September 30, 2023:							
Cost	\$ 2,247,516	\$ 331,807	\$ 828,494	\$ 2,803,647	\$ 231,900	\$ 1,158,710	\$ 7,602,074
Accumulated amortization and impairment	(485,488)	(140,098)	—	(1,682,945)	(108,554)	—	(2,417,085)
Net carrying amount	\$ 1,762,028	\$ 191,709	\$ 828,494	\$ 1,120,702	\$ 123,346	\$ 1,158,710	\$ 5,184,989

During the three and nine months ended September 30, 2023, the Company capitalized \$17.4 million and \$45.0 million, respectively, of finance costs to Construction in Progress, at a weighted average interest rate of 7.8%.

During the three and nine months ended September 30, 2023, the Company capitalized \$61.9 million and \$159.4 million, respectively, of capitalized stripping costs to deferred stripping and depletable mineral properties. During the three and nine months ended September 30, 2023, the Company capitalized \$nil and \$9.1 million, respectively, of pre-stripping costs to Construction in Progress related to MVDP.

The Company's exploration costs were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Exploration capitalized to mineral properties	\$ 428	\$ 1,591	\$ 1,294	\$ 3,971
Greenfield exploration expensed to the statement of (loss) income	1,861	1,777	4,706	7,041
	\$ 2,289	\$ 3,368	\$ 6,000	\$ 11,012

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

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As at September 30, 2023, construction in progress primarily relates to capital costs incurred in connection with the MVDP, expansionary and sustaining capital at the Mantos Blancos, Pinto Valley and Cozamin mines and the development at the Santo Domingo project. Capital expenditures committed as at September 30, 2023, but not yet incurred, is \$46.1 million (December 31, 2022 - \$265.9 million).

As at September 30, 2023, the Revolving Credit Facility ("RCF") (Note 13) was secured by the Pinto Valley, Cozamin and Mantos Blancos mineral properties, and plant and equipment with a net carrying value of \$2,001.6 million (December 31, 2022 – \$1,934.7 million).

9. Other Assets

Details are as follows:

	September 30, 2023	December 31, 2022
<i>Current:</i>		
Prepays	\$ 47,249	\$ 37,926
Deposits	4,641	4,500
Other	2,603	2,540
Total other assets - current	\$ 54,493	\$ 44,966
<i>Non-current:</i>		
Prepayments	18,045	18,045
Ore stockpiles (Note 7)	5,892	—
Investments in marketable securities	918	1,628
Finance lease receivable	136	431
Deposits	393	8,177
Other	3,754	6,839
Total other assets - non-current	\$ 29,138	\$ 35,120

10. Other Liabilities

Details are as follows:

	September 30, 2023	December 31, 2022
<i>Current:</i>		
Current portion of share-based payment obligations (Note 16)	\$ 6,770	\$ 30,497
Current portion of deferred revenue (Note 14)	11,672	8,524
Current portion of surety bond utilization provision	21,800	—
Working capital facility	25,631	—
Other	1,767	301
Total other liabilities - current	\$ 67,640	\$ 39,322
<i>Non-current:</i>		
Retirement benefit liabilities	\$ 6,904	\$ 6,411
Non-current portion of payable on purchase of NCI	41,873	40,364
Other	3,581	3,953
Total other liabilities - non-current	\$ 52,358	\$ 50,728

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Working Capital Facility

During the nine months ended September 30, 2023, one of the Company's Chilean subsidiaries entered into a three-month facility with Banco Crédito e Inversiones with a fixed interest rate of 6.41% for the purposes of working capital management. As at September 30, 2023, the balance of the facility was \$25.6 million, including interest of \$0.6 million.

Payable on purchase of NCI

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

As at September 30, 2023, an unsecured liability of \$41.9 million (December 31, 2022 - \$40.4 million) has been recognized in the condensed interim consolidated statement of financial position equal to the discounted amount of the remaining \$45 million of cash consideration to be paid on March 24, 2025. The discounted amount of the remaining \$45 million will be accreted up to its face value at 5% per annum. During the three and nine months ended September 30, 2023, \$0.5 million and \$1.5 million (September 30, 2022 - \$1.0 million and \$3.0 million) of accretion was recorded in accretion expense in the condensed interim consolidated statements of income (loss).

11. Non-Controlling Interest

Mitsubishi Materials Corporation ("MMC")

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

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

In addition to the COF, MMC advanced their pro-rata share which amounted to an additional \$105.4 million to Mantoverde in the form of a shareholder loan forming part of the financing for the MVDP. Total funds advanced by MMC, including accrued interest, at September 30, 2023 was \$165.4 million (December 31, 2022 - \$60 million).

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12. Lease Liabilities

Details are as follows:

		Total
Balance, December 31, 2021	\$	91,248
Additions		44,479
Payments		(37,328)
Accretion expense		5,446
Foreign currency translation adjustment		52
Balance, December 31, 2022	\$	103,897
Additions		52,541
Payments		(31,389)
Accretion expense		6,117
Foreign currency translation adjustment		290
Balance, September 30, 2023	\$	131,456
Less: current portion		(33,638)
Non-current portion	\$	97,818

13. Long-Term Debt

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

	September 30, 2023	December 31, 2022
Mantoverde Development Project Facility	\$ 526,841	\$ 527,498
Revolving Credit Facility	403,002	71,577
Total balance	929,843	599,075
Less: current portion	(12,100)	—
Non-current portion	\$ 917,743	\$ 599,075

Mantoverde Development Project Facility

In order to fund the construction of MVDP, Mantoverde secured \$520 million senior secured amortizing project debt facility in an aggregate amount of \$520 million (the "MVDP Facility", comprising the "Covered Facility" \$250 million, the "Uncovered Facility" \$210 million, and the "ECA Direct Facility" \$60 million). 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 September 30, 2023, the Company was in compliance with these covenants.

At September 30, 2023, \$520 million was drawn on the MVDP Facility with \$6.8 million recognized as an adjustment to record the debt at its fair value as required as part of the accounting for the business combination with Mantos (December 31, 2022 - \$520 million and \$7.5 million). This fair value adjustment amortizes down to its historical cost over the duration of the MVDP Facility.

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As a condition to the MVDP Facility, 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 MVDP Facility.

Interest on borrowings under the MVDP Facility is payable quarterly. As a result of Interest Rate Benchmark Reform, the Company has completed the transition from LIBOR to an adjusted SOFR for its MVDP debt financing facility. The transition resulted in a variable rate of SOFR compounded daily to a 3-month period plus 0.2616% per annum, with margins unchanged (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 Facility is secured by a comprehensive security package covering substantially all of Mantoverde's assets. MVDP Facilities amortize from the earlier of September 30, 2024 and 180 days after project completion until December 2030 for the Uncovered Facility and December 2032 for the Covered Facility and ECA Direct Facility.

To mitigate the risk of movements in interest rates, and in compliance with a covenant in the MVDP Facility, a subsidiary of the Company entered into a fixed-for-floating SOFR swap at 1.015% with floating rate of daily SOFR, compounded to a quarterly rate, plus 0.2616% adjustment. The fixed for floating swap notional represents the notional amount as of the reporting period. The derivative instruments are a series of quarterly contracts, with notional amounts in line with planned quarterly balances based on expected project finance debt drawdown and expected amortization.

Revolving Credit Facility

On September 22, 2023, Capstone amended its revolving credit facility to increase the aggregate commitments from \$600 million to \$700 million and extend the maturity from May 2026 to September 2027. The Amended Credit Facility bears interest on a sliding scale of adjusted term SOFR plus a margin of 2.000% to 2.875%. This was treated as an extinguishment of the previous debt facility, resulting in \$2.7 million of deferred financing fees being written off during the quarter.

The interest rate at September 30, 2023 was one-month adjusted term SOFR of 5.42% plus 2.125% (2022 - US LIBOR plus 2.50%) with a standby fee of 0.48% (2022 – 0.56%) payable on the undrawn balance (adjustable in certain circumstances).

The RCF is secured against the present and future real and personal property, assets and undertakings of Capstone Copper other than defined excluded entities which comprise the Mantoverde mine property and the Santo Domingo development property.

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 September 30, 2023. As at September 30, 2023, the balance of the RCF was \$405.0 million (December 31, 2022 - \$71.6 million).

Details of the balance are as follows:

	September 30, 2023	December 31, 2022
Balance drawn on the RCF	\$ 405,000	\$ 75,000
Deferred financing fees	(1,998)	(3,423)
Total RCF balance	\$ 403,002	\$ 71,577

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Surety Bonds

As at September 30, 2023, the Company has in place seven surety bonds totaling \$233.9 million to support various reclamation obligation bonding requirements. This comprises \$172.7 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, \$24.8 million at Mantoverde, and \$30.5 million at Mantos Blancos, respectively, securing reclamation obligations. The Company is also an Indemnitor to the surety bond provider for the surety bond obligations of Minto Metals Corp. ("Minto Metals") covering certain potential future reclamation liabilities (*Note 16*).

14. Deferred Revenue

Silver Precious Metals Purchase Arrangement ("Silver PMPA")

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

The Company recorded the upfront cash consideration received of \$150 million as deferred revenue and recognizes amounts in revenue as silver is delivered under the Silver PMPA. Capstone determines the amortization of deferred revenue to the condensed interim consolidated statements of (loss) income on a per unit basis using the estimated total number of silver ounces expected to be delivered over the life of the Cozamin mine. The amortization rate requires the use of proven and probable mineral reserves and certain mineral resources which management is reasonably confident will be transferred to mineral reserves. The Company estimates the current portion of deferred revenue based on deliveries anticipated over the next twelve months. During the three and nine months ended September 30, 2023, the Company delivered 132,856 and 419,241 ounces (2022 - 172,732 and 466,626 ounces) of silver to Wheaton under the Silver PMPA.

Gold Precious Metals Purchase Arrangement ("Gold PMPA")

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

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

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

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

	Silver PMPA	Gold PMPA	Total
Balance, December 31, 2021	\$ 140,510	\$ 31,360	\$ 171,870
Accretion expense	7,869	2,132	10,001
Recognized as revenue on delivery of silver and gold	(12,885)	—	(12,885)
Balance, December 31, 2022	\$ 135,494	\$ 33,492	\$ 168,986
Accretion expense	5,632	1,708	7,340
Recognized as revenue on delivery of silver and gold	(9,974)	—	(9,974)
Variable consideration adjustment	(2,567)	—	(2,567)
Balance, September 30, 2023	\$ 128,585	\$ 35,200	\$ 163,785
Less: current portion (Note 10)	(11,672)	—	(11,672)
Non-current portion	\$ 116,913	\$ 35,200	\$ 152,113

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 September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Income (loss) before income taxes	\$ 3,181	\$ 64,400	\$ (68,674)	\$ 252,861
Canadian federal and provincial income tax rates	27.00 %	27.00 %	27.00 %	27.00 %
Income tax expense (recovery) based on the above rates	859	17,388	(18,542)	68,272
Increase (decrease) due to:				
Adoption of Chilean Mining Royalty legislation	31,532	—	31,532	—
Non-deductible expenditures	(1,993)	(261)	1,841	9,395
Effects of different statutory tax rates on losses of subsidiaries	464	899	2,206	789
Mexican and Chilean mining royalty taxes	3,105	2,937	4,060	9,001
Current period losses for which deferred tax assets were not recognized	(625)	3,280	16,368	(2,527)
Adjustments to tax estimates in prior years	10,554	306	2,014	300
Foreign exchange and other translation adjustments	720	67	(4,342)	(298)
Other	902	2,310	1,387	3,398
Income tax expense	\$ 45,518	\$ 26,926	\$ 36,524	\$ 88,330
Current income and mining tax expense	\$ 8,510	\$ 12,404	\$ 12,385	\$ 36,005
Deferred income tax expense	37,008	14,522	24,139	52,325
Income tax expense	\$ 45,518	\$ 26,926	\$ 36,524	\$ 88,330

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During the third quarter, Chile passed the new Mining Royalty into law with effect from January 1, 2024. The new Mining Royalty Law contains two components, an ad-valorem and a mine operating margin component. The ad-valorem component is applicable to companies with annual sales of copper that are higher than the equivalent of 50,000 metric tonnes of fine copper ("MTFC"). If the company's "Adjusted Mining Operational Taxable Income", or "RIOMA" as it is referred to in Chile, is negative, the ad-valorem component to be paid will be calculated by subtracting the negative amount of the RIOMA from the ad-valorem component. The ad-valorem component of the Mining Royalty will be deductible when determining First Category, or corporate, income taxes, however, not for purposes of determining RIOMA. The ad-valorem component is capped at 1% of gross copper venues.

The mine operating margin ("MOM") component will vary depending on the sales volume of the company, along with whether more than 50% of its annual production is copper. Mining companies which derive more than 50% of their income from copper sales and exceed 50,000 MTFC will pay a tax rate that fluctuates between 8% and 26%. The MOM component will not be applicable in cases where the RIOMA is negative and is calculated based on total mine operating margin, which includes silver and gold by-products. The final Mining Royalty Bill includes depreciation as a fully deductible operational expense, however, unlike the First Category, or corporate, deduction, it is on a non-accelerated basis.

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

For the three and nine months ended September 30, 2023, the Company recognized a deferred income tax expense of \$31.5 million, and a corresponding increase to deferred income tax liabilities. In determining this charge, the Company has made assumptions regarding the timing of future cash outflows, the timing of when temporary differences will reverse and the MOM rate that will be in effect during the year the temporary differences reverse.

The Company has determined that the ad-valorem component of the Mining Royalty is not considered an income tax under IAS 12 - Income Taxes as it is not calculated on a profitability measure and therefore does not give rise to deferred income taxes, rather, it will be recognized as incurred.

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16 Provisions

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

Details of changes in the balances are as follows:

	Reclamation & closure cost obligations	Surety bond utilization provision	Other long-term provisions	Share-based payment obligations	Total
Balance, January 1, 2023	\$ 199,739	\$ —	\$ 29,929	\$ 40,464	\$ 270,132
Additions	—	53,921	—	—	53,921
Share-based payment expense (Note 17)	—	—	—	12,736	12,736
Change in estimates	11,196	—	2,825	—	14,021
Interest expense from discounting obligations	6,895	—	1,102	—	7,997
Payments during the year	(1,243)	—	(3,908)	(45,750)	(50,901)
Currency translation adjustments	(2,064)	(1,118)	(718)	451	(3,449)
Balance, September 30, 2023	\$ 214,523	\$ 52,803	\$ 29,230	\$ 7,901	\$ 304,457
Less: Current portion included within other liabilities (Note 10)	—	(21,800)	—	(6,770)	(28,570)
Total provisions - non-current	\$ 214,523	\$ 31,003	\$ 29,230	\$ 1,131	\$ 275,887
Balance, January 1, 2022	\$ 129,249	\$ —	\$ 3,714	\$ 78,265	\$ 211,228
Acquisitions - Business combination with Mantos (Note 17)	58,914	—	25,379	—	84,293
Share-based payment expense (Note 17)	—	—	—	26,716	26,716
Change in estimates	8,648	—	1,928	—	10,576
Interest expense from discounting obligations	5,554	—	2,639	—	8,193
Payments during the year	(2,411)	—	(2,090)	(63,253)	(67,754)
Currency translation adjustments	(215)	—	(1,641)	(1,264)	(3,120)
Balance, December 31, 2022	\$ 199,739	\$ —	\$ 29,929	\$ 40,464	\$ 270,132
Less: Current portion included within other liabilities (Note 10)	—	—	—	(30,497)	(30,497)
Total provisions - non-current	\$ 199,739	\$ —	\$ 29,929	\$ 9,967	\$ 239,635

Surety Bond Utilization Provision

In June 2019, the Company completed the sale of its 100% interest in the Minto mine to Pembridge. In conjunction with the sale, Minto Metals posted a surety bond to cover potential future reclamation liabilities. While this surety bond is outstanding, the Company remains an Indemnitor to the surety bond provider for Minto Metal's surety bond obligations in the Yukon.

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In May 2023, Minto Metals announced that they had ceased all operations at the Minto mine located within the Selkirk First Nation's territory in central Yukon Territories and that the Yukon Government assumed care and control of the site. As Minto Metals has defaulted on the surety bond and has now entered receivership proceedings, Capstone recognized a liability of approximately US\$55 million (C\$72 million) related to the Company's obligations towards the issuer of the surety bond. In estimating the provision, the Company has made assumptions regarding the timing of cash outflows, long-term inflation rates and discount rate. Due to the associated uncertainty of the timing of cash outflows, it is possible that estimates may need to be revised. While a range of outcomes is possible, the Company believes its potential exposure on calls against the surety bond is capped at approximately C\$72 million therefore the timing of cash outflows and changes in the C\$:US\$ exchange rate are the largest contributors to the measurement uncertainty. As at September 30, 2023, the Company has reclassified C\$29.7 million (US\$21.8 million) to other liabilities. The reclassification was recorded as a decrease to the surety bond utilization provision.

17. Share Capital

Authorized

An unlimited number of common voting shares without par value.

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

Stock options

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

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

	Options outstanding	Weighted average exercise price (C\$)
Outstanding, December 31, 2022	7,223,699	\$ 1.97
Granted	908,555	6.02
Exercised	(2,863,723)	0.89
Expired	(18,459)	6.59
Forfeited	(126,140)	5.54
Outstanding, September 30, 2023	5,123,932	\$ 3.19

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As at September 30, 2023, 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)
\$0.57 - \$0.70	2,448,263	\$ 0.69	1.4	2,448,263	\$ 0.69	1.4
\$3.47 - \$3.90	844,626	3.88	2.5	557,921	3.89	2.5
\$4.43 - \$4.72	61,507	4.63	3.8	20,502	4.63	3.8
\$5.08 - \$5.79	211,438	5.13	3.6	76,600	5.17	3.5
\$6.00 - \$6.97	1,558,098	\$ 6.41	4.0	340,549	\$ 6.83	3.4
	5,123,932	\$ 3.19	2.5	3,443,835	\$ 1.94	1.8

During the three and nine months ended September 30, 2023, the total fair value of options granted was \$nil million and \$2.0 million (2022 – \$0.1 million and \$2.1 million) and had a weighted average grant-date fair value of C\$3.25 and C\$3.00 (2022 – C\$1.64 and C\$2.97) per option. During the three and nine months ended September 30, 2023, the weighted average share price of the 0.1 million and 2.8 million options exercised during the period was C\$5.70 and C\$6.30 (2022 - 0.1 and 2.7 million options and C\$3.27 and C\$6.46), respectively.

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Risk-free interest rate	3.07 %	2.87 %	3.01 %	1.88 %
Expected dividend yield	nil	nil	nil	nil
Expected share price volatility	63 %	63 %	63 %	61 %
Expected forfeiture rate	6.35 %	6.24 %	6.35 %	6.24 %
Expected life	3.9 years	3.8	3.9 years	3.8 years

Other share-based compensation plans

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

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

Deferred Share Units

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

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

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Restricted Share Units and Performance Share Units

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

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

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

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

During the three and nine months ended September 30, 2023, the total fair value of DSUs, RSUs, and PSUs granted under the SUP was \$0.1 million and \$6.6 million (2022 – \$0.1 million and \$5.4 million), and had a weighted average grant-date fair value of C\$6.61 and C\$6.02 (2022 – C\$3.23 and C\$6.90) 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 nine months ended September 30, 2023, the total fair value of units granted under the TSUP was \$0.1 and \$2.4 million (2022 – \$nil and \$3.5 million), and had a weighted average grant-date fair value of C\$4.1 and C\$3.99 (2022 – C\$nil and C\$4.53) per unit.

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Risk-free interest rate	3.53 %	N/A	2.78 %	1.90 %
Expected dividend yield	nil	N/A	nil	nil
Expected share price volatility	62 %	N/A	64 %	60 %
Expected forfeiture rate	nil	N/A	nil	nil
Expected life	7.5 years	N/A	8.7 years	9.2 years

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

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

	Share Unit Plan			Treasury Share Unit Plan	
	DSUs	RSUs	PSUs	RSUs	PSUs
Outstanding, December 31, 2022	2,319,325	2,830,391	3,429,260	659,409	1,345,733
Granted	125,603	1,265,142	89,947	293,426	551,853
Forfeited	—	(269,509)	(103,743)	(4,408)	(44,308)
Settled	(1,487,597)	(2,134,223)	(3,335,447)	(71,877)	—
Outstanding, September 30, 2023	957,331	1,691,801	80,017	876,550	1,853,278

Share-based compensation expense:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Share-based compensation expense related to stock options	\$ 429	\$ 371	\$ 1,306	\$ 2,569
Share-based compensation expense related to RSUs and PSUs (TSUP)	606	479	1,694	1,633
Share-based compensation expense related to DSUs, RSUs and PSUs (SUP)	294	1,459	12,736	3,869
Total share-based compensation expense	\$ 1,329	\$ 2,309	\$ 15,736	\$ 8,071

18. Revenue

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Copper concentrate	\$ 215,377	\$ 189,510	\$ 689,460	\$ 664,271
Copper cathode	103,292	119,575	324,875	318,799
Silver	8,723	7,530	28,769	25,861
Gold	6,054	309	7,911	1,210
Molybdenum	962	855	4,094	2,781
Zinc	276	—	252	1,747
Total gross revenue	334,684	317,779	1,055,361	1,014,669
Less: treatment and selling costs	(15,496)	(19,947)	(48,534)	(52,897)
Less: pricing and volume adjustments	3,054	11,372	(15,051)	(27,838)
Revenue	\$ 322,242	\$ 309,204	\$ 991,776	\$ 933,934

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

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*(tabular amounts expressed in thousands of US dollars, except share and per share amounts)***19. (Loss) Earnings Per Share***(Loss) earnings per share, calculated on a basic and diluted basis, is as follows:*

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
(Loss) earnings per share				
Basic	\$ (0.05)	\$ 0.05	\$ (0.13)	\$ 0.24
Diluted	(0.05)	0.05	(0.13)	0.23
<i>Net (loss) earnings</i>				
Net (loss) earnings attributable to common shareholders - basic and diluted	\$ (32,903)	\$ 34,113	\$ (89,415)	\$ 143,146
Weighted average shares outstanding - basic	694,029,762	687,376,497	693,289,092	604,534,669
Dilutive securities				
Stock options	2,561,072	4,862,669	2,534,575	5,779,954
TSUP units	379,964	—	359,626	200,593
Weighted average shares outstanding - diluted	696,970,798	692,239,166	696,183,293	610,515,216
<i>Potentially dilutive securities excluded (as anti-dilutive)</i>				
Stock options	2,562,860	3,811,750	2,589,357	2,894,465
TSUP units	2,349,864	2,018,604	2,370,202	1,818,011

20. Supplemental Cash Flow Information*The changes in non-cash working capital items are composed as follows:*

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Receivables	\$ 15,964	\$ 6,062	\$ 53,131	\$ 40,658
Inventories	(2,076)	10,677	1,226	5,763
Other assets	9,046	7,281	(4,265)	(3,045)
Accounts payable and accrued liabilities	(30,326)	(23,953)	(88,457)	(67,764)
Other liabilities	23,110	(274)	(1,744)	(36,450)
Net change in non-cash working capital	\$ 15,718	\$ (207)	\$ (40,109)	\$ (60,838)

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
VAT receivable	\$ (15)	\$ (93)	\$ (51)	(258)
Other non-current assets	651	(3,373)	(7,321)	(3,374)
Other non-current liabilities	(18,807)	486	(20,409)	2,087
Net change in other non-cash items	\$ (18,171)	\$ (2,980)	\$ (27,781)	(1,545)

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Depreciation and depletion per mineral properties, plant and equipment (Note 8)	64,196	57,511	169,348	142,757
Depreciation included in general and administrative expense	95	143	291	475
Depreciation included in care and maintenance	137	201	412	468
Non-cash inventory reversal (write-down)	145	130	(899)	130
Change in depreciation and depletion capitalized to inventory, capitalized stripping and construction in progress	(1,773)	(11,475)	(7,172)	(11,090)
Depreciation and depletion expense	\$ 62,800	\$ 46,510	\$ 161,980	\$ 132,740

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Additions / expenditures on mining interests (Note 8)	(228,271)	(176,004)	(638,913)	(466,596)
Non-cash additions to right-of-use assets (Note 8)	26,885	6,391	52,541	27,163
Changes in working capital (i)	10,926	(22,229)	56,871	16,678
Expenditures on mining interests (ii)	\$ (190,460)	\$ (191,842)	\$ (529,501)	\$ (422,755)

- i. The changes in working capital relate to the movement in accounts payable and prepayments related primarily to capital expenditures on the MVDP.
- ii. For the three and nine months ended, includes \$17.4 million and \$45.0 million of capitalized finance costs, respectively.

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
(Increase) decrease in accounts payable and accrued liabilities related to mineral properties, plant and equipment	\$ (14,353)	\$ 15,673	\$ (37,109)	\$ 6,129
Amortization of mining equipment capitalized to deferred stripping assets	1,083	2,138	1,619	4,113
Fair value of stock options allocated to share capital upon exercise	17	9	879	895
Fair value of TSUP units allocated to share capital upon exercise	—	—	204	—
Business combination with Mantos (Note 4)	—	—	—	1,592,679

21. Commitments

Royalty Agreements

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

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

Agreement with Osisko Bermuda Limited ("Osisko")

Pursuant to a long-term streaming agreement made in 2015, that covers the life of mine, the Company delivers 100% of the payable silver sold by Mantos Blancos to Osisko Bermuda Limited ("Osisko"). Osisko pays a cash price of 8% of the spot price at the time of each delivery, in addition to an upfront acquisition price previously paid. After 19.3 million ounces of silver have been delivered under the agreement, the stream will be reduced to one-third. Mantos Blancos has delivered 5.3 million silver ounces since contract inception until September 30, 2023.

Agreement with Jetti Resources, LLC ("Jetti")

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

Off-take agreements

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

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

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

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

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

MMC agreed to provide a \$60 million COF in exchange for additional off-take of copper concentrate production under a 10-year contract. The off-take agreement includes Mantoverde agreeing to sell 30% of its annual copper production per year delivered for its equivalent in copper concentrates, plus an additional amount of 30,000 tonnes of copper concentrate as a result of fully utilizing the COF that was 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).

Other

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

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

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

Included in value added taxes ("VAT") and other taxes receivable is \$1.1 million of VAT related to Minera Santo Domingo. The Company has provided a guarantee to the Chilean Internal Revenue Service that all VAT amounts refunded, plus interest, will be repaid if construction of the Santo Domingo development project is not completed by August 31, 2026.

22. Other Expense

Details are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Mantos integration costs	\$ —	\$ (281)	\$ —	\$ (3,401)
Insurance proceeds	—	—	—	2,368
Collective bargaining costs	—	—	(8,923)	—
Provision for Minto receivable	—	—	(5,000)	—
Restructuring costs	(765)	—	(1,861)	—
Other expense	(3,861)	(2,860)	(8,627)	(5,718)
	\$ (4,626)	\$ (3,141)	\$ (24,411)	\$ (6,751)

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23. Accretion Expense

Details of other non-cash interest are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Interest accretion on deferred revenue (Note 14)	\$ (2,415)	\$ (2,500)	\$ (7,340)	\$ (7,501)
Accretion on payable on purchase of NCI (Note 10)	(510)	(1,000)	(1,510)	(3,037)
Accretion on asset retirement obligations	(1,952)	(823)	(6,208)	(1,210)
Accretion on leases (i)	(1,056)	(119)	(2,313)	(1,673)
Amortization of financing fees	(263)	(226)	(792)	(792)
Other interest (expense) income	(213)	(231)	1,238	(1,104)
	\$ (6,409)	\$ (4,899)	\$ (16,925)	\$ (15,317)

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

24. Segmented Information

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

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Operating segment details are as follows:

	Three months ended September 30, 2023						
	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	Santo Domingo	Other	Total
Revenue							
Copper concentrate	\$ 96,882	\$ 74,144	\$ —	\$ 44,351	\$ —	\$ —	\$ 215,377
Copper cathode	6,778	26,620	69,894	—	—	—	103,292
Silver	1,582	361	—	6,780	—	—	8,723
Gold	6,054	—	—	—	—	—	6,054
Molybdenum	962	—	—	—	—	—	962
Zinc	—	—	—	276	—	—	276
Treatment and selling costs	(7,347)	(4,451)	(627)	(3,071)	—	—	(15,496)
Pricing and volume adjustments	468	786	284	(285)	—	1,801	3,054
Net revenue	105,379	97,460	69,551	48,051	—	1,801	322,242
Production costs	(79,270)	(74,292)	(68,880)	(22,675)	—	—	(245,117)
Royalties	(302)	(1,555)	—	(825)	—	—	(2,682)
Depletion and amortization	(17,805)	(18,405)	(19,183)	(7,030)	—	—	(62,423)
Income from mining operations	8,002	3,208	(18,512)	17,521	—	1,801	12,020
General and administrative expenses	(49)	—	—	(32)	(25)	(5,505)	(5,611)
Exploration expenses	(2)	—	—	(32)	26	(1,853)	(1,861)
Share-based compensation expense	—	—	—	—	—	(1,329)	(1,329)
Income (loss) from operations	7,951	3,208	(18,512)	17,457	1	(6,886)	3,219
Realized and unrealized gains (losses) on derivative instruments	—	—	5,219	—	—	(945)	4,274
Other (expense) income - net	(158)	5,857	3,208	575	156	(3,523)	6,115
Net finance costs	(1,092)	(1,794)	(381)	(2,228)	(479)	(4,453)	(10,427)
Income (loss) before income taxes	6,701	7,271	(10,466)	15,804	(322)	(15,807)	3,181
Income tax recovery (expense)	377	(18,526)	(20,979)	(6,108)	—	(282)	(45,518)
Total net income (loss)	\$ 7,078	\$ (11,255)	\$ (31,445)	\$ 9,696	\$ (322)	\$ (16,089)	\$ (42,337)
Mineral properties, plant & equipment additions	\$ 46,517	\$ 25,777	\$ 140,671	\$ 7,106	\$ 8,041	\$ 159	\$ 228,271

- i. Included in pricing and volume adjustments are realized and unrealized gains (losses) on the Company's quotational pricing copper contracts.
- ii. Intersegment sales and transfers are eliminated in the table above. For the three months ended September 30, 2023, intersegment revenue for Cozamin and the Other segment was \$3.1 million and \$0.3 million (2022 - \$3.4 million and \$0.3 million), respectively.

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

	Three months ended September 30, 2022						
	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	Santo Domingo	Other	Total
Revenue							
Copper concentrate	\$ 90,611	\$ 59,679	\$ —	\$ 39,220	\$ —	\$ —	\$ 189,510
Copper cathode	4,983	30,081	84,511	—	—	—	119,575
Silver	603	425	—	6,502	—	—	7,530
Molybdenum	855	—	—	—	—	—	855
Gold	309	—	—	—	—	—	309
Treatment and selling costs	(9,400)	(6,191)	(1,594)	(2,762)	—	—	(19,947)
Pricing and volume adjustments	3,947	2,677	(296)	4,544	—	500	11,372
Net revenue	91,908	86,671	82,621	47,504	—	500	309,204
Production costs	(70,719)	(74,680)	(108,903)	(17,132)	—	—	(271,434)
Royalties	(385)	(1,400)	—	(405)	—	—	(2,190)
Depletion and amortization	(18,764)	(14,283)	(9,286)	(3,963)	—	—	(46,296)
Income (loss) from mining operations	2,040	(3,692)	(35,568)	26,004	—	500	(10,716)
General and administrative expenses	(85)	—	—	(18)	(18)	(6,168)	(6,289)
Exploration expenses	—	—	(1)	(9)	(3)	(1,764)	(1,777)
Share-based compensation expense	—	—	—	—	—	(2,309)	(2,309)
Income (loss) from operations	1,955	(3,692)	(35,569)	25,977	(21)	(9,741)	(21,091)
Unrealized and realized gains on derivative instruments	—	—	44,034	—	—	33,726	77,760
Other (expense) income - net	(459)	11,368	2,887	119	(271)	510	14,154
Net finance costs	(1,282)	(467)	48	(2,091)	(533)	(2,098)	(6,423)
Income (loss) before income taxes	214	7,209	11,400	24,005	(825)	22,397	64,400
Income tax recovery (expense)	941	(6,594)	(197)	(8,223)	—	(12,853)	(26,926)
Total net income (loss)	\$ 1,155	\$ 615	\$ 11,203	\$ 15,782	\$ (825)	\$ 9,544	\$ 37,474
Mineral properties, plant & equipment additions	36,796	21,903	64,128	17,599	8,082	—	148,508

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	Nine months ended September 30, 2023						
	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	Santo Domingo	Other	Total
Revenue							
Copper concentrate	\$ 311,406	\$ 234,090	\$ —	\$ 143,964	\$ —	\$ —	\$ 689,460
Copper cathode	18,083	89,842	216,950	—	—	—	324,875
Silver	4,084	1,461	—	23,224	—	—	28,769
Gold	7,911	—	—	—	—	—	7,911
Molybdenum	4,094	—	—	—	—	—	4,094
Zinc	—	—	—	252	—	—	252
Treatment and selling costs	(24,276)	(13,301)	(1,934)	(9,023)	—	—	(48,534)
Pricing and volume adjustments (i)	(3,726)	(3,811)	(1,178)	(1,047)	—	(5,289)	(15,051)
Net revenue	317,576	308,281	213,838	157,370	—	(5,289)	991,776
Production costs	(235,996)	(231,522)	(225,934)	(66,053)	—	—	(759,505)
Royalties	(1,368)	(4,675)	—	(2,645)	—	—	(8,688)
Depletion and amortization	(56,542)	(49,039)	(36,732)	(19,863)	—	—	(162,176)
Income (loss) from mining operations	23,670	23,045	(48,828)	68,809	—	(5,289)	61,407
General and administrative expenses	(101)	—	—	(83)	(79)	(18,213)	(18,476)
Exploration expenses	(4)	—	—	(74)	(14)	(4,614)	(4,706)
Share-based compensation expense	—	—	—	—	—	(15,736)	(15,736)
Income (loss) from operations	23,565	23,045	(48,828)	68,652	(93)	(43,852)	22,489
Realized and unrealized gains (losses) on derivative instruments	—	—	11,593	—	—	(684)	10,909
Other (expense) income - net	(1,064)	(9,606)	(4,294)	3,094	(91)	(64,311)	(76,272)
Net finance costs	(2,642)	(5,133)	37	(6,732)	(1,520)	(9,810)	(25,800)
Income (loss) before income taxes	19,859	8,306	(41,492)	65,014	(1,704)	(118,657)	(68,674)
Income tax recovery (expense)	1,183	(19,263)	(11,119)	(15,757)	—	8,432	(36,524)
Total net income (loss)	\$ 21,042	\$ (10,957)	\$ (52,611)	\$ 49,257	\$ (1,704)	\$ (110,225)	\$ (105,198)
Mineral properties, plant & equipment additions	\$ 87,758	\$ 68,986	\$ 432,910	\$ 32,212	\$ 16,888	\$ 159	\$ 638,913

- i. Included in pricing and volume adjustments are realized and unrealized gains (losses) on the Company's quotational pricing copper contracts.
- ii. Intersegment sales and transfers are eliminated in the table above. For the nine months ended September 30, 2023, intersegment revenue for Cozamin and the Other segment was \$9.7 million and \$1.0 million (2022 - \$10.5 million and \$1.0 million), respectively.

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	Nine months ended September 30, 2022						
	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	Santo Domingo	Other	Total
Revenue							
Copper concentrate	\$ 370,690	\$ 144,212	\$ —	\$ 149,369	\$ —	\$ —	\$ 664,271
Copper cathode	16,630	68,923	233,246	—	—	—	318,799
Silver	3,739	983	—	21,139	—	—	25,861
Molybdenum	2,781	—	—	—	—	—	2,781
Zinc	—	—	—	1,747	—	—	1,747
Gold	1,210	—	—	—	—	—	1,210
Treatment and selling costs	(28,769)	(12,387)	(3,263)	(8,478)	—	—	(52,897)
Pricing and volume adjustments	(15,138)	(9,457)	(2,400)	(1,343)	—	500	(27,838)
Net revenue	351,143	192,274	227,583	162,434	—	500	933,934
Production costs	(228,333)	(149,905)	(233,014)	(51,015)	—	—	(662,267)
Royalties	(1,622)	(2,708)	—	(2,789)	—	—	(7,119)
Depletion and amortization	(63,627)	(28,155)	(27,951)	(12,194)	—	—	(131,927)
Income from mining operations	57,561	11,506	(33,382)	96,436	—	500	132,621
General and administrative expenses	(461)	—	—	(77)	(72)	(18,219)	(18,829)
Exploration expenses	—	—	(1)	(60)	(38)	(6,942)	(7,041)
Share-based compensation expense	—	—	—	—	—	(8,071)	(8,071)
Income (loss) from operations	57,100	11,506	(33,383)	96,299	(110)	(32,732)	98,680
Unrealized and realized gain on derivative instruments	—	—	131,188	—	—	43,835	175,023
Other (expense) income - net	(1,168)	21,425	(816)	(480)	(665)	(20,588)	(2,292)
Net finance costs	(2,459)	(1,114)	(988)	(6,515)	(1,599)	(5,875)	(18,550)
Income (loss) before income taxes	53,473	31,817	96,001	89,304	(2,374)	(15,360)	252,861
Income tax expense	(5,754)	(14,393)	(24,717)	(29,135)	—	(14,331)	(88,330)
Total net income (loss)	\$ 47,719	\$ 17,424	\$ 71,284	\$ 60,169	\$ (2,374)	\$ (29,691)	\$ 164,531
Mineral properties, plant & equipment additions	77,226	94,446	218,047	53,306	23,556	15	466,596

As at September 30, 2023

	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	Santo Domingo	Other	Total
Mineral properties, plant and equipment	\$ 763,627	\$ 990,891	\$ 2,738,102	\$ 256,792	\$ 434,868	\$ 709	\$ 5,184,989
Total assets	\$ 874,024	\$ 1,109,633	\$ 2,977,263	\$ 303,912	\$ 480,689	\$ 38,080	\$ 5,783,601
Total liabilities	\$ 230,177	\$ 314,014	\$ 1,365,051	\$ 222,485	\$ 8,692	\$ 554,636	\$ 2,695,055

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

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25. Foreign Exchange

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Unrealized foreign exchange gain	\$ 5,739	\$ 10,044	\$ 7,157	\$ 26,473
Realized foreign exchange gain (loss)	7,723	(784)	(2,376)	(10,616)
Total foreign exchange gain	\$ 13,462	\$ 9,260	\$ 4,781	\$ 15,857

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